



The State of the L/H Insurance Industry

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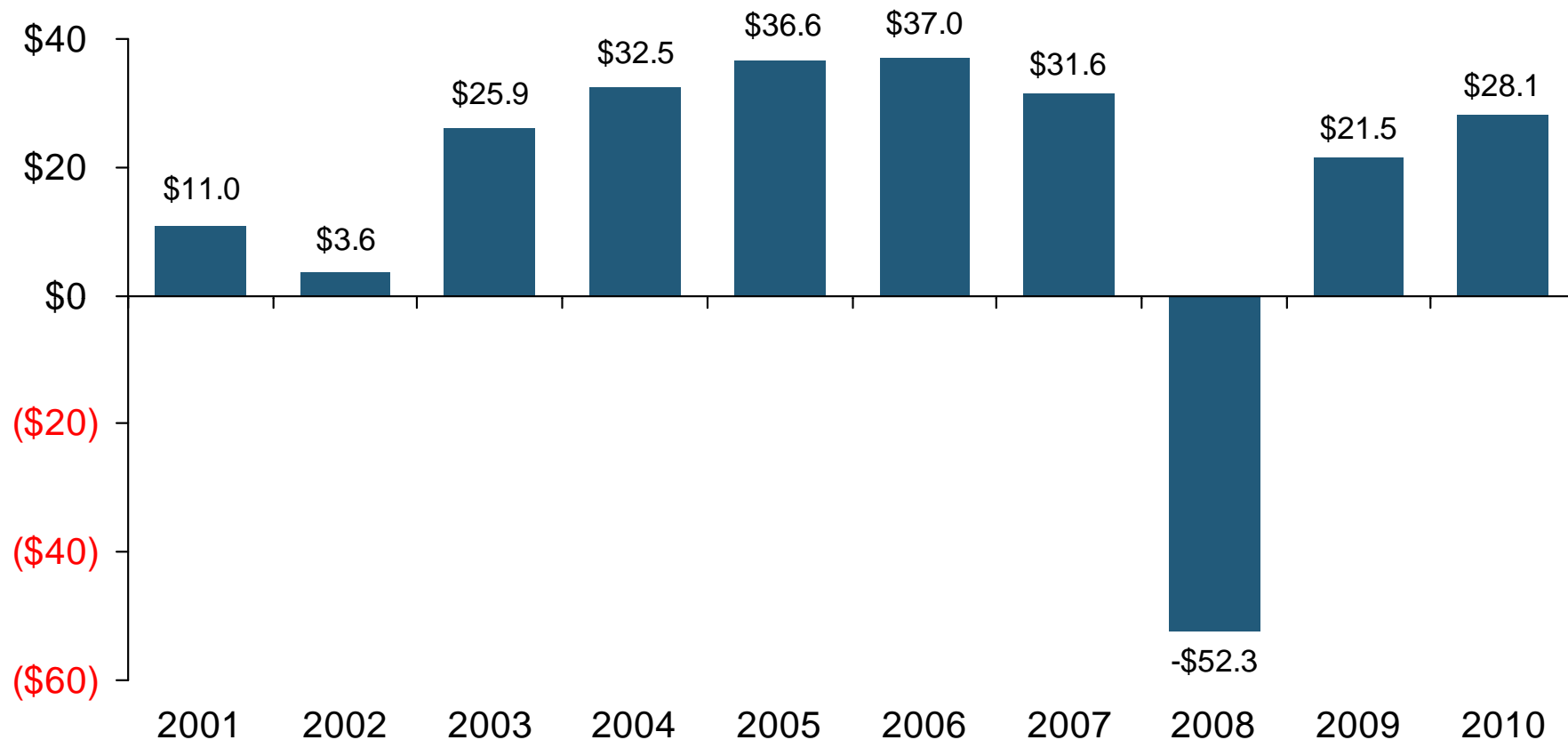


Profitability

**Relatively Steady
But Unspectacular**

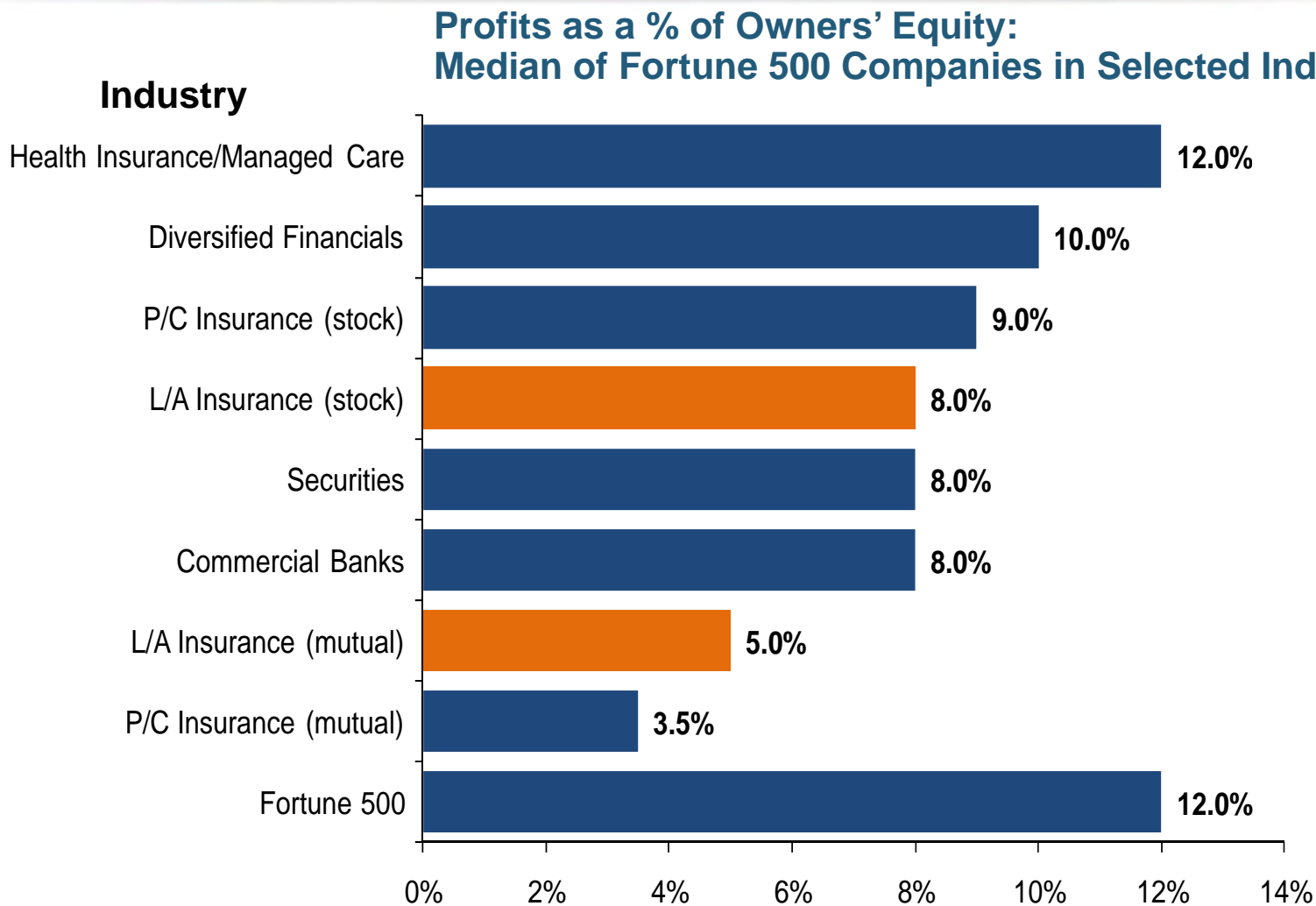
Life/Annuity Industry Profits, 2001-2010

Billions



The Life/Annuity industry has produced steady (if unspectacular) profits, except for years in which the industry's investment results produced significant realized capital losses.

