

2001 Individual Life and Annuity Expense Study

Summary Report

Updated 10-01-03

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Revision Note: This updated version of the study reflects a revision to the unit cost calculations for First Year Commission Percent and Percent of First Year Premium. The purpose of the revision was to correct how Dump-In Premiums were incorporated into the calculations. The revision impacted the results of the Permanent Life (Table 2) and Variable Life (Table 3) products as well as Total Weighted Averages for Life Products (Table 4). In addition, the formulas shown in Section 3 for First Year Commission Percent and Percent of First Year Premium have been revised to reflect the update.

Executive Summary

Recognizing an absence of publicly available intercompany individual life insurance and annuity product expense information for benchmarking and other purposes, the Society of Actuaries formed the Committee on Life Insurance Company Expenses (CLICE) to, among other things, develop and conduct experience studies providing this information. This report documents the results of the Committee's first expense study – the 2001 SOA Individual Life and Annuity Expense Study.

The Committee distributed a call for contributions of expense data from life insurance companies in August 2002. Over the course of several months, contributions of life and annuity expense data were received from 26 U.S. life insurance companies.

Contributors were asked to provide expense data for the following product categories:

- Life insurance – Term, Permanent, Variable, COLI and BOLI. It was thought that these product groups had product or expense characteristics that would result in different unit expenses. For these life insurance products, contributors were further asked to provide expense detail to the best of their ability broken down by the following distribution channels: Career, Brokerage, PPGA, Multi-Line, Direct Response, Other, and Unallocated (that expense that was not split by channel).
- Annuities – Immediate, Deferred, Variable Immediate and Variable Deferred. For these annuity products, the following distribution channel detail was requested: Career, Brokerage, PPGA, Stockbroker, Financial Institutions, Other, and Unallocated.

The data received from the contributors was aggregated and unit cost calculations were developed. As part of the aggregation process, a series of data integrity checks were performed and contributors were contacted to resolve missing or anomalous data. Based on feedback from the contributors and Committee discussions, the raw data was refined over the course of several months.

The exhibits in this report present unit cost calculations for the various product and distribution channels using the ultimately refined data. In some instances, there was insufficient data to provide unit cost calculations for particular products and distribution channels. A description of the formulas used to develop each of the unit cost calculations is included with this report.

The Committee hopes that it will be able to expand the study in the future, with additional contributors. The Committee expresses its appreciation to all of the contributing companies for their assistance and support of this study.

Section 1: Description of Data Received from Contributors

Appendix 1 contains a sample data submission form for both life and annuity products. Contributors were asked to provide both expenses and corresponding units. There are two applicable worksheets for each product. Expenses were categorized as either acquisition or non-acquisition. Non-acquisition expenses, except Renewal Commissions, were not requested by distribution channel.

Contributors were also asked to include non-recurring expenses, if any, with their data. Non-recurring expenses totaled about 3.1% of total expenses for life insurance, while only 0.9% of total expenses for annuities. For future studies, contributors will be asked to submit non-recurring expenses only if they meet a certain threshold level. The tables in the results section include all non-recurring expenses. No further evaluation was conducted of these expenses.

In all, 26 companies contributed data to the study. One company made three submissions on behalf of three of its separate product/distribution segments. Two of the contributors that participated in the study are primarily burial life insurance companies.

Tables 5-6 and Tables 11-12 present aggregations of the units and expenses that were contributed to the study and refined to form the data basis for the unit cost calculations. In total, the data represents \$4.9 B of life product expenses, \$18 B of life product premium, \$2.3 B of annuity product expenses and \$15.7 B of annuity product premium.

For certain universal life insurance and variable universal life insurance products, dump-ins and excess first year premiums (premiums paid in excess of planned periodic payments, typically compensated more like single premiums) were separately identified. For this study, these were included with single premiums for calculation purposes. The table below presents the total amount of the dump-ins and corresponding dump-in commissions reported by contributors for the applicable life insurance products.

Product	Individual Permanent Life	Individual Variable Life
Dump-ins	\$73.8M	\$321.5M
First Year Premiums*	\$749.2M	\$1,118.9M
Dump-in Commissions	\$2.7M	\$6.5M
First Year Commissions*	\$277.9M	\$347.6M

* Includes Dump-in

Even though units were requested by band of life insurance, insufficient contributions were made to use this information. It is not planned to request this information in future studies.

Section 2: Data Issues

As part of the data cleansing process, a series of data checks were conducted. There were several problems encountered with the data that required communication with the contributors and/or discussion with the committee. Among these were the following:

- 1. Missing Units or Expenses for a Given Set of Data** – In some instances, a contributor provided the units and not the expenses or vice versa for a particular product and distribution channel combination. This required one of several remedial actions, depending upon the situation. First, detailed feedback from the contributor was sought. If detailed corrections or adjustments from the contributor were not available, a pro-rata approach for allocating expenses and units was proposed to the contributor for their approval. If a pro-rata solution did not prove to be a reasonable approach, the missing units or expenses were handled on an individual basis and a decision was made on whether or not to retain the data for the study.
- 2. Not Enough Data to Present Aggregated Results** – For example, there was insufficient data to present results for COLI and BOLI products and distribution channel level detail for Variable Deferred Annuities. The major cause of a particular product / distribution channel combination being dropped from the results occurred because only one or no contributors submitted data.
- 3. Unclear Application of General Overhead** – The relative percentage of overhead expense submitted for the study varied widely by contributor. This was in part a result of contributors misreading the instructions or allocating overhead to another expense line item (for example, as acquisition overhead rather than general overhead). Consequently, overhead was allocated entirely as a per policy expense. In the next expense study, the instructions describing overhead will be further expanded.
- 4. Abnormally High Costs** – Abnormally high unit costs were observed in several instances. In one case, an extremely high per policy issued cost was caused by the recent introduction of a new product line in which an insufficient time to develop sufficient expense efficiency had occurred. When an adequate explanation was not available, the data was eliminated from the study. Also, certain outliers that caused the weighted averages to be skewed were dropped from the study.
- 5. Termination Costs** – A number of contributors did not include the number of claims and/or applicable expenses needed to derive the per termination unit cost. In part this could have been due to the inclusion of such expenses in general maintenance or overhead categories. In order, to maintain the additivity of the unit costs, either expenses or number of claims were imputed for these companies based on the overall average.
- 6. Premium Tax** – Several companies were unable to provide premium tax figures by the categories requested. Companies that had 0% premium tax were excluded from the averages.

7. **Additivity of Unit Cost Factors** – In order to maintain the additivity of the average unit cost factors, adjustments were made to the data when necessary (e.g., see (5) above). Adjustments were required when the number of companies submitting data for a set of unit cost factors was not equal for each of the unit costs.
8. **Dividends** – One contributor had substantial Single Premiums for its Term Life product, which turned out to be considerations for extended term. In other cases, dividends applied to purchase paid up insurance were included as single premiums. Thus, unit expenses for single premiums may be somewhat biased, even though some of it was excluded for this study. This business will not be included in future studies; clarification in the instructions will be given next year for the treatment of dividends and paid-up insurances.

Section 3: Description of Unit Cost Formulas Used

The following formulas were used to develop the unit cost calculations shown in the Section 5 tables.

