

TO: Rachel Hemphill, Chair, Life Actuarial (A) Task Force

FROM: Pete Miller, ASA, MAAA, Experience Study Actuary, Society of Actuaries (SOA) Research Institute
R. Dale Hall, FSA, MAAA, CFA, CERA, Managing Director, Research

DATE: August 1, 2026

RE: 2026 Generally Recognized Expense Table (GRET) – SOA Research Institute Analysis

Dear Ms. Hemphill:

As in previous years, the Society of Actuaries Research Institute expresses its thanks to NAIC staff for their assistance and responsiveness in providing Annual Statement expense and unit data for the 2026 GRET analysis for use with individual life insurance sales illustrations. The analysis is based on expense and expense-related information reported on each company's 2023 and 2024 Annual Statements. This project has been completed to assist the Life Actuarial Task Force (LATF) in considering potential revisions to the GRET that could become effective for the calendar year 2026. This memo describes the analysis and resultant findings.

NAIC staff provided Annual Statement data for life insurance companies for calendar years 2023 and 2024. This included data from 745 companies in 2023 and 712 companies in 2024. This decrease resumes the trend of small decreases from year to year. Of the total companies, 380 were in both years and passed the outlier exclusion tests and were included as a base for the GRET factors (378 companies passed similar tests last year).

Approach Used

The methodology for calculating the recommended GRET factors based on this data is similar to that in the last several years. The methodology was last altered in 2015. The changes made then can be found in the recommendation letter sent to LATF on July 30, 2015.

To calculate updated GRET factors, the average of the factors from the two most recent years (2023 and 2024 for those companies with data available for both years) of Annual Statement data was used. For each company, an actual-to-expected (A/E) ratio was calculated. Companies with ratios that fell outside predetermined parameters were excluded. This process was completed three times to stabilize the average rates. The boundaries of the exclusions have been modified from time to time; however, there were no adjustments made this year. Unit expense seed factors (the seeds for all distribution channel categories are the same), as shown in Appendix B, were used to compute total expected expenses. Thus, these seed factors were used to implicitly allocate expenses between acquisition and maintenance expenses, as well as among the three acquisition expense factors (on a direct or ceded reinsurance basis).

Companies were categorized by their reported distribution channel (four categories were used as described in Appendix A included below). There remain a significant number of companies for which no distribution channel was provided, as no responses to the annual surveys have been received from those companies. The characteristics of these companies vary significantly, including companies not currently writing new business or whose major line of business is not individual life insurance. Any advice or assistance from LATF in future years to increase the response rate to the surveys of companies that submit Annual Statements to reduce the number of companies in the "Other" category would be most welcomed. The intention is to continue

surveying the companies in future years to enable the enhancement of this multiple distribution channel information.

Companies were excluded from the analysis if in either 2023 or 2024, (1) their A/E ratios were considered outliers, often due to low business volume, (2) the average first year and single premium per policy were more than \$40,000, (3) they are known reinsurance companies or (4) their data were not included in the data supplied by the NAIC. To derive the overall GRET factors, the unweighted average of the remaining companies' A/E ratios for each respective category was calculated. The resulting factors were rounded, as shown in Table 1.

The Recommendation

The above methodology results in the proposed 2026 GRET values shown in Table 1. To facilitate comparisons, the current 2025 GRET factors are shown in Table 2. Further characteristics of the type of companies represented in each category are included in the last two columns in Table 1, including the average premium per policy issued and the average face amount (\$000s) per policy issued.

