

2019 **LIFE &
ANNUITY**

SYMPOSIUM

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Session 9: Life Product Update

[SOA Antitrust Disclaimer](#)

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Life Product Update

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May 2019



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- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
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- **Do** alert SOA staff and/or legal counsel to any concerning discussions
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Presentation Disclaimer

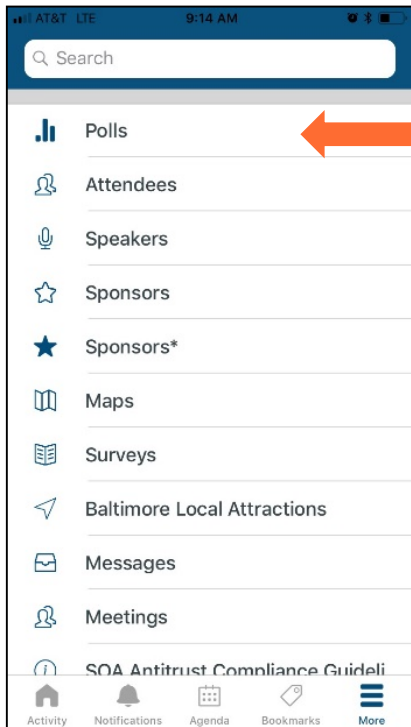
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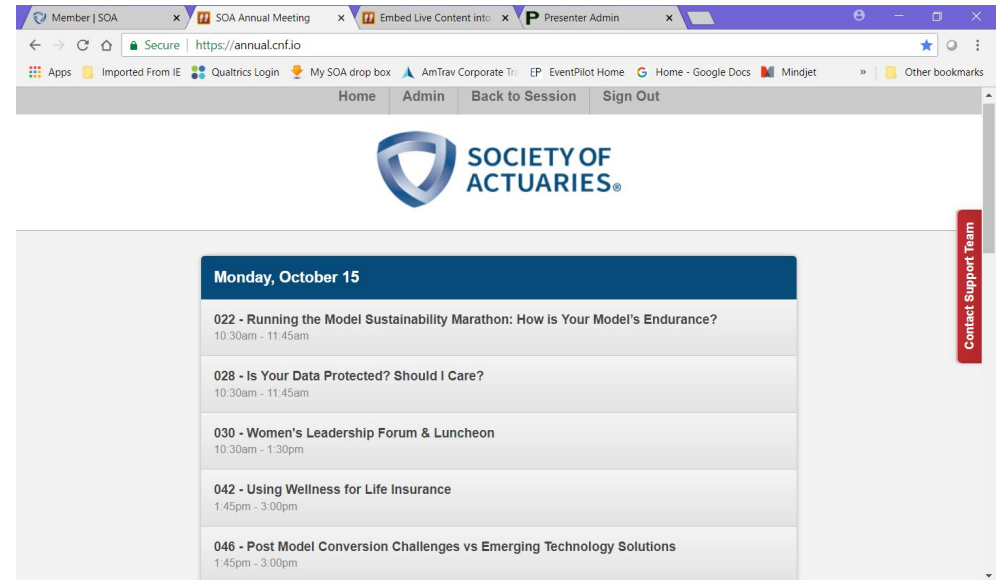
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Live Content Slide

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Poll: Where do you work?

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Poll: What subject matter would you like us to cover first?

