



SOCIETY OF  
ACTUARIES®

2019 **ANNUAL  
MEETING**  
& EXHIBIT

October 27-30  
Toronto, Canada

## Session 055: Group Life - Current Trends

[SOA Antitrust Compliance Guidelines](#)

[SOA Presentation Disclaimer](#)

# Group Life Experience Committee Update

Jennifer Fleck, FSA, MAAA

October 28, 2019



# SOCIETY OF ACTUARIES

## Antitrust Compliance Guidelines

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- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
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# Group Life Waiver of Premium

- Valuation table update underway
- Joint SOA/Academy workgroup
  - Comprised of volunteers, SOA and Academy staff, regulators, and data vendors

# Group Life Waiver of Premium

- Plans for 2019-2020
  - Data Analysis
    - Double decrement table (mortality/recovery)
    - Using new predictive analytic techniques to determine appropriate additional dimensions
  - Company Experience
    - Exploring approaches to credibility and the use of company experience

# Group Life Waiver of Premium

- Plans for 2021
  - Determine margins
  - Analyze financial impact
  - Develop documentation
  - Development proposed update to AG XLIV

# Group Life Experience Study

- In the planning phase for an update to the 2016 experience study – starting work once waiver study wraps up
- Current project plan highlights\*
  - Data request in early 2021
  - Study published in mid 2022

\* Note this is the first version of the project plan and will most likely change.



# Group Life (Re)Insurance Issues

**Robert Lumia, FSA, MAAA**  
**Guy Carpenter**  
**Senior Vice President**

October 28, 2019



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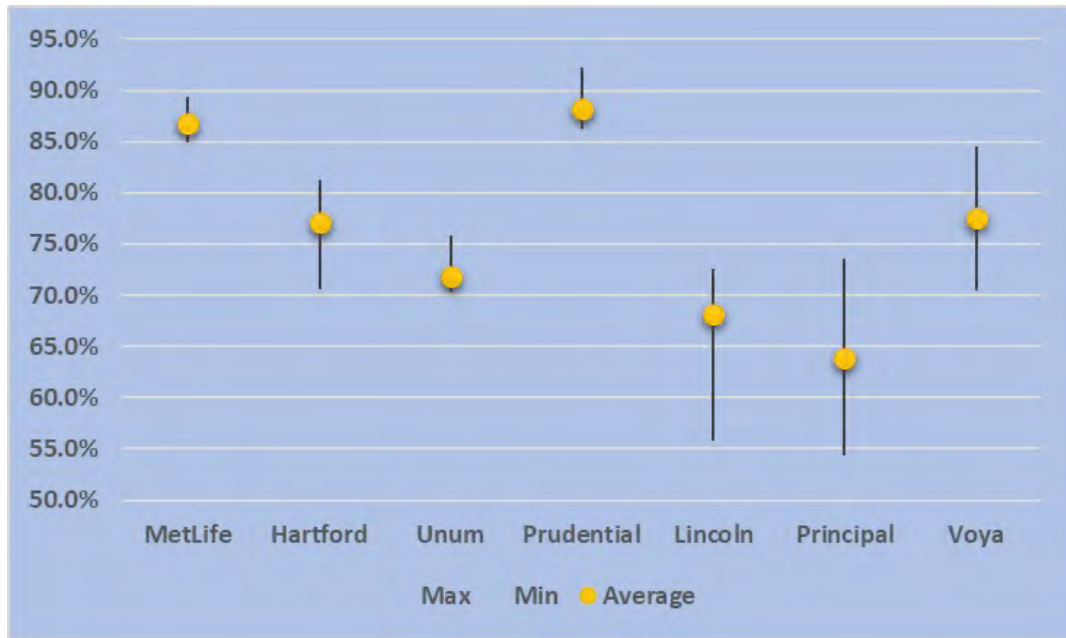
# Discussion Topics

- Company Experience and Reinsurance Market Overview
- Mortality Experience
- Employee Population
- Predictive Modeling
- Financial Reinsurance
- Exposure Measurement

# Company Experience and Reinsurance Market Overview

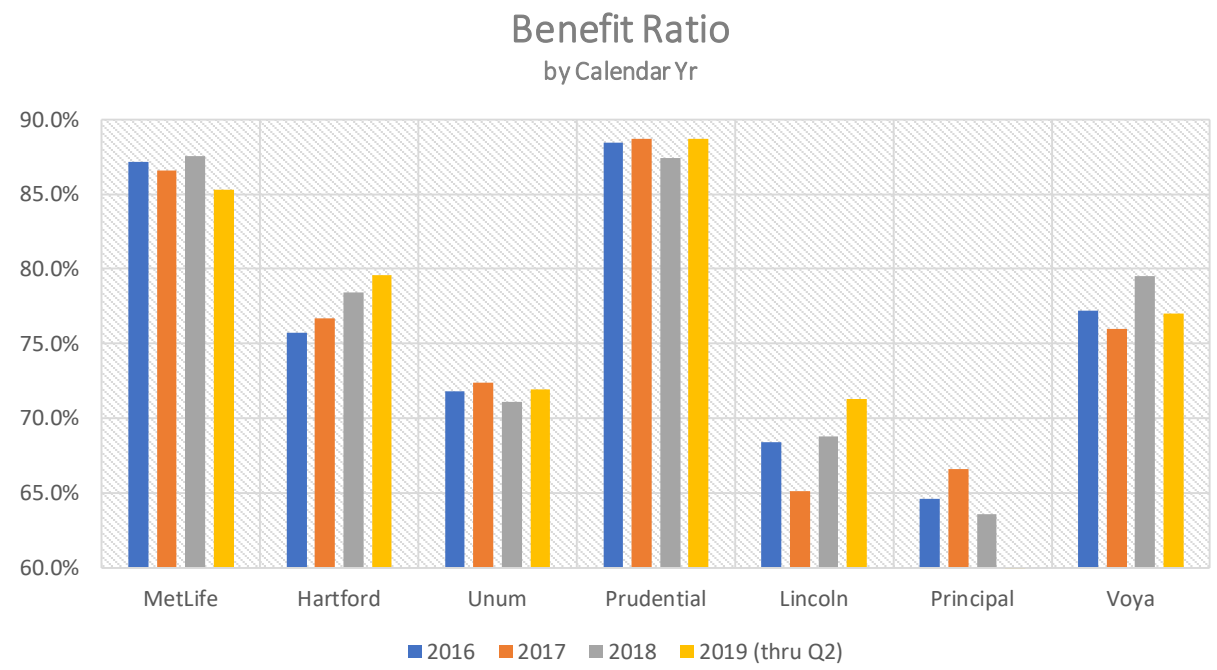


# Company Level Experience

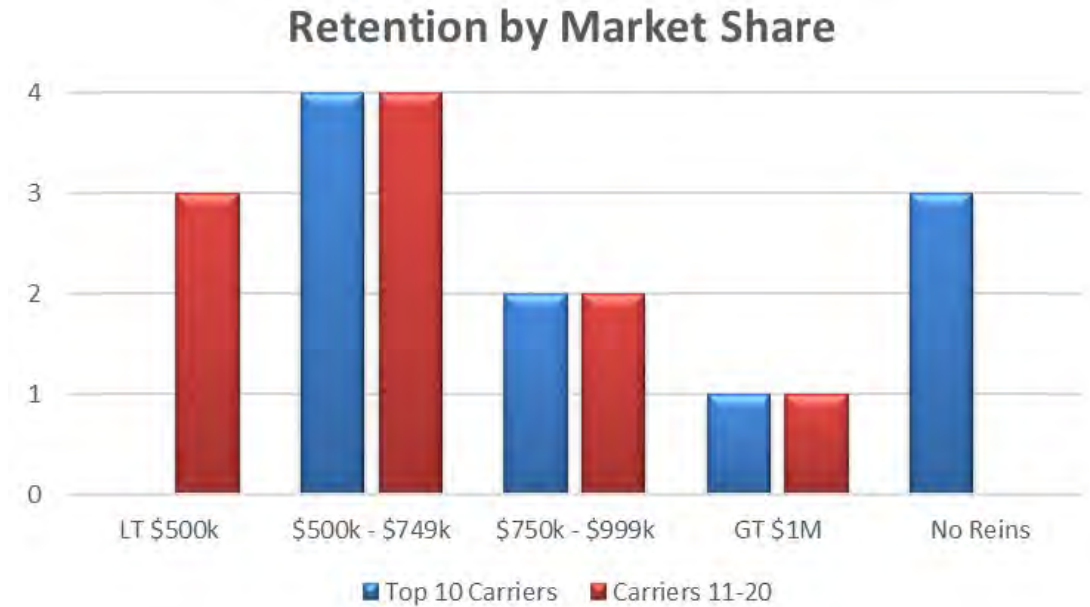


← Based on reported quarterly loss ratios between Q4 2015 and Q2 2019

Based on annual loss ratios between 2016 and Q2 2019. →

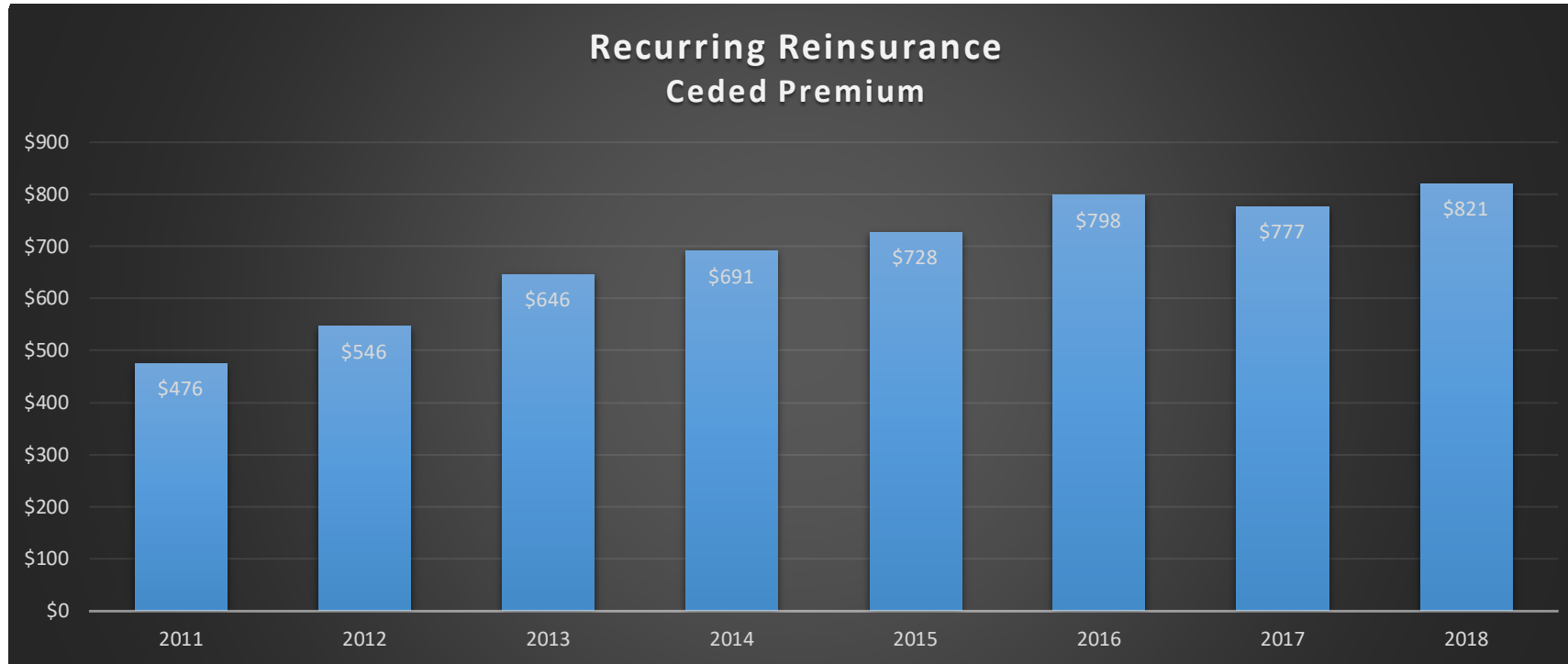


# Reinsurance Purchasing Decisions



- The following charts give provide insights on what carriers are purchasing for reinsurance
- 17 of top 20 carriers purchasing some level of reinsurance

# SOA Reinsurance Survey



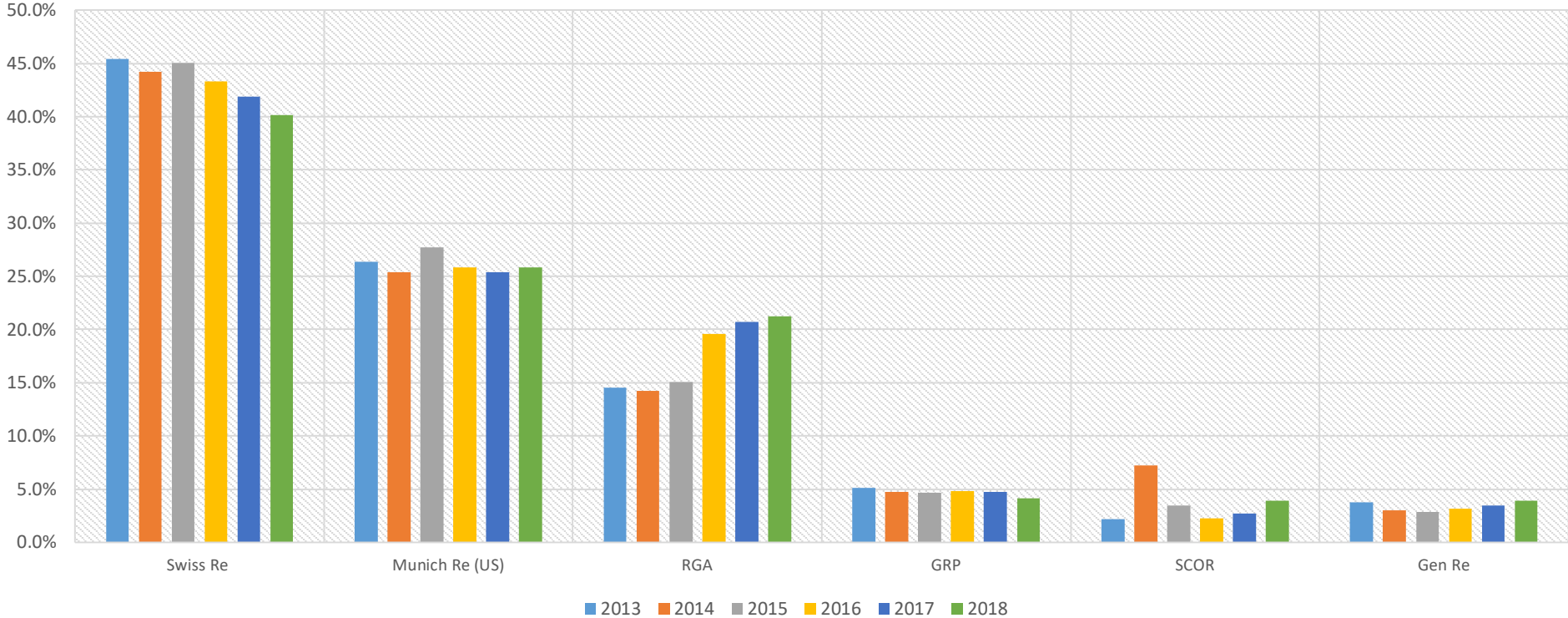
Source: SOA Life Reinsurance Survey

- 2018 represented a 5.7% increase over 2017
- Ceded premium has grown at an 8.1% CAGR since 2011