Life Products

Acquisition

Per Policy Issued= (Underwriting-All Other + Policy-Contract Issue + 0.5 * Acquisition Overhead + 1/3 * Product Development + 1/3 * Other Acquisition) / (Total New Business)

Per 1000 Issued= (Underwriting Inspection Reports + 0.5 * Acquisition Overhead + 1/3 * Product Development + 1/3 * Other Acquisition) / (Total Volume)

First Year Commission Percent= (First Year Commissions – Dump-in included in First Year Commissions) / (First Year Premium Collected – UL and VUL Dump-in Included in First Year Premiums)

Single Commission Percent= (UL and VUL Dump-in included in First Year Commissions + Single Commissions) / (UL and VUL Dump-in included in First Year Premium Collected + Single Premium Collected + UL and VUL Dump-in included in Single Premium Collected)

Percent of First Year Premium= (Sales and Marketing + 1/3 * Product Development + 1/3 * Other Acquisition) / (First Year Premium Collected - 0.9 * UL and VUL Dump-in included in First Year Premium Collected + 0.1 * Single Premium Collected + 0.1 * UL and VUL Dump-in included in Single Premium Collected + 0.1 * Paid-Up Additions included in Single Premium Collected)

Non Acquisition

Renewal Commission Percent= (Renewal Commissions) / (Renewal Premium)

Per Policy Inforce= (Policy Owner Services + Significant Non-recurring Expenses + Overhead + Other non-overhead) / (0.5 * Policies/Contracts - Current Year+ 0.5 * Policies/Contracts - Previous Year)

Per Termination= (Benefit Department\Claim Settlement Expenses) / (Number of Claims)

Premium Tax= (Premium Tax and Guar Assoc Assessments) / (First Year Premium Collected + Single Premium Collected + Renewal Premium Collected)

Annuity Products

Acquisition

Per Policy Issued= (Policy-Contract Issue + Acquisition Overhead + 2/3 * Product Development + 2/3 * Other Acquisition) / (New Business Policies-Contracts Issued)

Commission Percent= (First Year Commission + Single Premium Commission) / (First Year Premium + Single Premium)

Percent of First Year/Single Premium= (Sales and Marketing + 1/3 * Product Development + 1/3 * Other Acquisition) / (First Year Premium Collected + Single Premium Collected)

Non Acquisition

Renewal Commission Percent= (Renewal Commissions) / (Renewal Premium)

Per Policy Inforce= (Policyowner Services + Significant Non-recurring Expenses + Overhead + Other non-overhead) / (0.5 * Policies/Contracts Current Year + 0.5 * Policies/Contracts Previous Year)

Per Termination= (Benefit Departments\Claim Settlement Expenses) / (Contracts Terminated)

Premium Tax= (Premium Tax and Guar Assoc Assessments) / (First Year Premium Collected + Single Premium Collected + Renewal Premium Collected)

Section 4: List of Participating Companies

The Committee on Life Insurance Company Expenses gratefully acknowledges the participation of the following companies. Their support of this study and assistance proved invaluable in its completion.

Participating Companies

AAA Life
Allstate
American Family
Boston Mutual
Empire General
Erie Family
Farm Family
Farmers New World
Forethought
Government Personnel
Guardian
Illinois Mutual
Jackson National
John Hancock
Kansas City Life
Lafayette
Lincoln Financial Group
Nationwide
Old American
Pacific Guardian
Penn Mutual
Prudential
Sons of Norway
State Farm Life
Sunset Life
Union Central

Section 5: Results Tables

Tables 1-3 and Tables 7-9 present the units costs by product and distribution channel for life and annuity products, respectively. The weighted average, unweighted average, median, minimum and maximum for each of the unit costs are shown. These results include non-recurring expenses. For comparison purposes, Table 4 and Table 10 show the weighted average line for each of the life and annuity products, respectively, as well as a summary total. Tables 5-6 and Tables 9-10 are an aggregation of the expenses and units submitted to the study by line item and distribution channel.

Table 1 - Individual Term Life

Table 2 - Individual Permanent Life

Table 3 - Individual Variable Life

Table 4 - Weighted Averages Comparison of Life Products

Table 5 - Total of All Life Product Expense Line Items

Table 6 - Total of All Life Product Units

Table 7 – Individual Deferred Annuity

Table 8 – Individual Immediate Annuity

Table 9 – Individual Variable Deferred Annuity

Table 10 – Weighted Averages Comparison of Annuity Products

Table 11 – Total of All Annuity Product Expense Line Items

Table 12 – Total of All Annuity Product Units

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 1

INDIVIDUAL TERM LIFE INSURANCE

CAREER

Number of Companies = 7

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Percent of First Year Premium		
Weighted Average	\$283.14	\$0.53	48.6%	52.8%	4.3%	
Unweighted Average	\$289.38	\$0.98	60.0%	52.7%	3.7%	
Median	\$296.66	\$0.82	53.2%	50.7%	3.4%	
Minimum	\$82.81	\$0.42	39.9%	0.0%	0.0%	
Maximum	\$434.26	\$1.84	98.4%	130.7%	7.1%	

BROKERAGE

Number of Companies = 6

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Percent of First Year Premium		
Weighted Average	\$146.43	\$0.65	89.1%	21.8%	6.8%	
Unweighted Average	\$228.05	\$1.01	92.8%	22.3%	4.9%	
Median	\$184.57	\$0.55	86.3%	18.4%	4.2%	
Minimum	\$0.00	\$0.30	55.3%	0.0%	2.3%	
Maximum	\$434.26	\$3.00	155.6%	52.3%	9.2%	

PPGA

Number of Companies = 3

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Percent of First Year Premium		
Weighted Average	\$231.17	\$0.57	82.3%	49.0%	2.3%	
Unweighted Average	\$247.50	\$0.81	71.4%	94.8%	2.4%	
Median	\$246.92	\$0.56	80.0%	78.5%	2.4%	
Minimum	\$198.92	\$0.55	49.4%	30.9%	2.3%	
Maximum	\$296.65	\$1.31	84.7%	175.1%	2.4%	

MULTI-LINE

Number of Companies = 4

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Percent of First Year Premium		
Weighted Average	\$89.35	\$0.73	46.1%	37.8%	5.5%	
Unweighted Average	\$124.78	\$0.81	41.7%	47.8%	5.2%	
Median	\$130.10	\$0.74	46.2%	31.9%	5.1%	
Minimum	\$74.32	\$0.48	24.4%	20.0%	2.3%	
Maximum	\$164.63	\$1.28	49.8%	107.4%	8.2%	

UNALLOCATED

Number of Companies = 9

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Percent of First Year Premium		
Weighted Average	\$293.80	\$0.49	57.2%	54.6%	3.3%	
Unweighted Average	\$284.63	\$0.44	74.4%	43.2%	3.3%	
Median	\$307.06	\$0.44	58.5%	55.7%	3.1%	
Minimum	\$21.95	\$0.03	26.8%	0.0%	1.5%	
Maximum	\$713.86	\$1.14	135.6%	77.4%	5.4%	

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 1

INDIVIDUAL TERM LIFE INSURANCE

TOTAL

Number of Companies = 23

	Acquisition				
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Percent of First Year Premium	Renewal Commission Percent
Weighted Average	\$137.26	\$0.65	56.1%	39.7%	4.3%
Unweighted Average	\$237.13	\$0.71	65.6%	47.3%	4.0%
Median	\$210.94	\$0.56	58.5%	50.7%	4.2%
Minimum	\$21.95	\$0.03	26.8%	0.0%	0.6%
Maximum	\$713.86	\$1.69	128.0%	145.1%	8.7%

TOTAL

Number of Companies = 23

	Non-Acquisition - All Distribution Systems Combined						
	Per Policy Inforce	Per Termination	Premium Tax as Percent of Premium	New Business Average Policy Size (1,000's)	Inforce Average Policy Size - Current Year (1,000's)	Inforce Average Policy Size - Previous Year (1,000's)	Inforce Average Policy Size (1,000's)
Weighted Average	\$71.72	\$427.94	1.78%	\$196	\$161	\$153	\$157
Unweighted Average	\$72.99	\$779.26	1.99%	\$271	\$205	\$194	\$199
Median	\$54.96	\$488.83	1.89%	\$258	\$177	\$168	\$173
Minimum	\$5.34	\$121.81	0.85%	\$68	\$48	\$44	\$46
Maximum	\$215.47	\$4,802.72	3.70%	\$562	\$380	\$361	\$371

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 2

INDIVIDUAL PERMANENT LIFE INSURANCE

CAREER

Number of Companies = 8

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Weighted Average	\$165.40	\$0.66	65.7%	0.1%	9.4%	3.6%
Unweighted Average	\$290.18	\$3.94	83.5%	0.8%	36.8%	4.0%
Median	\$182.75	\$4.02	83.7%	0.6%	30.1%	4.1%
Minimum	\$70.48	\$0.23	46.4%	0.0%	0.0%	2.2%
Maximum	\$593.31	\$6.87	123.8%	2.2%	106.1%	6.2%

