

# COVID-19 New Business and Product Survey Summary of Results April 29, 2020





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# COVID-19 New Business and Product Survey Summary of Results

## Section 1: Introduction

The Society of Actuaries (SOA) has partnered with LIMRA, Oliver Wyman, and the American Council of Life Insurance (ACLI) to conduct a series of 'sprint' surveys on the COVID-19 pandemic and its potential impacts on the insurance industry.

The COVID-19 pandemic infection has resulted in social-distancing practices and volatile market conditions that have caused disruptions in many life insurance companies' processes. The goal of the third survey in this series is to collect and disseminate information on best practices around sales and the issuance of new business. The survey was directed at staff directly involved in assessing the impact of recent events on new business processes. Responses to the survey were collected between 4/15/2020 and 4/24/2020. Thirty-six companies responded to the survey. Highlights of the survey responses are found in Section 2 and a summary of results for each question in the survey is found in Section 3.

## Section 2: Survey Highlights

This survey covered the following areas related to new business in light of COVID-19:

**Challenges and Concerns:** Companies report that their product implementation and pricing teams are busy responding to the rapidly changing environment, with nearly half of firms reporting that they were “somewhat concerned” or “highly concerned” about bandwidth for these teams. About 90% of the companies rated distribution/social distancing and pricing/new business profitability (86%) as a concern and 75% listed in-force profitability. Regarding pricing challenges by product: increased cost of hedging and declining government bond rates were the biggest concerns for variable annuity (VA) writers; declining government bond rates and rising credit spreads/default risk were the biggest concerns for fixed (FA) and/or fixed indexed annuity (FIA) writers; underwriting uncertainty, declining government bond rates, and increased/uncertain mortality/morbidity were the biggest concerns for term life writers; and declining government bond rates and underwriting uncertainty were the biggest concerns for permanent life..

**Review and Monitoring:** There was movement towards reviewing pricing more frequently for almost all product types. VA, FIA, and FA pricing saw many firms shifting from monthly to weekly pricing reviews. Whole and term life saw several companies who typically review pricing on a greater than quarterly basis move to quarterly, monthly, or weekly review cycles. Universal life and variable universal life saw increases in the proportion of companies reviewing pricing monthly as compared to greater than monthly. Two-thirds of respondents have increased monitoring of new business volumes. About half have increased their monitoring of new business profitability.

**Pricing Changes:** Most respondents have increased focus towards tail scenarios or sensitivities in their pricing. About one-third have updated their long-term rate assumptions and two-thirds of those have reduced their ultimate rate. There has been little to no change of hedging new business economics. About one-third have adjusted their options budget. About two-thirds are partially or fully passing widening credit spreads through to pricing. Almost all respondents use a long-term credit default assumption versus a current credit default assumption. Of those who use a long-term assumption, 30% are considering updates to it and 17% have already updated it.

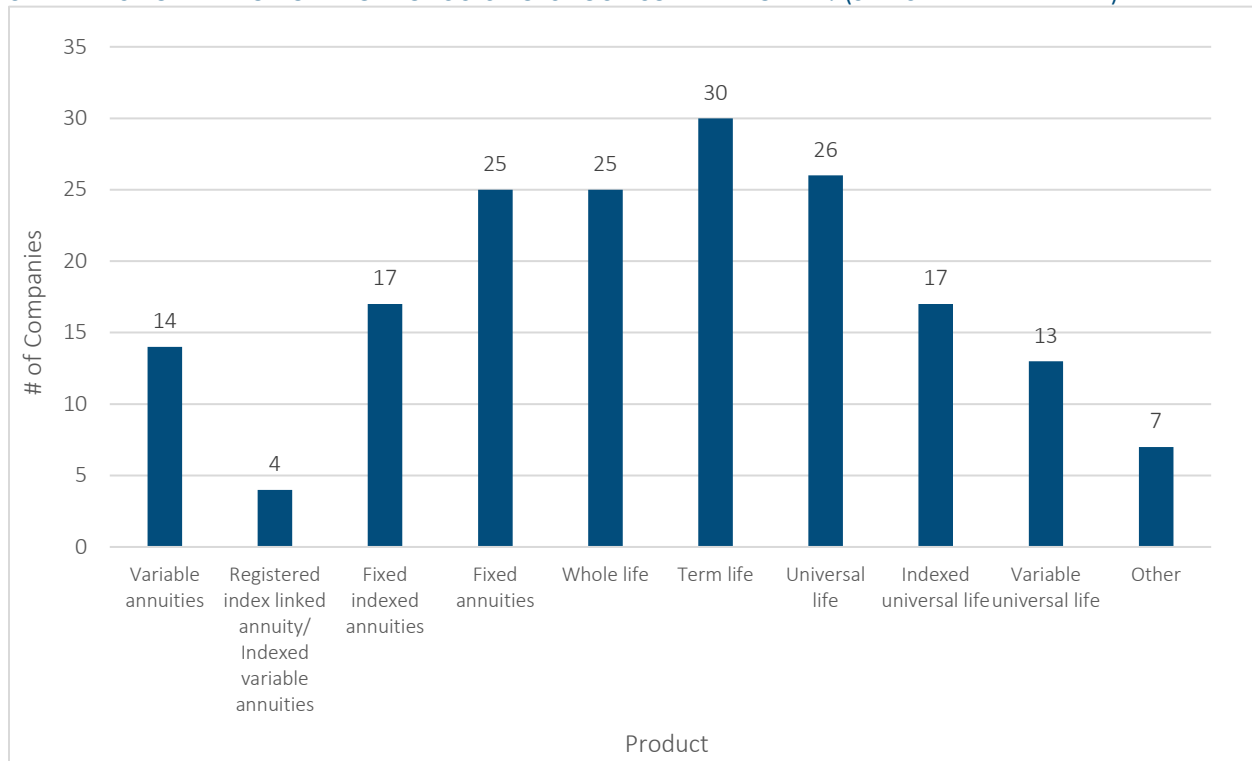
**Product Changes:** About half of respondents have adjusted non-guaranteed elements and about 30% have adjusted guarantees. Over half of respondents have restricted life and health products for recent travel to specific countries and about half have restricted life and health products for high risk age groups.

**Underwriting Changes:** Two-thirds of respondents have changed their underwriting process to address the lack of access to underwriting results. Of those who have changed, about two-thirds are using attending physician statements in place of fluid requirements, two-thirds are increasing automated/accelerated underwriting limits, and about one-half are using phone screenings or FaceTime screenings.

## Section 3: New Business and Product Survey Questions and Response Detail

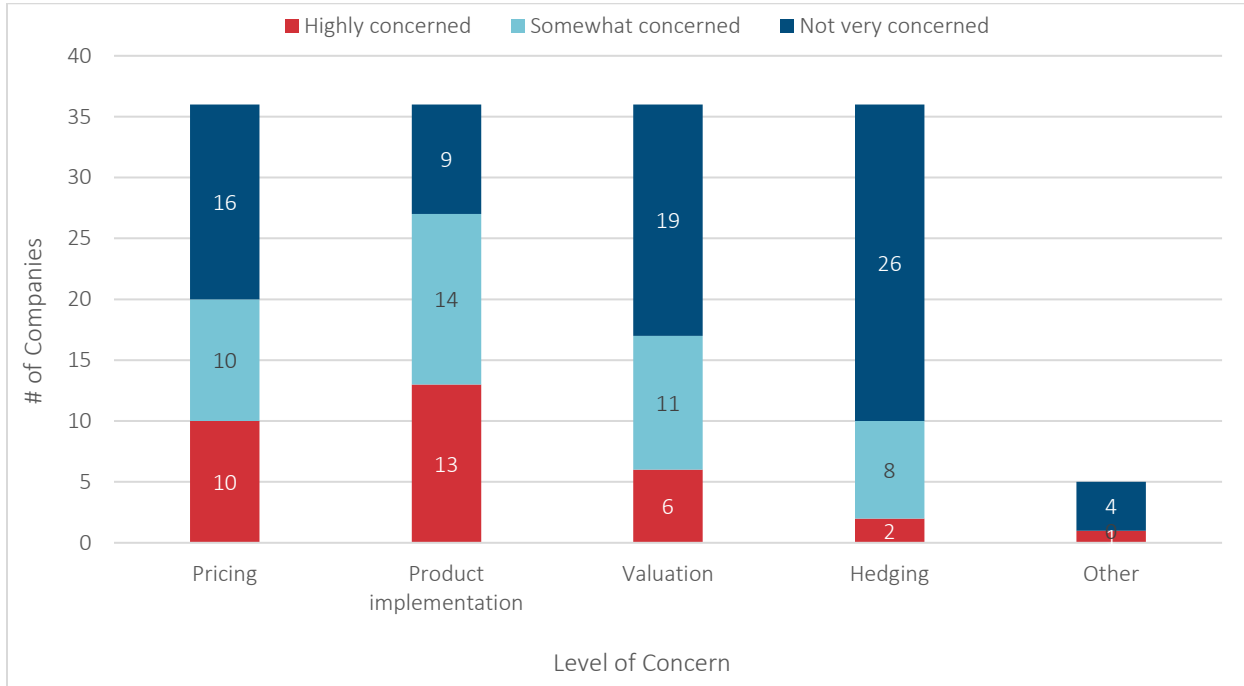
### 3.1 DEMOGRAPHICS (N=36)