# SOA Reinsurance Survey

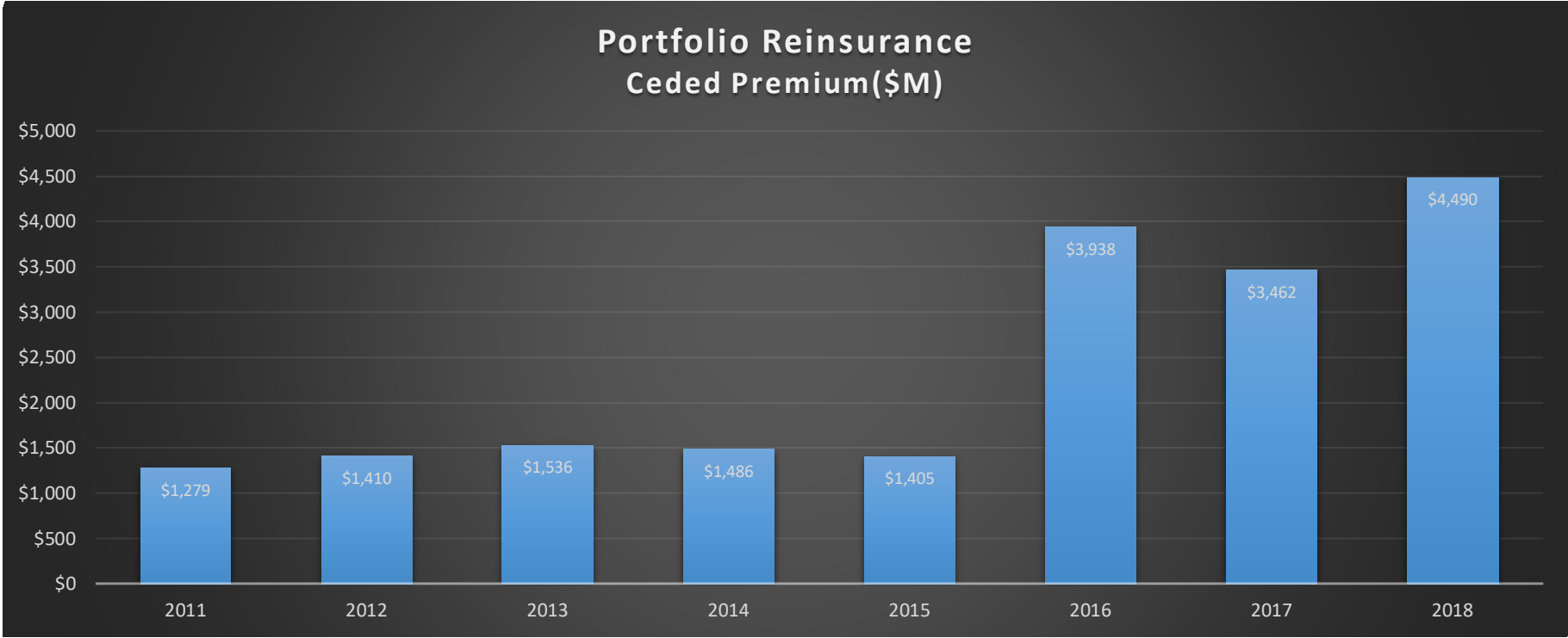
### Market Share - Recurring Reinsurance



Source: SOA Life Reinsurance Survey

- ❖ Swiss Re maintained its leading market share position in 2018 at 40% (down from 42% in 2017) relative to other survey participants
- ❖ The trio of Swiss Re, Munich Re and RGA comprised almost 87% market share in 2018

# SOA Reinsurance Survey

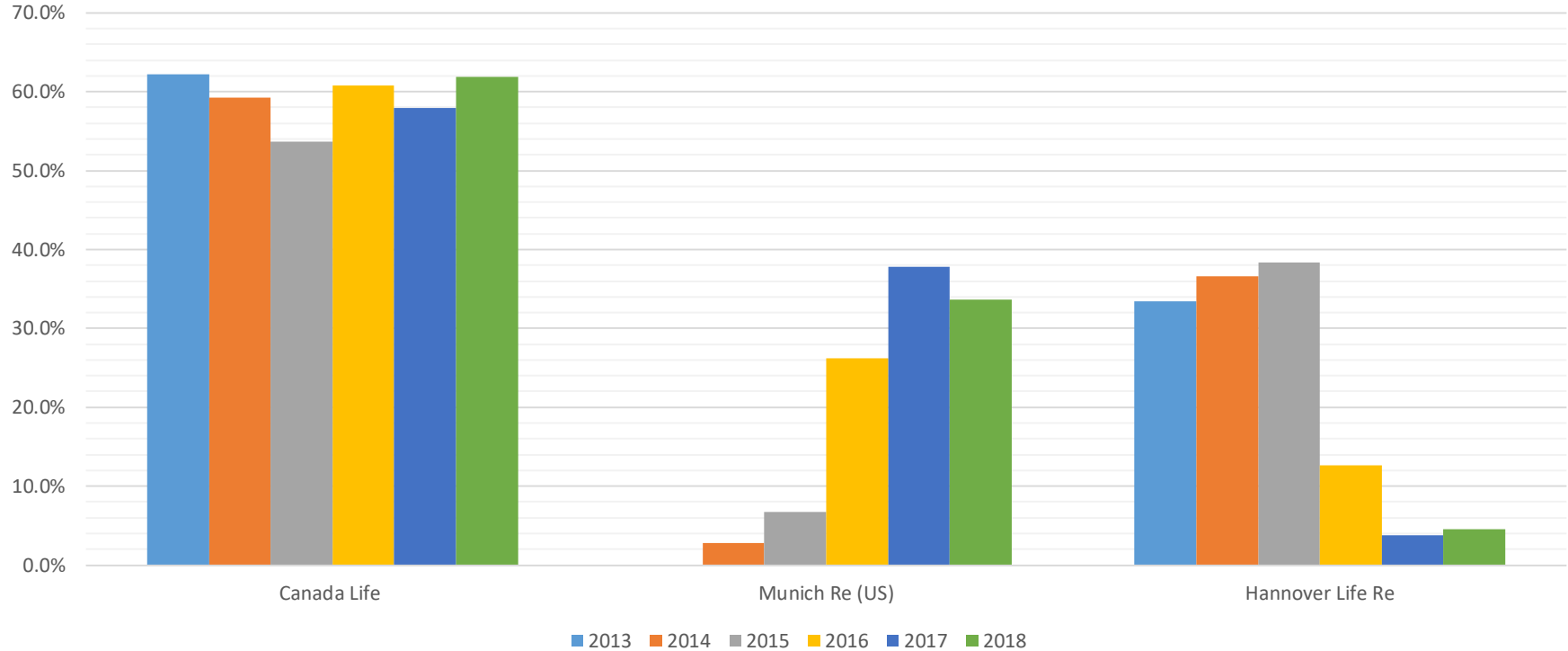


Source: SOA Life Reinsurance Survey

- 2018 represented a 30% increase over 2017
- Ceded premium has grown at an 20% CAGR since 2011

# SOA Reinsurance Survey

### Market Share - Portfolio Reinsurance



Source: SOA Life Reinsurance Survey

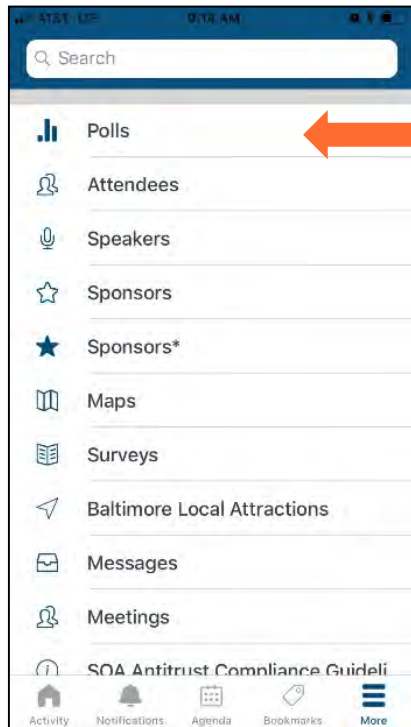
- ❖ Canada Life has maintained an approximate 60% share relative to other participants over all years of the survey
- ❖ Munich Re (US) has shown significant growth over exposure period to capture over 30% of market share relative to other participants

# Mortality Experience



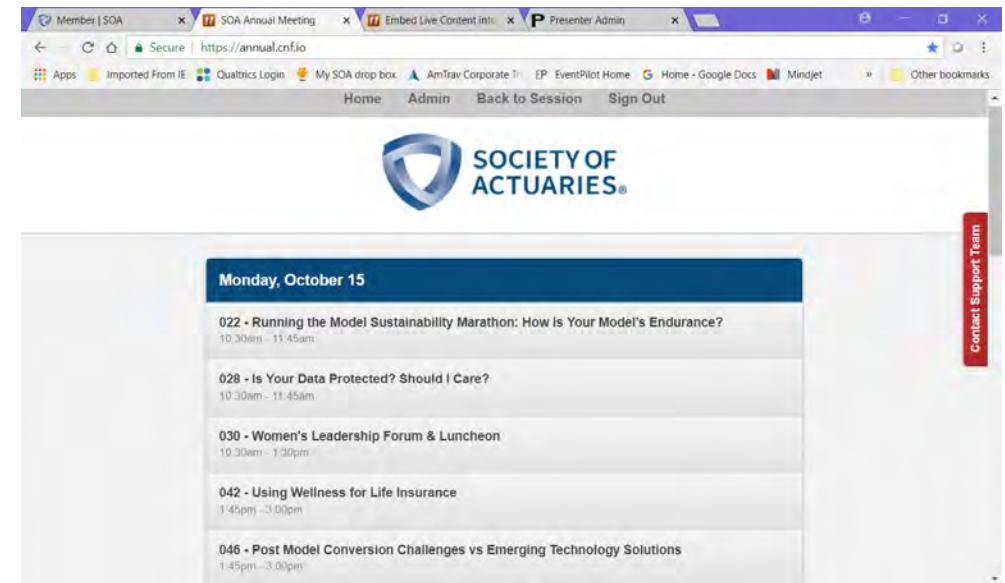
# To Participate, look for Polls in the SOA Event App or visit [annual.cnf.io](https://annual.cnf.io) in your browser

Find The Polls Feature Under **More** In The Event App or Under This Session in the Agenda



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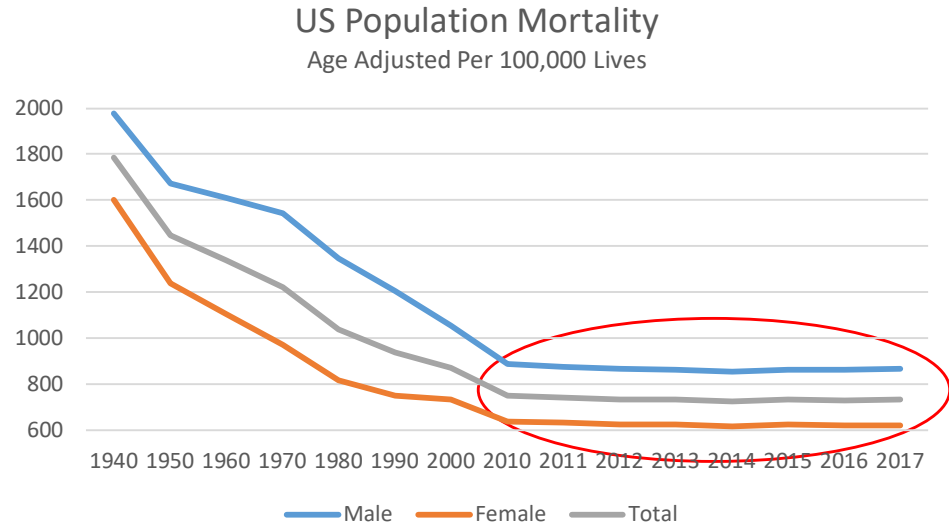


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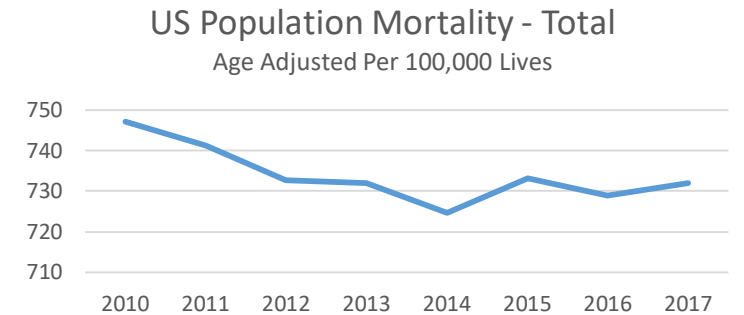
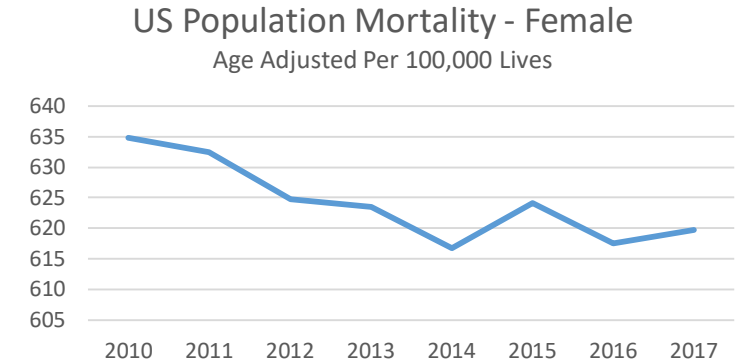
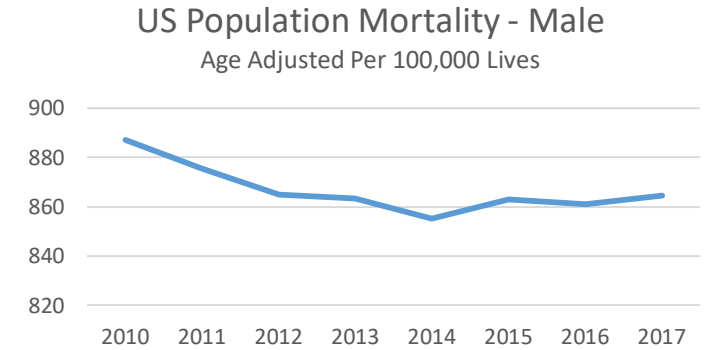
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**Poll: What has your company seen in terms of Group Life mortality improvement over the past few years?**