Median ROEs for Insurers and Other Financial Services in the “Fortune 500,” 2010

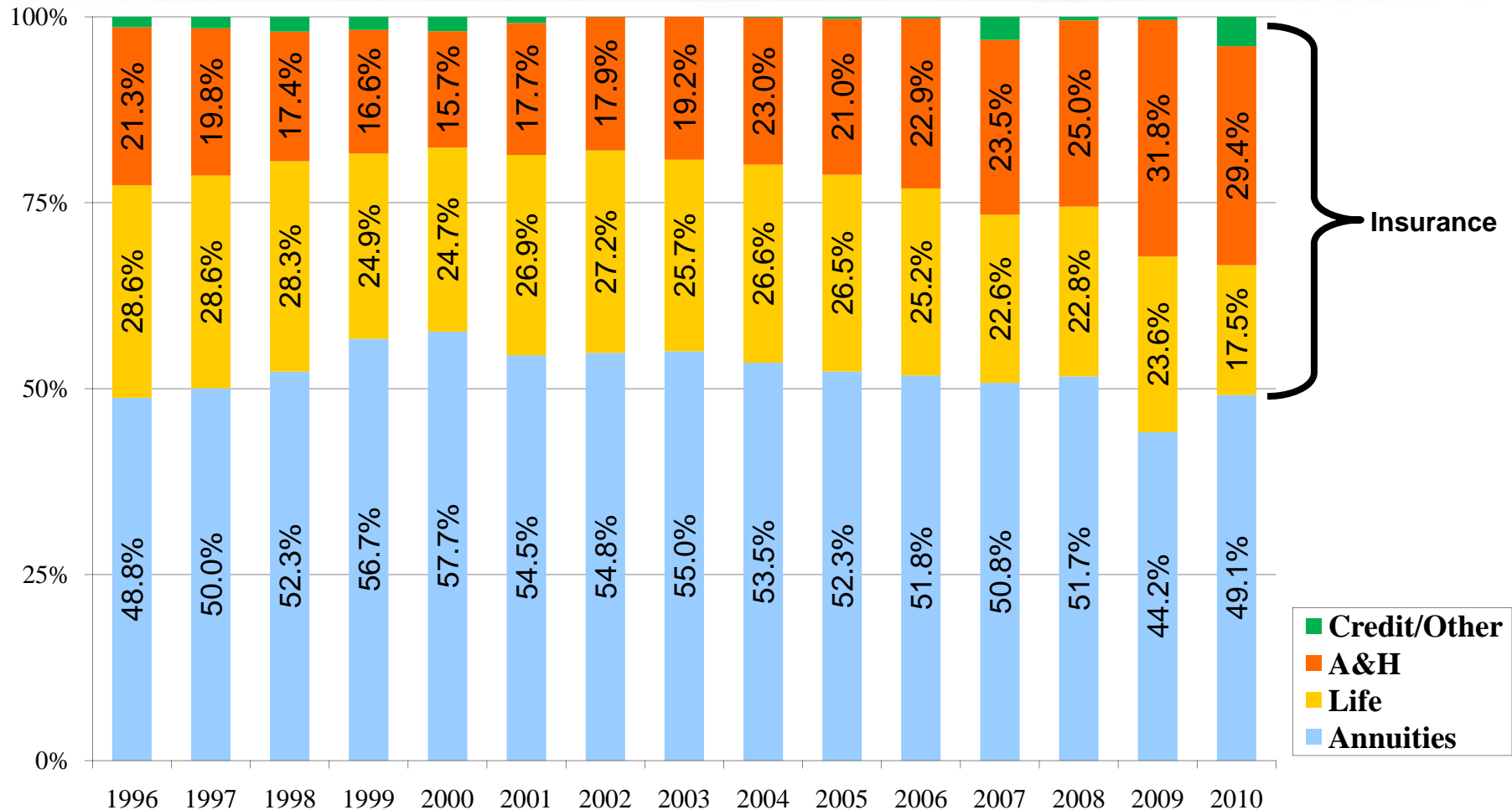




Don't Call It the "Life Insurance" Industry

**Annuities Dominate
Industry Premiums and Profits**

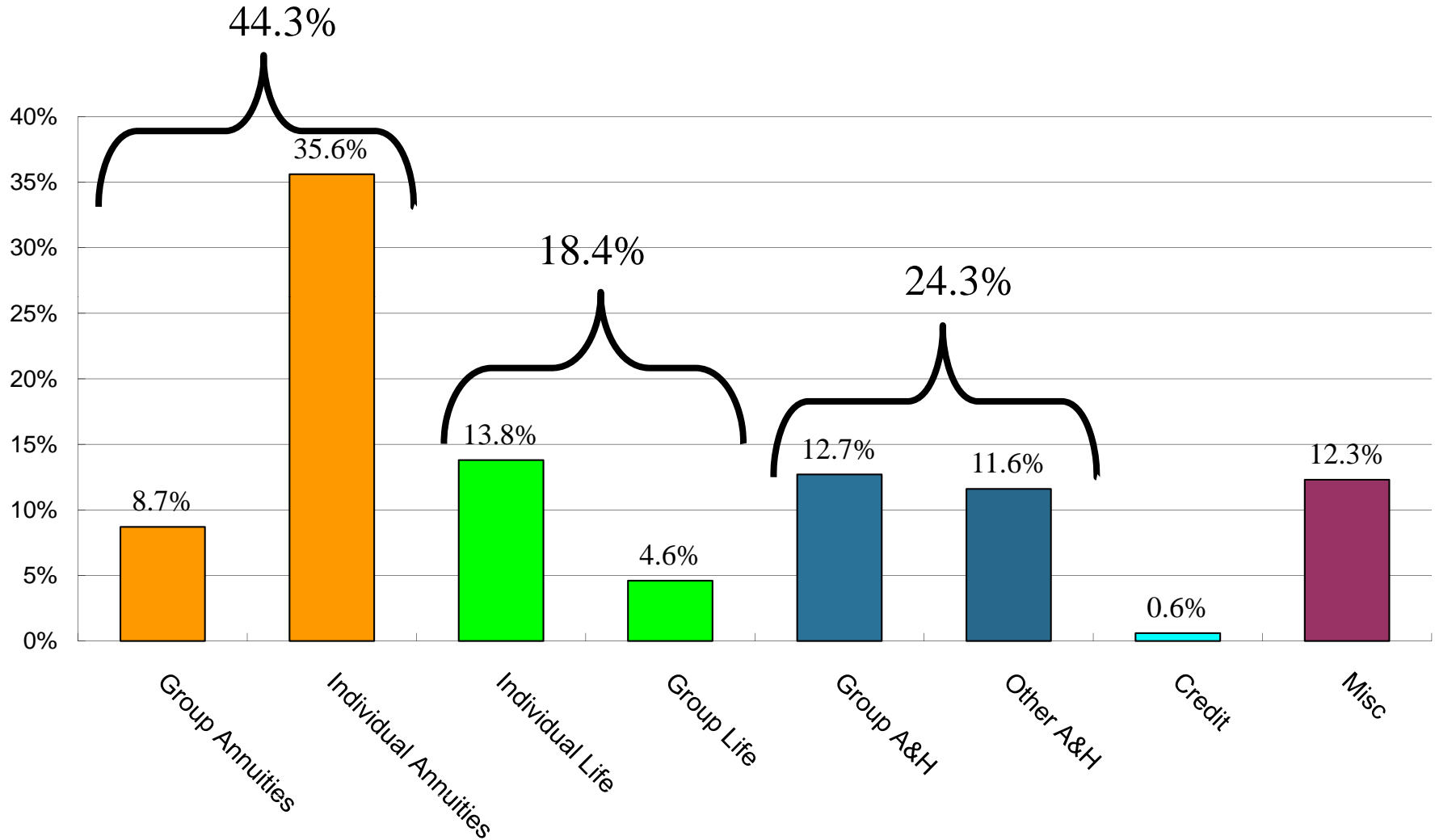
Distribution of Premiums by Line of Business, 1996-2010



Life Insurance is now 17.5% of total premiums, down from 28% a dozen years ago. Annuities have been the main premium source for decades.

Source: NAIC, via SNL Financial; I.I.I.

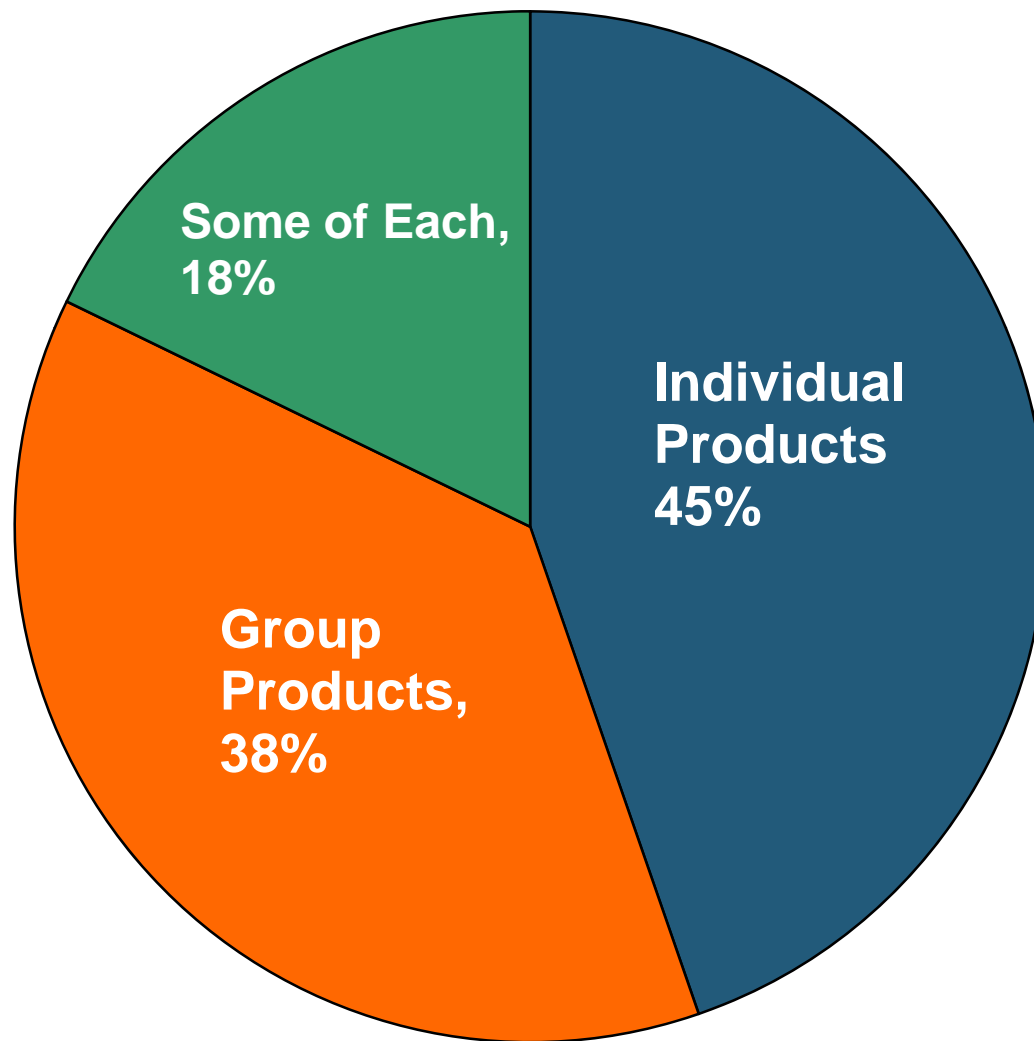
U.S. Life/Annuity Insurance Industry Profit Sources, by Percent, 2010