BROKERAGE

Number of Companies = 5

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Weighted Average	\$148.93	\$0.87	79.1%	1.0%	11.3%	3.8%
Unweighted Average	\$209.71	\$4.08	100.1%	4.8%	25.1%	3.8%
Median	\$174.88	\$1.26	87.8%	5.6%	11.9%	3.6%
Minimum	\$128.77	\$0.23	42.1%	0.1%	0.0%	2.7%
Maximum	\$418.17	\$16.89	182.5%	12.0%	86.8%	6.0%

PPGA

Number of Companies = 4

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Weighted Average	\$118.68	\$2.53	98.5%	0.7%	24.3%	3.9%
Unweighted Average	\$409.41	\$3.33	79.6%	1.8%	55.8%	3.2%
Median	\$371.68	\$3.43	98.3%	0.9%	64.3%	3.2%
Minimum	\$18.17	\$0.86	40.2%	0.1%	7.8%	2.4%
Maximum	\$876.12	\$5.62	100.3%	4.4%	86.5%	3.9%

MULTI-LINE

Number of Companies = 5

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Weighted Average	\$110.42	\$1.70	53.9%	0.1%	23.5%	3.8%
Unweighted Average	\$251.23	\$5.50	55.9%	1.5%	41.2%	3.7%
Median	\$165.68	\$2.00	44.7%	1.5%	28.8%	3.8%
Minimum	\$91.60	\$0.49	41.5%	0.1%	12.6%	2.5%
Maximum	\$685.84	\$13.12	80.3%	2.8%	77.3%	5.5%

UNALLOCATED

Number of Companies = 10

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Weighted Average	\$105.95	\$1.99	38.3%	3.2%	33.4%	3.2%
Unweighted Average	\$534.62	\$2.69	59.0%	2.7%	44.2%	3.9%
Median	\$232.76	\$1.24	51.9%	2.3%	19.0%	3.2%
Minimum	\$0.00	\$0.15	8.1%	0.2%	0.0%	2.4%
Maximum	\$2,251.84	\$14.28	132.2%	6.2%	141.9%	6.9%

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 2

INDIVIDUAL PERMANENT LIFE INSURANCE

TOTAL

Number of Companies = 26

	Acquisition					
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	Renewal Commission Percent
Weighted Average	\$120.64	\$1.27	53.5%	0.4%	17.1%	3.6%
Unweighted Average	\$397.92	\$4.34	75.1%	2.4%	44.0%	3.9%
Median	\$182.75	\$1.95	62.8%	1.7%	29.9%	3.9%
Minimum	\$15.02	\$0.23	8.1%	0.0%	0.0%	2.2%
Maximum	\$2,251.84	\$16.89	182.5%	8.0%	141.9%	6.9%

TOTAL

Number of Companies = 26

	Non-Acquisition - All Distribution Systems Combined						
	Per Policy Inforce	Per Termination	Premium Tax as Percent of Premium	New Business Average Policy Size (1,000's)	Inforce Average Policy Size - Current Year (1,000's)	Inforce Average Policy Size - Previous Year (1,000's)	Inforce Average Policy Size (1,000's)
Weighted Average	\$52.87	\$69.40	1.32%	\$70	\$33	\$32	\$33
Unweighted Average	\$59.68	\$231.20	1.87%	\$105	\$65	\$65	\$65
Median	\$54.43	\$173.29	1.78%	\$74	\$45	\$42	\$44
Minimum	\$9.64	\$2.07	0.61%	\$5	\$3	\$3	\$3
Maximum	\$155.13	\$726.32	3.70%	\$426	\$326	\$359	\$342

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 3

INDIVIDUAL VARIABLE LIFE INSURANCE

CAREER

Number of Companies = 3

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Weighted Average	\$672.15	\$1.41	57.4%	2.3%	38.0%	0.9%
Unweighted Average	\$681.39	\$1.88	74.2%	2.8%	40.0%	3.1%
Median	\$685.11	\$1.43	74.2%	2.1%	44.6%	4.0%
Minimum	\$329.85	\$0.54	55.3%	1.6%	0.0%	0.7%
Maximum	\$1,029.20	\$3.67	93.1%	4.5%	75.5%	4.5%

BROKERAGE

Number of Companies = 4

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Weighted Average	\$315.87	\$0.19	38.0%	2.1%	9.1%	4.9%
Unweighted Average	\$405.26	\$0.40	48.0%	5.8%	10.4%	4.8%
Median	\$429.92	\$0.37	30.0%	3.7%	7.3%	4.5%
Minimum	\$76.09	\$0.11	28.2%	1.5%	0.0%	3.7%
Maximum	\$685.11	\$0.73	85.8%	14.6%	26.8%	6.7%

MULTI-LINE

Number of Companies = 3

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Weighted Average	\$347.05	\$1.24	32.5%	2.3%	10.1%	6.2%
Unweighted Average	\$371.98	\$1.20	63.2%	3.4%	26.9%	7.4%
Median	\$168.91	\$1.51	27.5%	3.4%	5.5%	7.4%
Minimum	\$117.83	\$0.48	20.9%	2.0%	5.2%	3.9%
Maximum	\$829.19	\$1.61	141.3%	4.7%	70.1%	11.0%

UNALLOCATED

Number of Companies = 4

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Weighted Average	\$421.63	\$0.36	53.7%	3.3%	63.1%	7.2%
Unweighted Average	\$609.32	\$0.67	45.2%	3.3%	51.2%	5.0%
Median	\$653.11	\$0.63	48.1%	3.3%	66.0%	4.4%
Minimum	\$272.67	\$0.13	31.2%	3.3%	0.0%	2.7%
Maximum	\$858.39	\$1.29	56.3%	3.3%	72.8%	8.0%

TOTAL

Number of Companies = 10

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Weighted Average	\$480.38	\$0.54	44.3%	2.4%	27.4%	3.4%
Unweighted Average	\$478.84	\$0.98	61.8%	4.6%	41.6%	4.9%
Median	\$475.47	\$0.51	48.1%	3.3%	44.6%	4.4%
Minimum	\$76.09	\$0.11	27.5%	1.6%	0.0%	1.1%
Maximum	\$1,029.20	\$3.67	141.3%	14.6%	75.5%	11.0%

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 3

INDIVIDUAL VARIABLE LIFE INSURANCE

TOTAL

Number of Companies = 10

Non-Acquisition - All Distribution Systems Combined							
	Per Policy Inforce	Per Termination	Premium Tax as Percent of Premium	New Business Average Policy Size (1,000's)	Inforce Average Policy Size - Current Year (1,000's)	Inforce Average Policy Size - Previous Year (1,000's)	Inforce Average Policy Size (1,000's)
Weighted Average	\$204.04	\$155.99	2.23%	\$396	\$134	\$126	\$130
Unweighted Average	\$237.35	\$455.71	2.02%	\$395	\$241	\$235	\$238
Median	\$222.77	\$312.00	1.88%	\$348	\$246	\$257	\$254
Minimum	\$109.21	\$66.47	1.51%	\$112	\$95	\$96	\$96
Maximum	\$458.40	\$1,687.38	3.58%	\$1,059	\$387	\$369	\$378

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Table 4

WEIGHTED AVERAGES LIFE PRODUCTS

CAREER

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Individual Term Life	\$283.14	\$0.53	48.6%	NA	52.8%	4.3%
Individual Permanent Life	\$165.40	\$0.66	65.7%	0.1%	9.4%	3.6%
Individual Variable Life	\$672.15	\$1.41	57.4%	2.3%	38.0%	0.9%
TOTAL	\$304.22	\$0.75	57.1%	0.2%	18.8%	3.7%

BROKERAGE

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Individual Term Life	\$146.43	\$0.65	89.1%	NA	21.8%	6.8%
Individual Permanent Life	\$148.93	\$0.87	79.1%	1.0%	11.3%	3.8%
Individual Variable Life	\$315.87	\$0.19	38.0%	2.1%	9.1%	4.9%
TOTAL	\$187.77	\$0.47	50.1%	1.4%	11.2%	4.9%