# Mortality

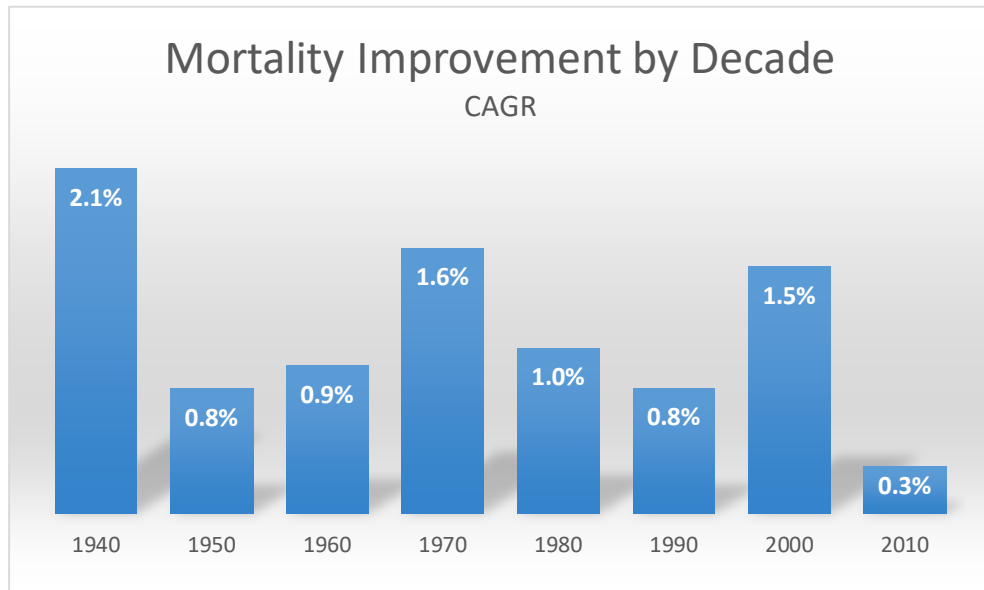


Source: National Vital Statistics Report

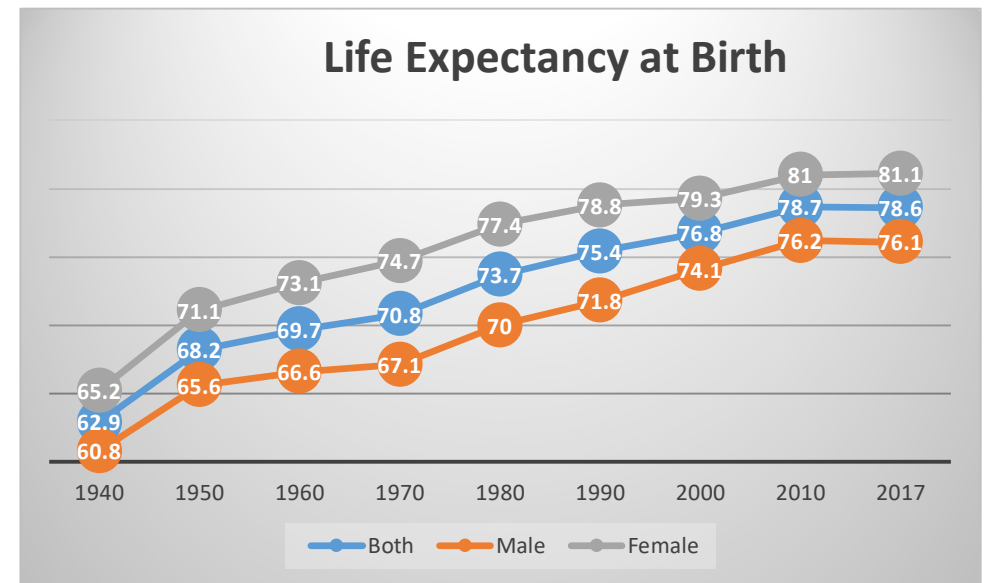


- ❑ After years of fairly consistent mortality improvement, experience has fluctuated in recent years

# Mortality



Source: National Vital Statistics Report



Source: National Vital Statistics Report

- Based on US population mortality, the decade beginning 2010 represents the lowest level of mortality improvement after 1940
- Life Expectancy at Birth has flattened out since 2010

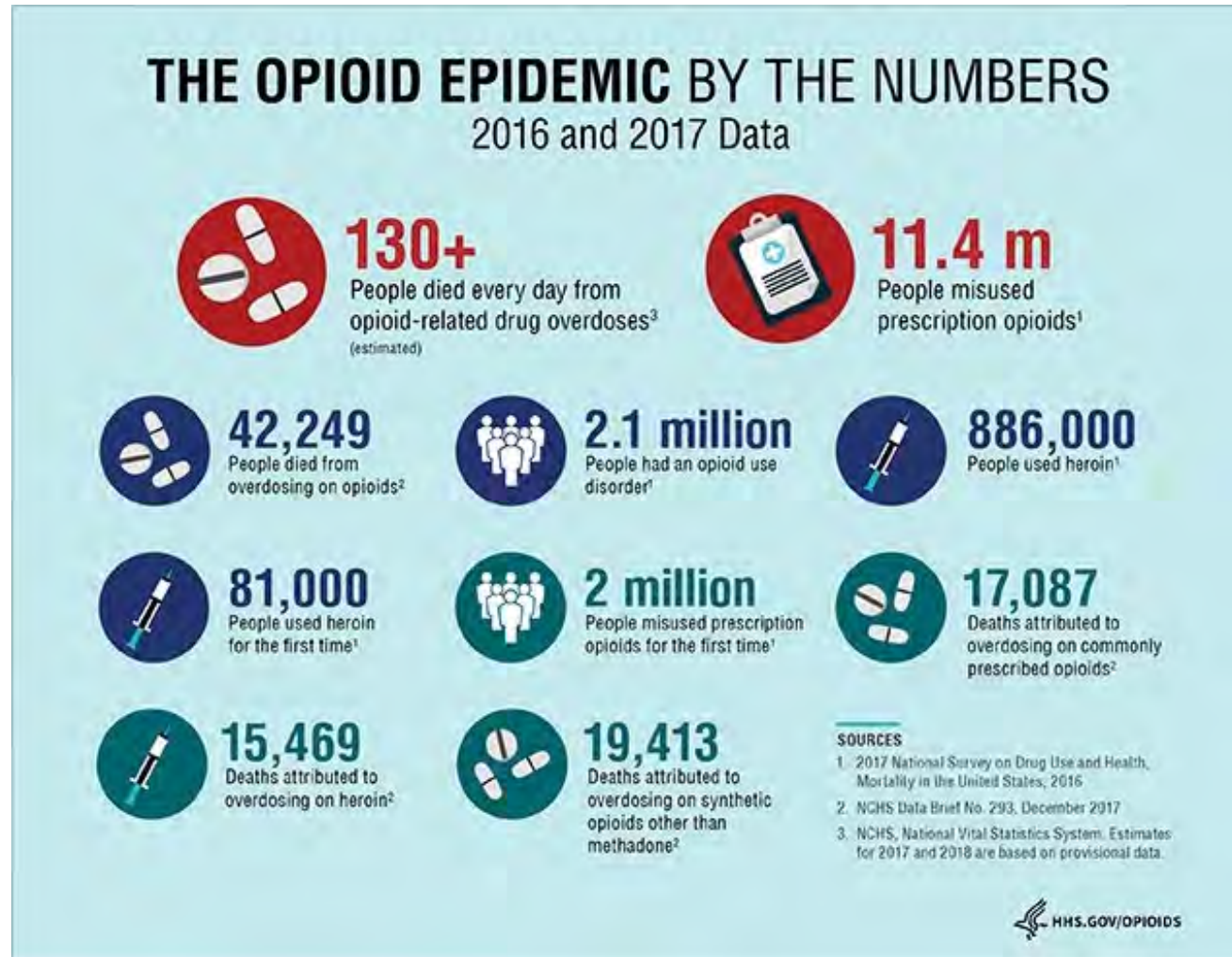
What Are Some Factors That Have Driven This Trend?



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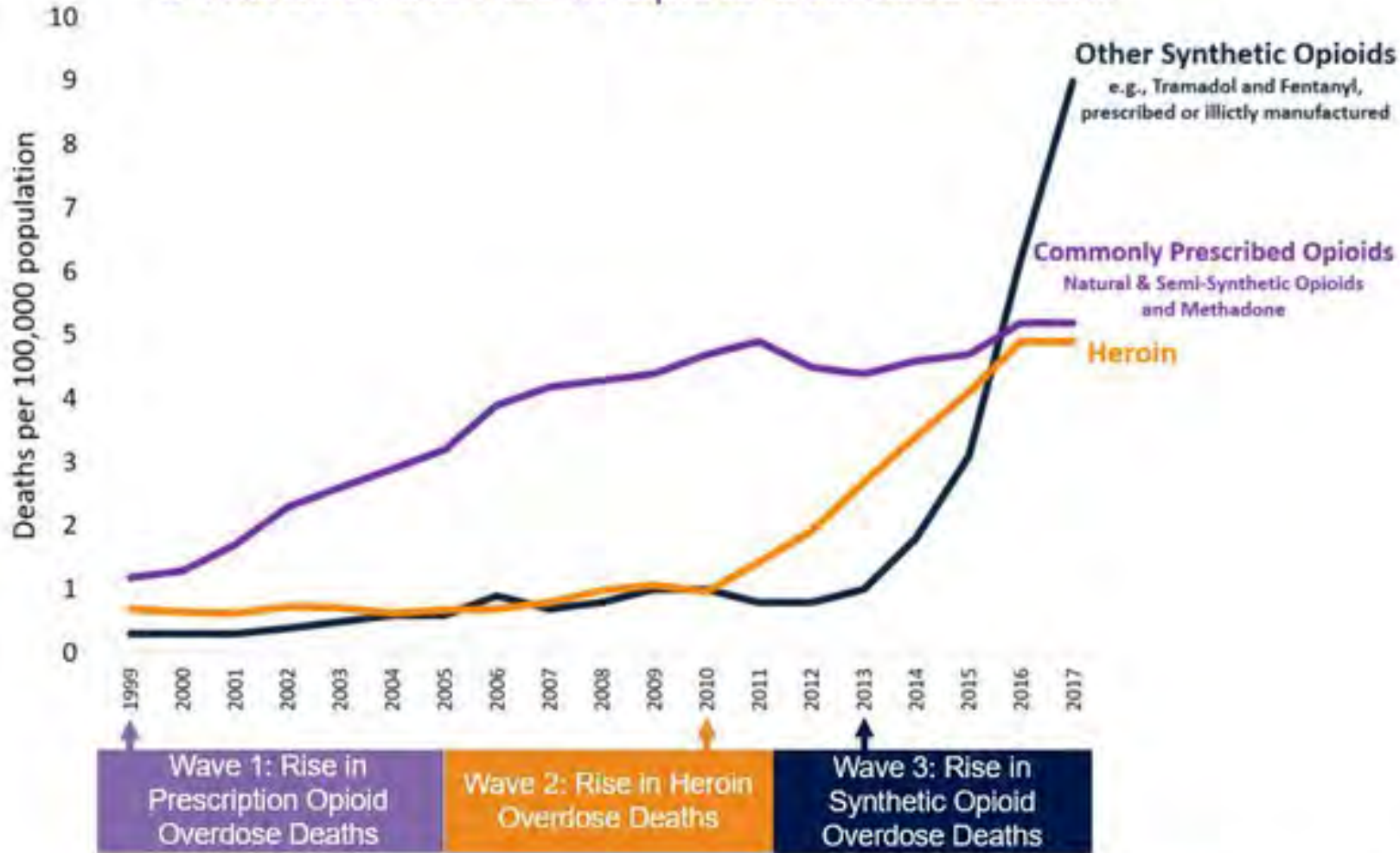
**Poll: Has your company seen an increase  
in mortality due to opioids?**



Source: HHS.gov

# Opioids

## 3 Waves of the Rise in Opioid Overdose Deaths

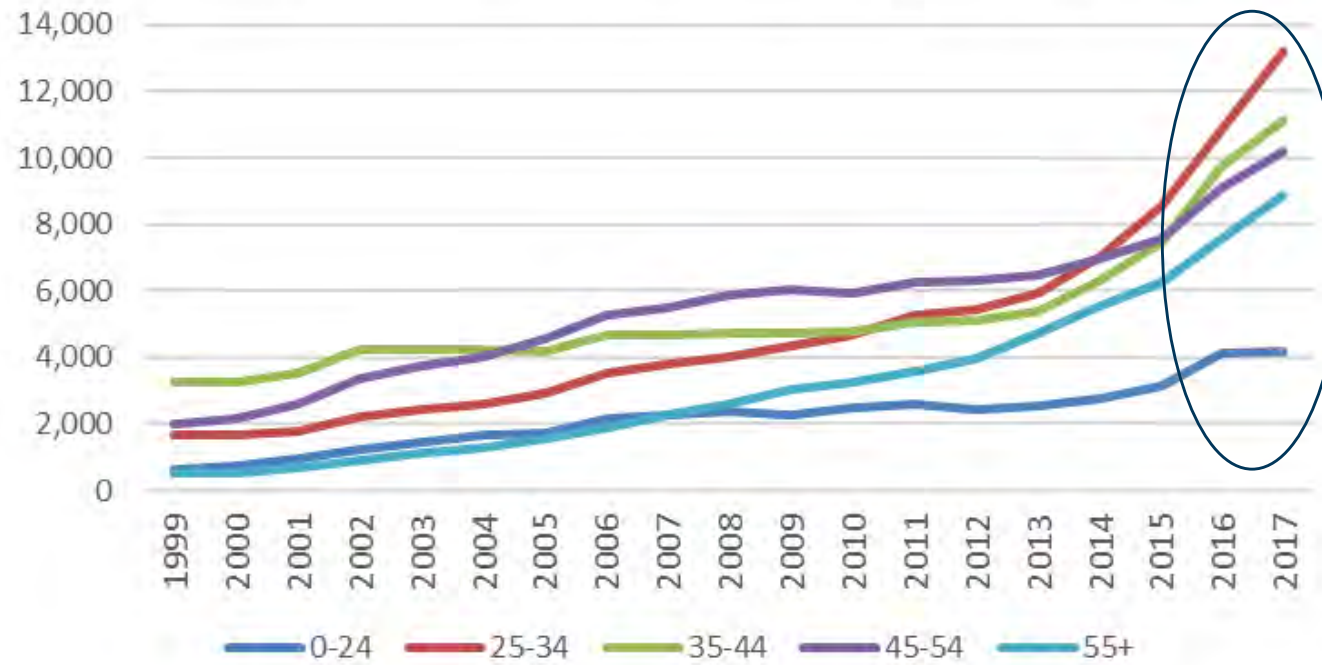


SOURCE: National Vital Statistics System Mortality File.

- ✓ In most recent period, opioid deaths related to Heroin and Commonly Prescribed Opioids have leveled out
- ✓ Other Synthetic Opioid experiencing rapid growth