#### 3.1.1 WHICH OF THE FOLLOWING PRODUCTS DOES YOUR COMPANY OFFER? (SELECT ALL THAT APPLY)

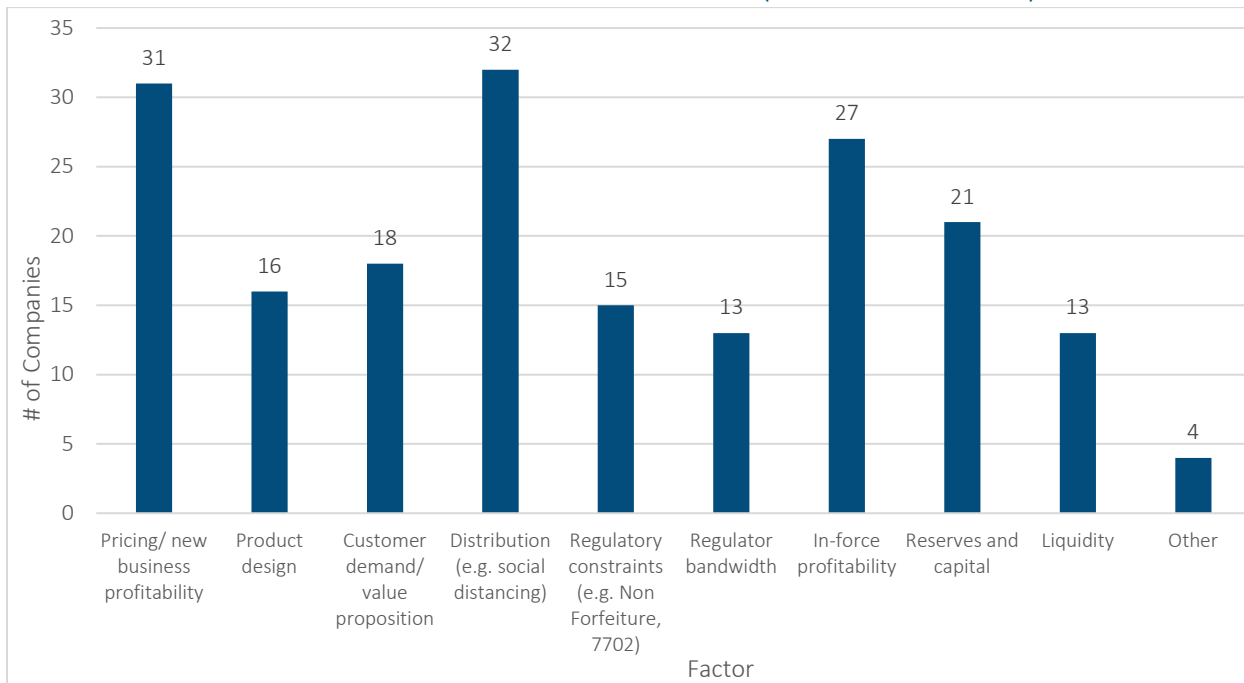


### 3.2 CHALLENGES AND CONCERNS

3.2.1 HOW MUCH ARE YOU CONCERNED ABOUT TEAM BANDWIDTH WITH THE INCREASED NEED TO MAKE PRICING AND PRODUCT CHANGES COMPARED TO BUSINESS AS USUAL? INDICATE LEVEL OF CONCERN FOR EACH OF THE FOLLOWING FUNCTIONS.

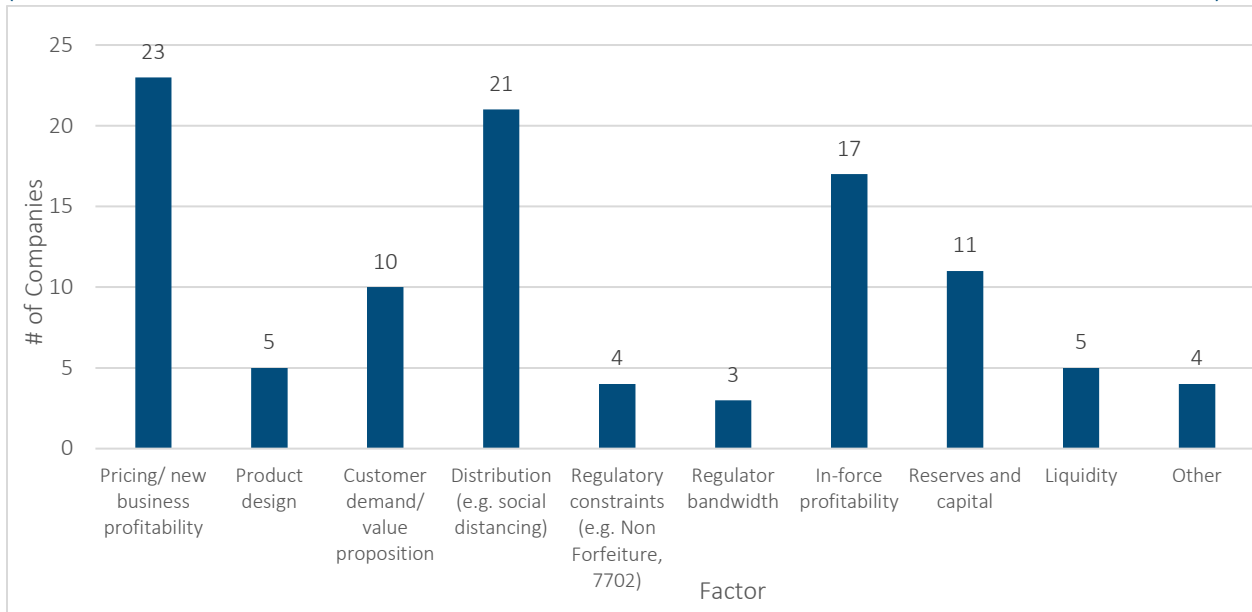


3.2.2 INDICATE WHICH OF THE FOLLOWING FACTORS IS A CONCERN TO YOUR ORGANIZATION REGARDING NEW BUSINESS IN LIGHT OF COVID-19 AND RECENT MARKET CONDITIONS. (SELECT ALL THAT APPLY)

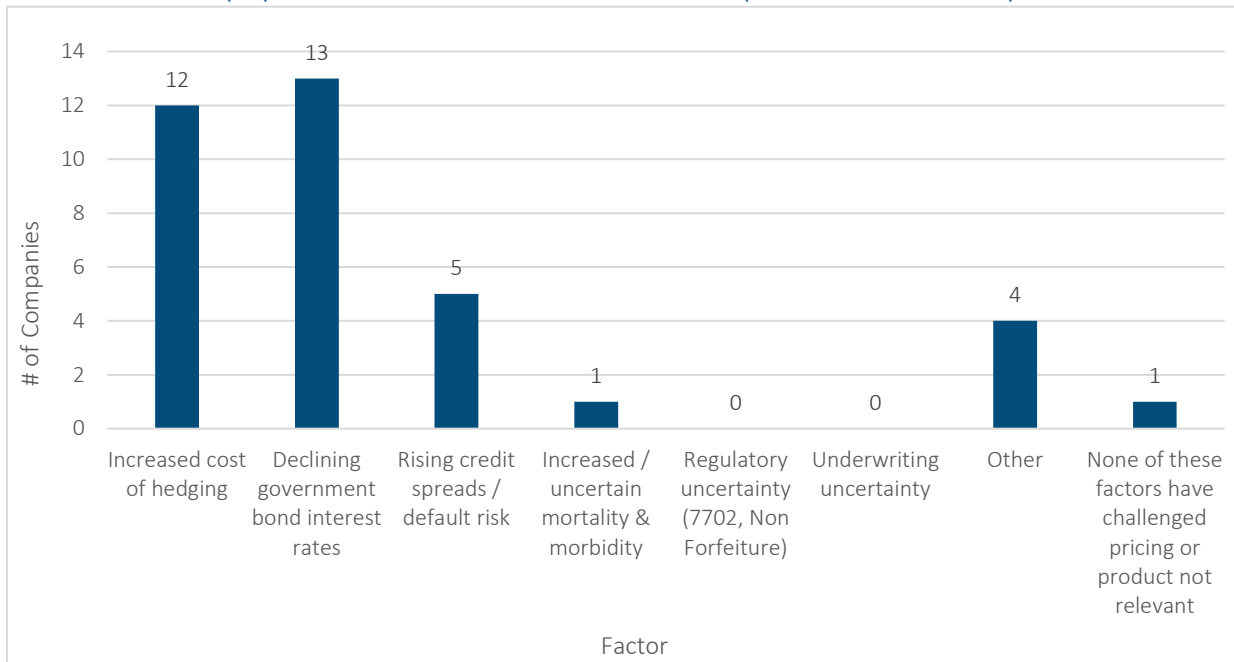


**3.2.3 RANK THE FOLLOWING FACTORS ACCORDING TO YOUR ORGANIZATION’S LEVEL OF CONCERN REGARDING NEW BUSINESS IN LIGHT OF COVID-19 AND RECENT MARKET CONDITIONS.**

(CHART INDICATES THE NUMBER OF COMPANIES THAT RATED THE GIVEN FACTOR IN THE TOP 3 IN TERMS OF IMPORTANCE)



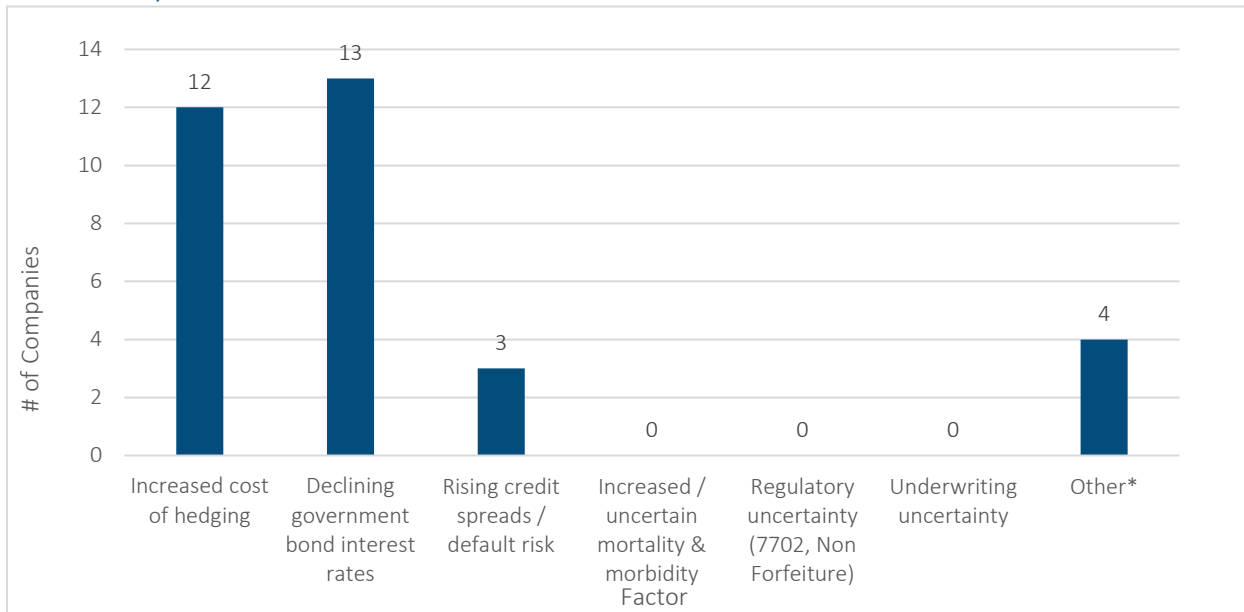
**3.2.4 PLEASE INDICATE WHICH OF THE FOLLOWING FACTORS HAVE CHALLENGED YOUR ORGANIZATION'S VARIABLE ANNUITY (VA) PRICING IN THE CURRENT ENVIRONMENT. (SELECT ALL THAT APPLY)**