PPGA

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Individual Term Life	\$231.17	\$0.57	82.3%	NA	49.0%	2.3%
Individual Permanent Life	\$118.68	\$2.53	98.5%	0.7%	24.3%	3.9%
Individual Variable Life	NA	NA	NA	NA	NA	NA
TOTAL	\$126.26	\$1.78	95.6%	0.7%	25.4%	3.7%

MULTI-LINE

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Individual Term Life	\$89.35	\$0.73	46.1%	NA	37.8%	5.5%
Individual Permanent Life	\$110.42	\$1.70	53.9%	0.1%	23.5%	3.8%
Individual Variable Life	\$347.05	\$1.24	32.5%	2.3%	10.1%	6.2%
TOTAL	\$103.29	\$0.91	47.8%	0.3%	27.8%	4.4%

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 4

WEIGHTED AVERAGES LIFE PRODUCTS

UNALLOCATED

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Individual Term Life	\$293.80	\$0.49	57.2%	NA	54.6%	3.3%
Individual Permanent Life	\$105.95	\$1.99	38.3%	3.2%	33.4%	3.2%
Individual Variable Life	\$421.63	\$0.36	53.7%	3.3%	63.1%	7.2%
TOTAL	\$208.10	\$0.61	48.2%	3.3%	49.7%	4.3%

TOTAL

	Acquisition					Renewal Commission Percent
	Per Policy Issued	Per 1000 Issued	First Year Commission Percent	Single Commission Percent	Percent of First Year Premium	
Individual Term Life	\$137.26	\$0.65	56.1%	NA	39.7%	4.3%
Individual Permanent Life	\$120.64	\$1.27	53.5%	0.4%	17.1%	3.6%
Individual Variable Life	\$480.38	\$0.54	44.3%	2.4%	27.4%	3.4%
TOTAL	\$155.93	\$0.74	50.0%	0.6%	24.8%	3.7%

TOTAL

	Non-Acquisition - All Distribution Systems Combined						
	Per Policy Inforce	Per Termination	Premium Tax as Percent of Premium	New Business Average Policy Size (1,000's)	Inforce Average Policy Size - Current Year (1,000's)	Inforce Average Policy Size - Previous Year (1,000's)	Inforce Average Policy Size (1,000's)
Individual Term Life	\$71.72	\$427.94	1.78%	\$196	\$161	\$153	\$157
Individual Permanent Life	\$52.87	\$69.40	1.32%	\$70	\$33	\$32	\$33
Individual Variable Life	\$204.04	\$155.99	2.23%	\$396	\$134	\$126	\$130
TOTAL	\$68.02	\$83.17	1.59%	\$159	\$65	\$61	\$63

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY
Table 5

Function	Life Products Expenses All							
	Career	Brokerage	PPGA	Multi-Line	Direct Response	Other	Unallocated	Total
F. Commissions Paid								
1. First Year Commissions	132,618,801	275,097,481	5,794,264	242,228,817	0	0	215,477,399	871,216,762
a. UL and VUL Dump-in Included in F-1	2,094,976	2,975,928	47,732	217,857	0	0	3,869,936	9,206,429
2. Single Commissions	1,636,210	4,455,288	7,561	447,207	0	0	2,927,684	9,473,950
a. UL and VUL Dump-in Included in F-2	12,900	0	2,794	0	0	0	0	15,694
3. Renewal Commissions	143,495,926	74,925,793	2,439,210	152,462,698	0	0	116,596,109	489,919,737
G. Other Acquisition Expenses Paid								
1. Sales / Marketing	135,951,160	71,089,103	5,779,588	134,790,574	0	0	218,862,673	566,473,099
2. Underwriting - Inspection Reports and Medical Exams	23,496,080	23,810,585	667,291	74,985,240	0	0	16,264,247	139,223,442
3. Underwriting - All Other	20,003,800	12,780,572	578,198	50,869,108	0	0	23,602,052	107,833,731
4. Policy / Contract Issue	51,501,970	8,735,261	745,168	26,687,935	0	0	11,010,212	98,680,546
5. Acquisition Overhead	25,726,325	3,279,610	1,930,130	31,456,832	0	0	5,751,997	68,144,895
6. Product Development	4,857,426	4,177,453	203,602	1,102,957	0	0	15,032,380	25,373,817
7. Other Acquisition	426,165	952,935	111,315	59,899,907			19,358,296	80,748,618
H. Other Expenses Paid								
1. Benefit Department(s) / Claim Settlement Expenses	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	36,272,930	36,272,930
2. Policyowner Services	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	549,735,990	549,735,990
3. Significant Non-recurring Expenses	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	154,977,318	154,977,318
4. Overhead	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	1,420,704,639	1,420,704,639
5. Other non-overhead	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	7,941,819	7,941,819
I. Premium Tax & Guar Assoc Assessments								
	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	289,471,599	289,471,599
J. Total Expenses								
	539,713,863	479,304,082	18,256,327	774,931,276	0	0	3,103,987,345	4,916,192,894

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 6

	Life Products Units All							
	Career	Brokerage	PPGA	Multi-Line	Direct Response	Other	Unallocated	Total
A. New Business - Direct								
1. Policies / Contracts Issued								
a. Issue Ages <= 39	135,527	17,401	1,633	772,280	0	10	16,646	943,497
b. 40 <= Issue Ages <= 54	70,197	17,810	1,795	165,398	0	2	15,999	271,200
c. 55 <= Issue Ages <= 64	20,055	8,468	1,982	27,598	0	1	4,601	62,705
d. Issue Ages >= 65	15,766	4,297	9,131	9,198	0	0	1,343	39,735
e. Undistributed	41,571	84,453	4,415	125,541	0	0	197,880	453,860
f. Total	283,115	132,429	18,956	1,100,015	0	13	235,228	1,769,756
2. Volume Issued (Round to 1000s)								
a. Face Amount / Sum Insured < 100,000	2,317,297	447,631	93,813	33,157,929	0	95	1,312,317	37,329,082
b. 100,000 <= FA / SI <= 249,999	12,501,729	2,580,002	150,904	23,755,720	0	1,545	3,782,533	42,772,433
c. 250,000 <= FA / SI <= 499,999	7,613,085	2,690,439	90,042	22,222,762	0	0	6,824,393	39,440,721
d. 500,000 <= FA / SI <= 999,999	5,374,748	3,470,991	74,108	15,770,144	0	0	8,714,435	33,404,426
e. FA / SI >= 1,000,000	4,678,163	10,408,443	101,400	9,394,812	0	0	17,750,631	42,333,448
f. Undistributed	18,629,254	37,825,188	467,963	18,074,549	0	0	11,571,838	86,568,792
g. Total	51,114,276	57,422,693	978,230	122,375,916	0	1,640	49,956,146	281,848,902
3. First Year Premium Collected								
a. UL and VUL Dump-in Included in A-3	452,246,656	761,052,094	20,298,384	516,063,686	0	1,467	556,300,643	2,305,962,931
	84,666,273	183,544,451	1,060,711	9,540,898	0	0	116,503,781	395,316,114
4. Single Premium Collected								
a. UL and VUL Dump-in Included in A-4	1,975,748,828	346,476,057	31,903,725	263,590,265	0	0	96,554,295	2,714,273,170
b. Paid-Up Additions Included in A-4	709,186	0	150,434	0	0	0	0	859,620
	1,572,815,934	211,785,961	5,886,401	248,027,759	0	0	22,531,093	2,061,047,148
B. Inforce - Direct - Current Year								
1. Policies / Contracts								
	14,153,693	849,528	280,492	9,774,966	0	12	6,105,065	31,163,756
2. Volume (Round to 1000s)								
	430,171,657	241,052,299	6,560,417	798,236,270	0	1,515	562,688,749	2,038,710,907
3. Renewal Premium Collected								
	5,371,522,178	1,535,624,185	52,502,978	3,494,258,173	0	0	2,748,022,023	13,201,929,537
4. Reserves or Account Balances								
	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	126,692,089,904	126,692,089,904
C. Inforce - Direct - Previous Year								
1. Policies / Contracts								
	14,789,665	809,367	288,525	9,393,900	0	0	6,278,323	31,559,781
2. Volume (Round to 1000s)								
	442,353,870	217,613,144	6,594,135	741,438,650	0	0	527,404,390	1,935,404,188
3. Renewal Premium Collected								
	5,395,940,403	1,437,890,348	54,534,484	3,270,347,665	0	0	2,680,568,416	12,839,281,315
4. Reserves or Account Balances								
	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	122,861,998,541	122,861,998,541
D. Number of Claims								
	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	436,111	436,111
E. Benefits								
	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	5,379,654,477	5,379,654,477