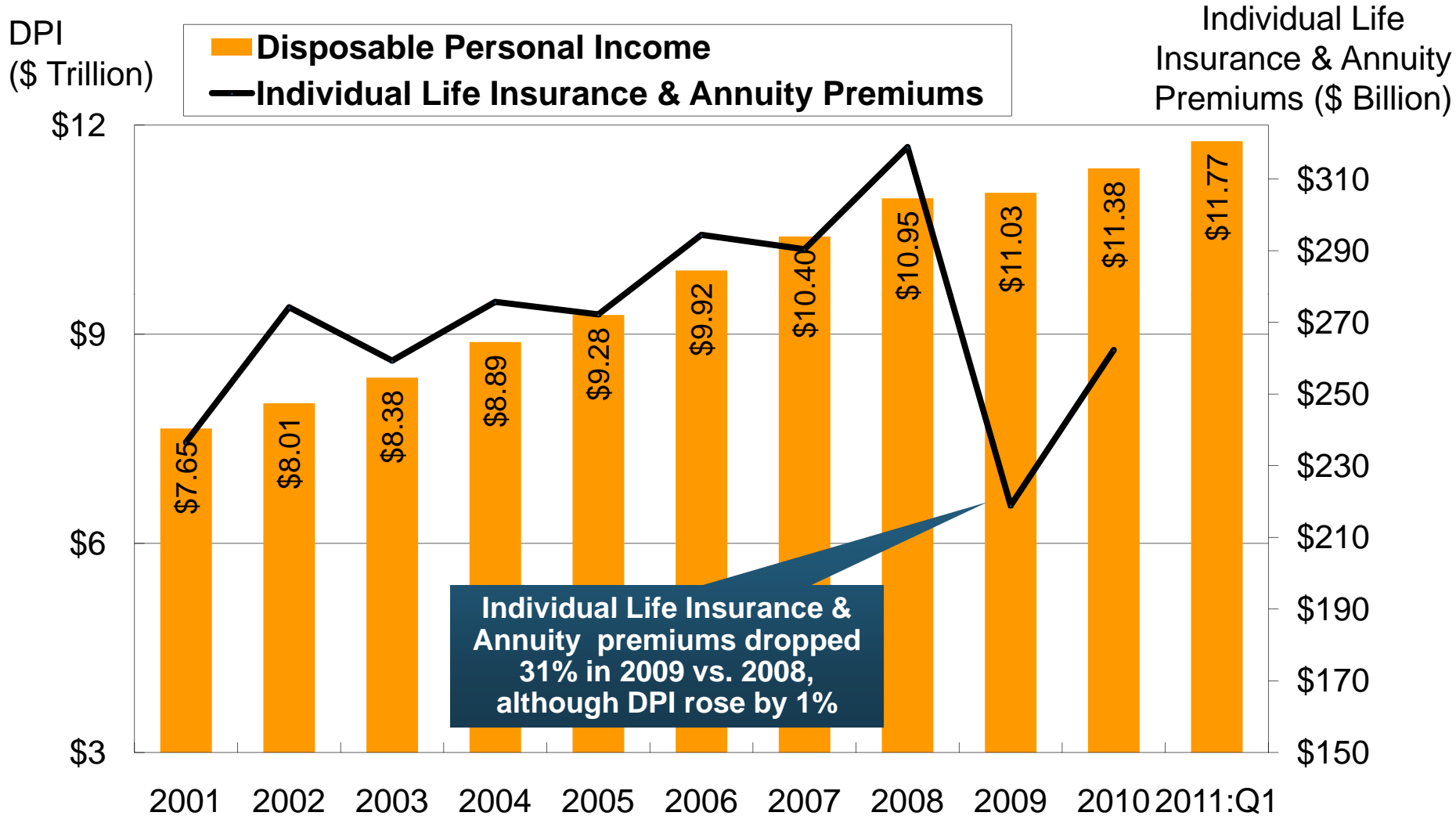


Revenues and Revenue Drivers

L-A Direct Premiums by Market, (\$ Billions) 2010

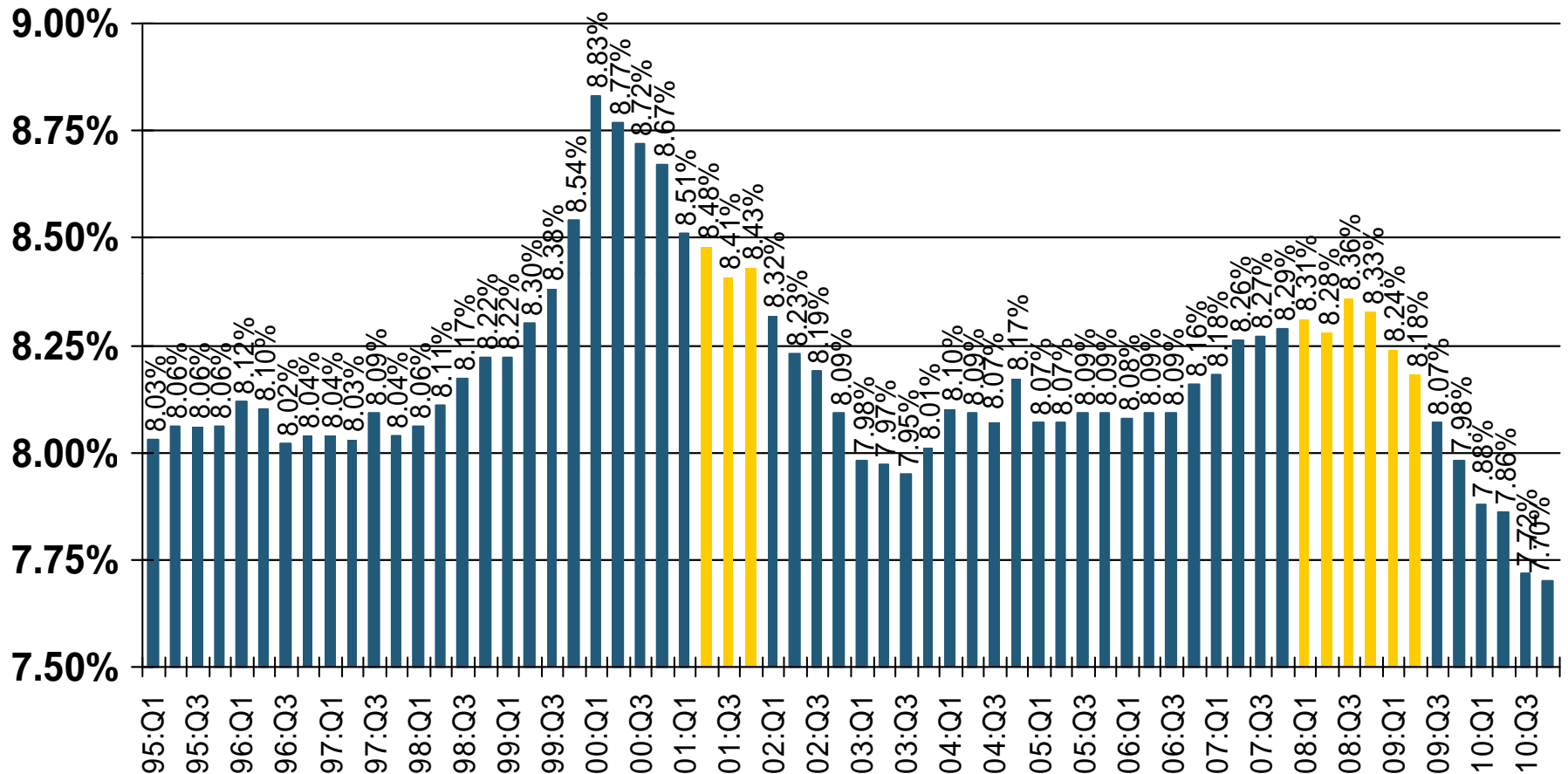


Individual Life Insurance & Annuity Premiums Generally Track DPI



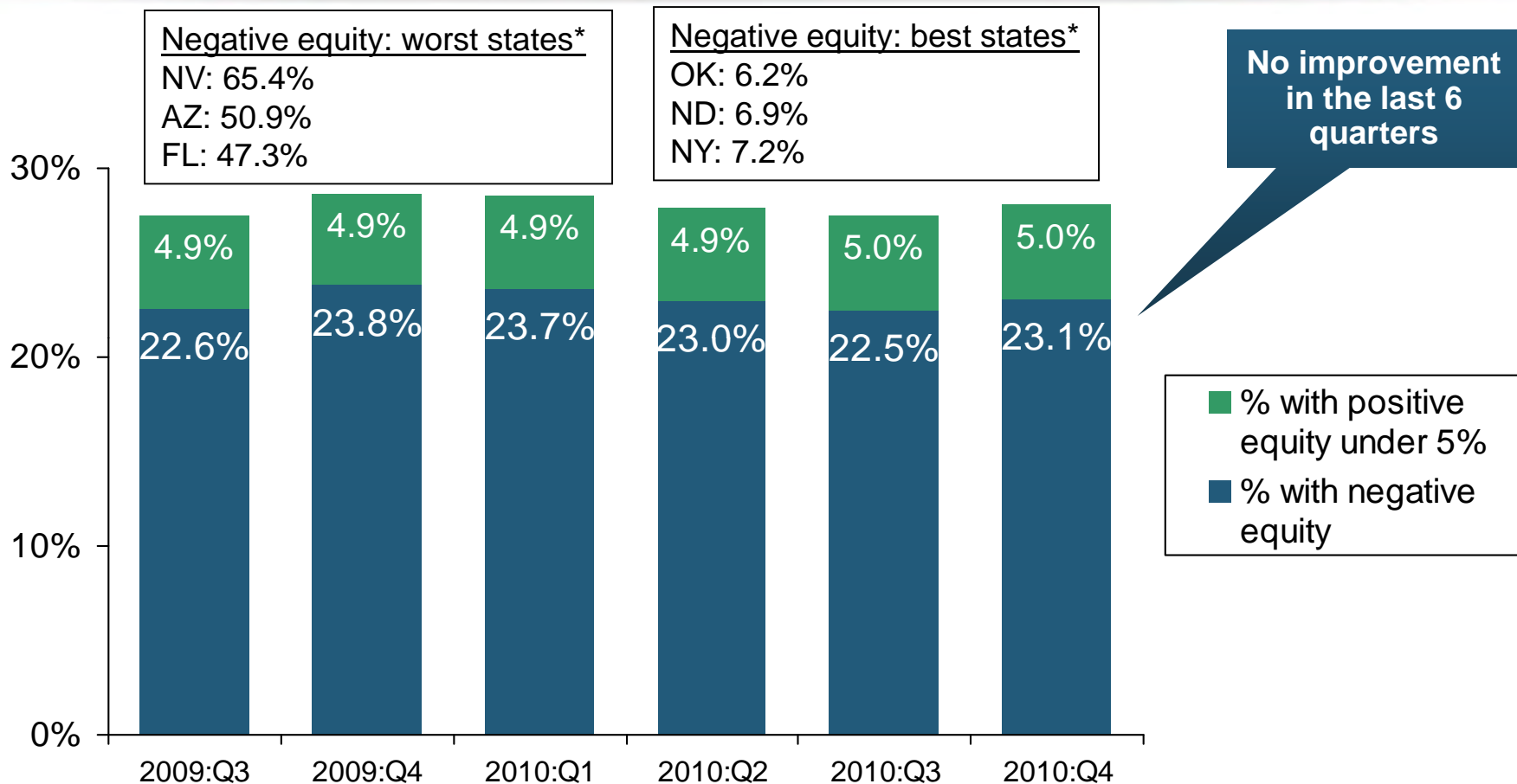
Spending on Financial Services as a % of Personal Consumption Expenditures,

1995:Q1-2010:Q4



Sources: U.S. Bureau of Economic Analysis: <http://www.bea.gov> ; Insurance Information Institute.