# Opioids

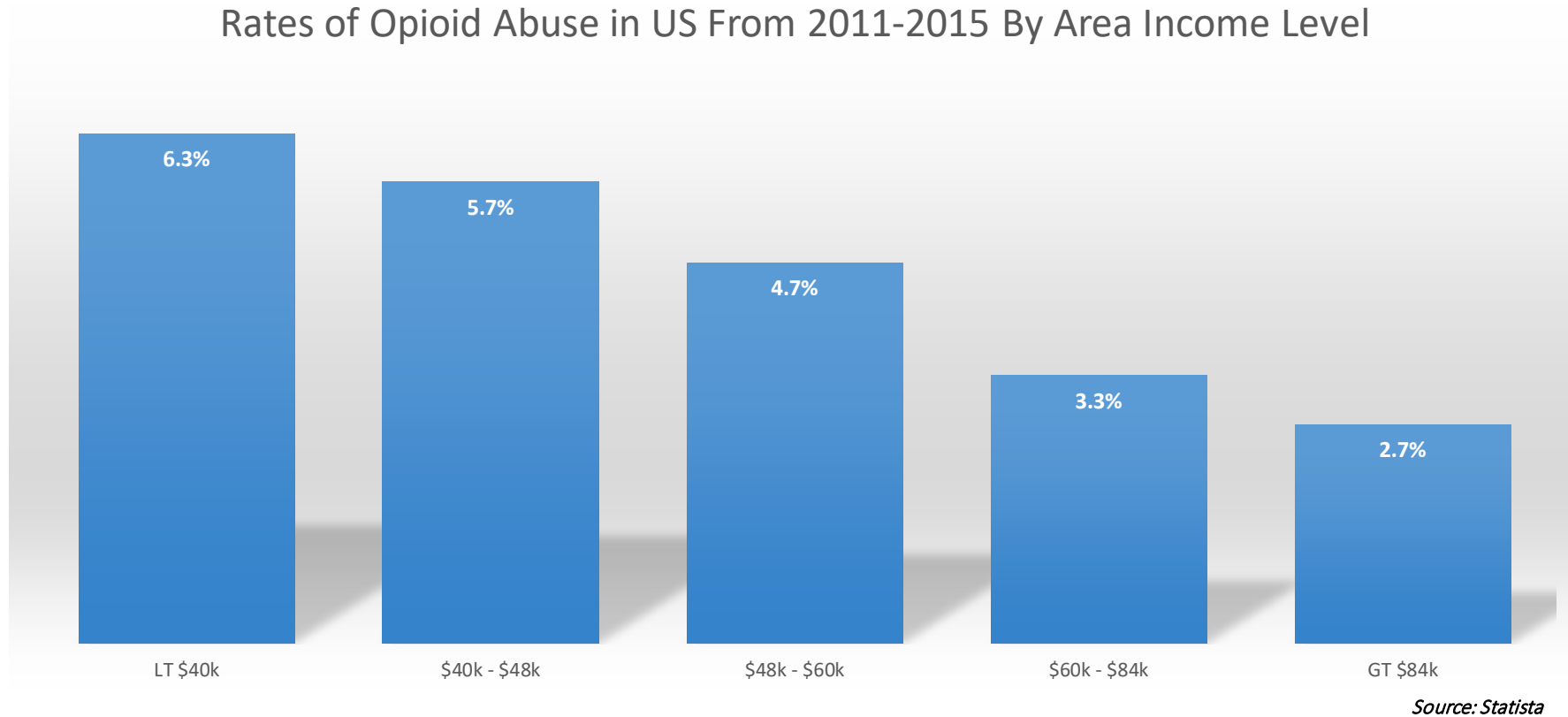
Opioid Overdose Deaths by Age Group



43% Total Increase From '15 to '17

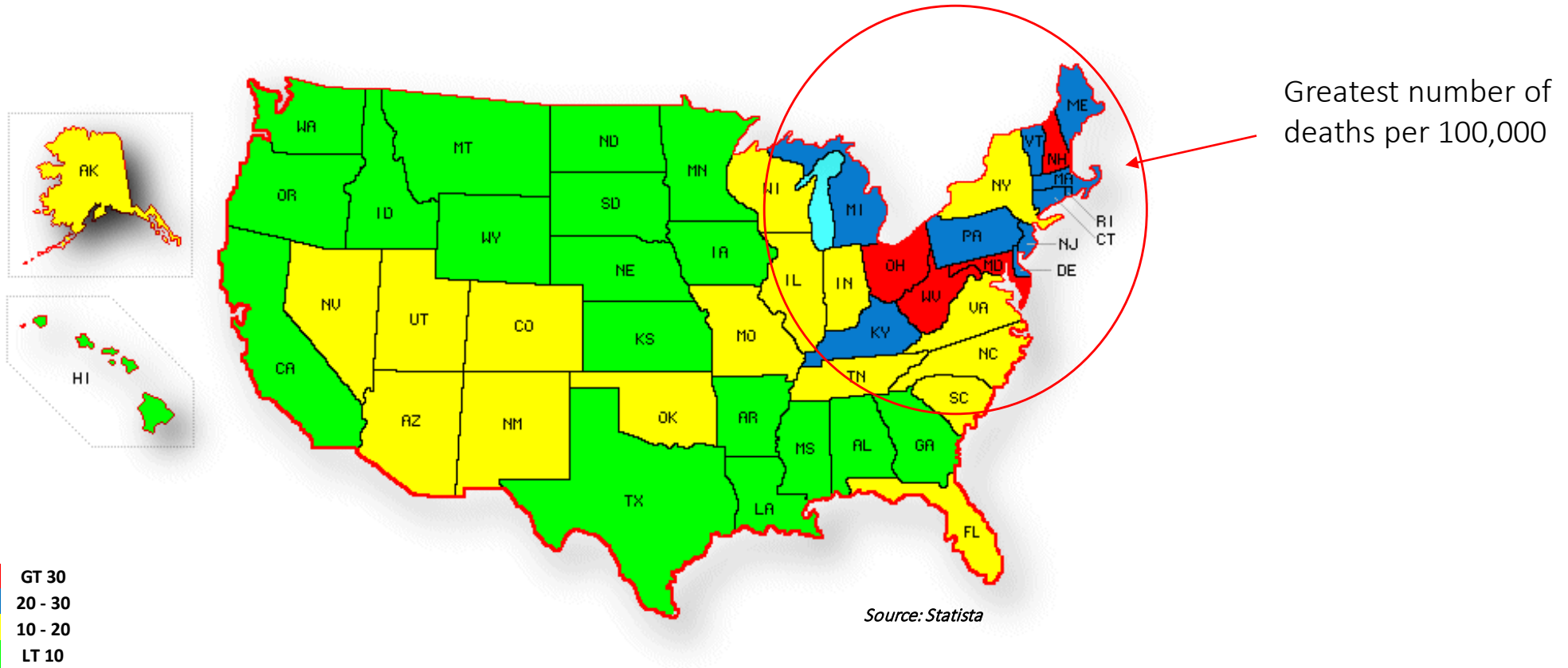
- Deaths related to opioids have steadily increased between 1999 and 2017
- Greatest increase in the 25-34 year old band over past 5 years
- All age bands affected

# Opioids



- Opioid abuse more prevalent within areas with lower income levels
- Less likely to affect higher face amount policies

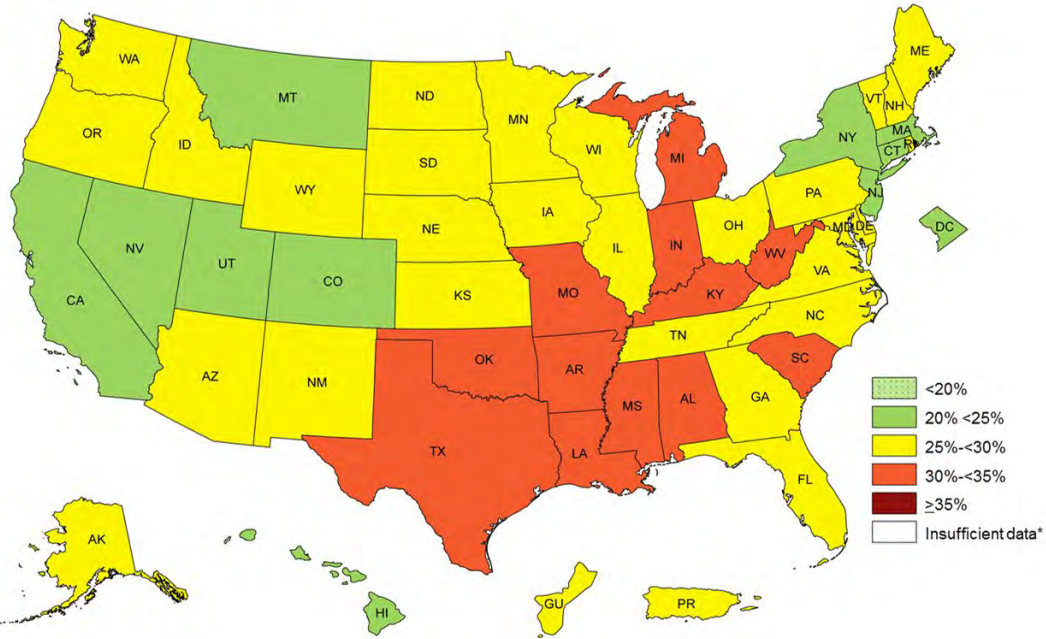
# Opioids



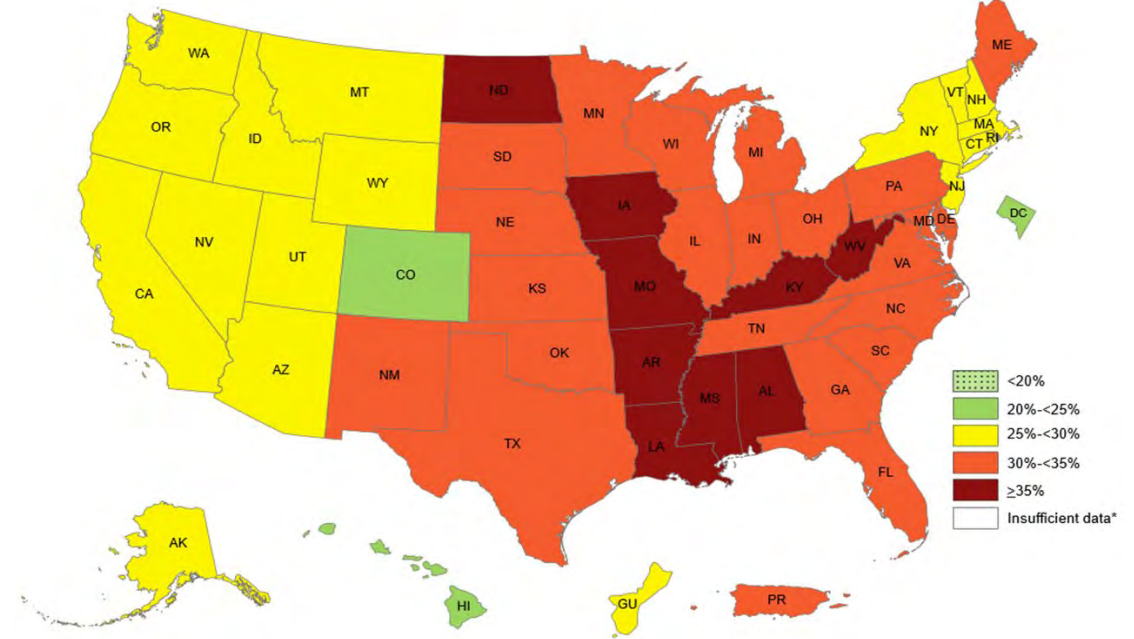
Source: diymaps.net (c)

# Obesity

2011



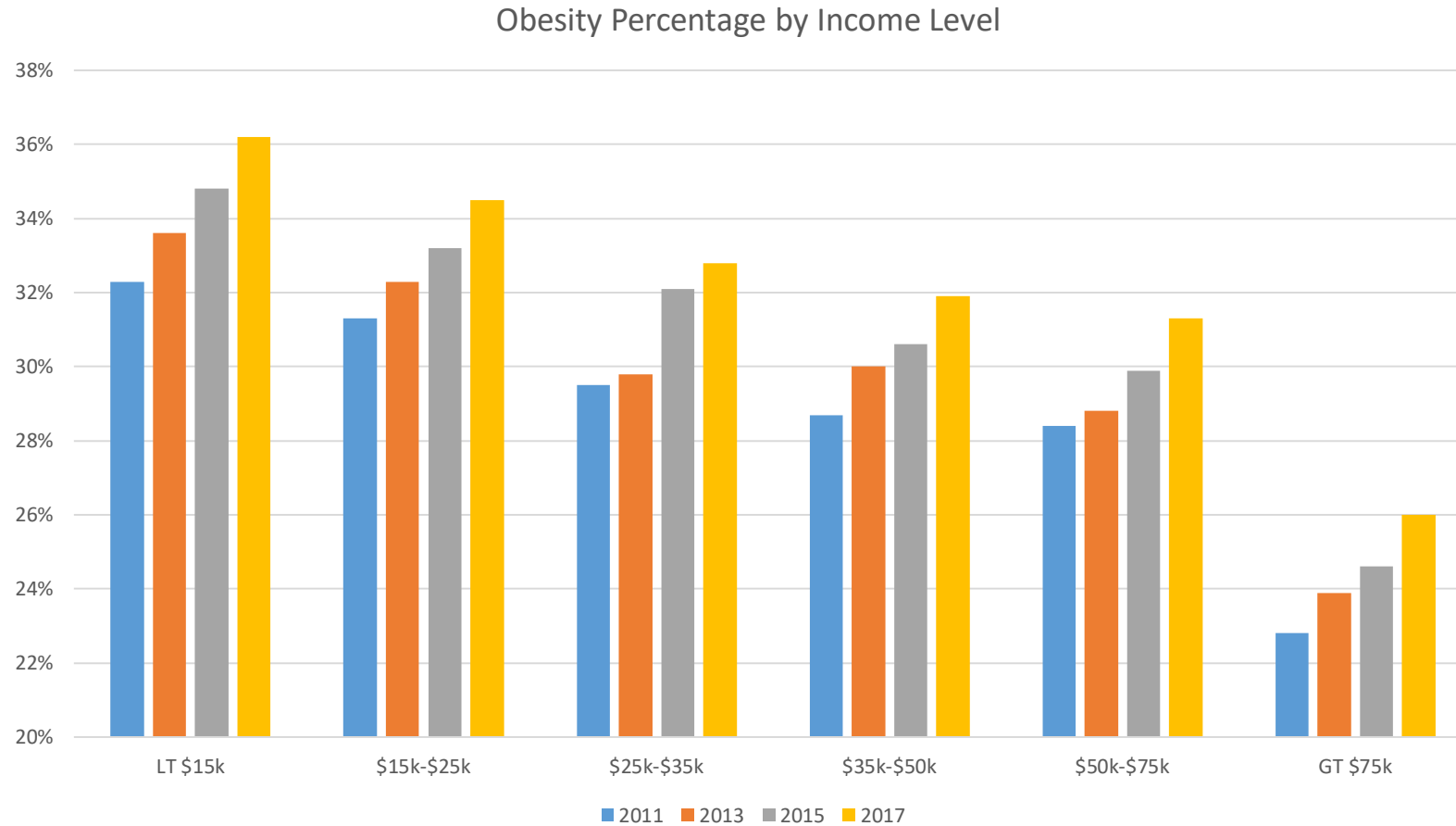
2018



Source: CDC

- In both timeframes, no states had a prevalence level below 20%
- The number of states in the greater 35% category grew from 0 in 2011 to 9 in 2018

# Obesity



Source: CDC

- ✓ Adult obesity statistics following unfavorable trend for all income levels
- ✓ The GT \$75k income level increased at the greatest rate between 2011 and 2017 (14%)



## *Live Content Slide*

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**Poll: What is the next big issue facing the  
Group Life industry?**

# Mortality Issues



Source: CBS Boston WBZ 4



Source: Dailydot.com



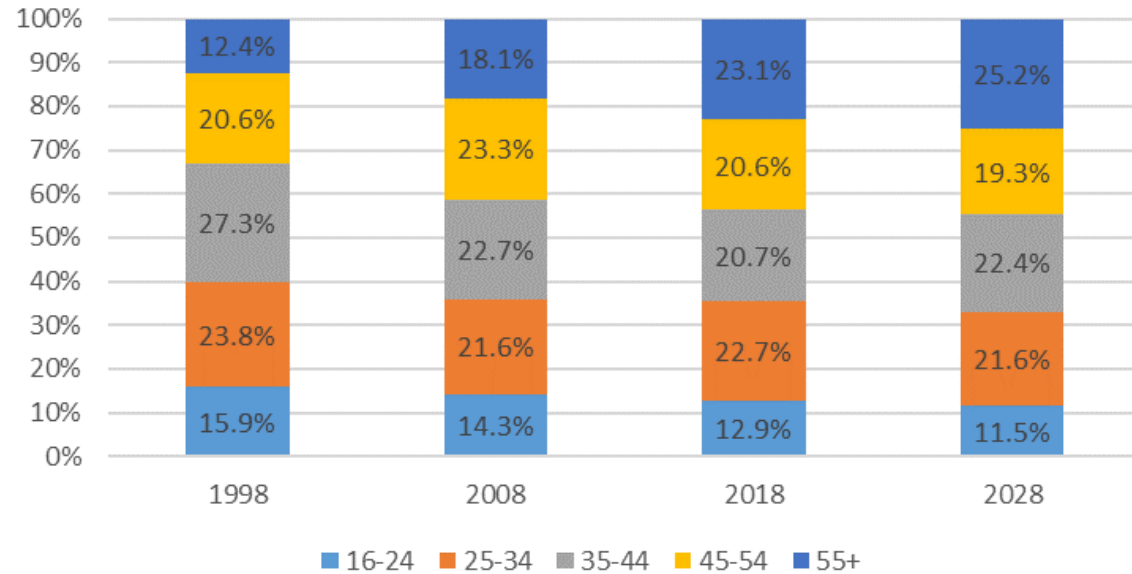
What Should We Be Concerned With Next?