Life Protection Products - Market Trends

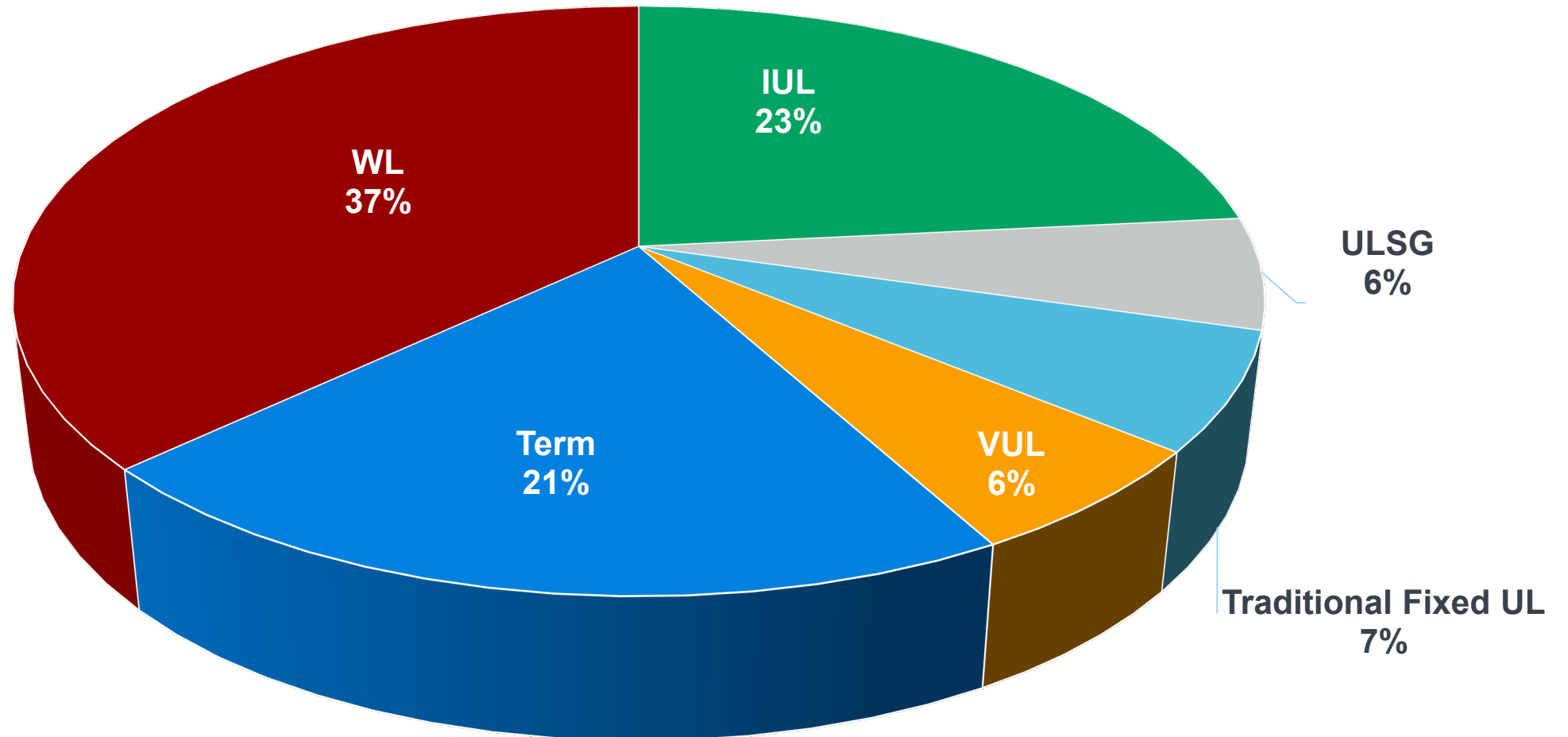
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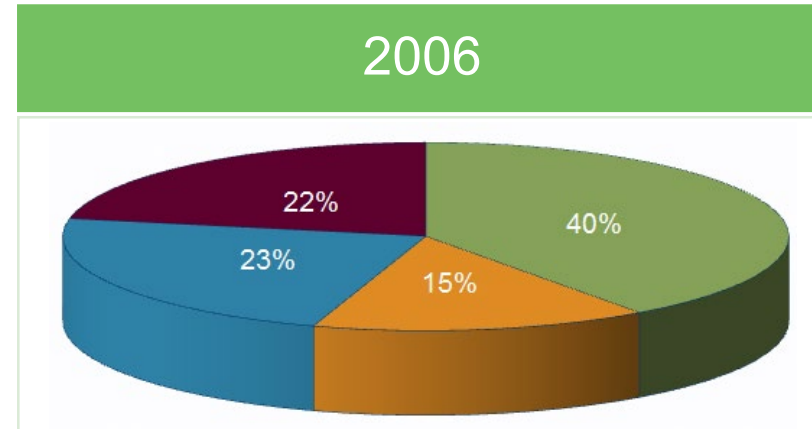
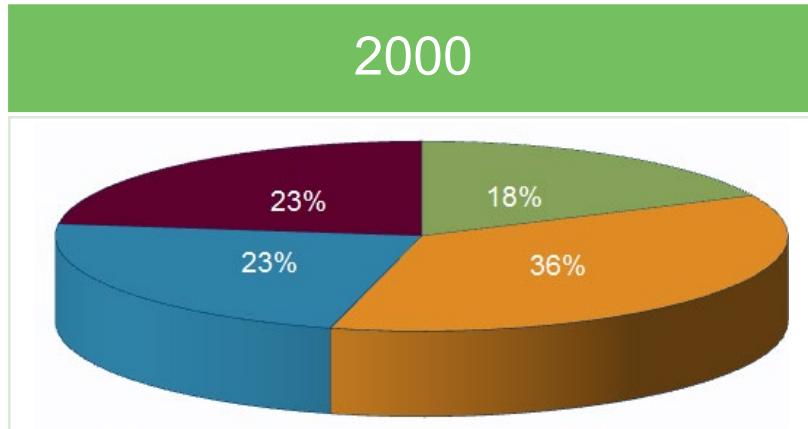
Poll: What percentage of the US market is term insurance based on premium?