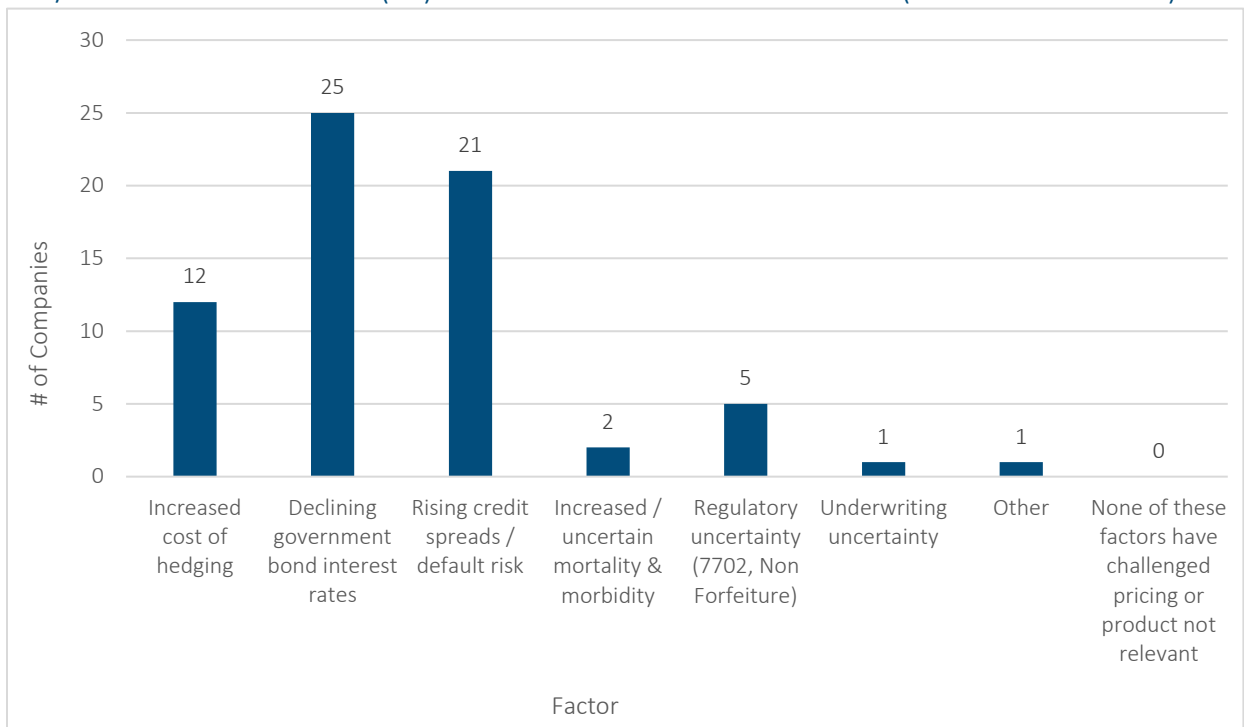
**3.2.5 PLEASE RANK THE FOLLOWING FACTORS BASED ON THE DEGREE TO WHICH THEY HAVE CHALLENGED YOUR ORGANIZATION'S PRICING FOR VA?**

(CHART INDICATES THE NUMBER OF COMPANIES THAT RATED THE GIVEN FACTOR IN THE TOP 3 IN TERMS OF IMPORTANCE)



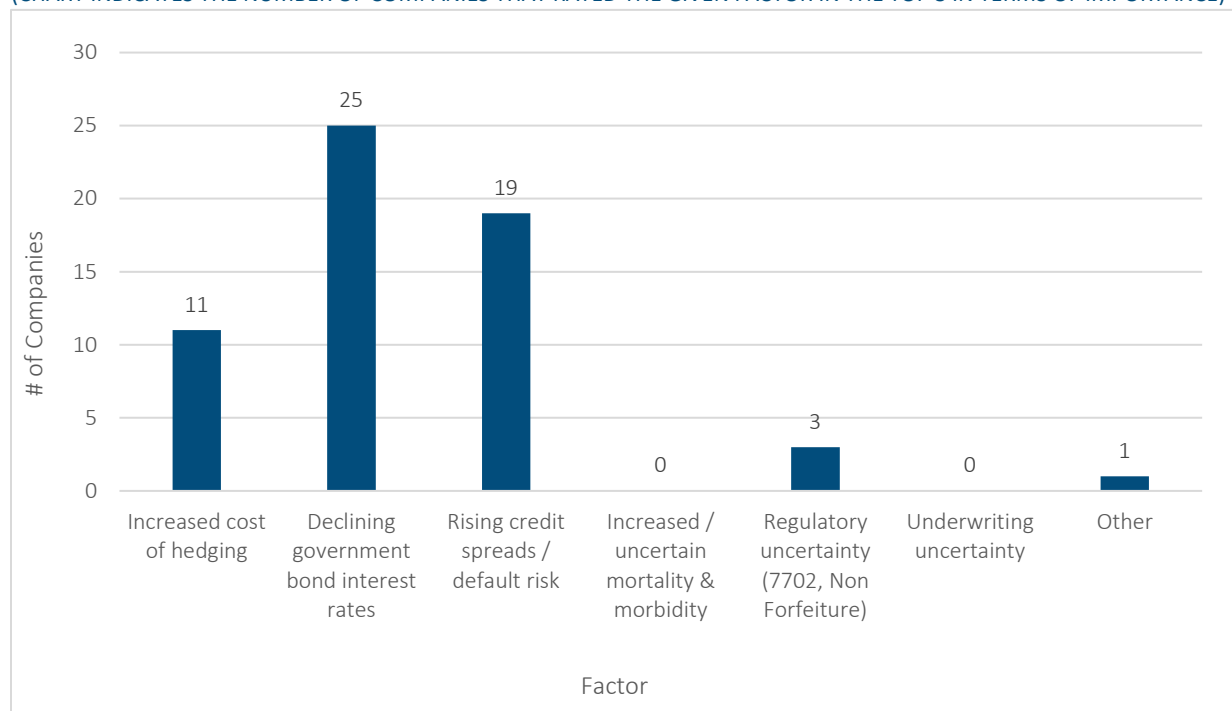
\* Other category includes increased equity market volatility

**3.2.6 PLEASE INDICATE WHICH OF THE FOLLOWING FACTORS HAVE CHALLENGED YOUR ORGANIZATION'S FIXED AND/OR FIXED INDEXED ANNUITY (FIA) PRICING IN THE CURRENT ENVIRONMENT. (SELECT ALL THAT APPLY)**

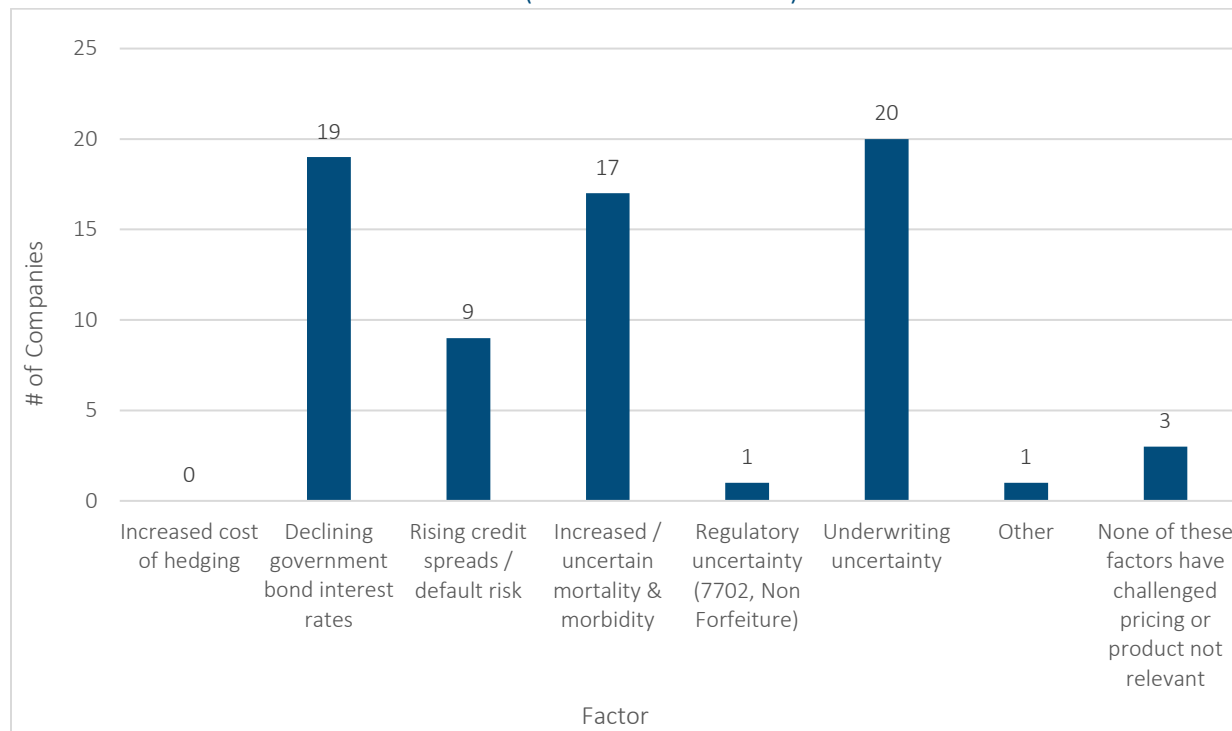


**3.2.7 PLEASE RANK THE FOLLOWING FACTORS BASED ON THE DEGREE TO WHICH THEY HAVE CHALLENGED YOUR ORGANIZATION'S PRICING FOR FIXED ANNUITIES AND FIA?**

(CHART INDICATES THE NUMBER OF COMPANIES THAT RATED THE GIVEN FACTOR IN THE TOP 3 IN TERMS OF IMPORTANCE)