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 7

INDIVIDUAL DEFERRED ANNUITY

CAREER

Number of Companies = 9

	Acquisition			
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	Renewal Commission Percent
Weighted Average	\$161.93	3.0%	2.2%	2.4%
Unweighted Average	\$354.53	3.1%	1.8%	3.0%
Median	\$267.97	3.3%	1.2%	3.1%
Minimum	\$10.63	0.5%	0.1%	1.7%
Maximum	\$1,302.67	4.5%	5.7%	4.0%

BROKERAGE

Number of Companies = 3

	Acquisition			
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	Renewal Commission Percent
Weighted Average	\$94.03	4.7%	0.8%	1.8%
Unweighted Average	\$138.21	4.9%	0.8%	1.8%
Median	\$101.94	4.8%	0.8%	1.8%
Minimum	\$8.81	4.6%	0.6%	1.8%
Maximum	\$303.89	5.4%	1.0%	1.8%

PPGA

Number of Companies = 3

	Acquisition			
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	Renewal Commission Percent
Weighted Average	\$469.64	4.3%	2.6%	8.7%
Unweighted Average	\$739.16	4.1%	2.8%	3.7%
Median	\$172.59	4.2%	2.2%	1.8%
Minimum	\$105.27	3.4%	2.1%	0.4%
Maximum	\$1,939.62	4.6%	4.1%	9.0%

STOCKBROKER

Number of Companies = 2

	Acquisition			
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	Renewal Commission Percent
Weighted Average	\$204.64	5.8%	1.3%	3.9%
Unweighted Average	\$191.50	5.9%	1.3%	3.9%
Median	\$191.50	5.9%	1.3%	3.9%
Minimum	\$14.32	2.7%	0.1%	3.9%
Maximum	\$368.69	9.0%	2.5%	3.9%

FINANCIAL INSTITUTION

Number of Companies = 4

	Acquisition			
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	Renewal Commission Percent
Weighted Average	\$109.58	5.4%	0.7%	5.5%
Unweighted Average	\$215.25	5.4%	0.6%	5.5%
Median	\$260.72	5.3%	0.4%	5.5%
Minimum	\$11.69	5.1%	0.1%	5.5%
Maximum	\$327.87	5.8%	1.4%	5.5%

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 7

INDIVIDUAL DEFERRED ANNUITY

OTHER

Number of Companies = 2

	Acquisition			
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	Renewal Commission Percent
Weighted Average	\$79.70	2.1%	0.5%	3.8%
Unweighted Average	\$191.63	4.2%	0.6%	2.3%
Median	\$191.63	4.2%	0.6%	2.3%
Minimum	\$79.36	2.1%	0.5%	0.9%
Maximum	\$303.89	6.2%	0.6%	3.8%

UNALLOCATED

Number of Companies = 7

	Acquisition			
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	Renewal Commission Percent
Weighted Average	\$86.63	5.7%	1.2%	4.5%
Unweighted Average	\$159.56	5.3%	1.3%	3.9%
Median	\$104.48	4.9%	1.3%	4.6%
Minimum	\$26.66	3.6%	0.1%	2.4%
Maximum	\$541.62	8.7%	2.9%	4.8%

TOTAL

Number of Companies = 21

	Acquisition			
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	Renewal Commission Percent
Weighted Average	\$105.50	5.2%	1.0%	3.6%
Unweighted Average	\$321.84	4.5%	1.4%	3.2%
Median	\$116.60	4.5%	1.2%	3.1%
Minimum	\$8.81	2.1%	0.1%	0.0%
Maximum	\$1,939.62	8.7%	4.1%	9.0%

TOTAL

Number of Companies = 21

	Non-Acquisition - All Distribution Systems Combined			
	Per Policy Inforce	Per Termination	Premium Tax as Percent of Premium	Average Account Balance
Weighted Average	\$93.32	\$38.39	0.07%	\$27,694
Unweighted Average	\$72.45	\$70.07	0.24%	\$28,207
Median	\$70.66	\$38.39	0.17%	\$25,502
Minimum	\$15.31	\$20.33	0.02%	\$7,768
Maximum	\$149.56	\$517.85	0.77%	\$69,745

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 8

INDIVIDUAL IMMEDIATE ANNUITY

CAREER

Number of Companies = 5

	Acquisition		
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium
Weighted Average	\$336.58	2.8%	0.8%
Unweighted Average	\$322.93	2.7%	1.6%
Median	\$343.14	2.8%	1.2%
Minimum	\$45.66	1.3%	0.2%
Maximum	\$795.77	4.1%	4.4%

UNALLOCATED

Number of Companies = 7

	Acquisition		
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium
Weighted Average	\$158.16	3.4%	1.4%
Unweighted Average	\$429.90	3.2%	1.8%
Median	\$194.83	3.5%	0.8%
Minimum	\$26.56	1.6%	0.1%
Maximum	\$1,532.13	4.0%	5.6%

TOTAL

Number of Companies = 12

	Acquisition		
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium
Weighted Average	\$194.86	3.3%	1.3%
Unweighted Average	\$385.33	3.0%	1.7%
Median	\$246.83	3.1%	1.0%
Minimum	\$26.56	1.3%	0.1%
Maximum	\$1,532.12	4.1%	5.6%

TOTAL

Number of Companies = 12

	Non-Acquisition - All Distribution Systems Combined			
	Per Policy Inforce	Per Termination	Premium Tax as Percent of Premium	Average Account Balance
Weighted Average	\$109.66	\$444.93	0.28%	\$28,409
Unweighted Average	\$72.92	\$427.16	0.51%	\$30,640
Median	\$47.12	\$444.87	0.19%	\$27,127
Minimum	\$23.55	\$21.94	0.09%	\$17,800
Maximum	\$168.79	\$1,017.00	1.56%	\$56,866

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 9

INDIVIDUAL VARIABLE DEFERRED ANNUITY

TOTAL

Number of Companies = 11

	Acquisition			
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	Renewal Commission Percent
Weighted Average	\$133.00	6.0%	1.3%	5.1%
Unweighted Average	\$220.98	5.4%	2.3%	5.9%
Median	\$143.22	4.8%	1.4%	5.8%
Minimum	\$51.63	3.9%	0.5%	1.1%
Maximum	\$747.72	9.7%	7.2%	12.5%

TOTAL

Number of Companies = 11

	Non-Acquisition - All Distribution Systems Combined			
	Per Policy Inforce	Per Termination	Premium Tax as Percent of Premium	Average Account Balance
Weighted Average	\$173.72	\$33.38	0.09%	\$49,355
Unweighted Average	\$246.00	\$51.57	0.10%	\$40,975
Median	\$160.66	\$33.38	0.03%	\$42,295
Minimum	\$67.45	\$19.12	0.00%	\$6,475
Maximum	\$1,054.79	\$197.58	0.29%	\$62,875

*There was not a sufficient number of companies to provide distribution channel details.