Life Product Market Shares

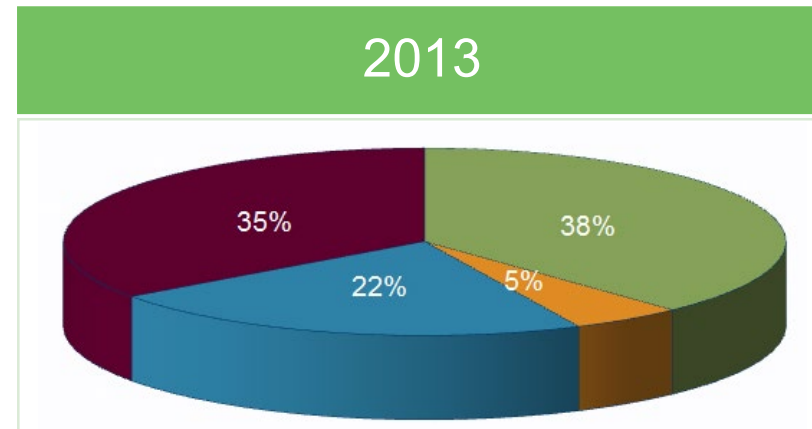
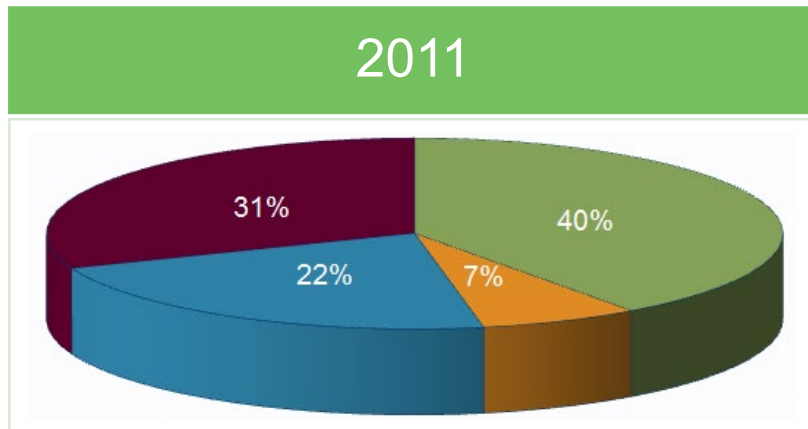
Percent of Annualized Premium, 2018 = \$8.09B (annualized)