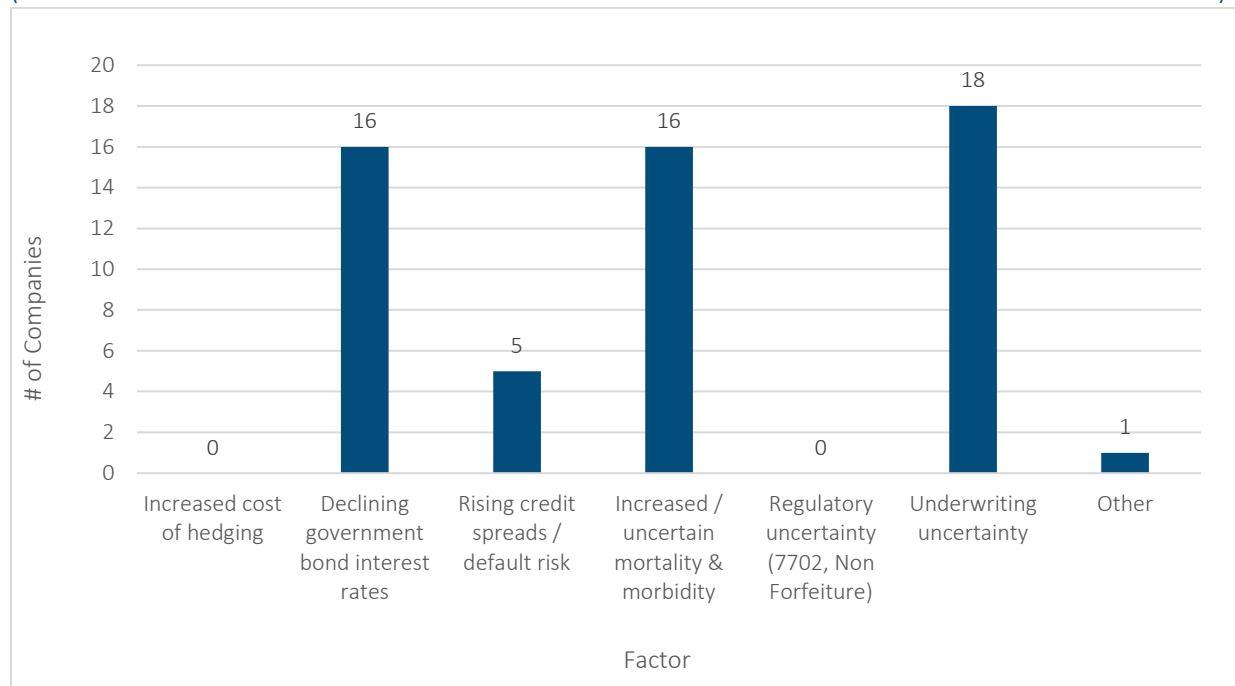


**3.2.8 PLEASE INDICATE WHICH OF THE FOLLOWING FACTORS HAVE CHALLENGED YOUR ORGANIZATION'S TERM LIFE PRICING IN THE CURRENT ENVIRONMENT. (SELECT ALL THAT APPLY)**

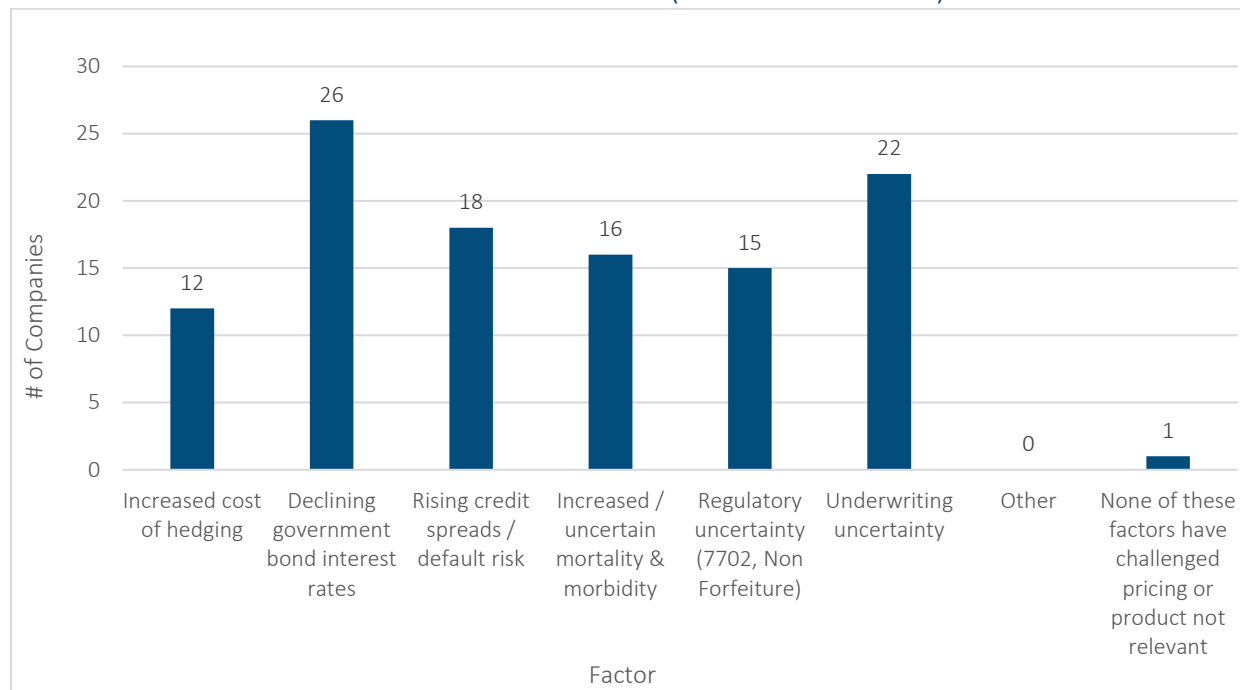


**3.2.9 PLEASE RANK THE FOLLOWING FACTORS BASED ON THE DEGREE TO WHICH THEY HAVE CHALLENGED YOUR ORGANIZATION'S PRICING FOR TERM LIFE?**

(CHART INDICATES THE NUMBER OF COMPANIES THAT RATED THE GIVEN FACTOR IN THE TOP 3 IN TERMS OF IMPORTANCE)

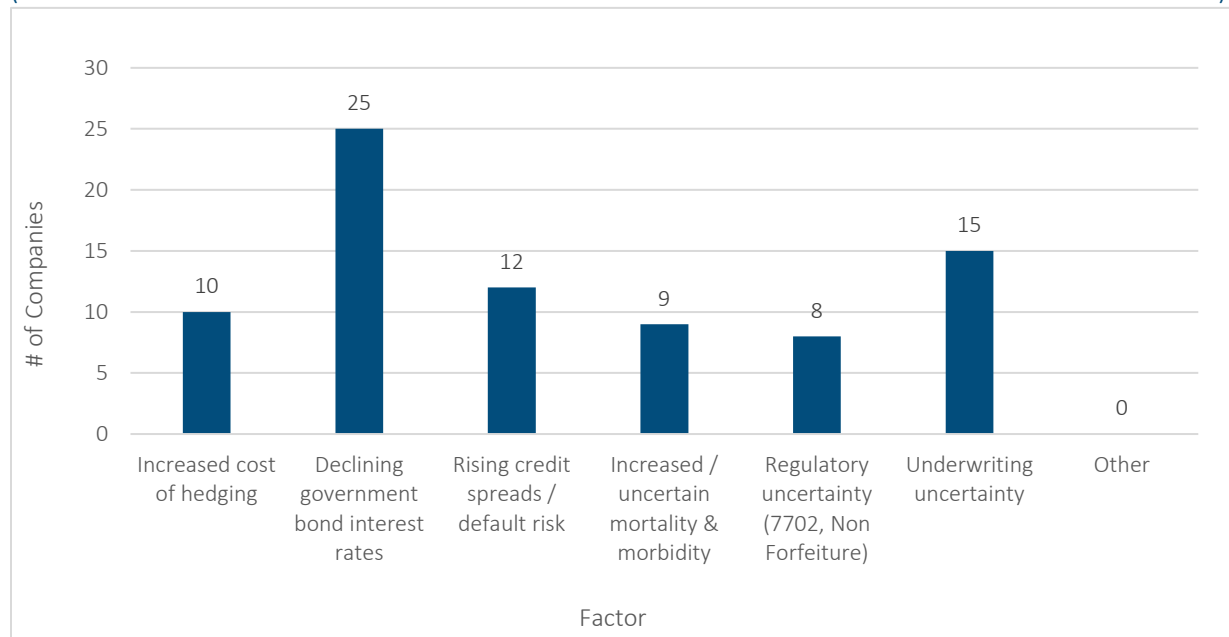


**3.2.10 PLEASE INDICATE WHICH OF THE FOLLOWING FACTORS HAVE CHALLENGED YOUR ORGANIZATION'S PERMANENT LIFE PRICING IN THE CURRENT ENVIRONMENT. (SELECT ALL THAT APPLY)**



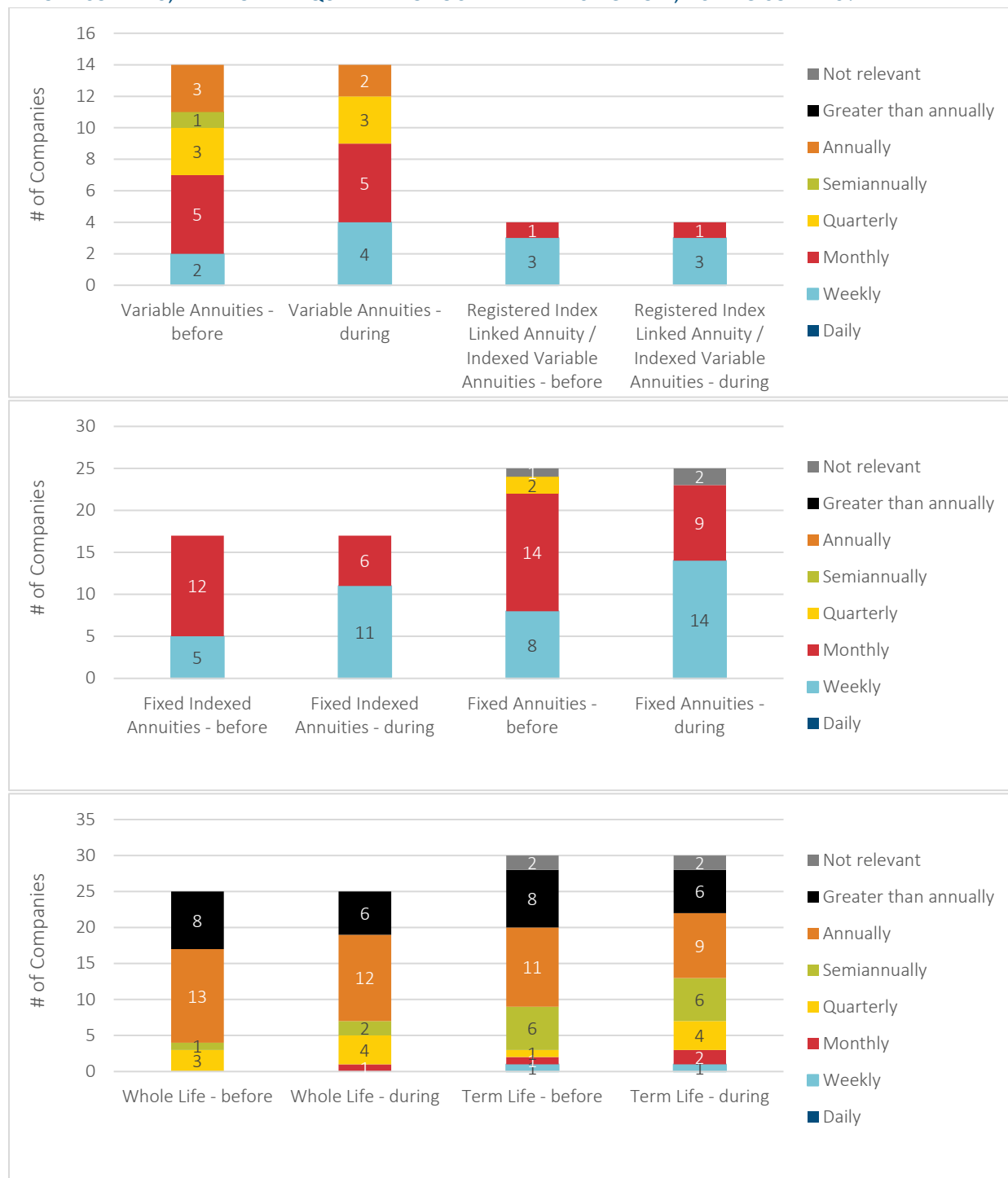
**3.2.11 PLEASE RANK THE FOLLOWING FACTORS BASED ON THE DEGREE TO WHICH THEY HAVE CHALLENGED YOUR ORGANIZATION'S PRICING FOR PERMANENT LIFE?**