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 10

WEIGHTED AVERAGES ANNUITY PRODUCTS

CAREER

	Acquisition			Renewal Commission Percent
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	
Individual Deferred Annuity	\$161.93	3.0%	2.2%	2.4%
Individual Immediate Annuity	\$336.58	2.8%	0.8%	NA
Individual Variable Deferred Annuity	NA	NA	NA	NA
TOTAL	\$167.88	3.0%	2.0%	2.4%

BROKERAGE

	Acquisition			Renewal Commission Percent
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	
Individual Deferred Annuity	\$94.03	4.7%	0.8%	1.8%
Individual Immediate Annuity	NA	NA	NA	NA
Individual Variable Deferred Annuity	NA	NA	NA	NA
TOTAL	\$94.03	4.7%	0.8%	1.8%

PPGA

	Acquisition			Renewal Commission Percent
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	
Individual Deferred Annuity	\$469.64	4.3%	2.6%	8.7%
Individual Immediate Annuity	NA	NA	NA	NA
Individual Variable Deferred Annuity	NA	NA	NA	NA
TOTAL	\$469.64	4.3%	2.6%	8.7%

STOCKBROKER

	Acquisition			Renewal Commission Percent
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	
Individual Deferred Annuity	\$204.64	5.8%	1.3%	3.9%
Individual Immediate Annuity	NA	NA	NA	NA
Individual Variable Deferred Annuity	NA	NA	NA	NA
TOTAL	\$204.64	5.8%	1.3%	3.9%

FINANCIAL INSTITUTIONS

	Acquisition			Renewal Commission Percent
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	
Individual Deferred Annuity	\$109.58	5.4%	0.7%	5.5%
Individual Immediate Annuity	NA	NA	NA	NA
Individual Variable Deferred Annuity	NA	NA	NA	NA
TOTAL	\$109.58	5.4%	0.7%	5.5%

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 10

WEIGHTED AVERAGES ANNUITY PRODUCTS

OTHER

	Acquisition			Renewal Commission Percent
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	
Individual Deferred Annuity	\$79.70	2.1%	0.5%	3.8%
Individual Immediate Annuity	NA	NA	NA	NA
Individual Variable Deferred Annuity	NA	NA	NA	NA
TOTAL	\$79.70	2.1%	0.5%	3.8%

UNALLOCATED

	Acquisition			Renewal Commission Percent
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	
Individual Deferred Annuity	\$86.63	5.7%	1.2%	4.5%
Individual Immediate Annuity	\$158.16	3.4%	1.4%	NA
Individual Variable Deferred Annuity	NA	NA	NA	NA
TOTAL	\$89.08	5.6%	1.2%	4.5%

TOTAL

	Acquisition			Renewal Commission Percent
	Per Policy Issued	Commission Percent	Percent of First Year/Single Premium	
Individual Deferred Annuity	\$105.50	5.2%	1.0%	3.6%
Individual Immediate Annuity	\$194.86	3.3%	1.3%	NA
Individual Variable Deferred Annuity	\$133.00	6.0%	1.3%	5.1%
TOTAL	\$120.31	5.6%	1.2%	4.9%

TOTAL

	Non-Acquisition - All Distribution Systems Combined			
	Per Policy Inforce	Per Termination	Premium Tax as Percent of Premium	Average Account Balance
Individual Deferred Annuity	\$93.32	\$38.39	0.07%	\$27,694
Individual Immediate Annuity	\$109.66	\$444.93	0.28%	\$28,409
Individual Variable Deferred Annuity	\$173.72	\$33.38	0.09%	\$49,355
TOTAL	\$137.08	\$38.79	0.08%	\$39,597

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY
Table 11

Function	Annuity Products Expenses All							
	Career	Brokerage	PPGA	Stockbroker	Financial Institutions	Other	Unallocated	Total
F. Commissions Paid								
1. First Year Commissions	62,326,006	204,224,940	139,563	108,776,888	141,548,898	6,208,277	279,906,408	803,130,979
2. Single Commissions	2,148,397	80,993,290	329,537	230,200,368	67,919,212	4,282,665	101,452,081	487,325,550
3. Renewal Commissions	37,101,639	16,978,394	253,705	24,198,153	2,652,284	2,167,420	17,953,160	101,304,755
G. Acquisition / Developmental Expenses Paid								
1. Sales / Marketing	16,915,800	15,548,421	264,321	31,345,370	16,122,485	2,782,158	166,474,009	249,452,565
2. UW - IR and ME - Not applicable	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
3. UW - Other - Not applicable	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4. Policy / Contract Issue	3,711,725	3,348,632	56,413	7,874,085	5,756,795	1,166,410	20,343,423	42,257,482
5. Acquisition Overhead	2,727,854	0	106,889	0	6,673	0	22,838	2,864,254
6. Product Development	831,639	1,126,985	44,996	1,701,795	1,526,325	100,265	5,840,911	11,172,916
7. Other Acquisition	2,695,062	314,930	25,658	642,929	340,151	30,703	15,685,776	19,735,209
H. Other Expenses Paid								
1. Benefit Department(s) / Claim Settlement Expenses	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	11,925,165	11,925,165
2. Policyowner Services	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	170,636,224	170,636,224
3. Significant Non-recurring Expenses	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	21,800,000	21,800,000
4. Overhead	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	292,625,308	292,625,308
5. Other non-overhead	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	101,503,750	101,503,750
I. Premium Tax & Guar Assoc Assessments								
	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	13,010,939	13,010,939
J. Total Expenses								
	128,458,121	322,535,591	1,221,082	404,739,589	235,872,823	16,737,898	1,219,179,993	2,328,745,096

2001 INDIVIDUAL LIFE AND ANNUITY EXPENSE STUDY

Table 12

	Annuity Products Units All							
	Career	Brokerage	PPGA	Stockbroker	Financial Institutions	Other	Unallocated	Total
A. New Business - Direct								
1. Policies / Contracts Issued	92,734	96,985	462	79,876	93,324	15,059	180,473	558,914
2. First Year Premium Collected	1,306,112,392	4,124,840,591	2,822,501	2,285,075,796	2,390,287,931	93,301,510	4,722,737,761	14,925,178,482
3. Single Premium Collected	208,017,465	1,675,548,140	8,709,827	2,479,027,000	1,457,171,244	269,893,021	1,982,111,382	8,080,478,078
B. Inforce - Direct - Current Year								
1. Policies / Contracts	1,101,738	773,837	6,112	641,910	434,432	89,349	1,423,033	4,470,411
2. Volume (not applicable to annuities)	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
3. Renewal Premium Collected	980,656,950	44,944,253	2,512,774	587,818,562	36,468,886	120,773,875	336,564,086	2,109,739,386
4. Account Balances	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	177,154,268,671	177,154,268,671
C. Inforce - Direct - Previous Year								
1. Policies / Contracts	1,084,848	741,519	6,419	636,744	386,298	150,653	1,402,649	4,409,130
2. Renewal Premium Collected	193,453,243	610,164,779	2,423,463	0	118,366,466	129,103,406	434,229,256	1,487,740,613
3. Account Balances	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	174,453,795,449	174,453,795,449
D. Contracts Terminated	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	318,433	318,433
E. Annuity Benefits, excluding Surrenders	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	4,182,095,715	4,182,095,715

2001 SOA Expense Study Worksheet
 Company Information
 Appendix 1

Company Name	
---------------------	--

Contact Information

Name	
Telephone	
E-mail	

	Stock	Mutual	Mutual Holding	Demutualizing	Fraternal
Corporate Organization Type					

	Yes
Primarily Burial Life Insurance Company	

	General Account	Separate Accounts
Gross Investment Income		
Investment Expenses		

Date Last Updated:	August 15, 2002
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2001 SOA Expense Study Worksheet