Life Market: Where We've Been



■ UL ■ VUL ■ Term ■ Whole Life

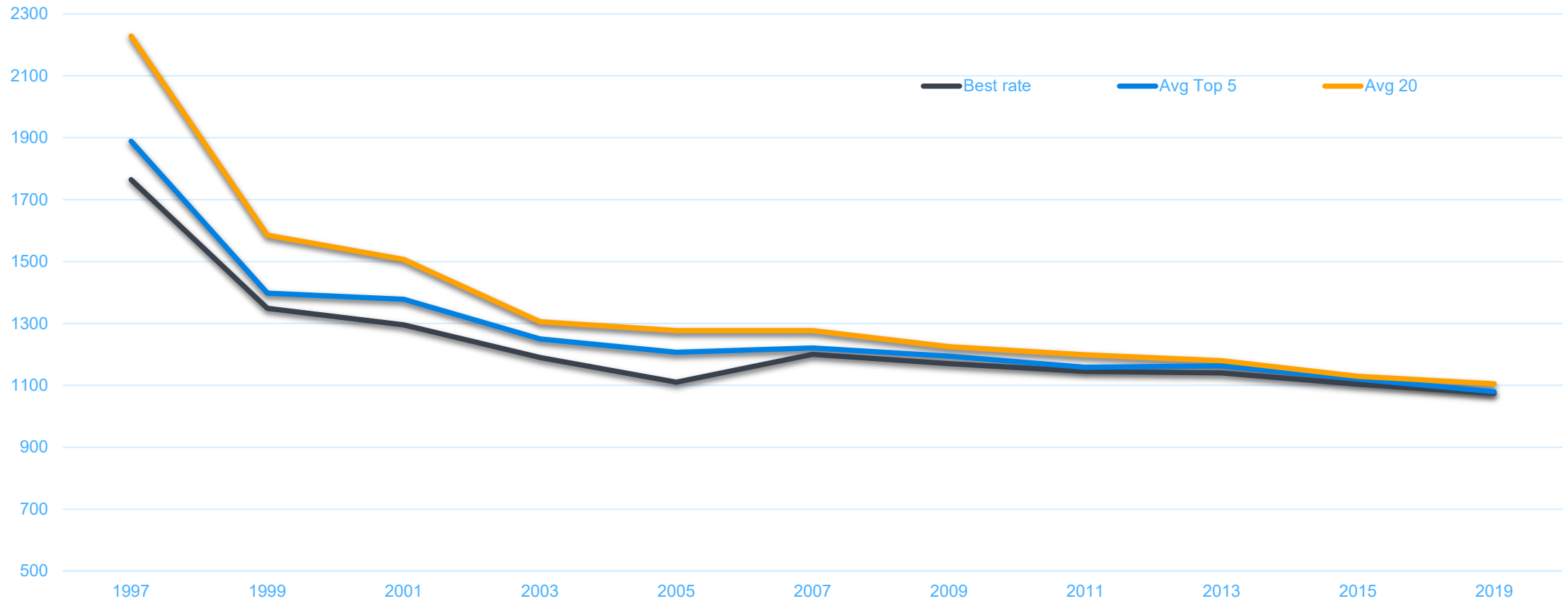


Source: LIMRA

Trend

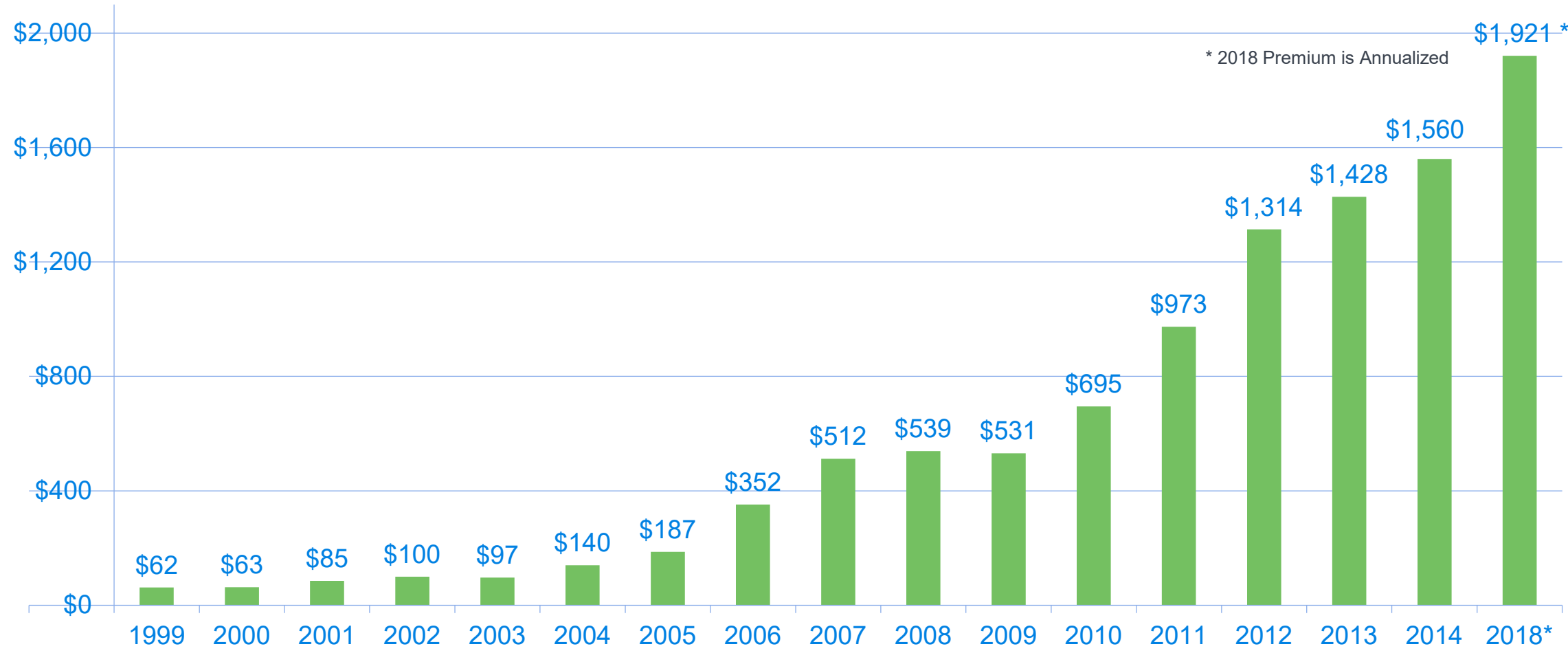
- Index Universal Life (IUL) experience strong growth in absolute dollar
 - Sales climbed 12 percent compared to 2017
- Variable Universal Life (VUL) experienced strongest increase in terms of percent growth