TABLE 1
PROPOSED 2026 GRET FACTORS, BASED ON AVERAGE OF 2023/2024 DATA

DESCRIPTION	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year	Average Face Amt (000) Per Policy Issued During Year
Independent	\$217	\$1.20	54%	\$65	150	2,666	223
Career	238	1.30	60%	72	95	2,854	215
Direct Marketing	263	1.40	65%	79	24	490	142
Niche Marketing	126	0.70	32%	38	25	996	15
Other*	175	1.00	44%	53	86	961	90
* Includes companies that did not respond to this or prior year surveys					380		

TABLE 2
CURRENT 2025 GRET FACTORS, BASED ON AVERAGE OF 2022/2023 DATA

DESCRIPTION	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Companies Included	Average Premium Per Policy Issued During Year	Average Face Amt (000) Per Policy Issued During Year
Independent	\$204	\$1.10	51%	\$61	147	3,008	241
Career	227	1.20	57%	68	86	2,739	218
Direct Marketing	239	1.30	59%	72	24	465	119
Niche Marketing	131	0.70	33%	39	27	649	12
Other*	159	0.90	40%	48	94	869	81
* Includes companies that did not respond to this or prior year surveys					378		



In previous recommendations, an effort was made to reduce volatility in the GRET factors from year to year by limiting the yearly change in GRET factors to about ten percent of the prior value. The changes from the 2025 GRET were reviewed to ensure that a significant change was not made in this year's GRET recommendation.

Four GRET factors for the Direct Marketing distribution channel exceeded the 10% threshold and were therefore capped. The capping adjustments were necessary only for the Direct Marketing distribution channel, where raw increases exceeded the 10% threshold across all four factors. This action limited volatility and ensured consistency for illustration purposes despite inherent fluctuations in smaller-sample, high-variability channels. No capping was required for Independent, Career, Niche, or Other channels.

Usage of the GRET

This year's survey, responded to by each company's Annual Statement correspondent, included a question regarding whether the 2025 GRET table was used in its illustrations by the company. Last year, 34% of responders indicated their company used GRET for sales illustration purposes. This year, 35% of responding companies indicated they used the 2025 GRET for sales illustration purposes. Usage levels have returned to the historical range of 31–35% after the spike to 44% in 2023. The responses covered all major distribution methods, with 44% from Independent, 50% from Career, and 6% from Direct Marketing; no respondents from Niche Marketers reported using the GRET Factors. Based on the information received over the last several years, the variation in GRET usage appears to be in large part due to the relatively small sample size and different responders to the surveys.

We hope LATF finds this information helpful and sufficient for consideration of a potential update to the GRET. If you require further analysis or have questions, please contact Pete Miller at 847-706-3566.

Kindest personal regards,

A handwritten signature in black ink that reads 'Pete J. Miller'.

Pete Miller, ASA, MAAA
Experience Studies Actuary
Society of Actuaries Research Institute

A handwritten signature in black ink that reads 'R. Dale Hall'.

R. Dale Hall, FSA, MAAA, CFA, CERA
Managing Director, Research
Society of Actuaries Research Institute

Appendix A – Distribution Channels

The following is a description of distribution channels used in the development of recommended 2023 GRET values:

1. Independent – Business written by a company that markets its insurance policies through an independent insurance agent or insurance broker not primarily affiliated with any one insurance company. These agencies or agents are not employed by the company and operate without an exclusive distribution contract with the company. These include most PPGA arrangements.
2. Career – Business written by a company that markets insurance and investment products through a sales force primarily affiliated with one insurance company. These companies recruit, finance, train, and often house financial professionals who are typically referred to as career agents or multi-line exclusive agents.
3. Direct Marketing – Business written by a company that markets its own insurance policies direct to the consumer through methods such as direct mail, print media, broadcast media, telemarketing, retail centers and kiosks, internet, or other media. No direct field compensation is involved.
4. Niche Marketers – Business written by home service, pre-need, or final expense insurance companies as well as niche-market companies selling small face amount life products through a variety of distribution channels.
5. Other – Companies surveyed were only provided with the four options described above. Nonetheless since there were many companies for which we did not receive a response (or whose response in past years' surveys confirmed an "other" categorization (see below), values for the "other" category are given in the tables in this memo. It was also included to indicate how many life insurance companies with no response (to this survey and prior surveys) and to indicate whether their exclusion has introduced a bias into the resulting values.