Percentage of Homes with Mortgages That Are in Negative (and Near-Negative) Equity*

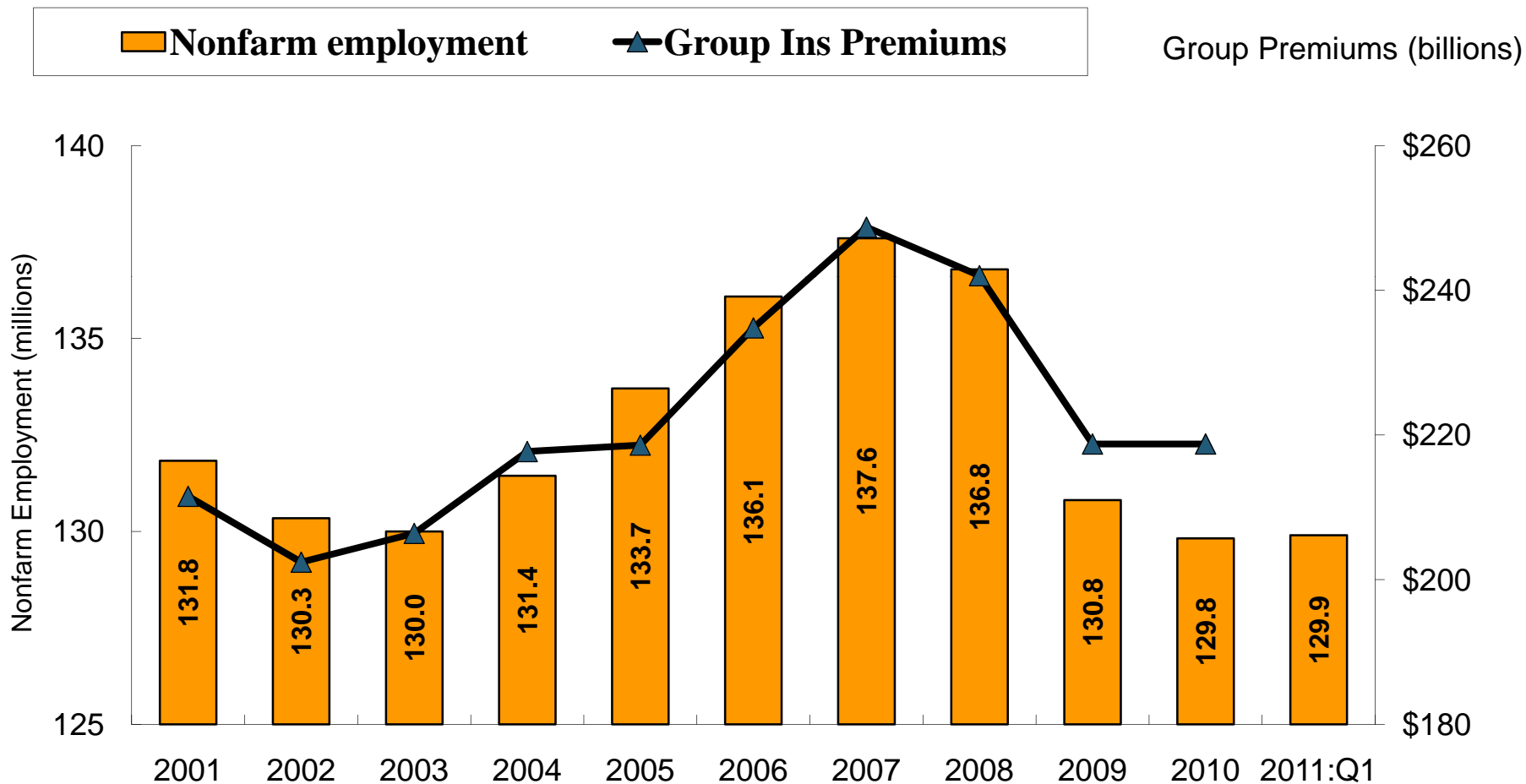


In 2010:Q4, nearly 11.1 million mortgages were “under water,” and another 2.4 million were within 5% of going under. What’s worse—prices in many areas are still falling.

*No data on LA, ME, MS, SD, VT, WV, and WY

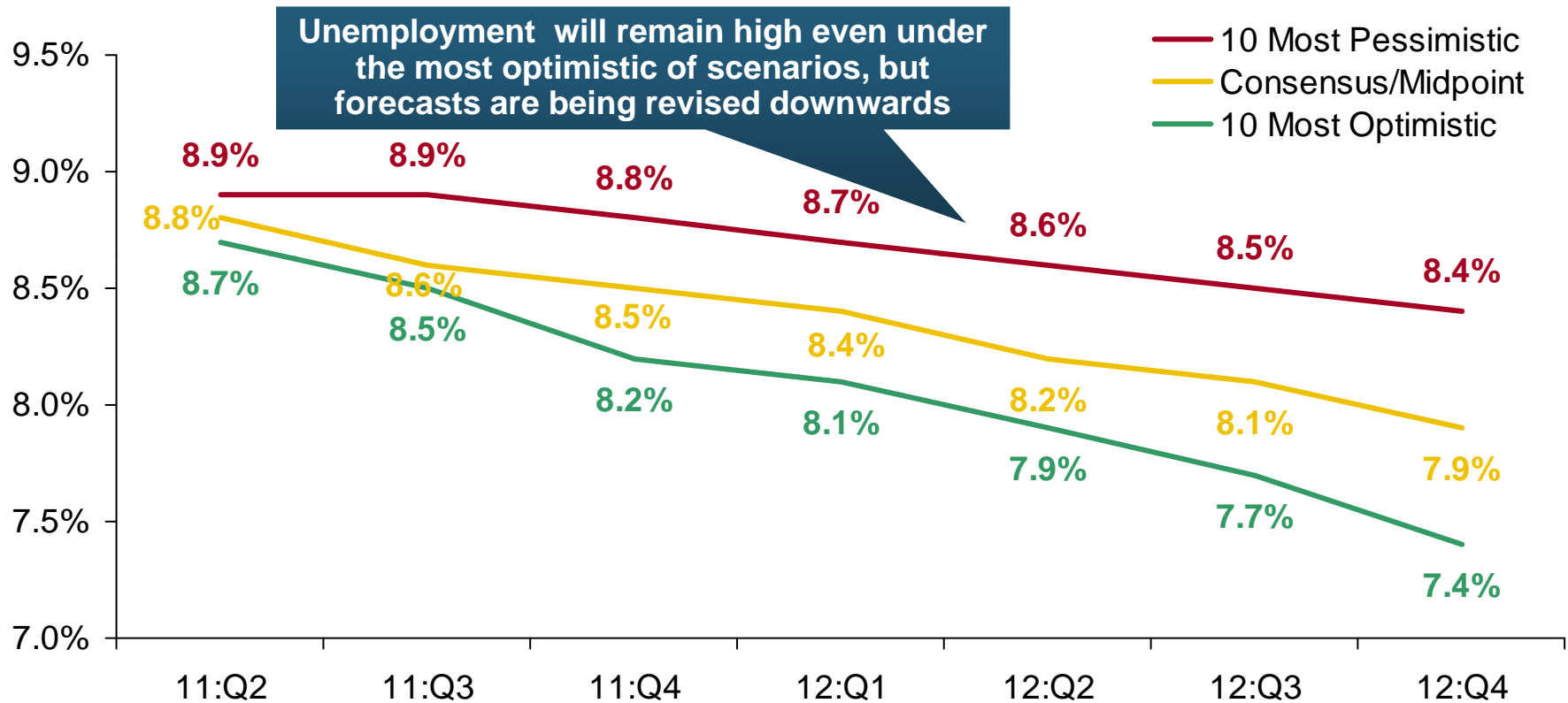
Sources: CoreLogic Negative Equity Report Q4 2010 (March 8, 2011) and earlier quarterly reports; Insurance Information Institute.

Group Insurance Premiums (line) Track Nonfarm Employment (bars)



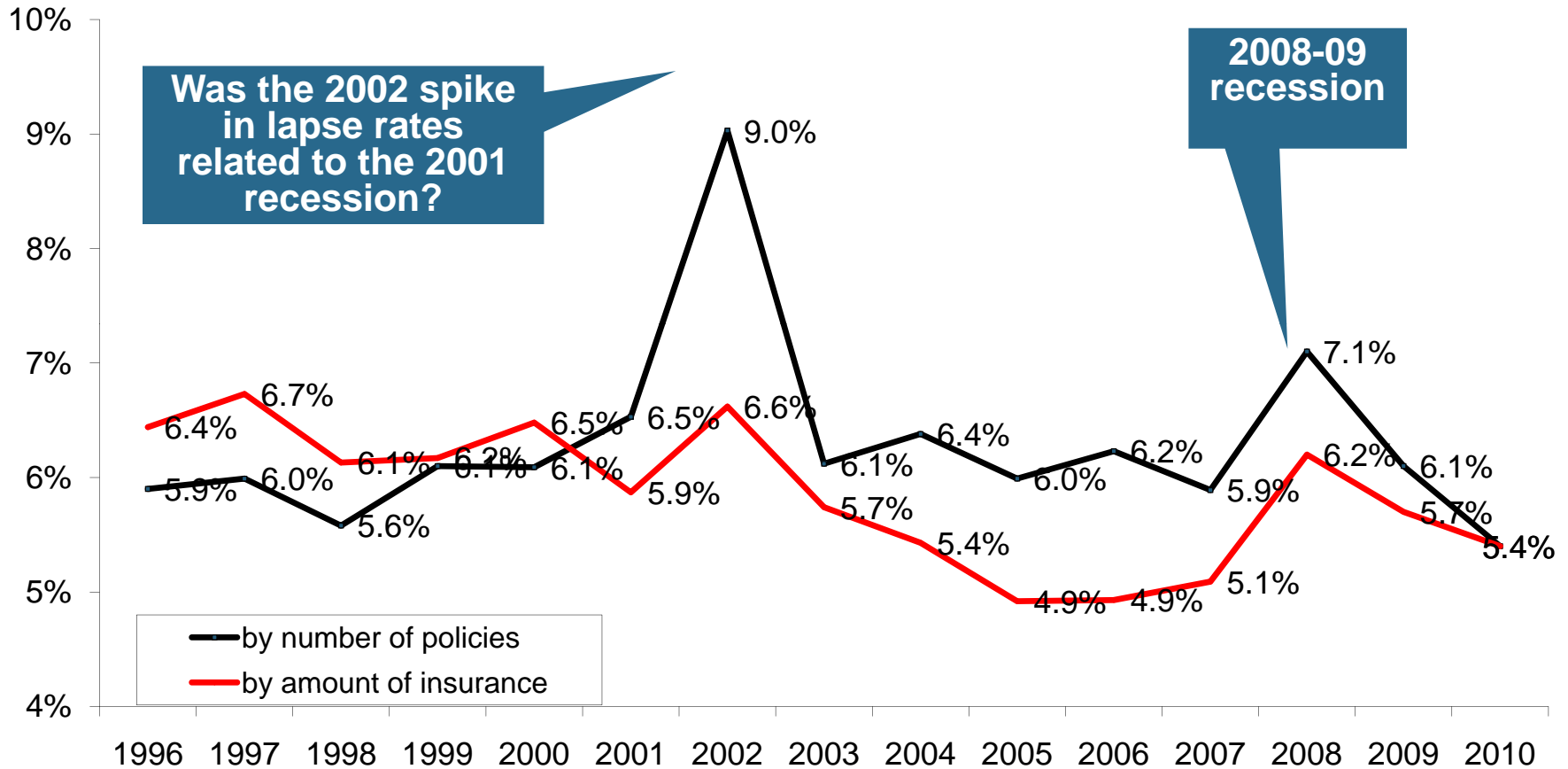
US Unemployment Rate Forecasts

Quarterly, 2011:Q2 to 2012:Q4



Stubbornly high unemployment will restrain the growth of employer-sponsored (Group) life insurance, annuities, and health insurance