- Fixed UL product continue to beset due to discontinuation and rate hikes
- Term product - steady decrease premium rates since 2000
- WL sales growth continue steadily

Product Trend: Term stable as rates decline



Rates for Male, Age 45, Best Non-Tobacco, \$1M 20 Y

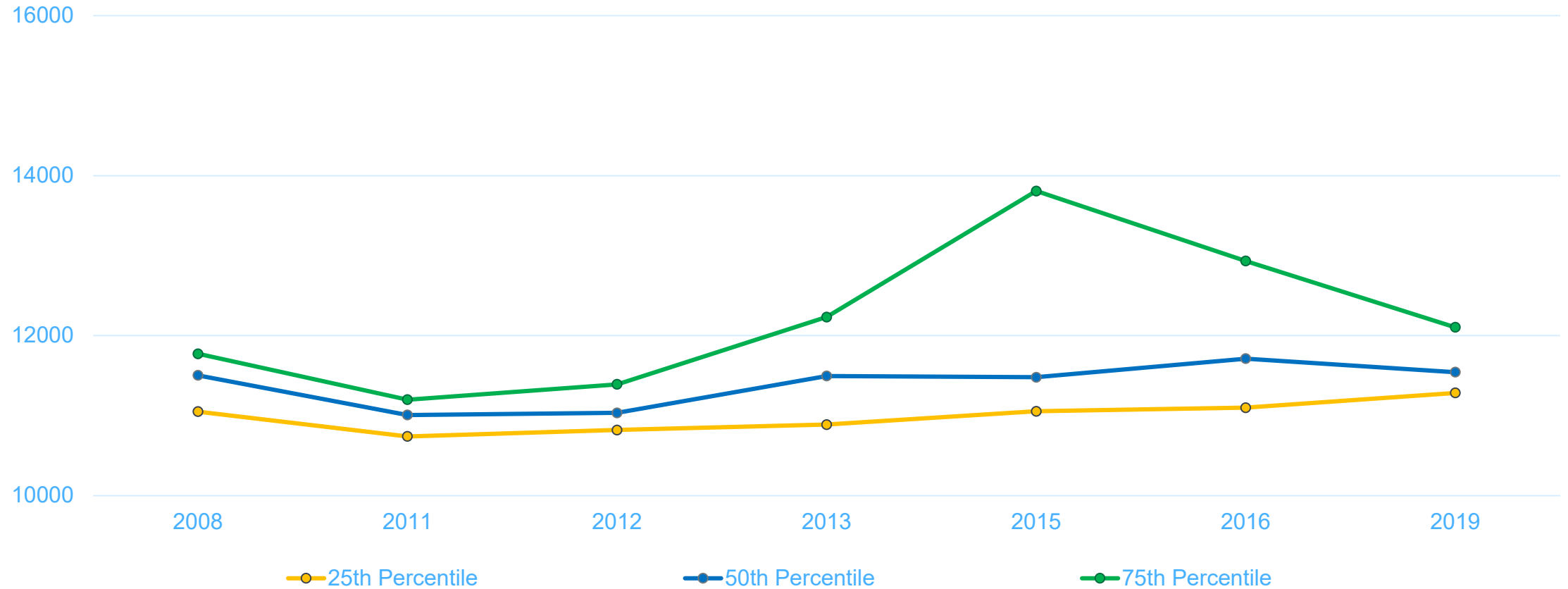
IUL Sales (Premium Trend)