Appendix B – Unit Expense Seeds

The expense seeds used in the 2014 and prior GRETs were differentiated between branch office and all other categories, due to the results of a relatively old study that had indicated that branch office acquisition cost expressed on a per Face Amount basis was about double that of other distribution channels. Due to the elimination of the branch office category in the 2015 GRET, non-differentiated unit expense seeds have been used in the current and immediately prior studies.

The unit expense seeds used in the 2026 GRET and the 2025 GRET recommendations were based on the average of the 2006 through 2010 Annual SOA expense studies. These studies differentiated unit expenses by type of individual life insurance policy (term and permanent coverages). As neither the GRET nor the Annual Statement data provided differentiates between these two types of coverage, the unit expense seed was derived by judgment based this information. The following shows the averages derived from the Annual SOA studies and the seeds used in this study. Beginning with the 2020 Annual Statement submission this information will become more readily available.

2006-2010 (AVERAGE) CLICE STUDIES:

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
Term				
Weighted Average	\$149	\$0.62	38%	\$58
Unweighted Average	\$237	\$0.80	57%	\$76
Median	\$196	\$0.59	38%	\$64
Permanent				
Weighted Average	\$167	\$1.43	42%	\$56
Unweighted Average	\$303	\$1.57	49%	\$70
Median	\$158	\$1.30	41%	\$67

CURRENT UNIT EXPENSE SEEDS:

	Acquisition/ Policy	Acquisition/ Face Amount (000)	Acquisition/ Premium	Maintenance/ Policy
All distribution channels	\$200	\$1.10	50%	\$60

2026 GRET Recommendation

R. Dale Hall, FSA, MAAA, CFA, CERA
Managing Director, Research
Society of Actuaries Research Institute
August 10, 2025



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Presentation Disclaimer

The material and information contained in this presentation is for general information only. It does not replace independent professional judgment and should not be used as the basis for making any business, legal or other decisions. The Society of Actuaries Research Institute assumes no responsibility for the content, accuracy or completeness of the information presented.

Agenda

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Methodology

Steps to determine the GRET Factors

Primary Distribution Channel	- Survey sent by SOA Research Institute to gather distribution channel. - For non-respondents, used distribution channel previously gathered.
Calculate Company Actual to Expected	- Actual expense from company annual statements. - Seed applied factors to company data to calculate expected expenses.
Remove Outliers	- Calculate medians by distribution channel. - Remove companies above 350% or 10% of the median.
Determine Final Factors	- For each distribution channel, determine the average A/E. - Multiply the average A/E over the past two years times the Seed value to determine the final factor. (A rounded change cap of $\pm 10\%$ is applied.)

Seed Factors

- Based on averages from 2006–2010 SOA studies of term and permanent products
- Blended, non-differentiated seeds used across all channels since 2015.

	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy
Term				
• Weighted Average	\$149	\$0.62	38%	\$58
• Unweighted Average	\$237	\$0.80	57%	\$76
• Median	\$196	\$0.59	38%	\$64
Permanent				
• Weighted Average	\$237	\$0.80	57%	\$76
• Unweighted Average	\$196	\$0.59	38%	\$64
• Median	\$237	\$0.80	57%	\$76
Current Seed Factors	\$200	\$1.10	50%	\$60

Information on Companies in Study



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Companies Considered in Calculation

Year	Starting Companies	Reinsurers (Removed)	De minimis Expenses (Removed)	Companies Considered
2023	745	(56)	(134)	555
2024	712	(56)	(133)	523

- Start with data from the NAIC for all companies Blue Book values.
- Remove:
 - Reinsurers.
 - Companies with no reported expenses.