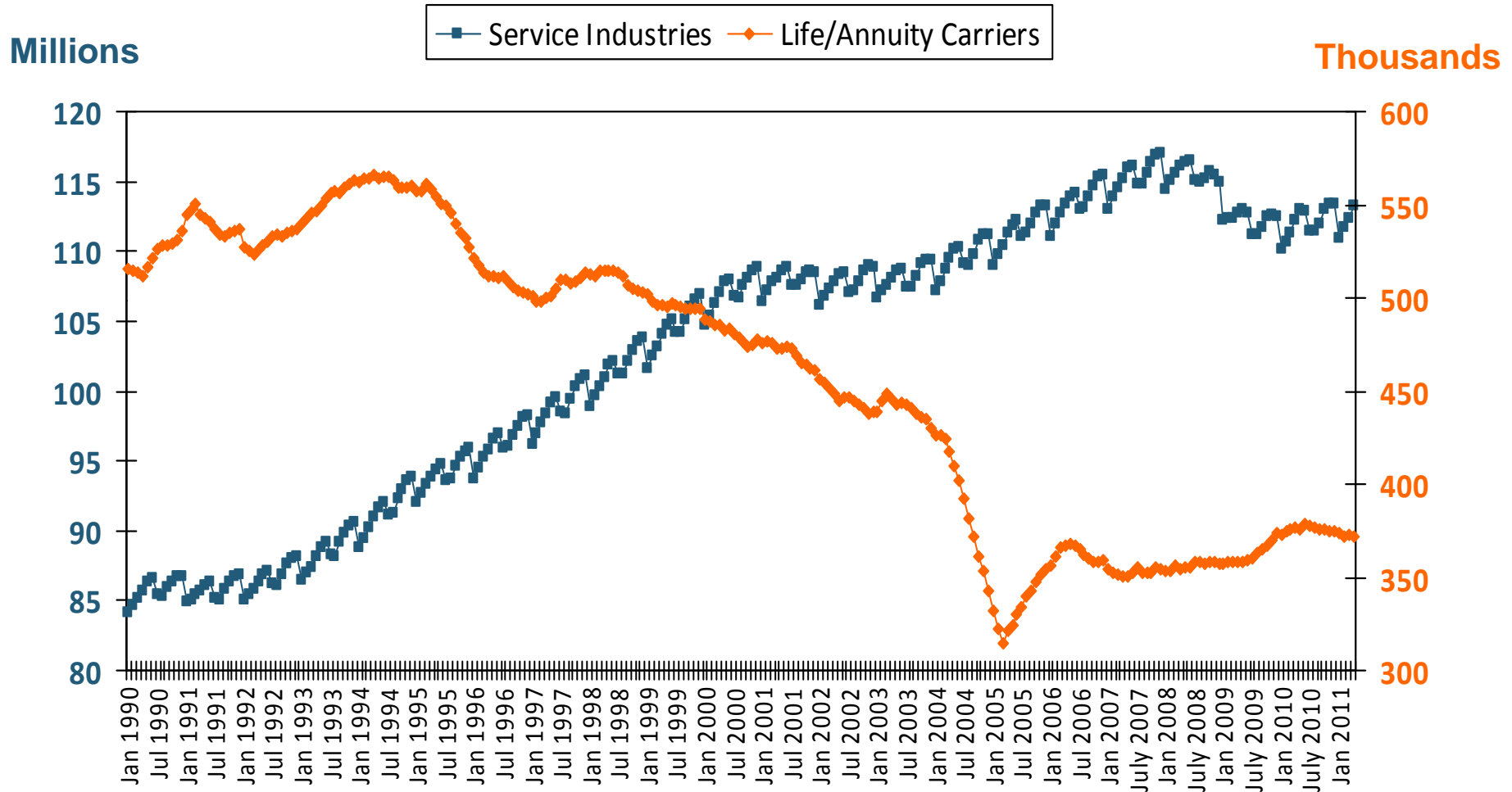
Ordinary Life Insurance Lapse Rates, 1996-2010





Insurance Industry Employment Trends

Employment in Life/Annuity Insurers vs. Service Industries, Monthly, 1990–2011*

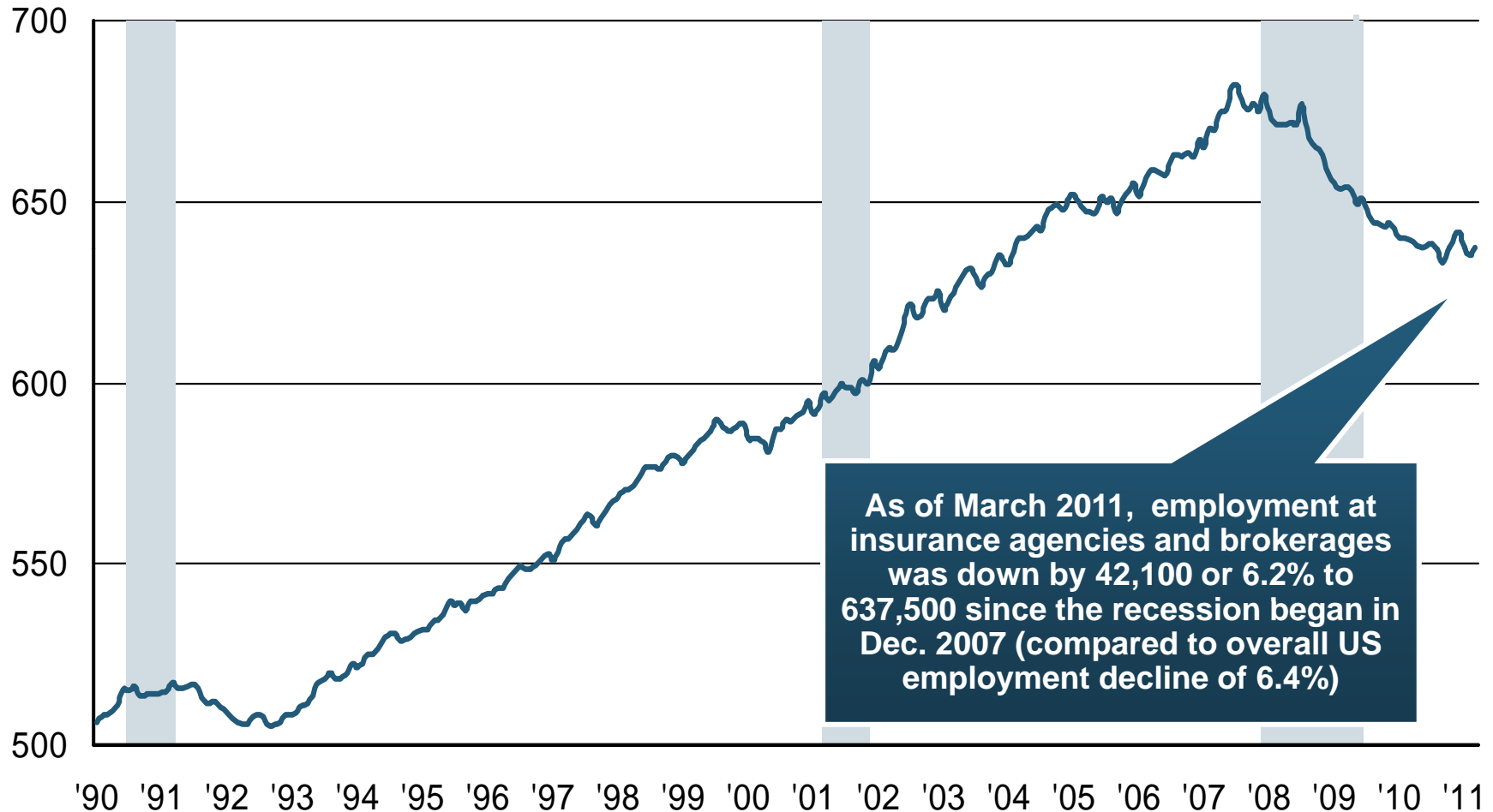


*As of April 2011; Not seasonally adjusted

Sources: US Bureau of Labor Statistics; Insurance Information Institutes.

U.S. Employment in Insurance Agencies & Brokerages: 1990–2011*

Thousands



*As of March 2011; Not seasonally adjusted. Includes all types of insurance.