# Employee Population



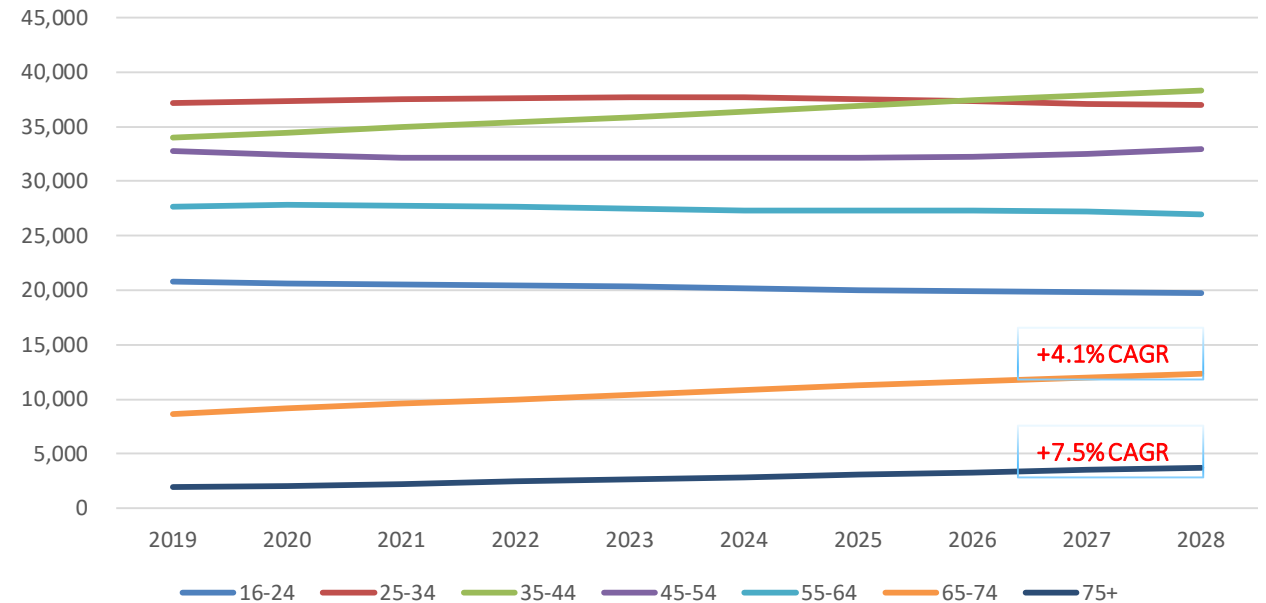
# Employment Trends

Percent Distribution of Labor Force by Age Group



Source: Bureau Labor of Statistics

Projected Labor Force



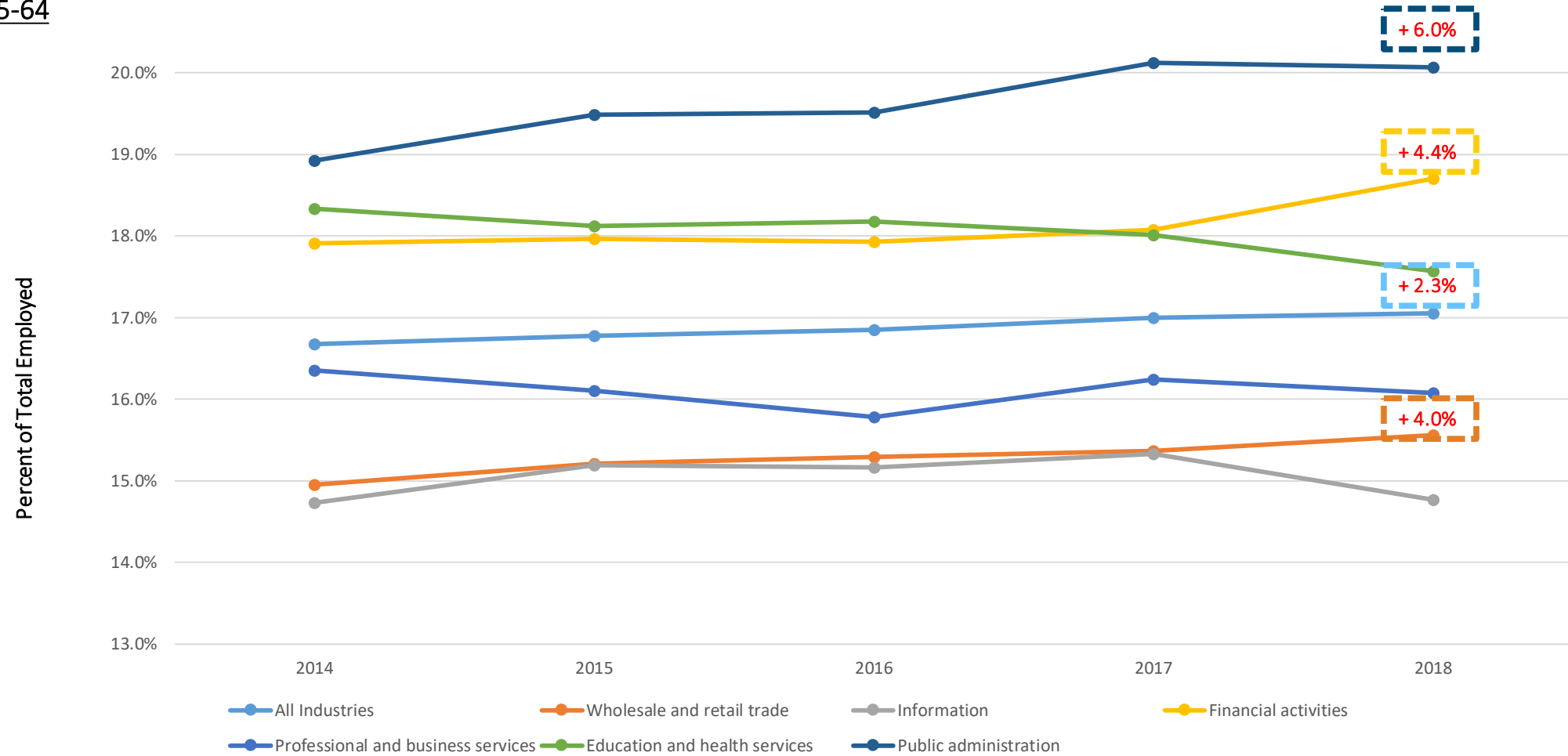
Source: Bureau Labor of Statistics

## Key Reasons for Older Workers Remaining in Workforce

- Baby boomers aging
- Concern for retirement funds adequacy
- Maintain employer based health coverage

# Employment Trends

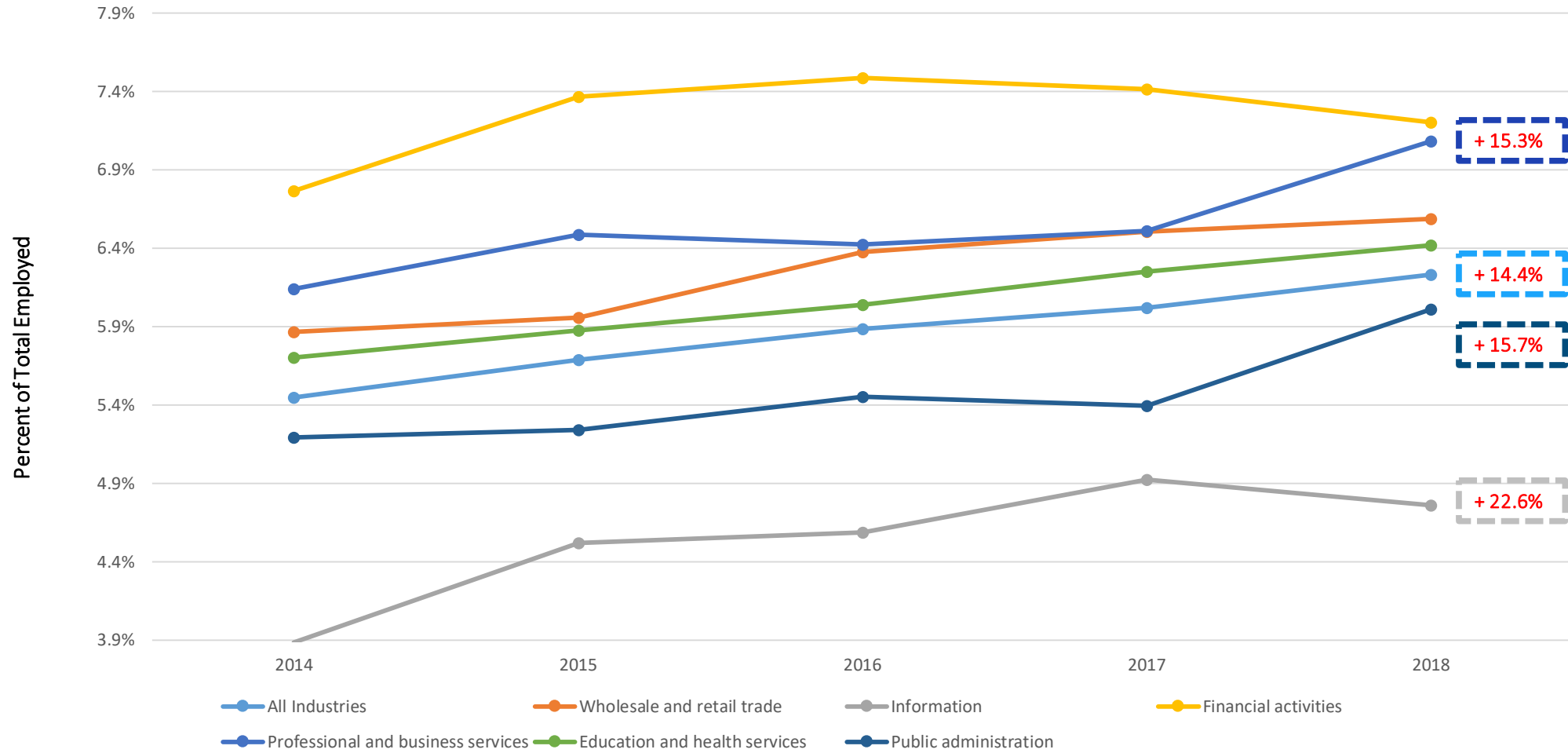
## Ages 55-64



Source: Bureau Labor of Statistics

# Employment Trends

## Ages 65+

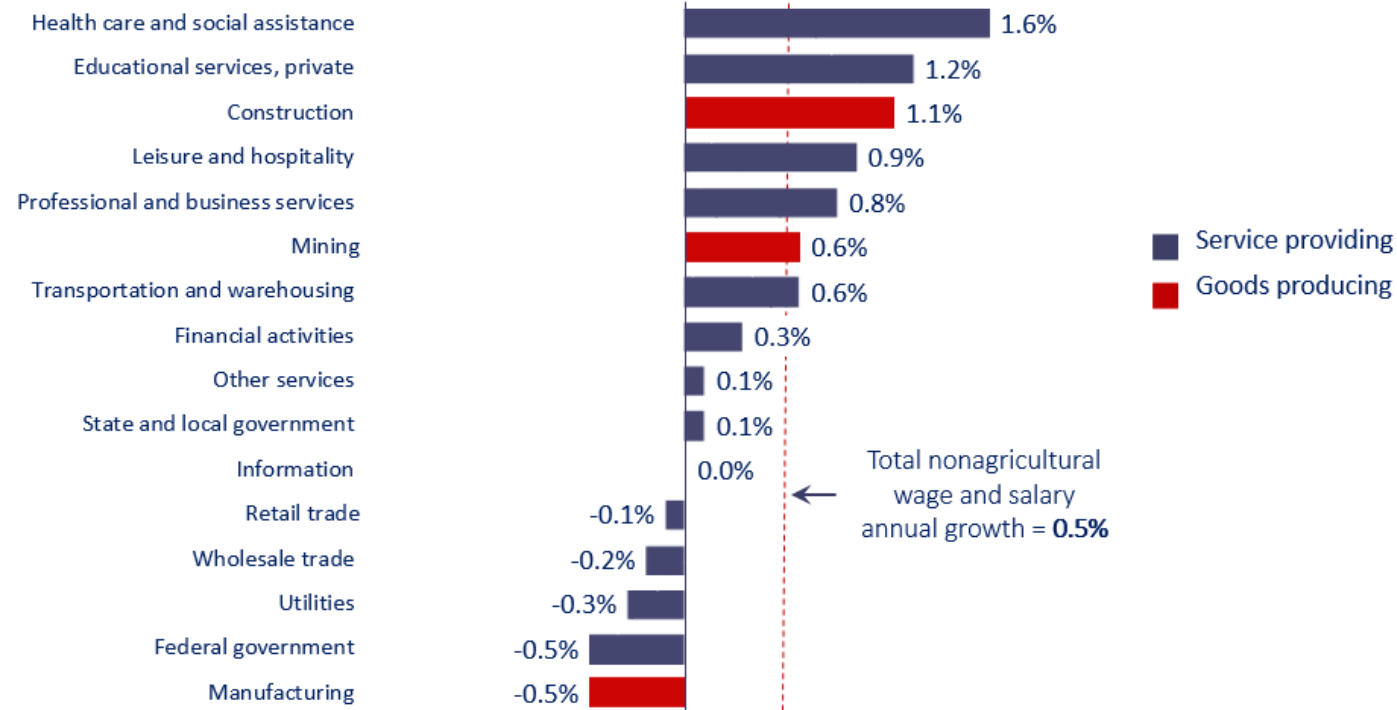


Source: Bureau Labor of Statistics

# Employment Trends

## Projected Annual Rate of Change in Industry Employment, 2018-28

Annual rate of change for wage and salary employment, projected 2018-28



Source: Bureau Labor of Statistics

# Predictive Modeling





## *Live Content Slide*

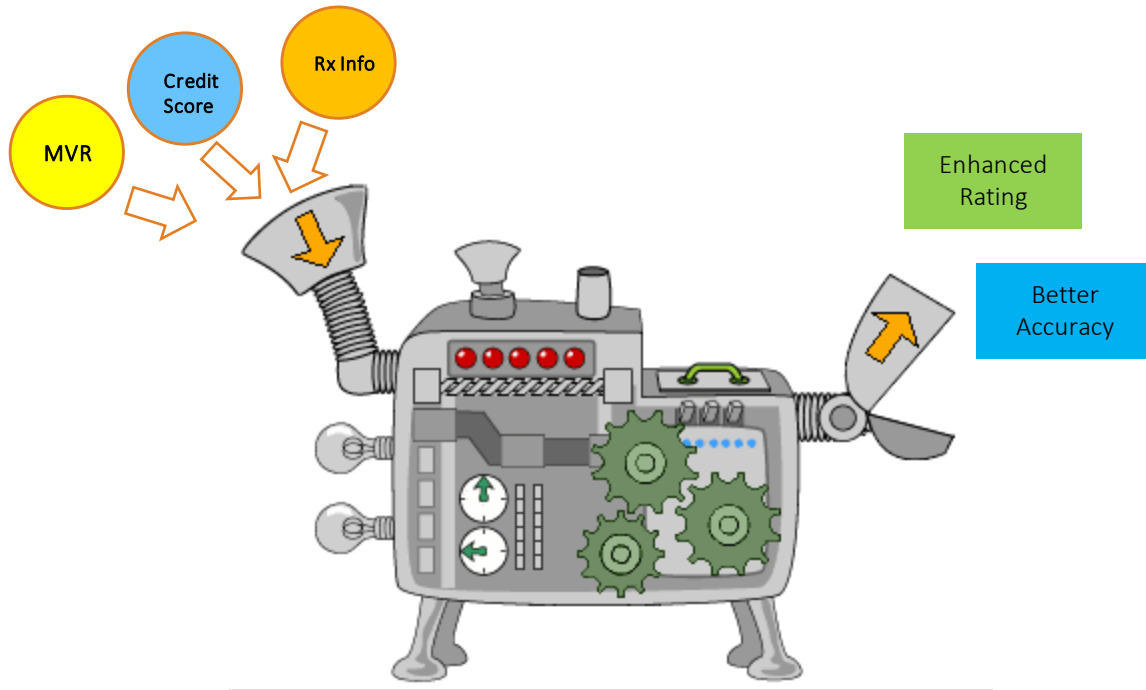
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**Poll: Has your company incorporated predictive modeling into your group life operation?**