(CHART INDICATES THE NUMBER OF COMPANIES THAT RATED THE GIVEN FACTOR IN THE TOP 3 IN TERMS OF IMPORTANCE)

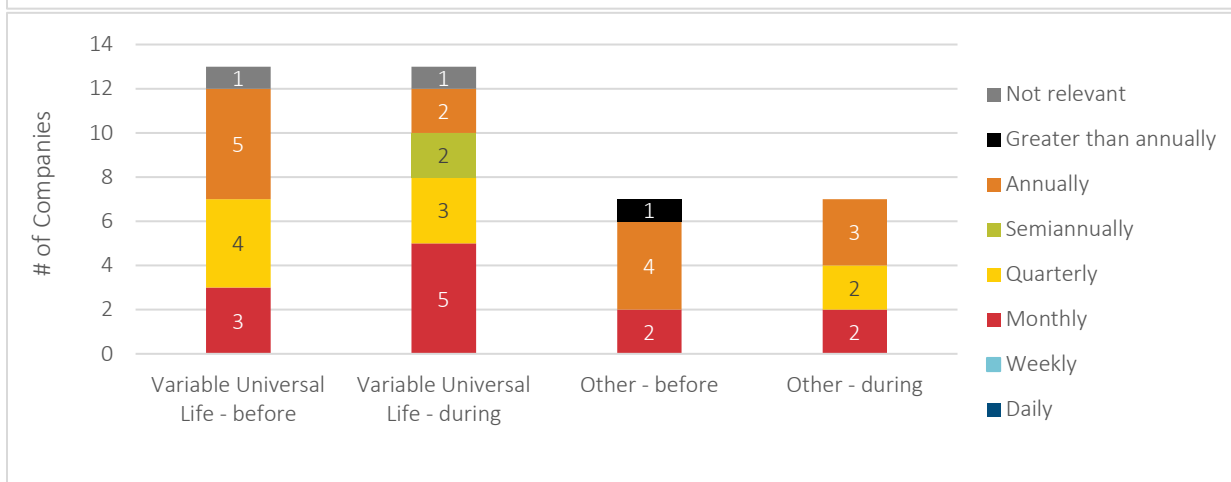
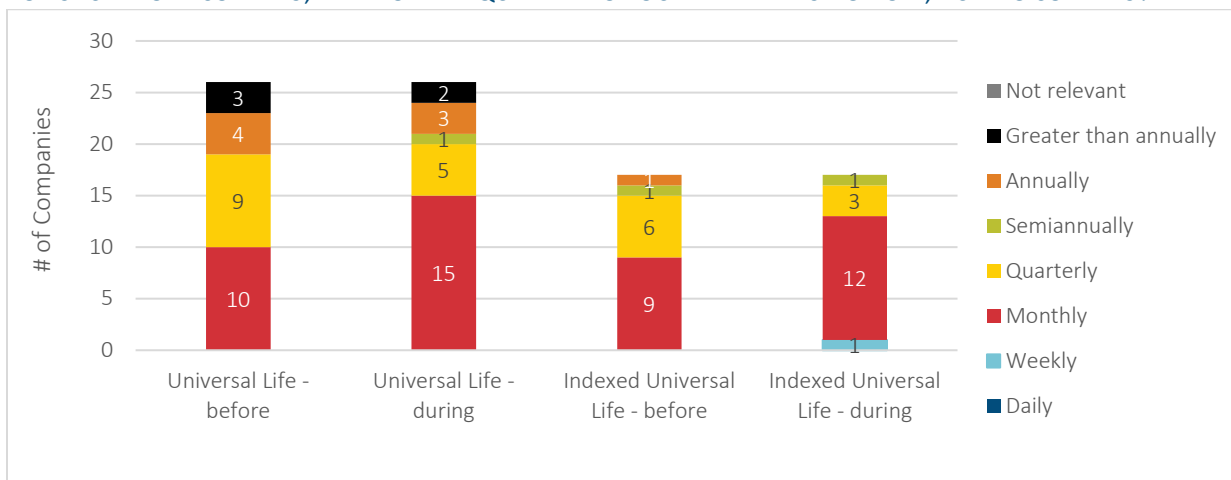


### 3.3 REVIEW AND CONTROLS

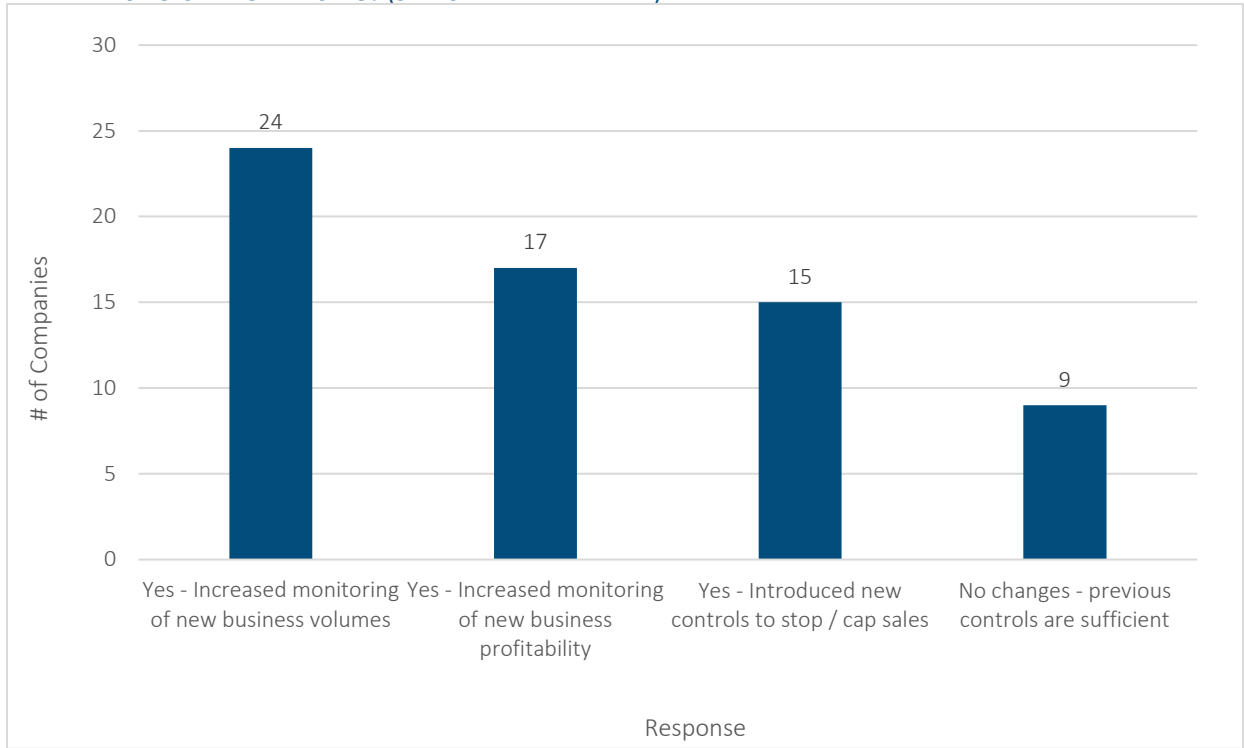
#### 3.3.1 HOW FREQUENTLY DID YOU TYPICALLY REVIEW PRICING/CREDITING RATES/CAP RATES ON NEW POLICIES BEFORE COVID-19, AND HOW FREQUENTLY DO YOU REVIEW PRICING NOW, DURING COVID 19?



3.3.1 CONT'D. HOW FREQUENTLY DID YOU TYPICALLY REVIEW PRICING/CREDITING RATES/CAP RATES ON NEW POLICIES BEFORE COVID-19, AND HOW FREQUENTLY DO YOU REVIEW PRICING NOW, DURING COVID-19?