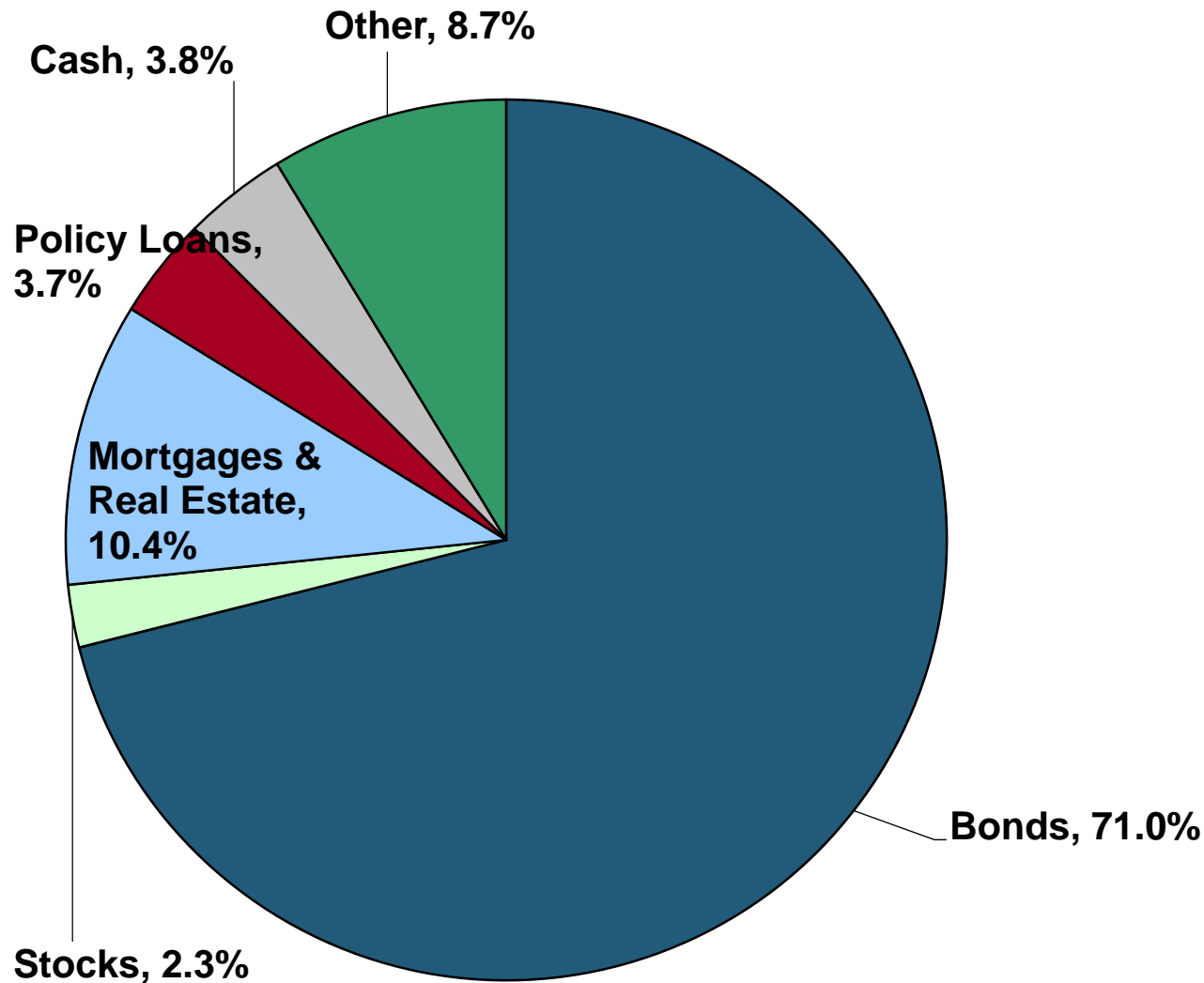
Note: Recessions indicated by gray shaded columns.

Sources: US Bureau of Labor Statistics; National Bureau of Economic Research (recession dates); Insurance Information Institutes.



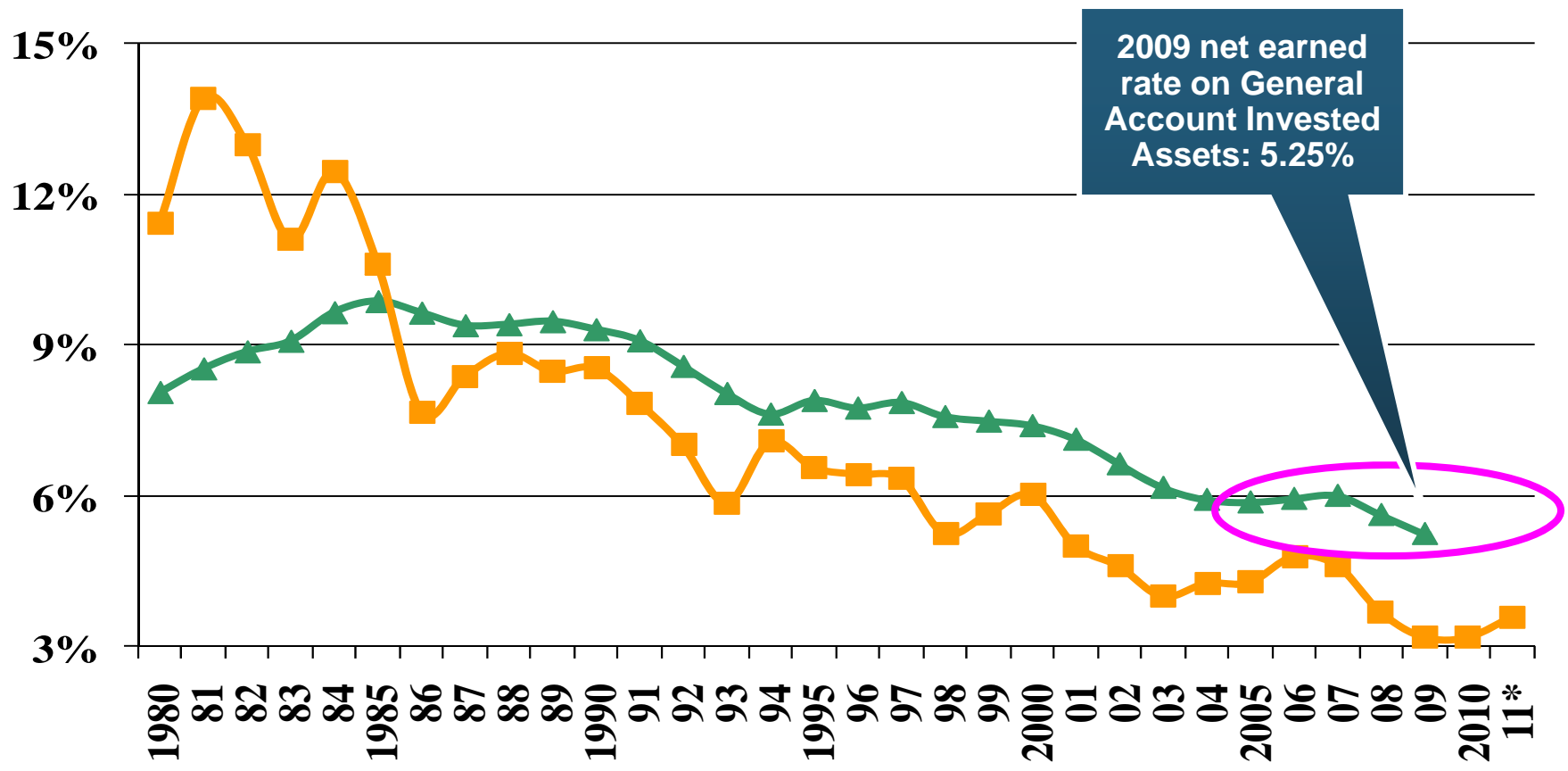
Investments

Distribution of L/A Insurer Invested Assets (General Account), 2010



Net Rate on L/A General Account Assets Tends to Follow 10-Year US T-Note

▲ L/H Net Rate, Gen'l Acct ■ 10-Year Treasury Note

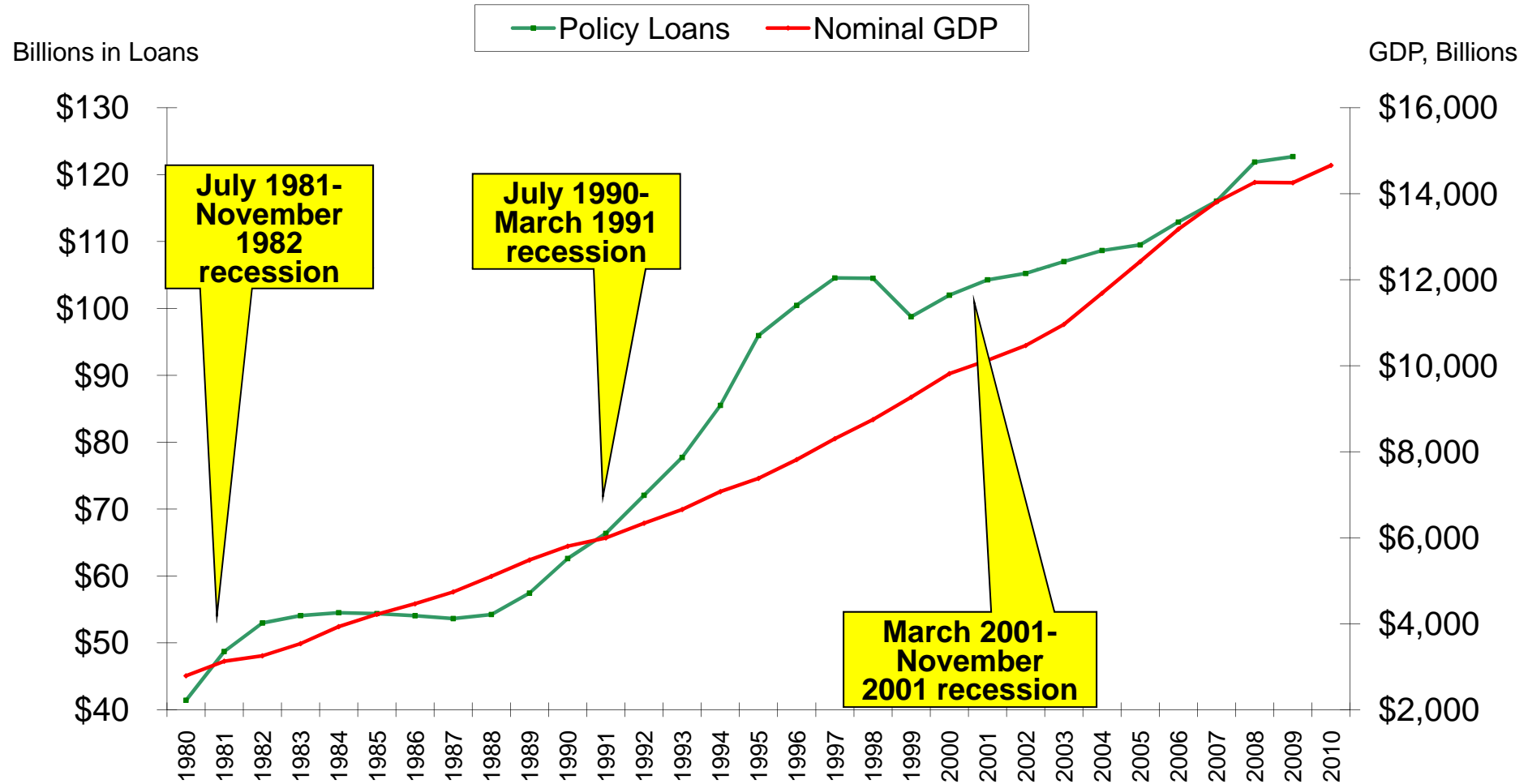


2009 net earned rate on General Account Invested Assets: 5.25%

*forecast from May 2011 issue of Blue Chip Economic Indicators

Sources: ACLI Life Insurers Fact Book 2010, p. 40; http://federalreserve.gov/releases/h15/data/Annual/H15_TCMNOM_Y10.txt