# Predictive Modeling

Predictive Modeling continues to be an evolving process for companies to gain better pricing accuracy and competitive advantage

Companies are developing capabilities internally to use predictive modeling as a key part of the pricing process



# Financial Reinsurance



# Financial Reinsurance

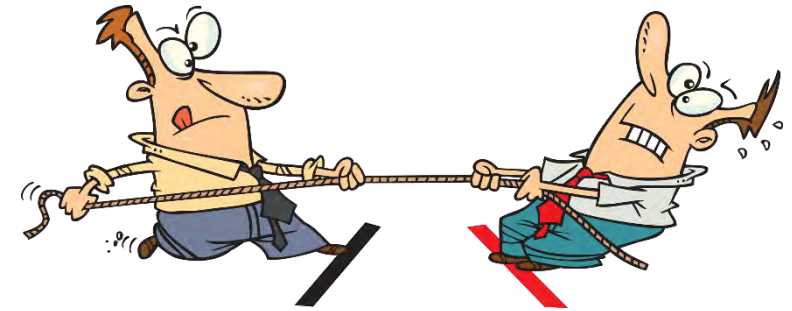
- Financial Reinsurance provides insurance companies the ability to pass RBC to a reinsurer at a low cost
  - Reinsurance reduces Net Amount at Risk which is the main source of RBC
- NAIC is currently reviewing the rules related to how much the reinsurer can charge in premium
- NAIC proposing that YRT insurance on Group Life products will not get reinsurance credit if the reinsurer can charge premium in excess of ceding company's gross premiums
- Exposure period open through mid-October for comments

# Exposure Measurement



# Exposure Measurement

- Reinsurers are increasingly focused on getting as much census information as possible on the risk they are taking on.
- Ceded premium typically set based on percent of premium or actual ceded exposure
  - Percent of Premium - Administratively easier for ceding company
  - Actual ceded exposure – Greater rate accuracy relative to exposure
- Accurate census information allows the reinsurer to:
  - Measure the true ceded risk exposure
  - Better align pricing with true exposure
  - Identify where risks are located geographically to better manage risk concentration issues within their portfolio
- Potential impact
  - Increased risk charge due to the uncertainty related to the true exposures



# Trends in Worksite Life

## Session 55

Bill Mehilos, FSA, MAAA

October 28, 2019



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- The content of this presentation represents the views of the presenters and not those of Milliman. These slides supplement the presentation and are not complete without the presenters' comments.
- These slides have been prepared for the 2019 Society of Actuaries Annual Meeting. This presentation is intended to provide certain actuarial information and analysis that would assist actuaries technically competent in worksite life insurance.
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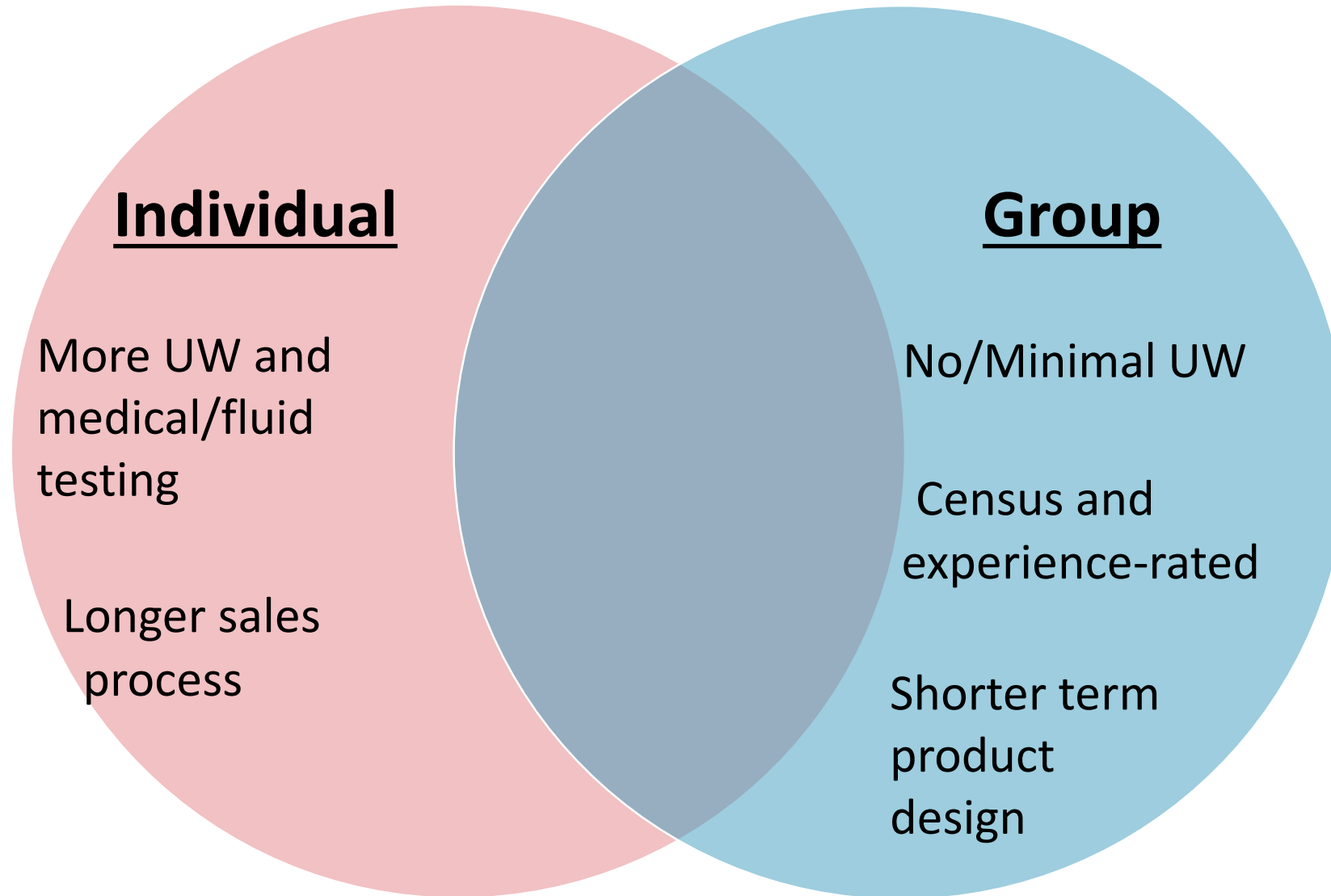
# Individual vs Group vs Worksite

## Individual

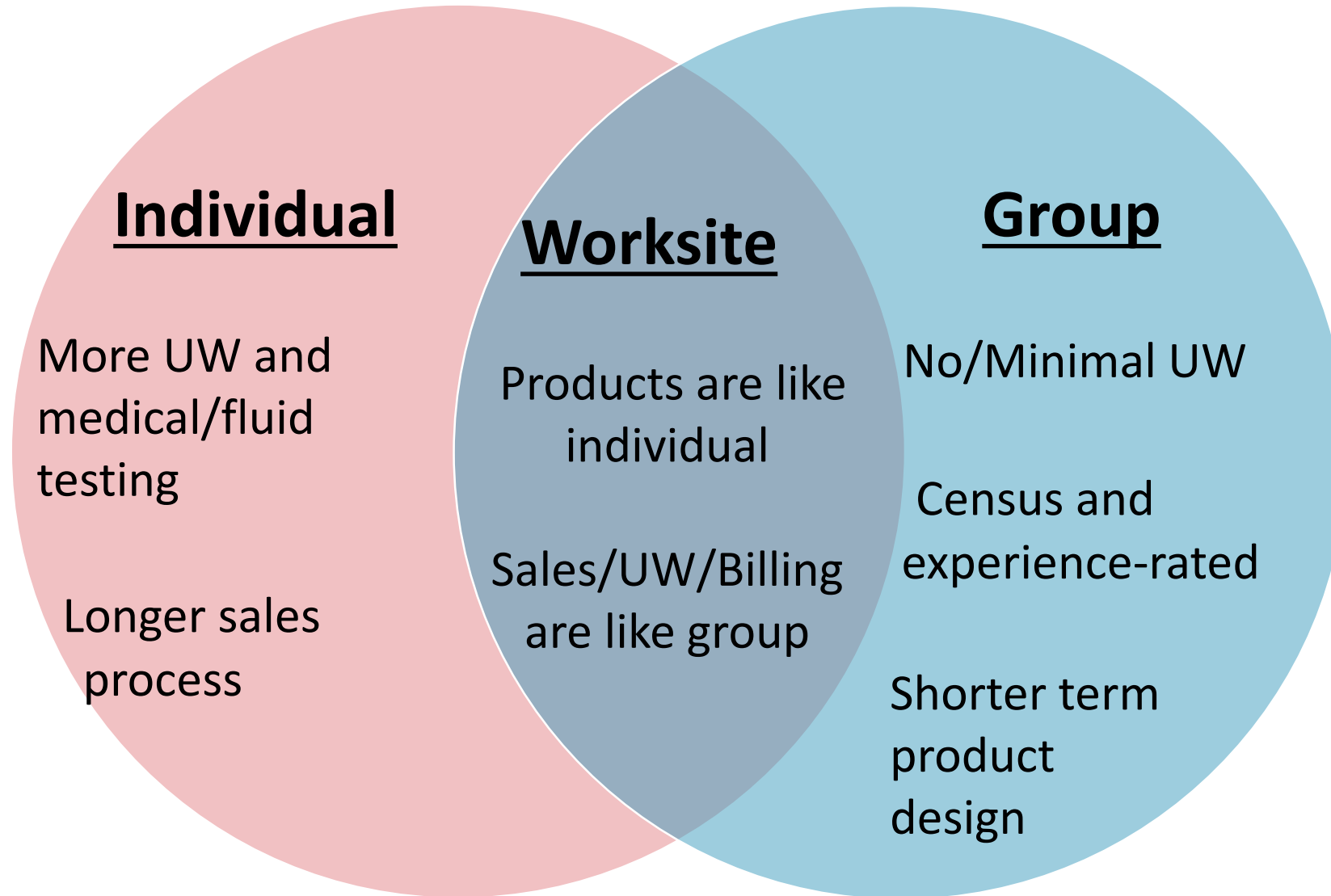
More UW and  
medical/fluid  
testing

Longer sales  
process

# Individual vs Group vs Worksite



# Individual vs Group vs Worksite



# Who are the key players?

- Carriers
- Policyholders
- Employers
- Distribution Partners



# Milliman's Worksite Life Survey

- Specific to purely voluntary worksite life insurance products
- Not including true group, annual renewable term products
- Not including employer paid products
- 21 carriers and 63 products represented

# Participating Carriers

- 5Star Life Insurance
- Aflac
- Allstate
- Colonial (Unum)
- Guardian
- Illinois Mutual
- Leaders Life Insurance
- Life Insurance Company of Alabama
- MassMutual
- New York Life
- Security Mutual Life of New York
- Texas Life Insurance
- Transamerica
- Trustmark
- Voya Financial
- Washington National
- Company A
- Company B
- Company C
- Company D
- Company E

## *Live Content Slide*

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**Poll: What was 2018 Worksite Life Sales  
(in annualized premium)?**