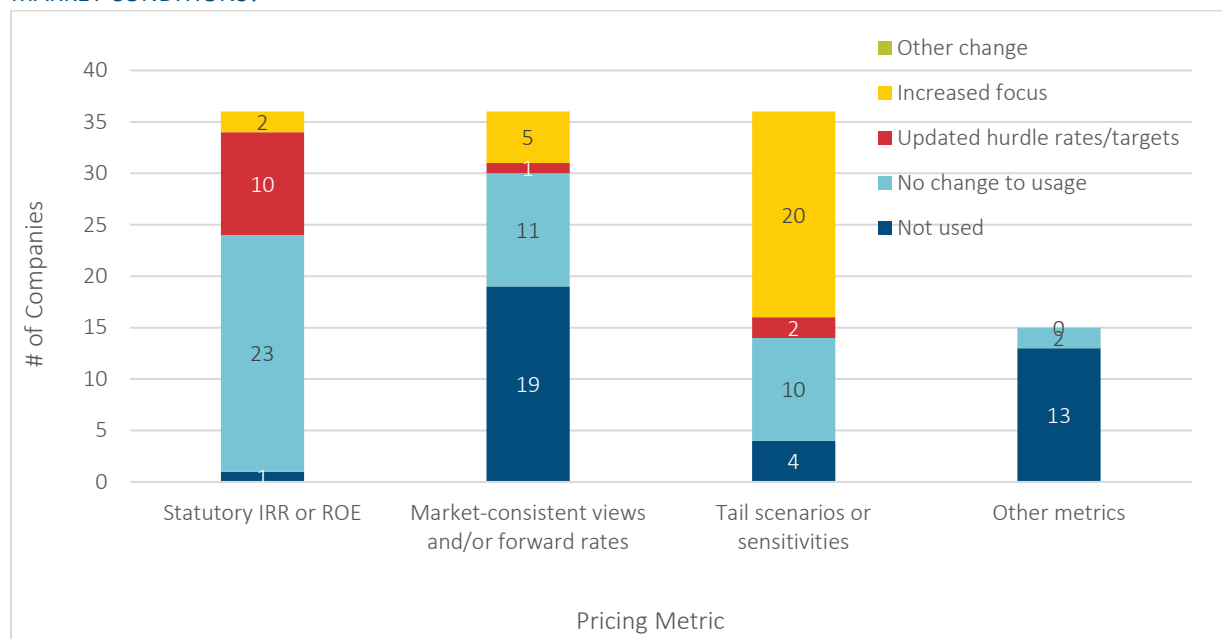


3.3.2 HAS YOUR ORGANIZATION ADDED CONTROLS FOR WRITING NEW BUSINESS, GIVEN MARKET VOLATILITY AND LEAD TIMES TO CHANGE PRICING? (SELECT ALL THAT APPLY)

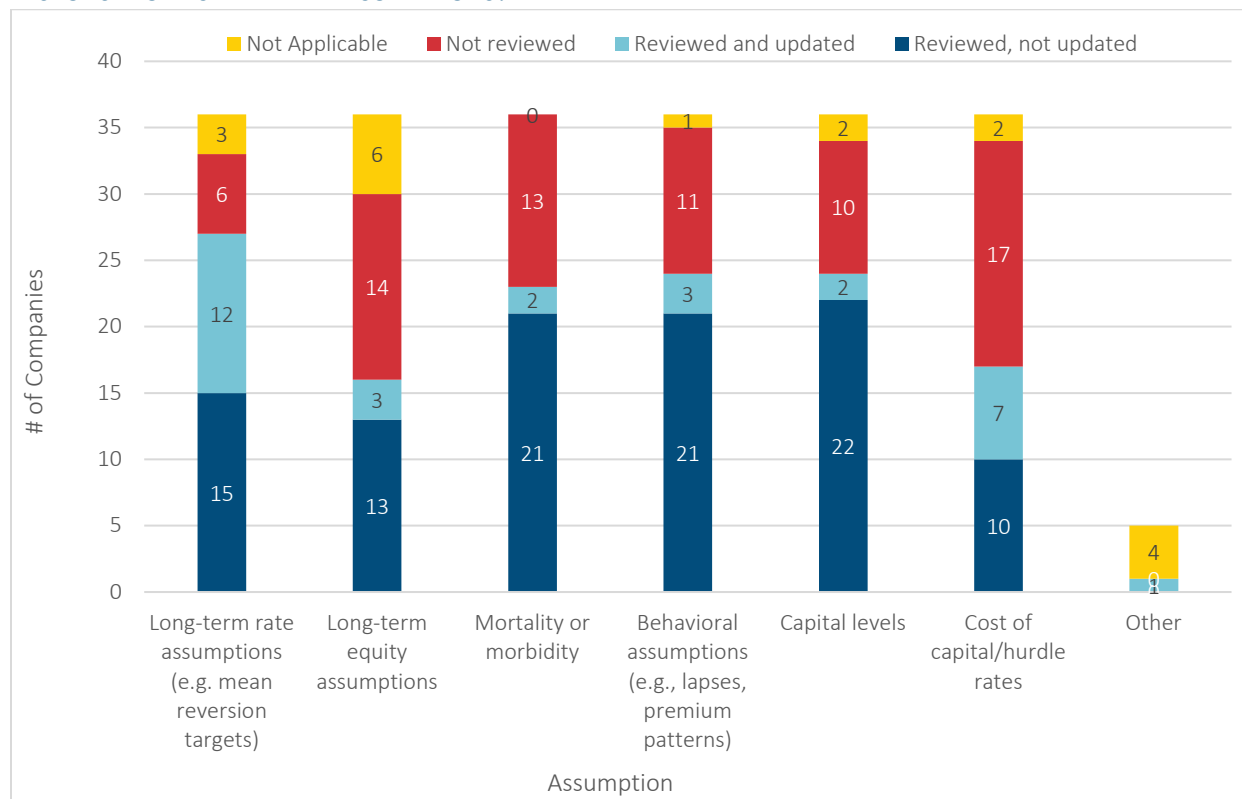


### 3.4 PRICING CHANGES

#### 3.4.1 HAS YOUR ORGANIZATION CHANGED ANY OF THE FOLLOWING PRICING METRICS IN RESPONSE TO RECENT MARKET CONDITIONS?

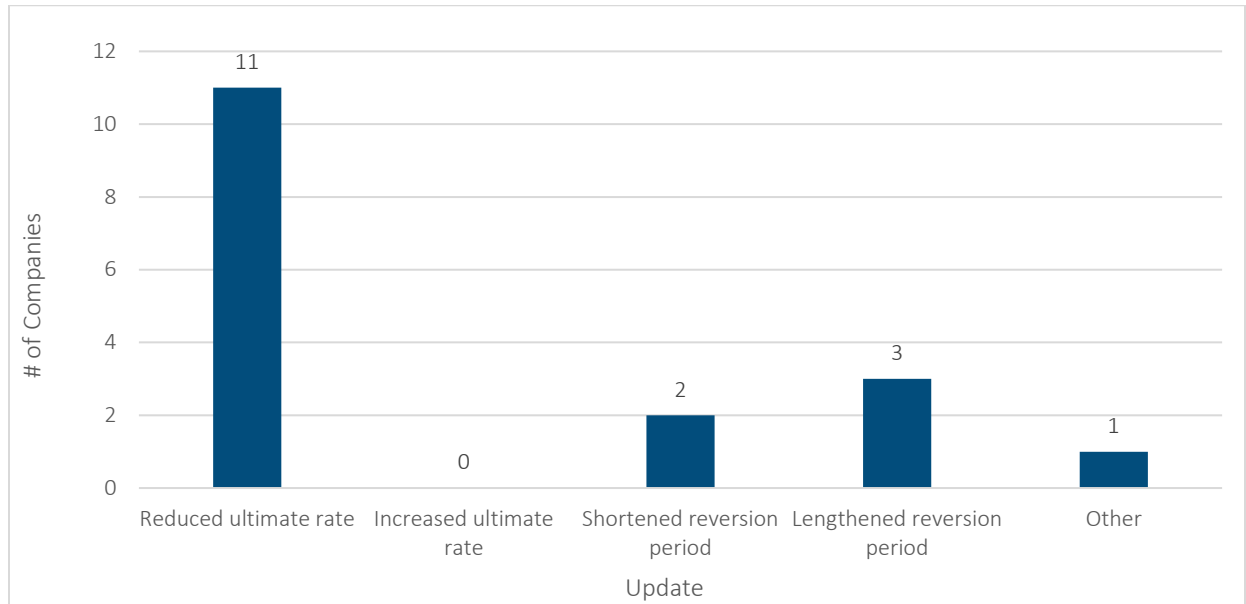


#### 3.4.2 HAS YOUR ORGANIZATION REVIEWED AND/OR UPDATED ANY OF THE FOLLOWING ASSUMPTIONS IN RESPONSE TO RECENT MARKET CONDITIONS?