Policy Loans Increase During/Following a Recession, but Also in Boom Times

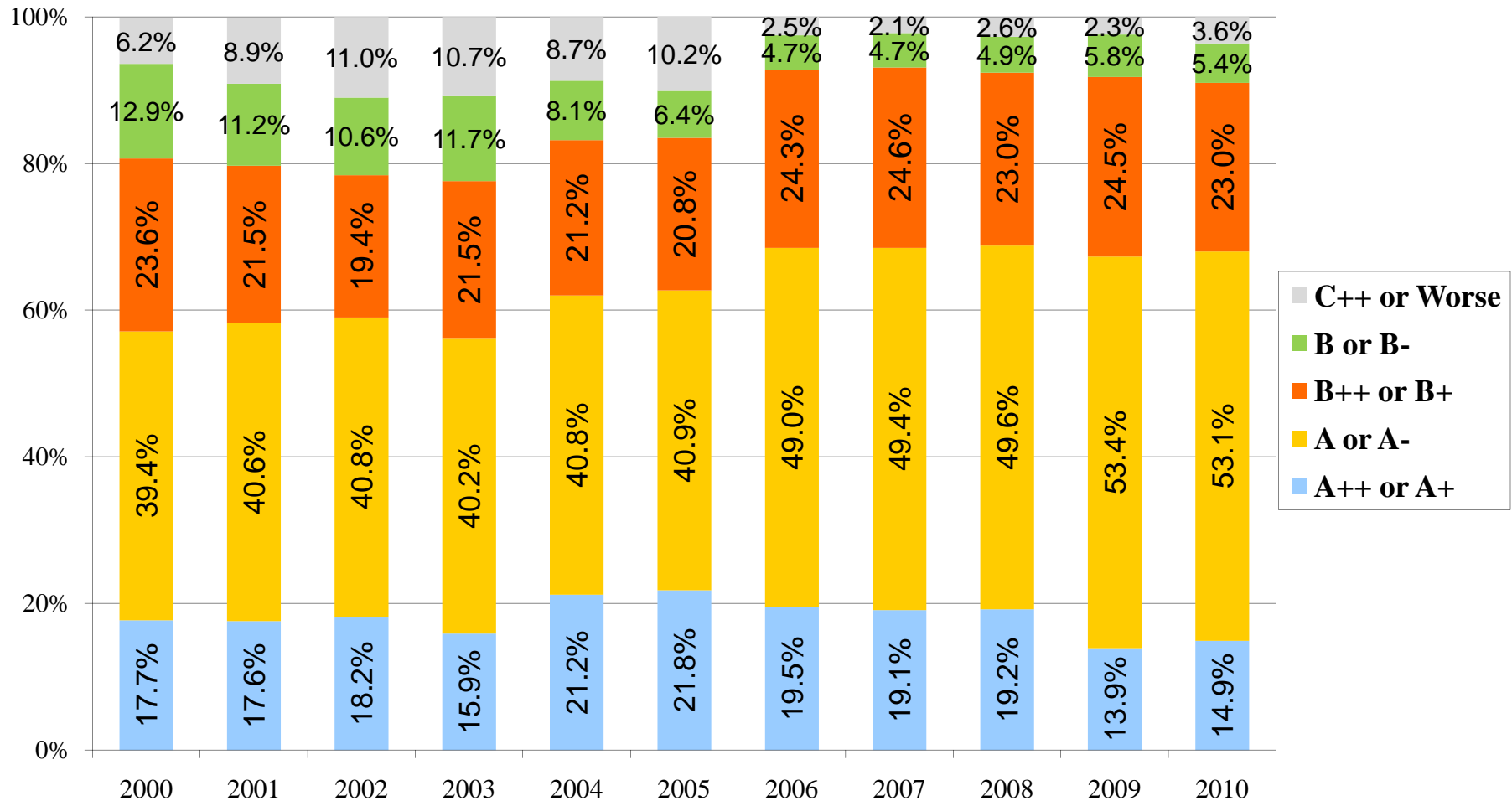




Financial Strength

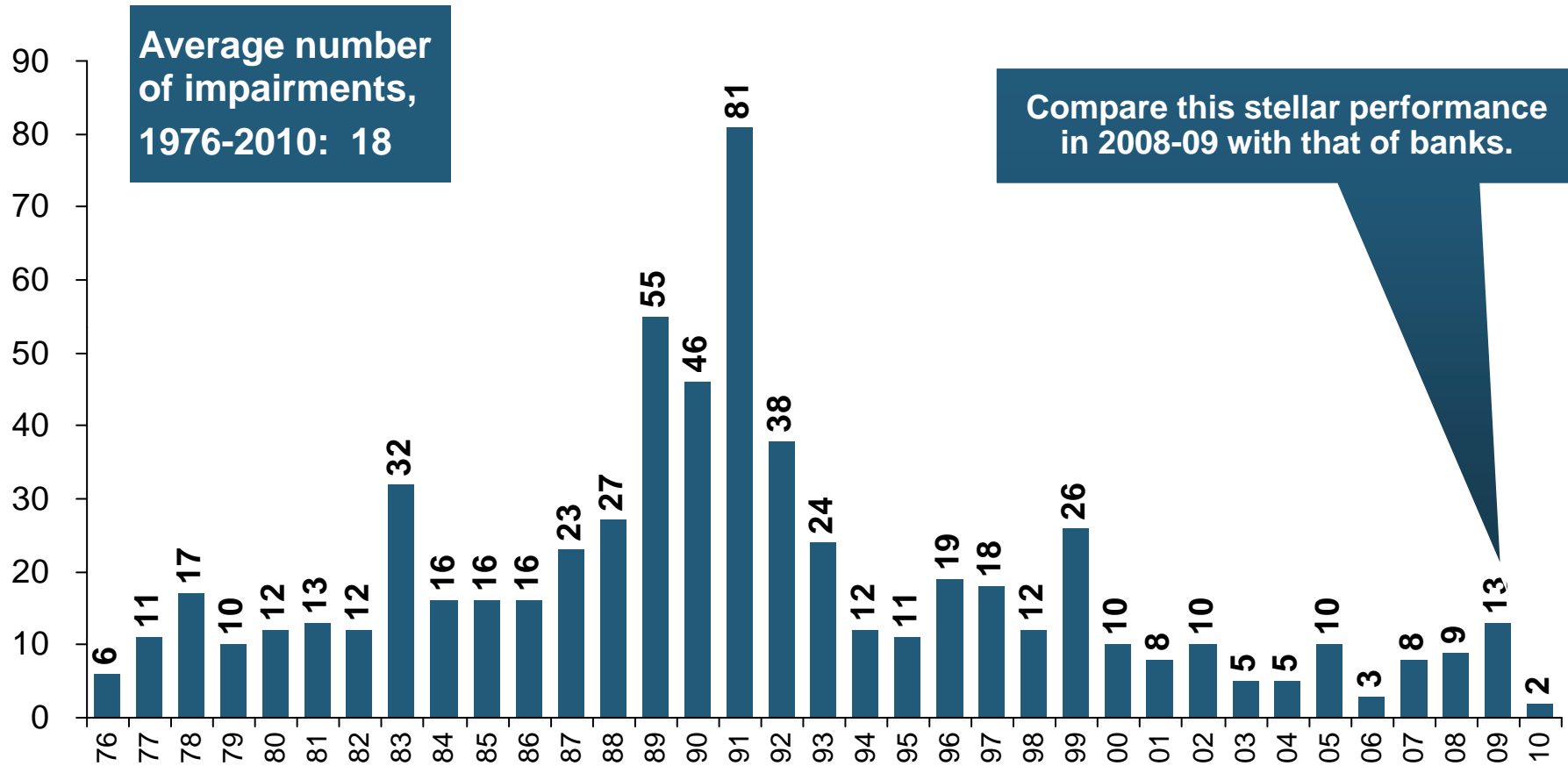
**The Industry Has
Weathered the Storms Well**

Distribution of A.M. Best Ratings for L-H Insurers, 2000-2010



**The Percent of A/A- L-H Insurers Has Grown.
Today 2/3 of L-H Insurers Have A. M. Best Ratings of A- or Better**

Number of Impaired L/H Insurers, 1976–2010



The Number of Impairments Spiked in 1989-92, with Smaller Spikes in 1983 and 1999. But in the Financial Crisis, When Hundreds of Banks Failed, Virtually No Life Insurers Failed.