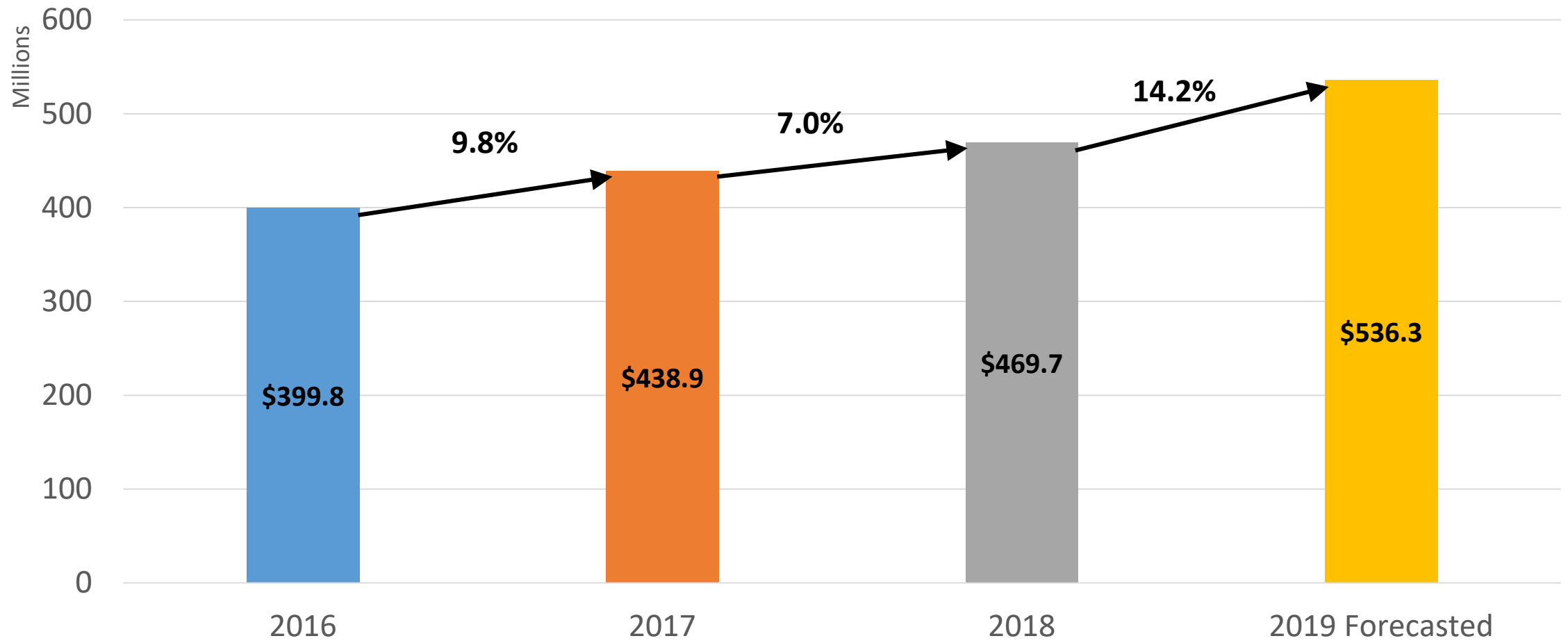
## *Live Content Slide*

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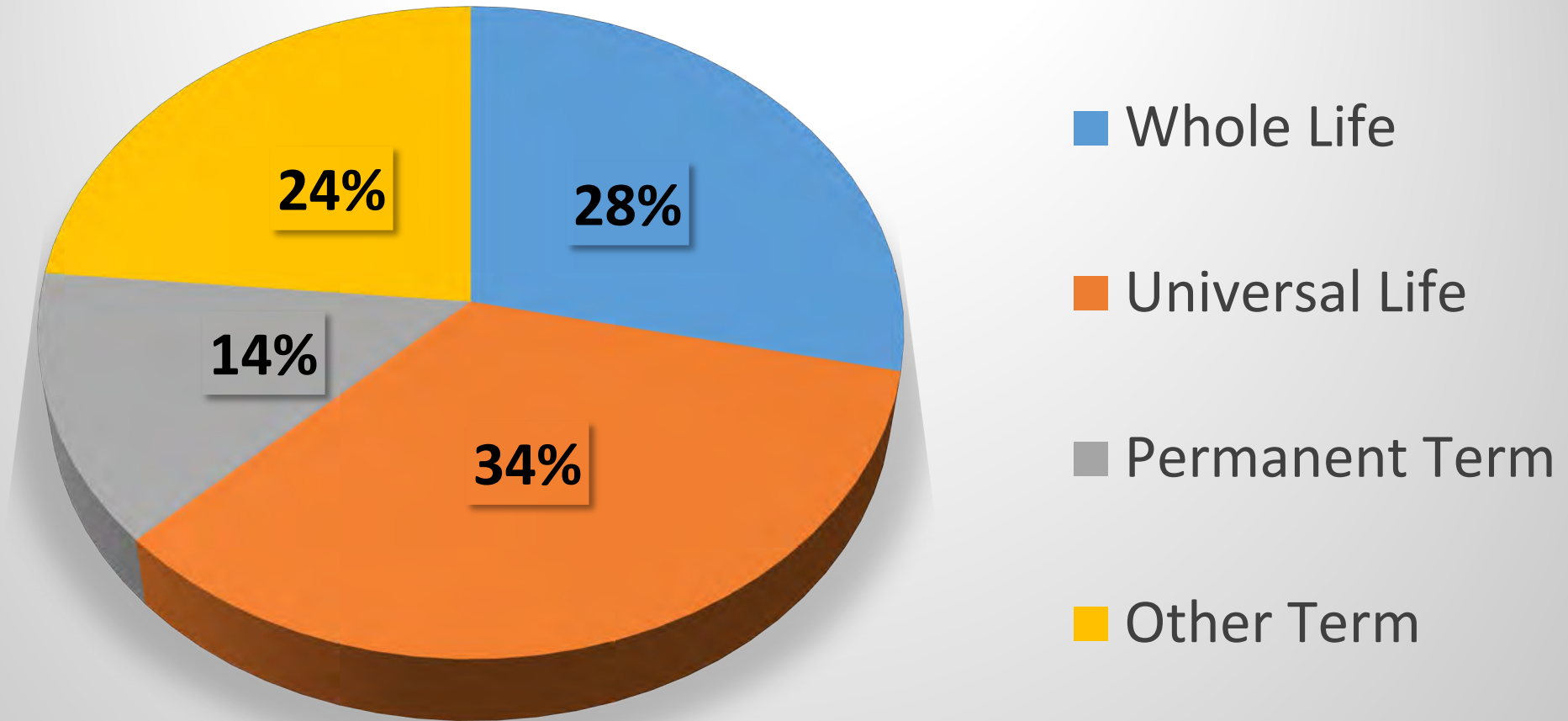
**Poll: What is the overall anticipated sales growth expected in 2019?**



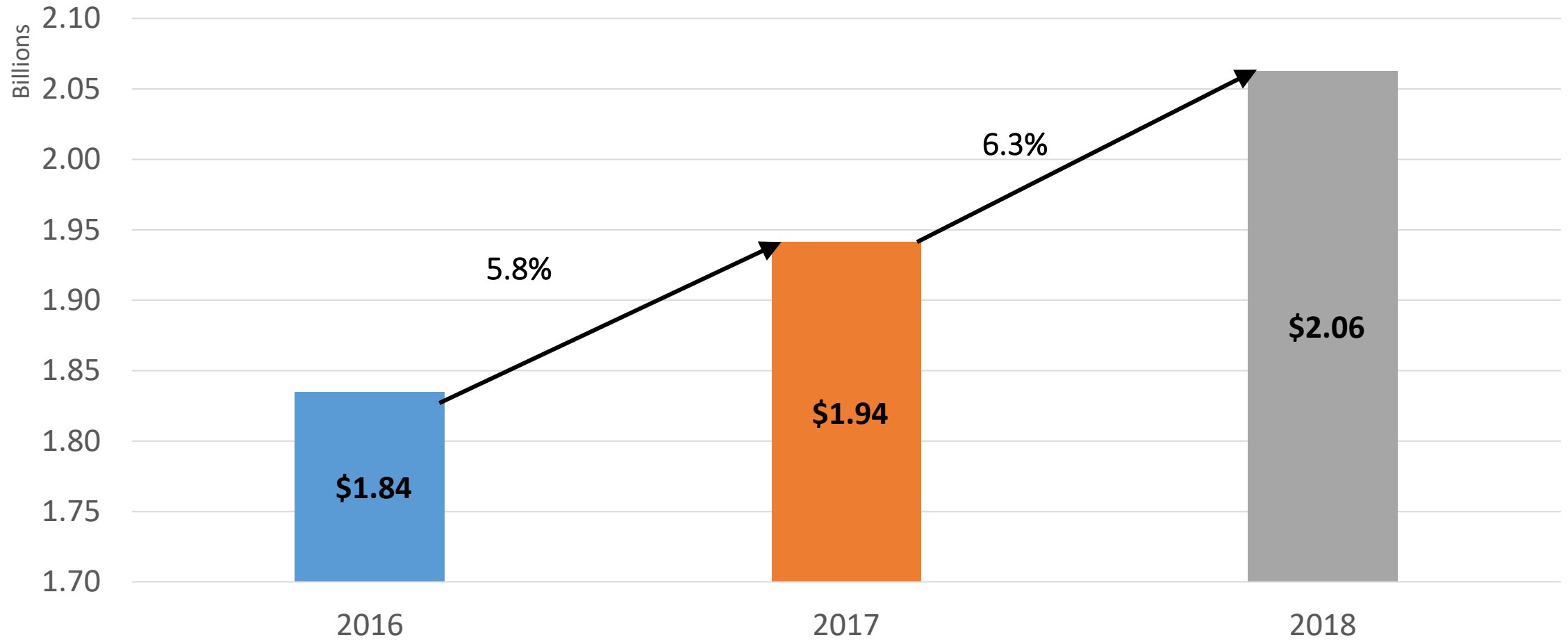
# Worksite Life Sales (Annualized Premium)



# Worksite Life Sales By Product Type



# Worksite Life Inforce Premium



## *Live Content Slide*

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**Poll: What gender mix was reported by  
worksite life carriers?**

## *Live Content Slide*

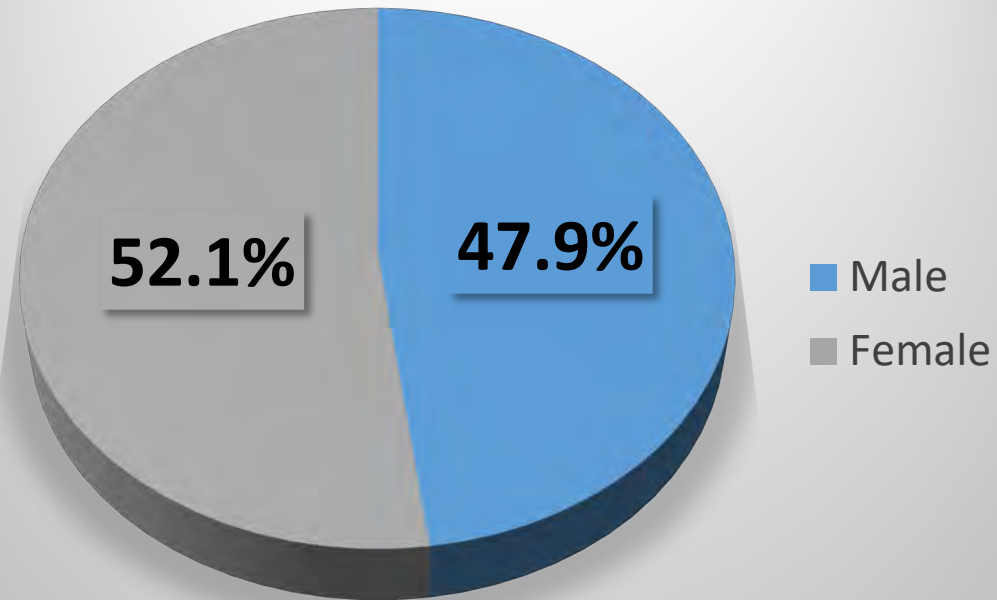
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**Poll: What is the average face amount for  
worksite life products?**

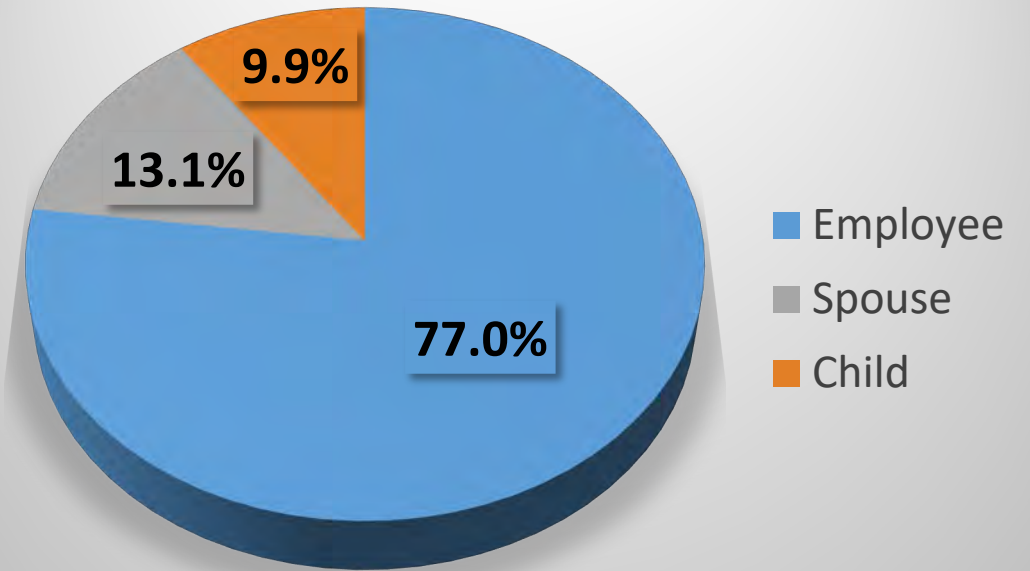
# Demographics

	Overall	Whole Life	Universal Life	Permanent Term	Other Term
Issue Age	39.2	37.7	37.4	37.6	42.5
Face Amount	62,530	44,977	54,288	66,341	79,290

GENDER MIX



RELATIONSHIP TO EMPLOYEE

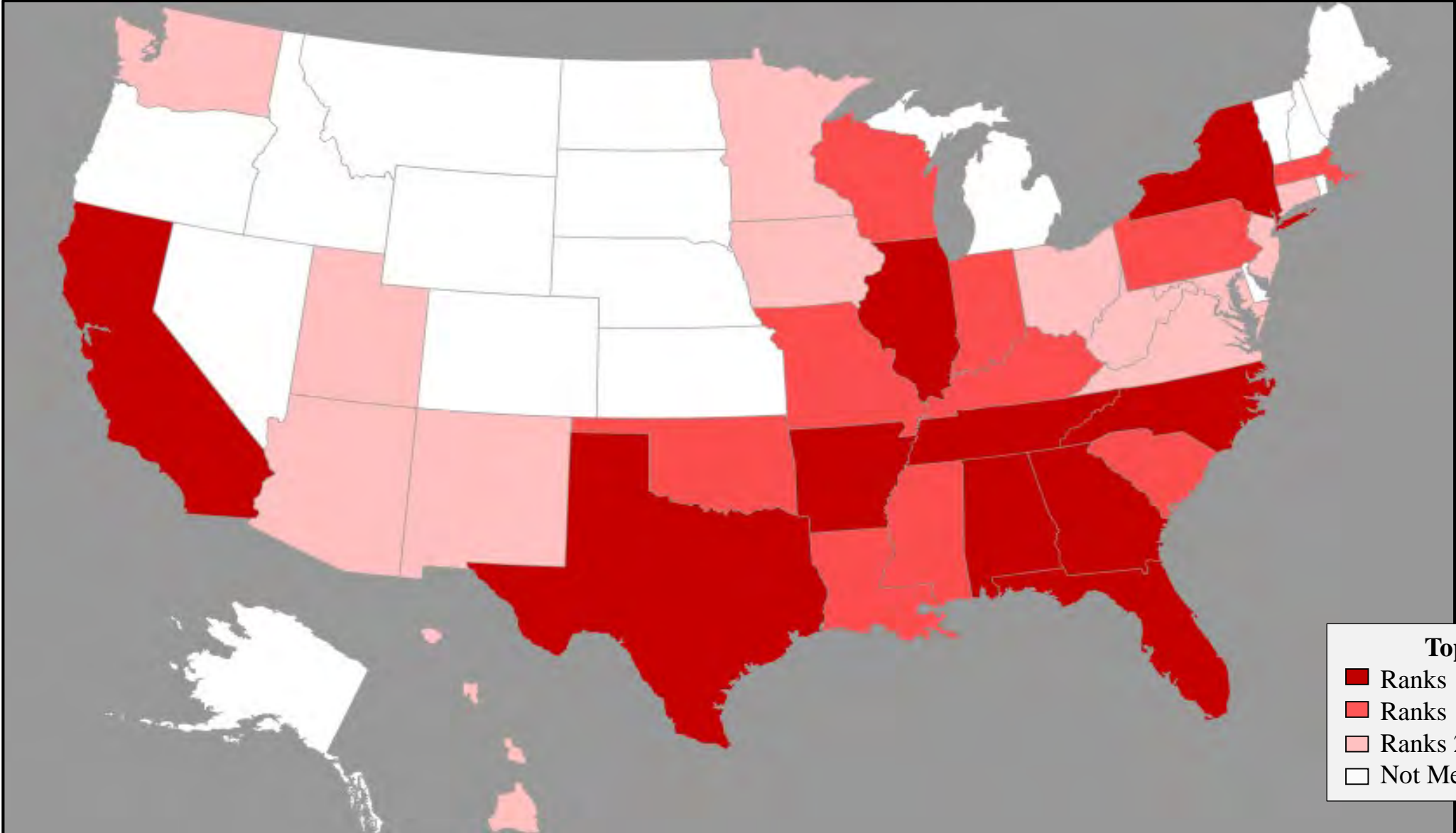


## *Live Content Slide*

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**Poll: Which is NOT a top 10 issue state?**