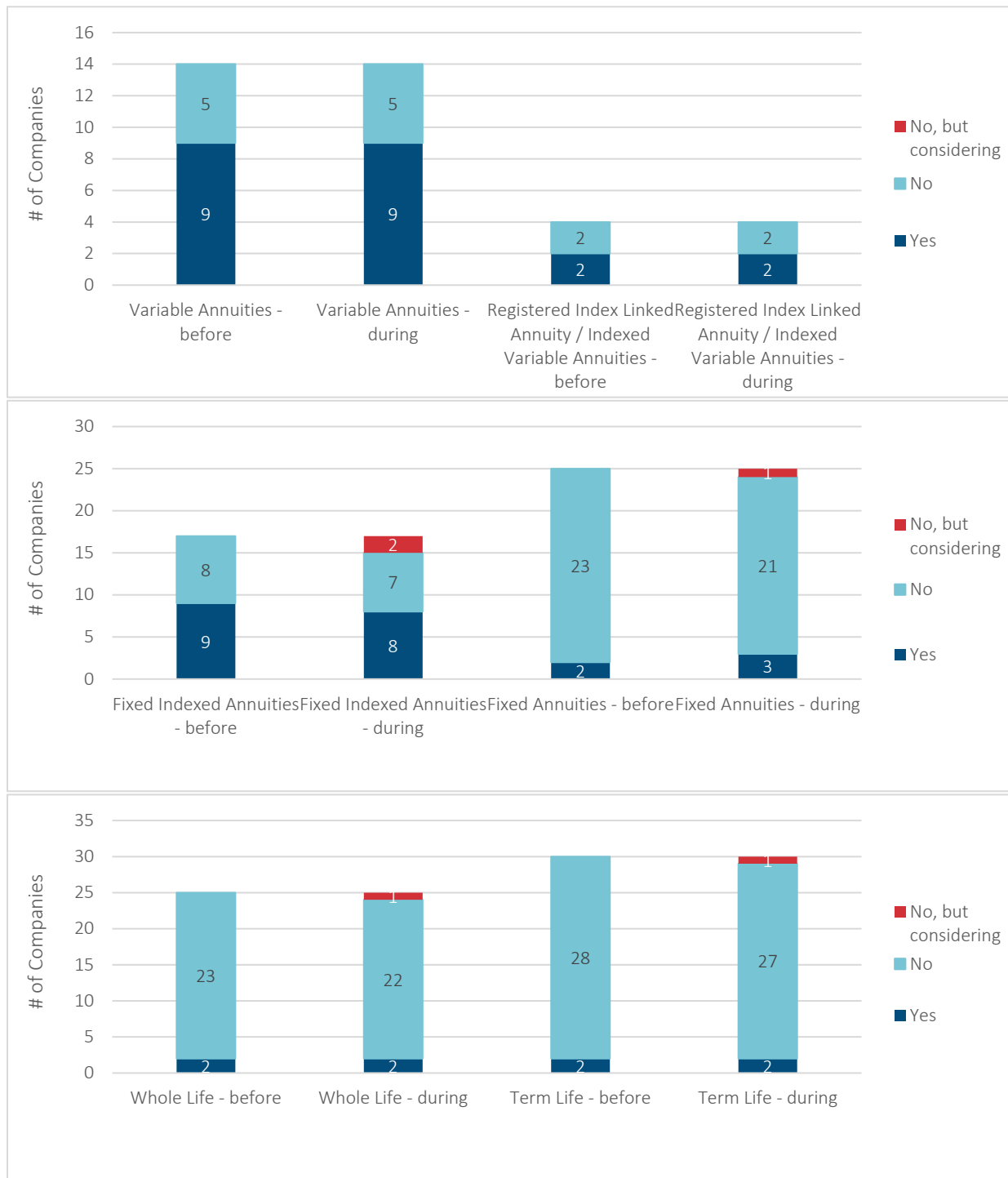




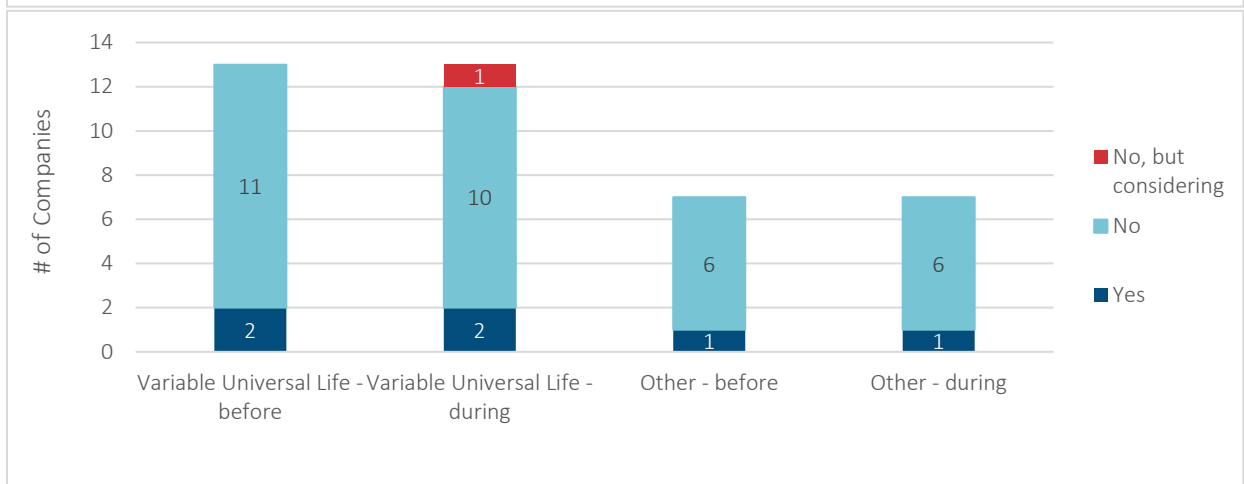
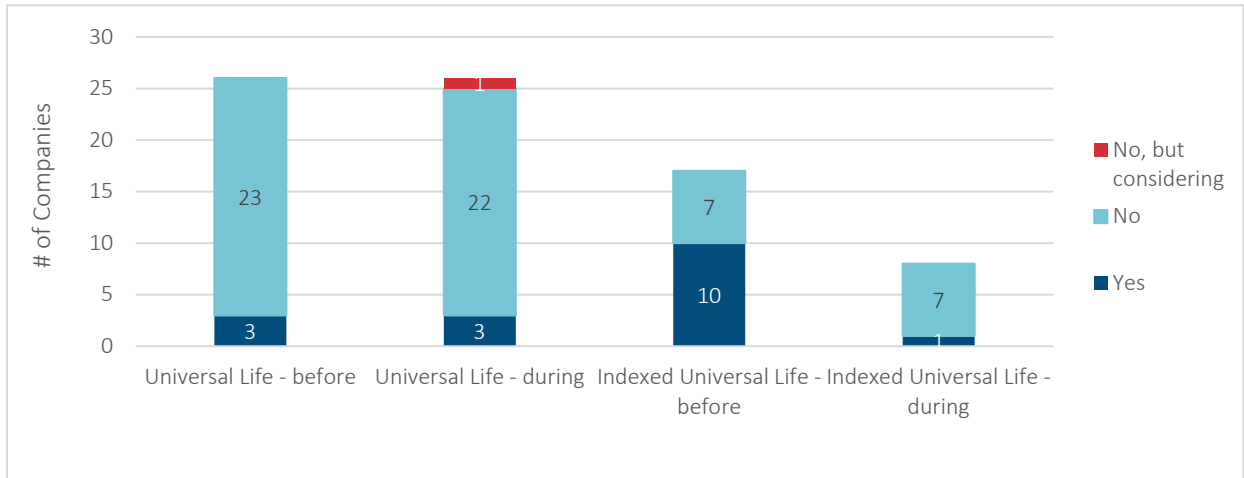
3.4.3 YOU INDICATED THAT UPDATES WERE MADE TO LONG-TERM RATE ASSUMPTIONS. PLEASE INDICATE WHAT TYPES OF UPDATES WERE MADE.



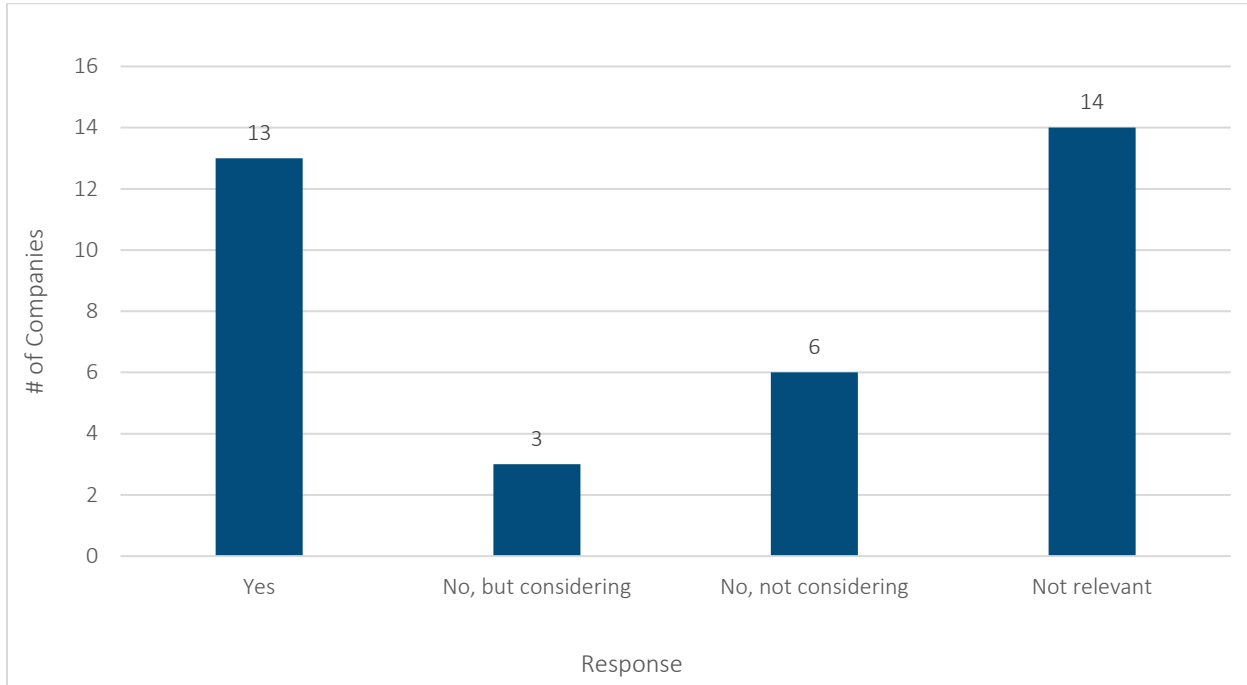
### 3.4.4 ARE YOU HEDGING NEW BUSINESS ECONOMICS TO MITIGATE MARKET RISK FROM WHEN PRICING IS SET AND SALES OCCUR BEFORE COVID-19? DURING COVID-19?



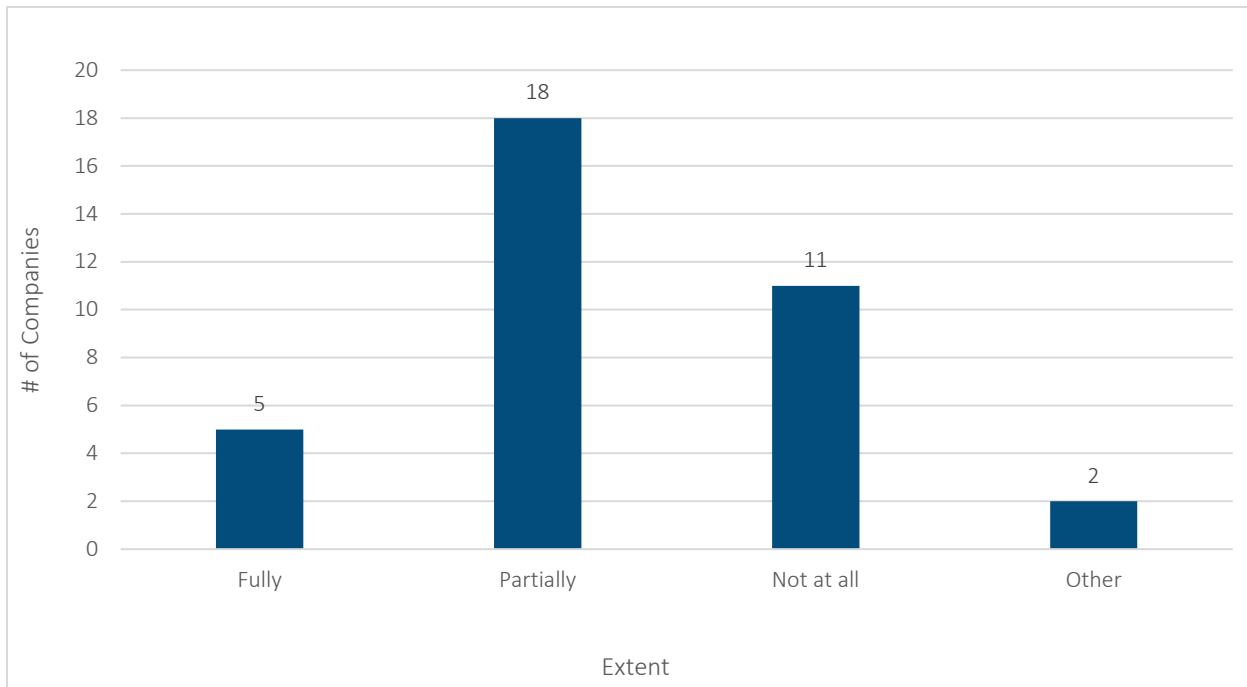
3.4.4 CONT'D. ARE YOU HEDGING NEW BUSINESS ECONOMICS TO MITIGATE MARKET RISK FROM WHEN PRICING IS SET AND SALES OCCUR BEFORE COVID-19? DURING COVID-19?