Source: LIMRA, 3rd Quarter 2018 U.S. Individual Life Sales Tech supplement- Wink's Sales & Market Report

ULSG Premium Trends

Annual Premiums, Male Age 55 Best NS Class, \$1M Face



Riders

- Most common riders in life products (election rates is consistently low)
 - Traditional waiver of premium
 - Child/spousal term riders
 - Accidental death benefit
- Accelerated DB rider
 - Terminal Illness acceleration – around 100% election rates
- Chronic Illness rider
 - No upfront charge, election rates are high
- No lapse guarantee rider
 - 33% of companies issued UL, median election rate at 84%
 - 47% of companies issued IUL, median election rate at 59%
 - 63% of companies issued VUL, median election rate of 72%

PBR



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Poll: When does a change to the valuation manual need to be adopted to be effective for 1/1 of the following year

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Poll: What product could cause you to lose your company wide exemption

Hot topics under PBR

- YRT
- PLT
- VM-31
- VM-51
- LATF calls 90s mins until June to sort through issues to make effective 1/1/2020

Accelerated Underwriting



General Age/Amount Limits

Program limits	Mode	Average	max
max age	60	58.8	75 @\$1,000,000
max face	\$1,000,000	\$922,059	65 @\$2,500,000

- Programs available on Term and Permanent Life Products
- Standard or better, but some allow substandard and some only preferred risks
- Third Party Data: MIB, Rx, MVR, risk scores (internal or external)
- Data Use
 - NY Circular
 - NAIC Big Data Workgroup
- SOA Accelerated Underwriting Research
 - Experience
 - PBR

High Face Mortality (ILEC data)

Only Preferred class structures, no post level term business
Aggregate data



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Poll: Is term mortality better permanent?

Face Amount Band2	Number of Deaths	Sum of Death Claim Amount	A/E Ratio 2015VBT by Amount	A/E Ratio 2015VBT by Policy
<100000	95,082	3,563,542,400	126.4%	133.4%
100000-249999	108,758	13,915,033,713	99.1%	101.5%
2500000-999999	78,760	30,485,875,965	87.0%	88.5%
1M+	21,187	44,860,707,024	83.5%	84.0%
Grand Total	303,787	92,825,159,102	87.9%	103.8%

1M+ Only

Gender	Number of Deaths	Sum of Death Claim Amount	A/E Ratio 2015VBT by Amount	A/E Ratio 2015VBT by Policy
Female	6,237	14,978,420,392	85.3%	86.5%
Male	14,950	29,882,286,632	82.6%	83.1%

Smoker Status	Number of Deaths	Sum of Death Claim Amount	A/E Ratio 2015VBT by Amount	A/E Ratio 2015VBT by Policy
Nonsmoker	20,449	43,592,182,828	83.7%	84.1%
Smoker	738	1,268,524,196	77.3%	83.0%