# Top Issue State Rankings



**Top States**

- Ranks 1-10
- Ranks 11-20
- Ranks 21-33
- Not Mentioned

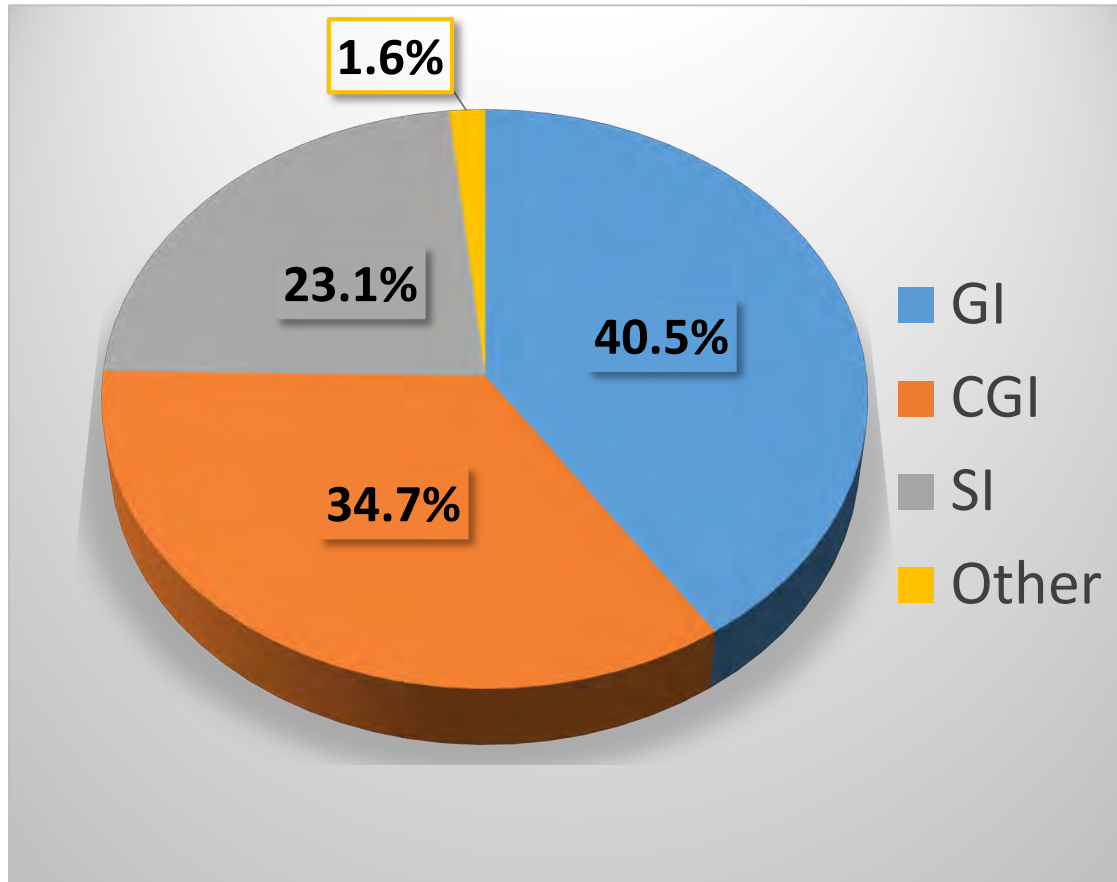


# Actuarial Assumptions

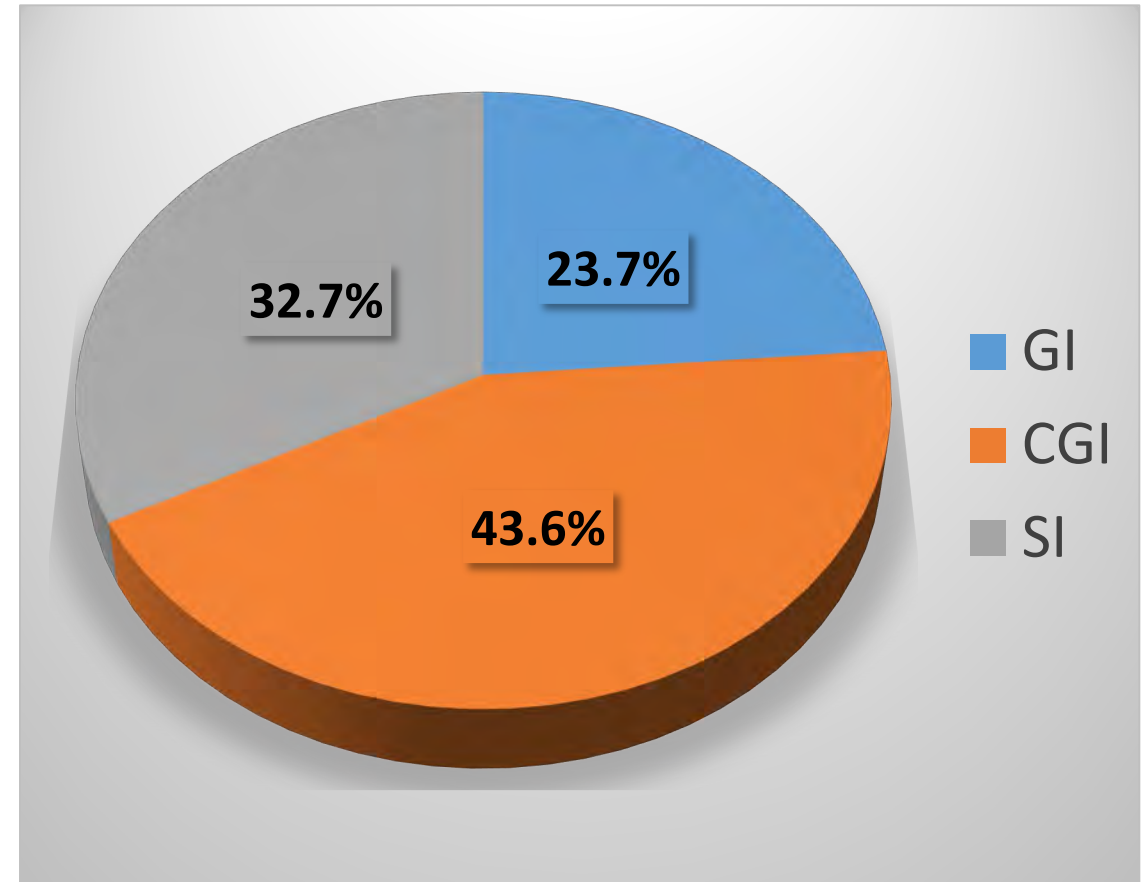
- Lapse
- Mortality
- Expense/Commissions
- Interest Rates
- Premium Rating

# Underwriting Type

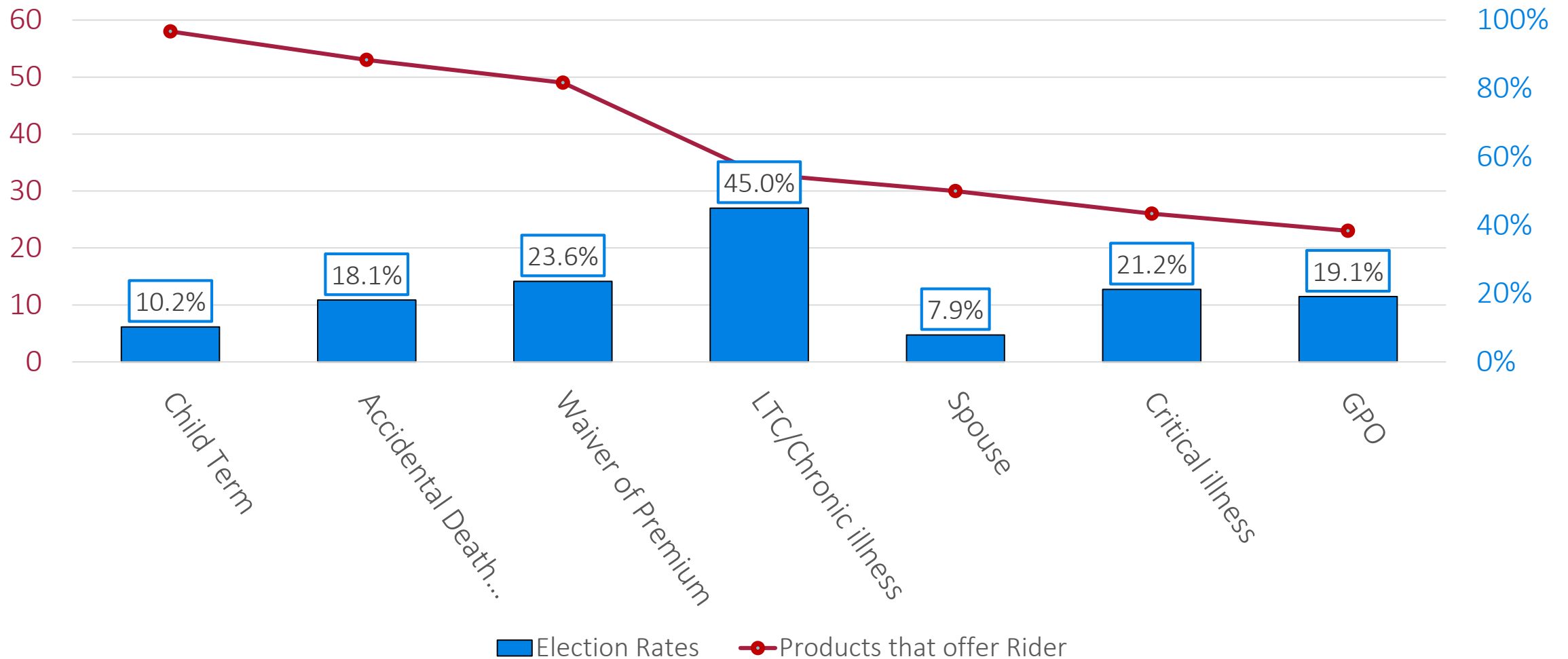
## Employees



## Dependents



# Riders



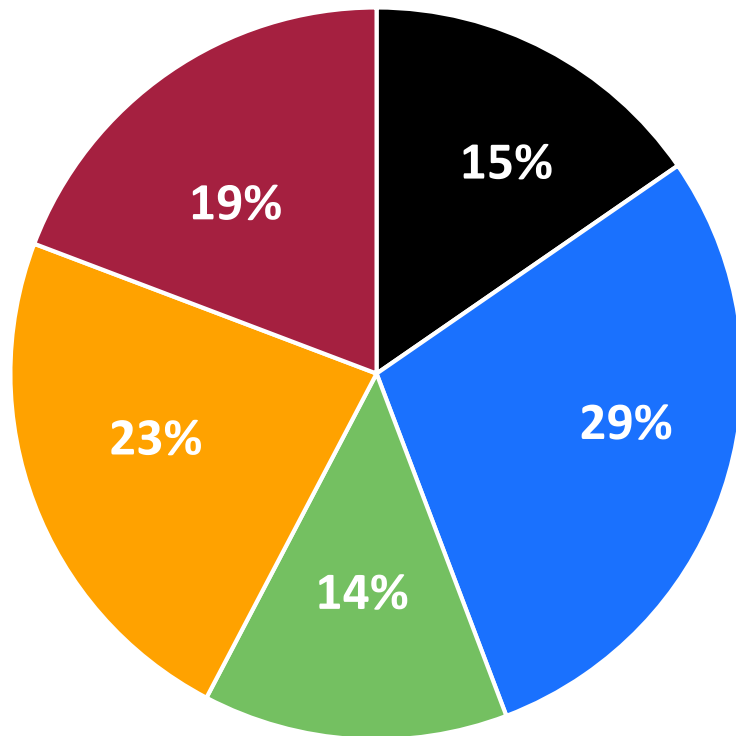
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**Poll: Where is your company at with regards to 2017 CSO and VM-20 Implementation?**

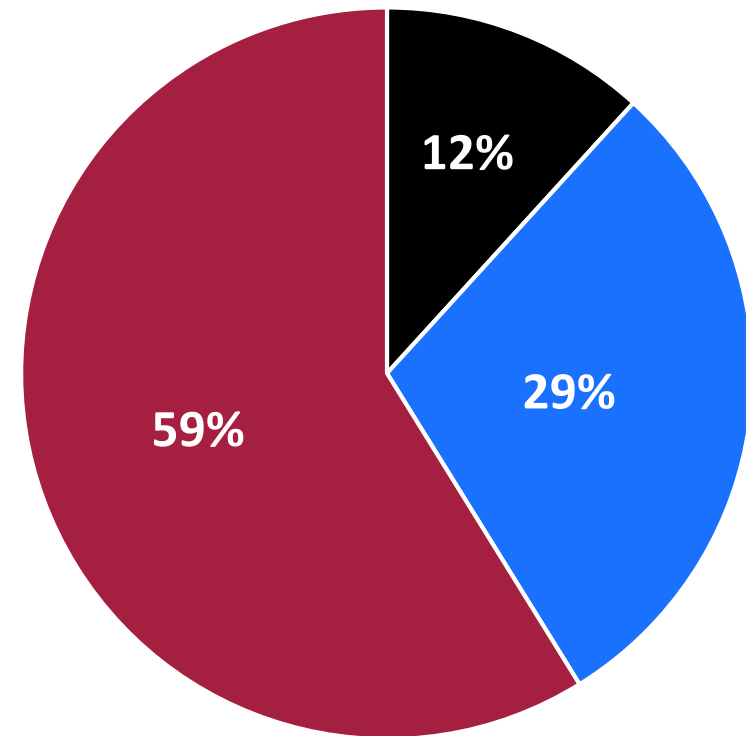
# Reserve Implementation

2017 CSO

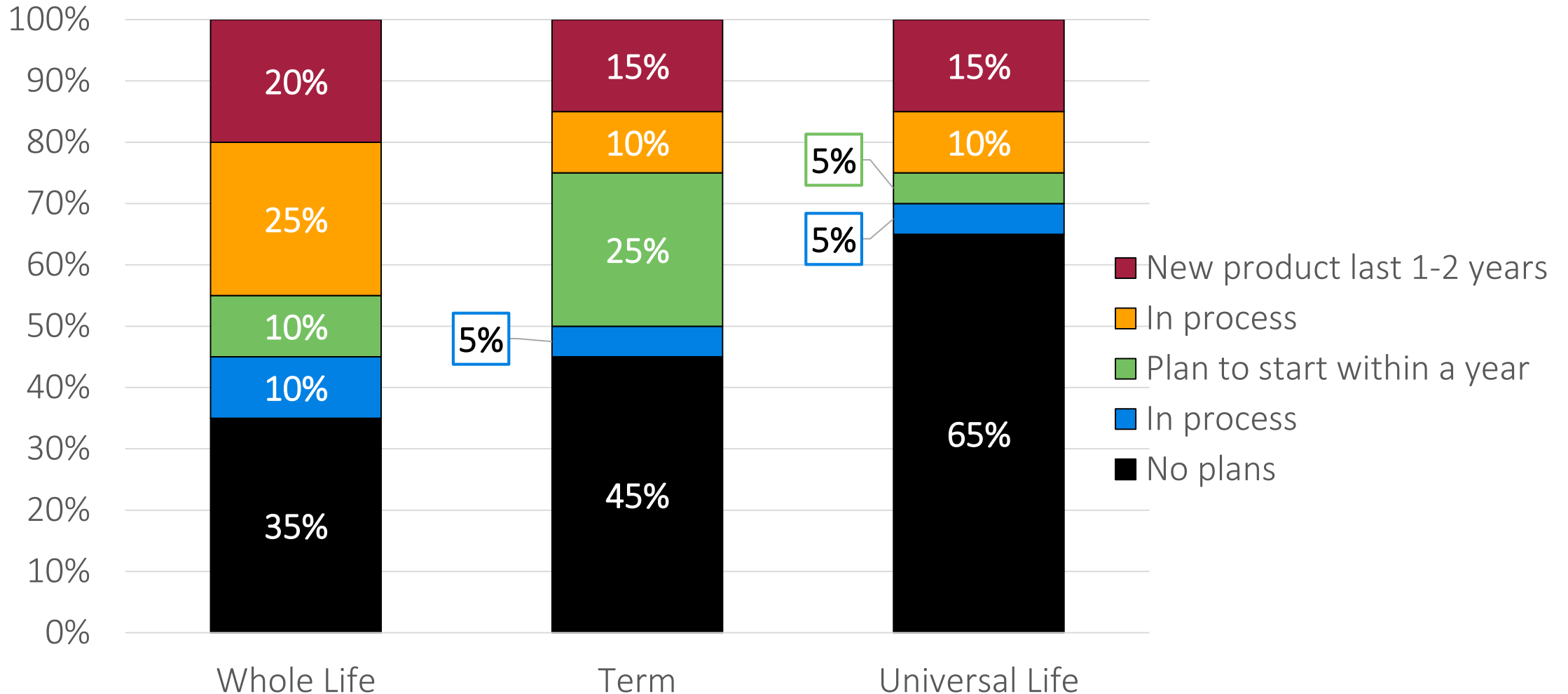


- Just starting
- In process
- Ready for market
- In market
- Does not apply

VM-20



# Product Development Plans





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