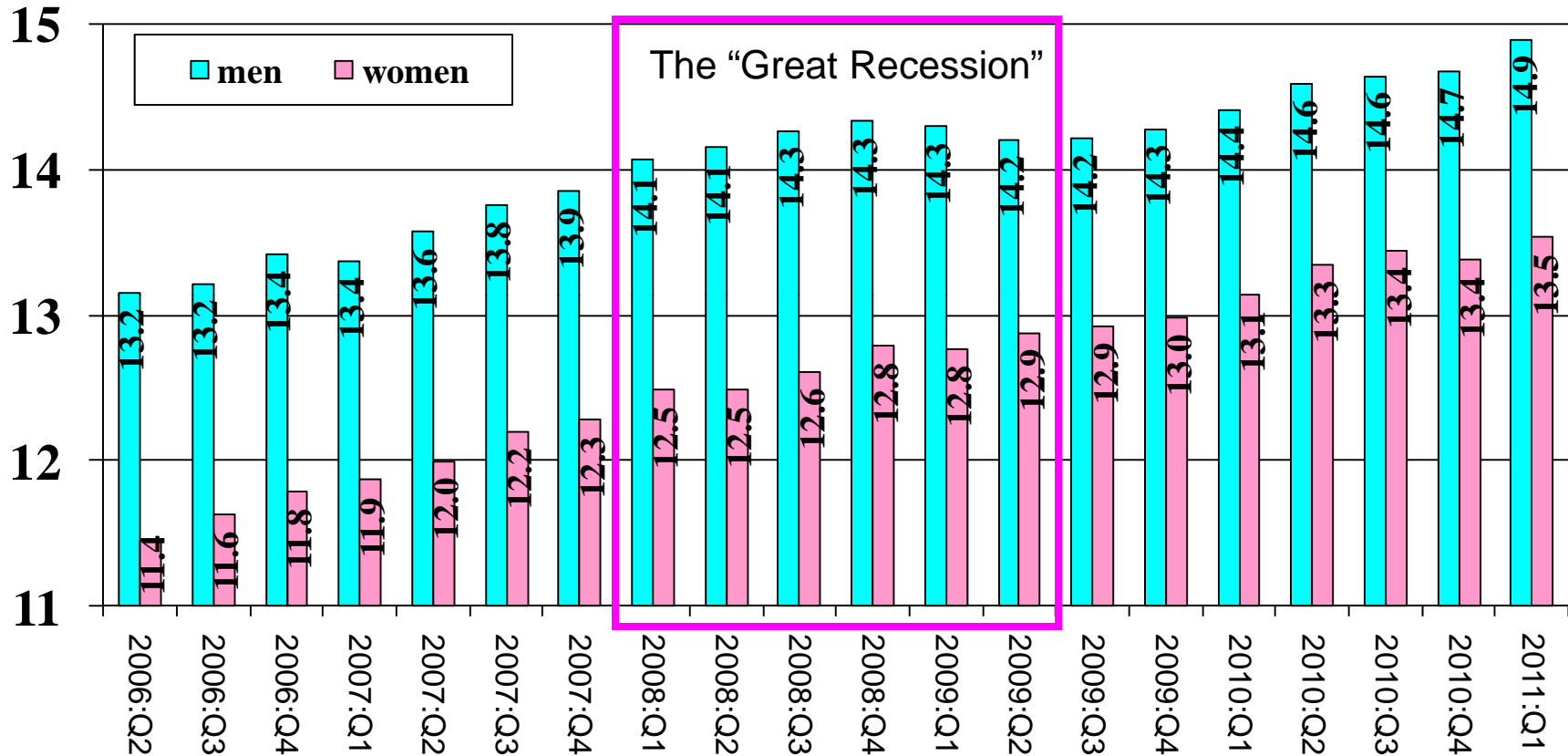


Markets: People Over 60?

**The Older Generations Might Boost
Economic Growth and Life/Annuity
Purchases by Continuing to Work**

Number Employed, Ages 55 and Over, 2006:Q2-2011:Q1

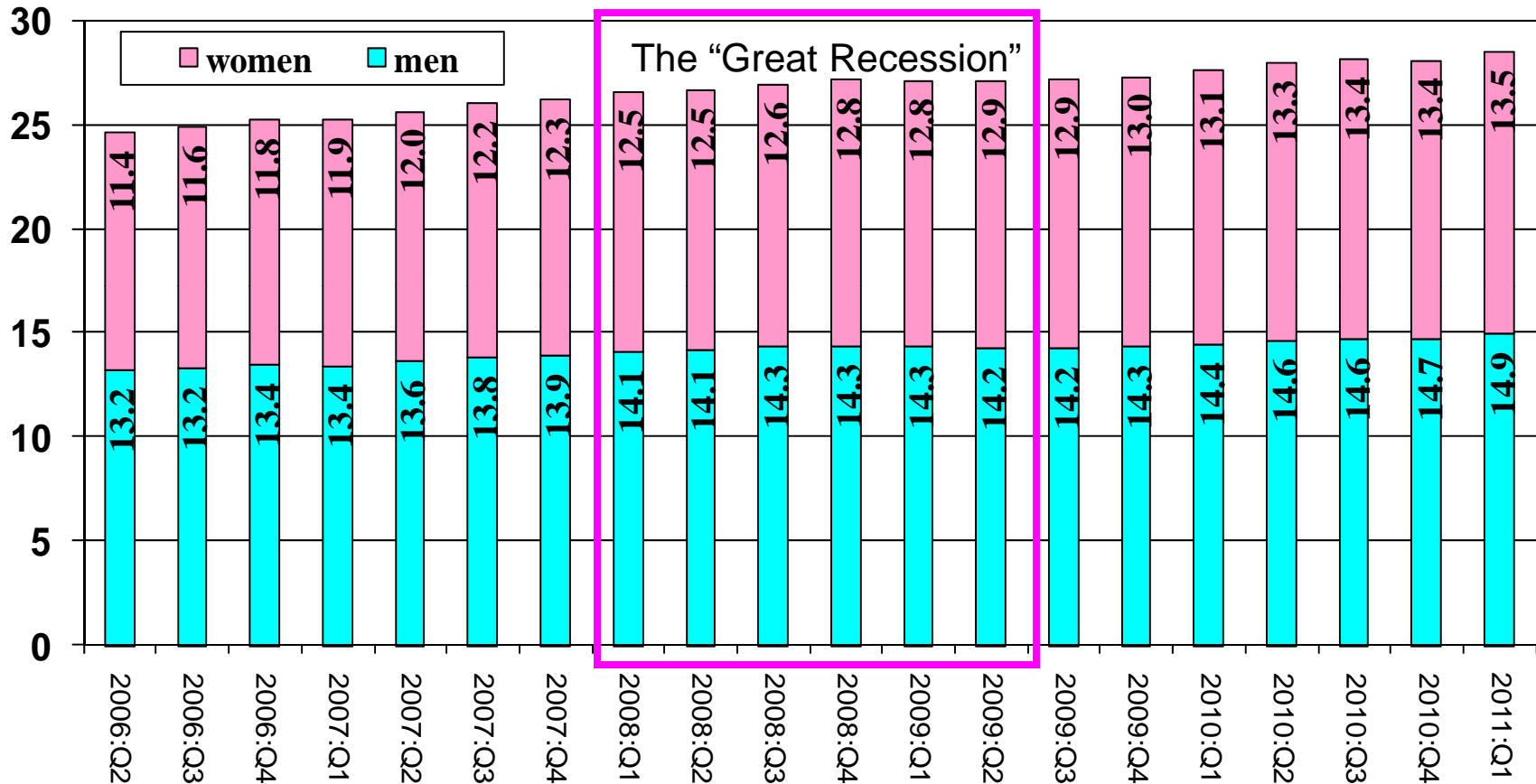
Millions



Employment by workers age 55 and over—especially women—grew in spite of the recent recession. This trend is likely to continue.

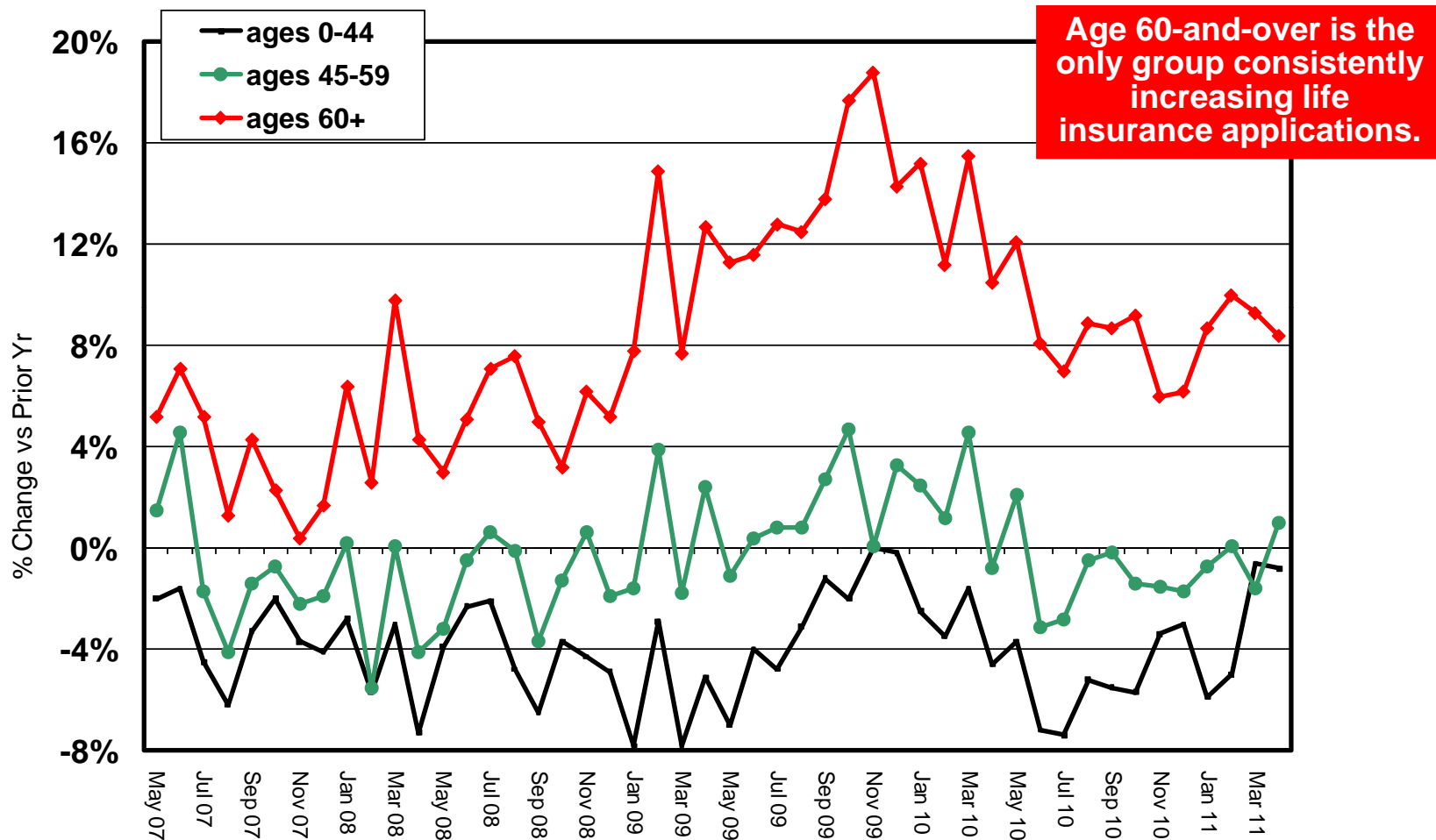
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Percent Change* in Applications for Individual U.S. Life Insurance Policies



Age 60-and-over is the only group consistently increasing life insurance applications.

The 0-44 age group still represents the majority of the premium volume, but this has been declining over time.

*vs. same month, prior year

Source: MIB Life Index, monthly releases

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***Thank you for your time
and your attention!***

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