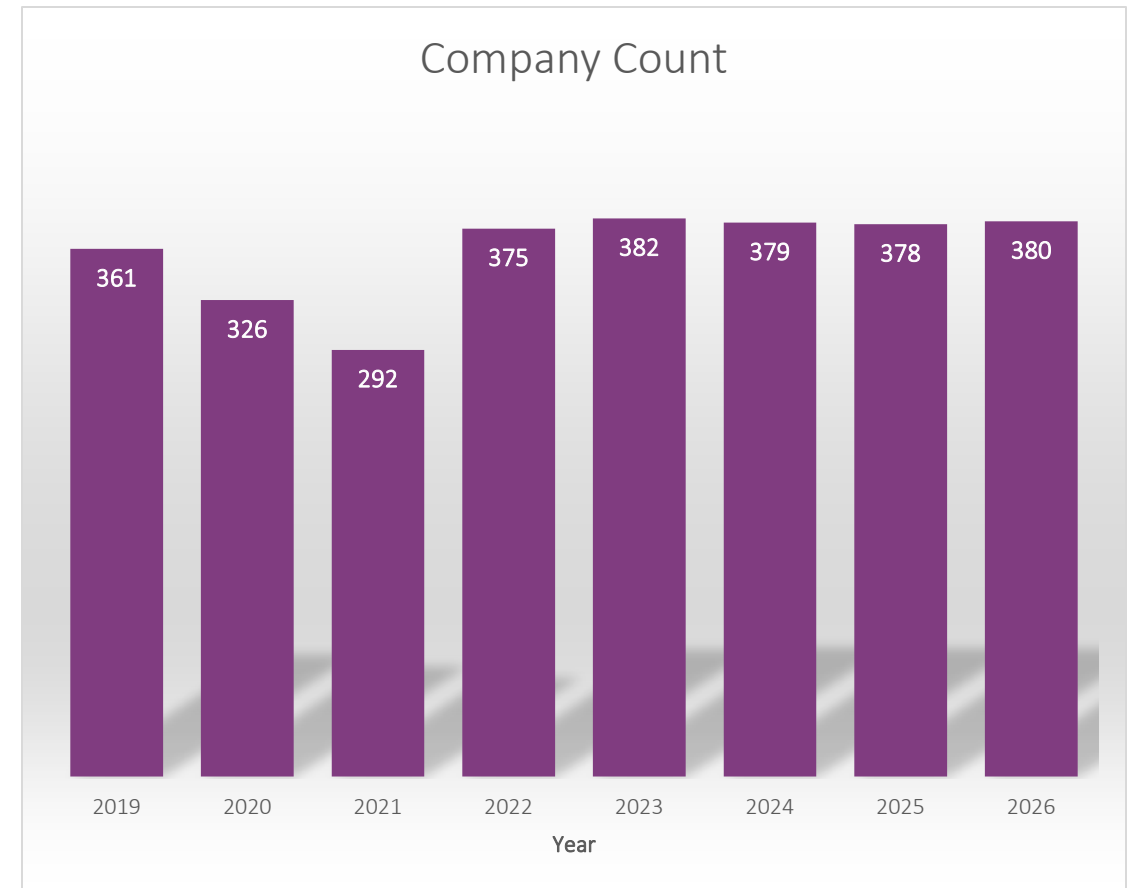
Final Used Companies in 2026 Factor Calculation

Year	Companies Considered	Outlier Exclusion	Removed for Large Premium per Policy	Not Kept in Other Calculation Year	Final Companies
2023	555	(118)	(8)	(49)	380
2024	523	(113)	(8)	(22)	380

- Start with considered companies.
- Remove companies:
 - That fail exclusion tests.
 - With large premium per policy (Greater than \$40K).
 - That are not in or kept in the other calculation year.

Final Companies in Study

- The final companies used in the 2026 GRET calculation was 380
- This is an increase by two companies from the 278 in 2025.
- Over the past five years, the company count has been very steady, between 375 and 380.