Expense Units

Appendix 1

	Sample Life Product Units							Total
	Career	Brokerage	PPGA	Multi-Line	Direct Response	Other	Unallocated	
A. New Business - Direct								
1. Policies / Contracts Issued								
a. Issue Ages <= 39								0
b. 40 <= Issue Ages <= 54								0
c. 55 <= Issue Ages <= 64								0
d. Issue Ages >= 65								0
e. Undistributed								0
f. Total	0	0	0	0	0	0	0	0
2. Volume Issued (Round to 1000s)								
a. Face Amount / Sum Insured < 100,000								0
b. 100,000 <= FA / SI <= 249,999								0
c. 250,000 <= FA / SI <= 499,999								0
d. 500,000 <= FA / SI <= 999,999								0
e. FA / SI >= 1,000,000								0
f. Undistributed								0
g. Total	0	0	0	0	0	0	0	0
3. First Year Premium Collected								
a. UL and VUL Dump-in Included in A-3								0
4. Single Premium Collected								
a. UL and VUL Dump-in Included in A-4								0
b. Paid-Up Additions Included in A-4								0
B. Inforce - Direct - Current Year								
1. Policies / Contracts								0
2. Volume (Round to 1000s)								0
3. Renewal Premium Collected								0
4. Reserves or Account Balances	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
C. Inforce - Direct - Previous Year								
1. Policies / Contracts								0
2. Volume (Round to 1000s)								0
3. Renewal Premium Collected								0
4. Reserves or Account Balances	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
D. Number of Claims	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
E. Benefits	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0

Comments / Notes:

2001 SOA Expense Study Worksheet

Expenses

Appendix 1

Function	Sample Life Product Expenses							
	Career	Brokerage	PPGA	Multi-Line	Direct Response	Other	Unallocated	Total
F. Commissions Paid								
1. First Year Commissions								0
a. UL and VUL Dump-in Included in F-1								0
2. Single Commissions								0
a. UL and VUL Dump-in Included in F-2								0
3. Renewal Commissions								0
G. Other Acquisition Expenses Paid								
1. Sales / Marketing								0
2. Underwriting - Inspection Reports and Medical Exams								0
3. Underwriting - All Other								0
4. Policy / Contract Issue								0
5. Acquisition Overhead								0
6. Product Development								0
7. Other Acquisition - Please list								0
a.								0
b.								0
c.								0
d.								0
H. Other Expenses Paid								
1. Benefit Department(s) / Claim Settlement Expenses	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
2. Policyowner Services	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
3. Significant Non-recurring Expenses (specify)								0
a.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
b.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
c.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
d.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
4. Overhead	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
5. Other non-overhead								0
a.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
b.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
c.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
d.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
I. Premium Tax & Guar Assoc Assessments	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
J. Total Expenses	0	0	0	0	0	0	0	0

Comments / Notes:

2001 SOA Expense Study Worksheet

Expense Units

Appendix 1

	Sample Annuity Product Units							Total
	Career	Brokerage	PPGA	Stockbroker	Financial Institutions	Other	Unallocated	
A. New Business - Direct								
1. Policies / Contracts Issued								0
2. First Year Premium Collected								0
3. Single Premium Collected								0
B. Inforce - Direct - Current Year								
1. Policies / Contracts								0
2. Volume (not applicable to annuities)	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
3. Renewal Premium Collected								0
4. Account Balances	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
C. Inforce - Direct - Previous Year								
1. Policies / Contracts								0
2. Renewal Premium Collected								0
3. Account Balances	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
D. Contracts Terminated								
	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
E. Annuity Benefits, excluding Surrenders								
	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0

Comments / Notes:

2001 SOA Expense Study Worksheet

Expenses

Appendix 1

Function	Sample Annuity Product Expenses							
	Career	Brokerage	PPGA	Stockbroker	Financial Institutions	Other	Unallocated	Total
F. Commissions Paid								
1. First Year Commissions								0
2. Single Commissions								0
3. Renewal Commissions								0
G. Acquisition / Developmental Expenses Paid								
1. Sales / Marketing								0
2. UW - IR and ME - Not applicable	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
3. UW - Other - Not applicable	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4. Policy / Contract Issue								0
5. Acquisition Overhead								0
6. Product Development								0
7. Other Acquisition - Please list								
a.								0
b.								0
c.								0
d.								0
H. Other Expenses Paid								
1. Benefit Department(s) / Claim Settlement Expenses	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
2. Policyowner Services	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
3. Significant Non-recurring Expenses (specify)								
a.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
b.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
c.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
d.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
4. Overhead	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
5. Other non-overhead								
a.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
b.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
c.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
d.	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
I. Premium Tax & Guar Assoc Assessments								
	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX		0
J. Total Expenses								
	0	0	0	0	0	0	0	0

Comments / Notes:



Committee on Life Insurance Company Expenses 2001 Individual Life and Annuity Expense Study

Purpose and Objectives

While expenses are critical to pricing, policy illustration, financial reporting and performance analysis, actuaries working in these areas have had little in the way of inter-company information in a format that is useful for measuring their company's performance against industry averages or benchmarks. The Committee on Life Insurance Company Expenses was formed in part to address the need to fill this void.

The Committee recently conducted a survey to gauge participation interest in an inter-company expense study. Results of that survey indicated that there was enough interest to conduct such a study. In addition, the survey indicated that the focus of the Committee's initial study should be pricing expenses for individual life and annuities.

The objective is to generate an inter-company unit expense study that can be used by pricing actuaries and their managements as a benchmark to assess their own unit cost performance. In addition, the Committee expects the results to be useful in improving the generation of the Generally Recognized Expense Table (GRET in the U.S.) used by some companies to demonstrate compliance with the NAIC model illustration regulation. This study is intended to be completed by U.S. companies and U.S. operations of Canadian companies. A similar study for Canadian companies may be developed at a later date.

Confidentiality

All responses to this survey will be kept completely confidential. Society of Actuaries staff will process the responses and no individual company data will be published. Where comparative results are presented, no companies will be identified.

General Instructions

While the study asks for expenses to be broken down by distribution system and line of business, the Committee believes that broad participation is critical to the success of the study. Therefore, it is important that you participate in the study even though you may not be able to provide all of the requested detail.

This study asks for information by distribution channel and line of business relating to acquisition and policy / contract maintenance activities. Except where otherwise instructed, expenses should be those that are directly incurred by the function described in the line item. Overhead should be recorded in the line items provided for that purpose. **Use your best judgment in determining the appropriate method to allocate expenses among the various distribution channels and lines of business.**

Where you are unable to provide the breakdowns by distribution channel, use the Unallocated column. **If the allocation by line of business is not available, use the Other Life or Other Annuity line of business, as appropriate.**

If you find it necessary to deviate from the instructions or use the Unallocated column, please provide an explanation in the area provided for that purpose or *call Steve Siegel at the Society of Actuaries (847-706-3578) or ssiegel@soa.org for instructions.*

Completed worksheets should be e-mailed to Steve Siegel at ssiegel@soa.org

Format

An Excel workbook is being used to collect the data. The tabs at the bottom of the workbook indicate units and expense worksheets for each line of business. You need only fill out the sheets for the lines of business that are applicable to your company. You will not be able to make entries in any cells other than those where data is expected. All other cells are protected. Totals are automatically calculated, where applicable. If you have any problems entering data, please contact Steve Siegel at the above address.

Company Information

Enter the name of your company and the requested information for the primary contact for this study. Place an X in the appropriate box for your Corporate Organization Type. Enter an X in the Yes box for Primarily Burial Life Insurance Company, if your company primarily sells this type of business. Enter the amount of Gross Investment Income and Investment Expenses from Lines 9 and 10, respectively, of Exhibit 2 of the NAIC Annual Statement for the General Account and from Lines 3 and 4, respectively, of Exhibit 1 of the Separate Accounts Statement.

Lines of Business

This study covers all Individual Life and Annuity business including Variable Life and Annuities. Accident and health and all group business are to be excluded. Line of business descriptions are as follows:

Term - Life insurance policies and riders that are classified as term insurance for purposes of completing the Exhibit of Life Insurance in the NAIC Annual Statement.

Fixed and Flexible Premium Permanent - Whole life, limited pay life, single premium whole life, interest sensitive life, fixed premium universal life and flexible premium universal life, not included in the other lines of business.

COLI – Corporate owned life insurance.

BOLI – Bank owned life insurance.

Variable Life Insurance – Variable whole life and variable universal life insurance.

Individual Deferred Annuities – Fixed premium, flexible premium and single premium deferred annuities. Include equity indexed annuities.

Individual Immediate Annuities – Annuities for which the annuitant begins receiving periodic payments, usually fixed, within one year. Do not include variable annuities.