1M+ Only

Issue Age Group	Number of Deaths	Sum of Death Claim Amount	A/E Ratio 2015VBT by Amount	A/E Ratio 2015VBT by Policy
18-24	41	57,980,302	88.2%	96.6%
25-29	186	270,890,253	82.3%	73.4%
30-34	859	1,188,757,809	80.5%	78.0%
35-39	1,746	2,559,699,458	79.8%	78.3%
40-44	2,266	3,666,988,760	87.2%	82.3%
45-49	2,331	3,686,491,894	80.7%	82.4%
50-54	2,174	3,598,349,108	78.0%	79.7%
55-59	1,980	3,470,787,463	78.5%	79.9%
60-64	1,737	3,418,346,456	87.5%	87.1%
65-69	1,620	3,473,155,801	93.0%	95.7%
70-74	1,783	4,915,323,531	87.8%	91.6%
75-79	2,294	7,208,311,802	81.3%	88.1%
80-84	1,712	5,959,753,586	86.9%	87.9%
85-89	441	1,349,467,584	73.6%	75.7%
90-94	17	36,403,217	57.7%	53.6%
95+	0	-	0.0%	0.0%
Grand Total	21,187	44,860,707,024	83.5%	84.0%

1M+ Only

Observation Year	Number of Deaths	Sum of Death Claim Amount	A/E Ratio 2015VBT by Amount	A/E Ratio 2015VBT by Policy
2009	876	1,580,187,882	94.7%	92.4%
2010	1,603	3,212,725,353	92.7%	92.6%
2011	3,196	6,745,909,203	88.6%	88.6%
2012	3,515	7,847,013,407	88.9%	85.6%
2013	3,477	7,117,210,414	79.5%	82.1%
2014	4,138	8,864,651,847	78.0%	79.7%
2015	4,382	9,493,008,918	80.2%	81.3%
Grand Total	21,187	44,860,707,024	83.5%	84.0%

Insurance Plan2	Number of Deaths	Sum of Death Claim Amount	A/E Ratio 2015VBT by Amount	A/E Ratio 2015VBT by Policy
Term	10,079	15,627,019,029	79.2%	78.9%
All Perm	11,108	29,233,687,995	86.0%	89.4%
Grand Total	21,187	44,860,707,024	83.5%	84.0%