Company Survey Results



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Survey Results

Percentage of Companies that use GRET Factors	
Survey Year	Percentage
2024	34%
2023	44%
2022	35%
2021	31%
2020	29%
2019	26%
2018	28%
2017	30%

Annual industry survey on GRET Factor usage for individual life sales illustrations.

The results show that usage remains in the one third range that has been observed in most of the previous eight years.

Recommendation

Recommendation for 2026 GRET Factors

PROPOSED 2026 GRET FACTORS, BASED ON AVERAGE OF 2023/2024 DATA					
Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Company Count
Independent	\$217	\$1.20	54%	\$65	150
Career	238	1.30	60%	72	95
Direct Marketing	263	1.40	65%	79	24
Niche Marketing	126	0.70	32%	38	25
Other*	175	1.00	44%	53	86
* Includes companies that did not respond to this or prior year surveys. ** All values reflect capped final factors ($\pm 10\%$ annual change limit).					380

Current 2025 GRET Factors

CURRENT 2025 GRET FACTORS, BASED ON AVERAGE OF 2022/2023 DATA					
Description	Acquisition per Policy	Acquisition per Unit	Acquisition per Premium	Maintenance per Policy	Company Count
Independent	\$204	\$1.10	51%	\$61	147
Career	227	1.20	57%	68	86
Direct Marketing	239	1.30	59%	72	24
Niche Marketing	131	0.70	33%	39	27
Other*	159	0.90	40%	48	94
* Includes companies that did not respond to this or prior year surveys. ** All values reflect capped final factors ($\pm 10\%$ annual change limit).					378

Comparison to Prior Years



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Acquisition per Policy Factor Comparison

COMPARISON TO PRIOR YEARS					
Description	2024	Percentage Change	2025	Percentage Change	2026
Independent	\$198	3%	\$204	6%	\$217
Career	206	10%	227	5%	238
Direct Marketing	217	10%	239	10%	263
Niche Marketing	132	-1%	131	-4%	126
Other*	162	-2%	159	10%	175
* Includes companies that did not respond to this or prior year surveys.					
** All values reflect capped final factors ($\pm 10\%$ annual change limit).					

Acquisition per Unit Factor Comparison

COMPARISON TO PRIOR YEARS					
Description	2024	Percentage Change	2025	Percentage Change	2026
Independent	\$1.10	0%	\$1.10	9%	\$1.20
Career	1.10	9%	1.20	8%	1.30
Direct Marketing	1.20	8%	1.30	8%	1.40
Niche Marketing	0.70	0%	0.70	0%	0.70
Other*	0.90	0%	0.90	11%**	1.00
* Includes companies that did not respond to this or prior year surveys. ** Capped at 10% increase, but 11% due to factor rounding.					

Acquisition per Premium Factor Comparison

COMPARISON TO PRIOR YEARS					
Description	2024	Percentage Change	2025	Percentage Change	2026
Independent	50%	2%	51%	6%	54%
Career	52%	10%	57%	5%	60%
Direct Marketing	54%	9%	59%	10%	65%
Niche Marketing	33%	0%	33%	-3%	32%
Other*	41%	-2%	40%	10%	44%
* Includes companies that did not respond to this or prior year surveys.					
** All values reflect capped final factors ($\pm 10\%$ annual change limit).					

Maintenance per Policy Factor Comparison

COMPARISON TO PRIOR YEARS					
Description	2024	Percentage Change	2025	Percentage Change	2026
Independent	\$59	3%	\$61	7%	\$65
Career	62	10%	68	6%	72
Direct Marketing	65	11%***	72	10%	79
Niche Marketing	40	-3%	39	-3%	38
Other*	49	-2%	48	10%	53
* Includes companies that did not respond to this or prior year surveys. ** All values reflect capped final factors ($\pm 10\%$ annual change limit). *** Capped at 10% increase, but 11% due to factor rounding.					

Questions?