Variable Individual Deferred Annuities – Fixed premium, flexible premium and single premium variable individual deferred annuities.

Variable Individual Immediate Annuities – Annuities for which the annuitant begins receiving periodic payments within one year which are not fixed, but rather vary with investment results.

Distribution Channel Descriptions

Career	An agency-building system using full-time agents that report to managers who are company employees or general agents who are independent contractors.
Brokerage	A system that uses independent producers (brokers) who are contracted with multiple companies. The bulk of their income comes from overrides rather than personal production. This includes managing general agents and independent marketing organizations.
PPGA	A system that uses independent personal producing general agents (PPGAs) who are contracted with multiple companies. The bulk of their income comes from personal production rather than overrides.
Home service	A system that uses full-time agents who sell industrial, ordinary, and property-casualty products in an assigned territory known as a debit. These agents may be responsible for home collection of renewal premiums.
Multi-line agency	A system that uses full-time agents licensed in property-casualty, life, health, annuities, and equity products and primarily represent one company.
Direct response	Buyer-initiated purchases made in response to direct home office offerings through the mail, media advertising, the company's website as well as purchases resulting from home office or call center-based telemarketing efforts.
Stockbrokers	Individuals licensed by the Securities and Exchange Commission (SEC) working in a wirehouse, or an independent or regional broker dealer.

Financial institutions	Commercial banks, savings banks, savings and loans, credit unions and thrifts that distribute insurance products to their customers. Sales are made by the institution's dedicated sales force, agents of affiliated agencies, or contracted third-party marketers.
Other	Any distribution method that does not fall into one of the categories outlined above.
Unallocated	Use this column if you are unable to segregate your data into the categories shown above.

Expense Units

All expense units reported are for the calendar year 2001. References are to the NAIC annual statement blank. Fraternal companies should use the corresponding lines from the Fraternal blank.

A. New Business - Direct (before reinsurance is deducted)

1. Policies / Contracts Issued - Number of individual policies / contracts issued on direct business. Joint policies should be counted as one policy. Riders should not be included on this line.

1a -1f. If available, breakdown the number of individual policies / contracts into the age brackets shown. If not available, enter only the Undistributed line.
2. Volume Issued (Round to 1000s)- For individual life insurance report the face amount or sum insured issued before reinsurance is deducted. Enter the total volume issued with an initial face amount or sum insured that falls within the size category. Include riders that increase the death benefit on the base policy insured(s). **Please round the Volume Issued to 1000s. For instance, 987,654,321,123 should be entered as 987,654,321.** Not applicable for annuities.

2a - 2f. If available, breakdown the volume into the size brackets shown. Enter the total volume issued with an initial face amount or sum insured that falls within the size category. If not available, enter only the Undistributed line.
3. First Year Premium Collected - First year premium collected included in Exhibit 1, Line 6.1.

3a. UL and VUL Dump-in Included in A-3 - Enter the amount of premium included in A-3 that exceeded the target premium and for which a lower commission rate was paid.
4. Single Premium Collected - Single premium collected included in Exhibit 1, Line 10.1.

4a. UL and VUL Dump-in Included in A-4 - Enter the amount of premium included in A-4 that exceeded the target premium and for which a lower commission rate was paid.

4b. Paid-Up Additions Included in A-4 - Enter the amount of single premium included on line A-4 from dividends used to purchase paid-up insurance. Exclude any amount applied to dividend deposits.

B. Inforce - Direct (before reinsurance is deducted) - Current Year

1. Policies / Contracts - Number of individual policies / contracts inforce at the end of the year being reported in the NAIC Policy Exhibit.
2. Volume (Round to 1000s) - For life individual insurance, the face amount or sum insured inforce on direct business as reported in the NAIC Policy Exhibit. For individual annuities, leave blank. **Please round the Volume Inforce to 1000s.**
3. Renewal Premium Collected - Renewal premium collected included in Exhibit 1, Line 16.1.
4. Reserves or Account Values - For business other than UL, VUL or Annuities, enter the amount of reserves underlying the policies / contracts for each category of business. For UL, VUL and Annuities, enter the account values underlying the policies / contracts for each category of business.

C. Inforce - Direct (before reinsurance is deducted) - Previous Year (include business in its first policy year that was inforce at the end of the immediately preceding year)

1. Policies / Contracts - Same as B-1 above for the yearend immediately preceding the study.
2. Volume (Round to 1000s) - Same as B-2 above for the yearend immediately preceding the study. **Please round the Volume Inforce to 1000s.**
3. Renewal Premium Collected - Same as B-3 above for the yearend immediately preceding the study.
4. Reserves or Account Values - Same as B-4 above for the yearend immediately preceding the study.

D. Number of Claims/Number of Contracts Terminated - For Life Insurance, enter the number of claims on which a death benefit was paid.

For annuities, enter the number of contracts terminated during the year

(include full surrenders in the count, but exclude partial surrenders).

E. Benefits

For life insurance, death benefits paid included in Exhibit 11, Part 2, Line 1.1 of the NAIC Annual Statement, excluding expenses associated with the contested claims.

For annuities, annuity Benefits excluding Surrenders (both full and partial surrenders are to be excluded) - Annuity benefits and supplementary contracts paid included in Exhibit 11, Part 2, Line 1.1 of the NAIC Annual Statement.

Expense Type Descriptions

All expenses reported are for the calendar year 2001.

A. Commissions Paid

1. First Year Commissions and Related Expenses - Commissions and related expenses paid included in Exhibit 1, Line 27.1 of the NAIC Annual Statement.
 - 1a. UL and VUL Dump-in Included in F-1 - Enter the amount of commission included in F-1 that was paid on premium that exceeded the target premium.
2. Single Commissions - Commissions paid included in Exhibit 1, Line 28.1 of the NAIC Annual Statement.
 - 2a. UL and VUL Dump-in Included in F-2 - Enter the amount of commission included in F-2 that was paid on premium that exceeded the target premium.
3. Renewal Commissions - Commissions paid included in Exhibit 1, Line 29.1 of the NAIC Annual Statement. Include service fees paid.

B. Acquisition Expenses other than commissions

1. Sales / Marketing - All expenses, other than commissions, directly paid in the acquisition of new business, including home office, field office, licensing, sales promotion, etc.
2. Underwriting - Inspection Reports and Medical Exams - All expenses paid for inspection reports, MIB's, blood tests, para-medicals, full medicals and attending physician's statements. **This does not apply to annuities.**

3. Underwriting - All Other - All other expenses paid in relation to underwriting the risk. **This does not apply to annuities.**
4. Policy / Contract Issue - All expenses paid for the preparation and issue of policies or contracts.
5. Acquisition Overhead - If your company allocates overhead as an acquisition expense, enter the amount here. If not, enter 0.
6. Product Development - If you company allocates product development expenses as acquisition expenses, enter the amount here. If not, enter 0.
7. Other Acquisition - All other expenses paid directly relating to the acquisition of new business. Do not include any overhead expenses which may be allocated to "Other Acquisition". Please list separately and describe each significant type of expense included here.

C. Other Expenses (no distribution channel expense splits have been requested)

1. Benefits Department(s) and Claim Settlement Expenses - All expenses paid directly relating to the evaluation and payment of benefits on the underlying life or annuity policies / contracts including internal and external staff, investigation, etc.
2. Policyowner Services - All expenses paid directly relating to the servicing of the underlying life or annuity policies / contracts.
3. Significant Unusual Non-recurring Expenses - significant unusual expenses paid that are not expected to recur. These expenses may be related, but not limited, to development or purchase of new systems, mergers and acquisitions, demutualizations or large legal judgements. Indicate the type of expense included.
4. Overhead - Expenses that are not directly related to the acquisition or maintenance of policies / contracts.
5. Other non-overhead - All other expenses paid. Please list and describe each such expense separately.

D. Premium Tax and Guarantee Association Assessments - Premium taxes paid and guarantee association assessments paid (no distribution channel expense splits have been requested).

E. Total Expenses - Should be the sum of F through I.