1M+ Only

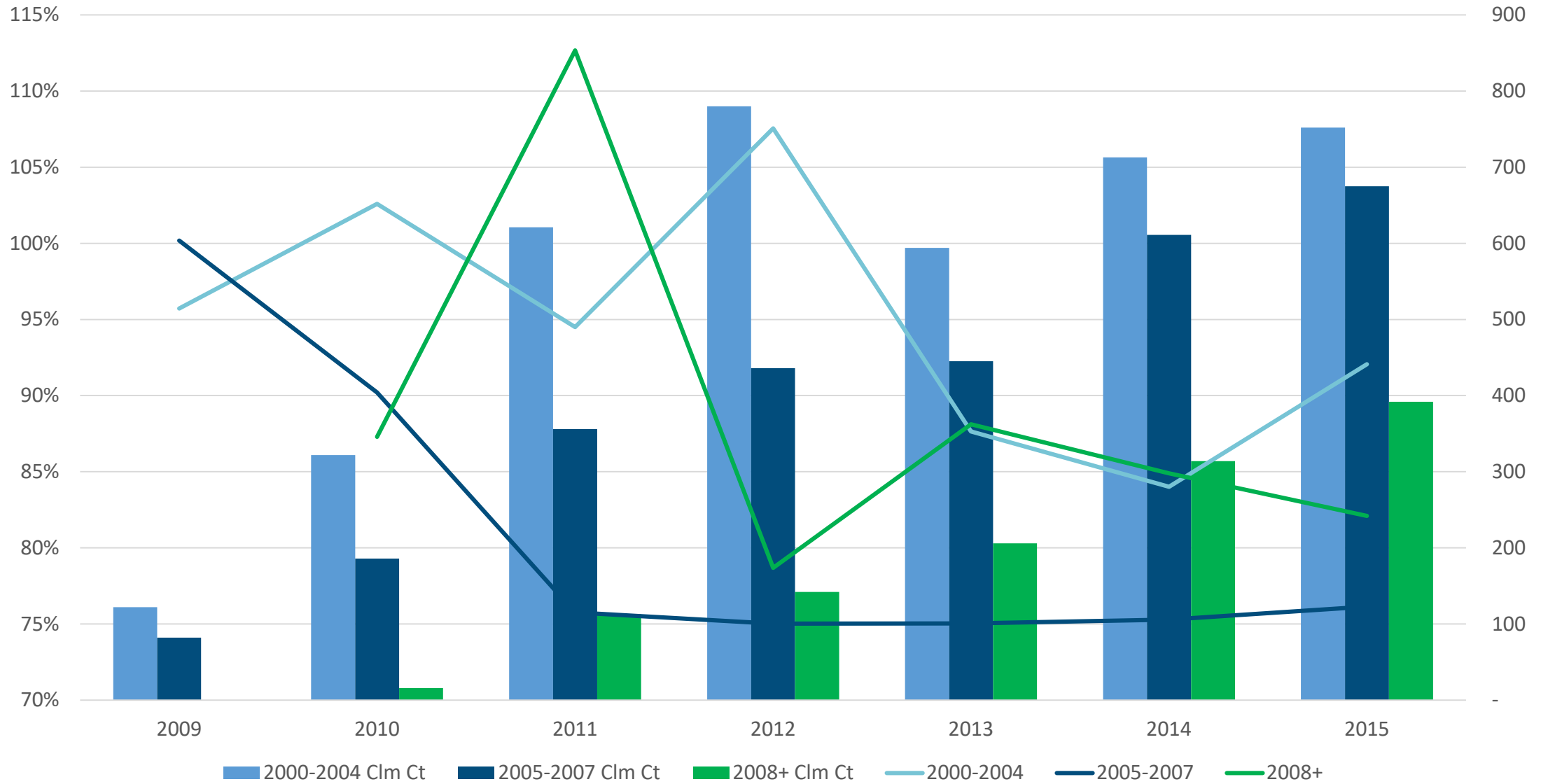
Term

Issue Year Group	Number of Deaths	Sum of Death Claim Amount	A/E Ratio 2015VBT by Amount	A/E Ratio 2015VBT by Policy
1980-1989	17	994	256.2%	256.1%
1990-1999	1,258	535,476	93.2%	87.7%
2000-2004	3,414	2,614,340	82.2%	81.0%
2005-2007	2,510	3,342,222	75.2%	75.9%
2008+	3,262	6,745,428	80.4%	81.1%
Grand Total	10,461	13,238,461	81.0%	80.6%

Perm

Issue Year Group	Number of Deaths	Sum of Death Claim Amount	A/E Ratio 2015VBT by Amount	A/E Ratio 2015VBT by Policy
1980-1989	273	414,217,201	79.3%	86.3%
1990-1999	2,657	4,998,289,705	104.1%	102.9%
2000-2004	3,904	9,794,475,886	89.9%	93.7%
2005-2007	2,791	10,115,027,115	77.5%	76.9%
2008+	1,483	3,911,678,088	82.7%	85.6%
Grand Total	11,108	29,233,687,995	86.0%	89.4%

1M+ Only, Durations 3+



No contestability period claims, preferred class structures only

Illustrations



Illustrations

- AG 49
- State mandates
 - NY (Reg 210)
 - CA (HB AB-2634)
 - TX (HB 207)
- PBR & 17 CSO

Disruptors



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Poll: What is the least likely way a disruptor will enter into the market?

Disruptors

- Haven
- Bestow
- Ethos
- Fabric
- Health IQ
- Ladder
- Policy Genius
- SoFi
- Life by Spot

Product Development Trends - Constraints

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Poll: Which of the following is not a concern regarding moving to the 2017 CSO?

Constraints

- Product redesign and filing for 2017 CSO requirements
- Adoption and modeling effort for PBR
- Staffing
- Market Perception
 - Product performance impact
 - Potential for “fire sale”

GAAP Targeted Improvements

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Poll: Which of the following is NOT true about GAAP targeted improvement?

Some of what's changing

- Assumptions are no longer locked in
- Maintenance and admin expenses not part of reserve – expensed as incurred
- No more PADs
- DAC is in straight line
- Change in interest will flow to OCI
- Will have to transition inforce
- 2021 until hear otherwise

Other – use social Q/A to suggest topic
or question



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Social Q&A



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