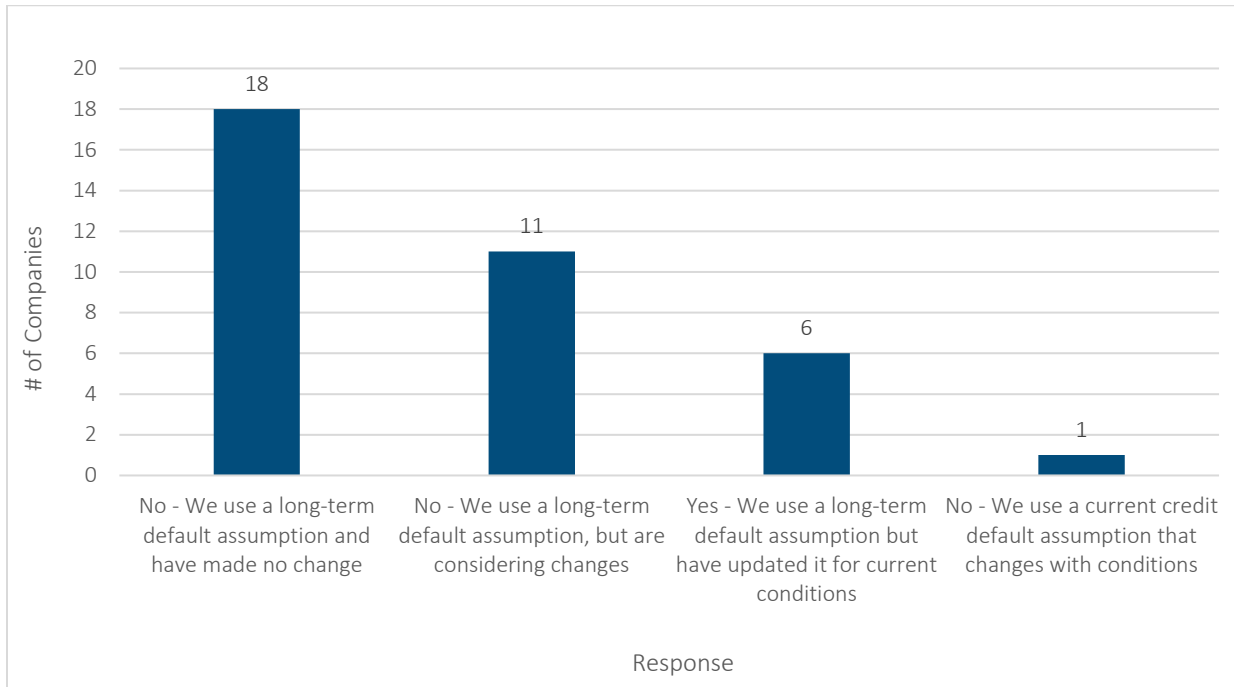
3.4.5 FOR EQUITY-LINKED PRODUCTS, HAVE YOU ADJUSTED YOUR OPTIONS BUDGET IN PRICING IN RESPONSE TO CURRENT MARKET CONDITIONS?



3.4.6 TO WHAT EXTENT ARE YOU PASSING WIDENING CREDIT SPREADS THROUGH TO PRICING?

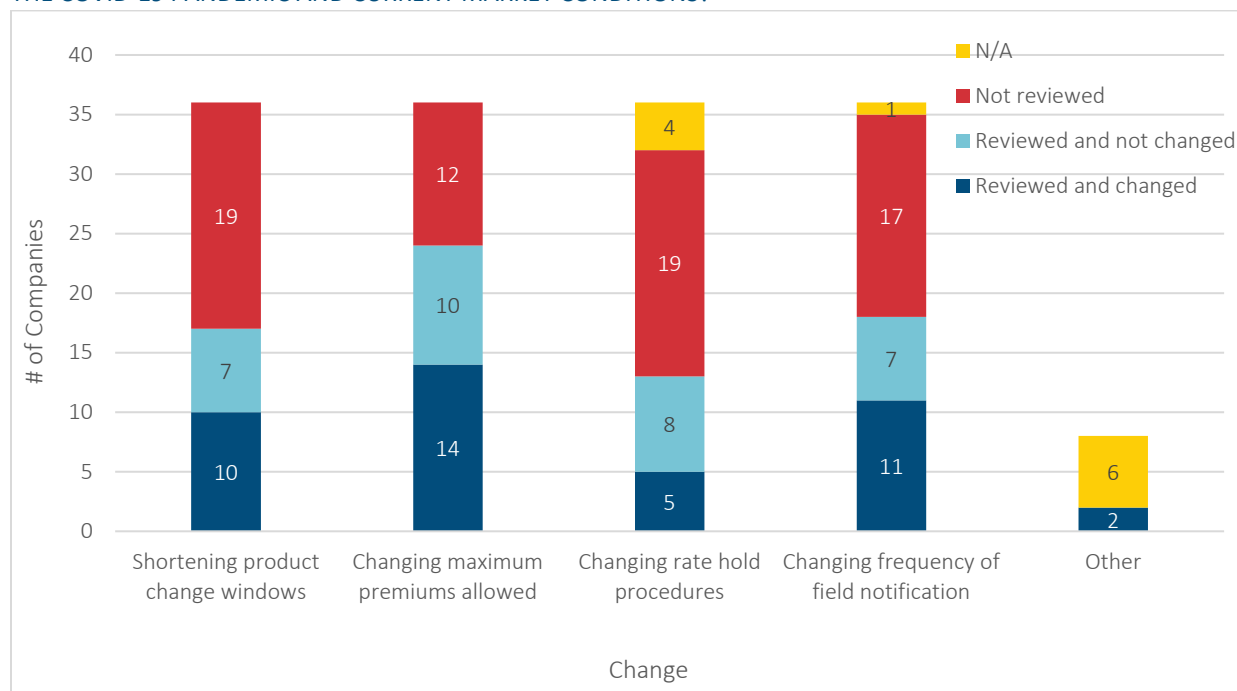


3.4.7 HAVE YOU CHANGED YOUR APPROACH TO SETTING EXPECTED DEFAULT LOSSES ON THE INVESTMENT PORTFOLIO?



### 3.5 PRODUCT CHANGES

#### 3.5.1 WHAT CHANGES HAVE BEEN MADE TO YOUR ORGANIZATION'S ADMINISTRATIVE PROCEDURES IN LIGHT OF THE COVID-19 PANDEMIC AND CURRENT MARKET CONDITIONS?



Products where administrative procedures have been reviewed and changed include:

- Shortening product change windows

Of the 10 companies indicating that they have shortened product change windows, three indicated they are changing for all products (including indexed UL), five indicated indexed annuities, two indicated guaranteed UL products, and two indicated VA products.

- Changing maximum premiums allowed

Of the 14 companies that indicated they have changed maximum premiums allowed, six indicated they had made changes for annuity products including fixed, indexed, and variable, two for guaranteed UL products, two for indexed UL products, and one for specific single-premium products.

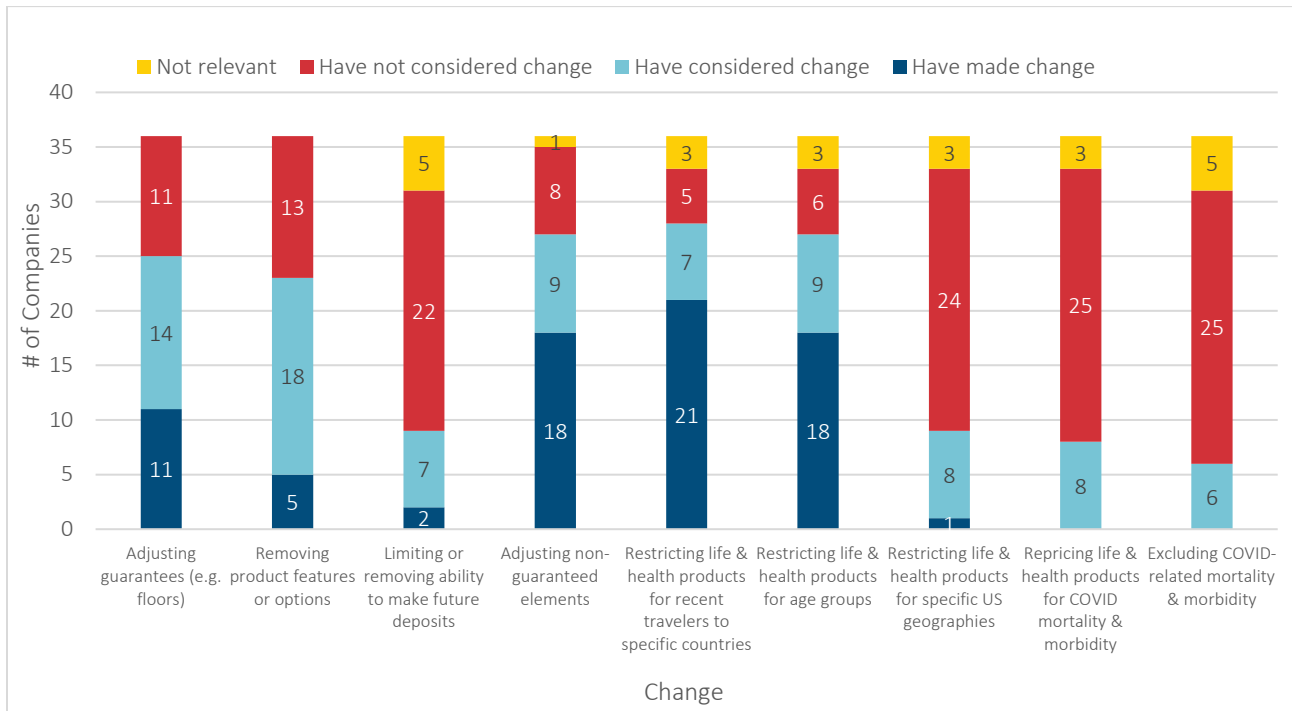
- Changing rate hold procedures

Of the five companies that indicated they have changed rate hold procedures, all indicated changes on either fixed, fixed indexed, or all annuity products.

- Changing frequency of field notifications

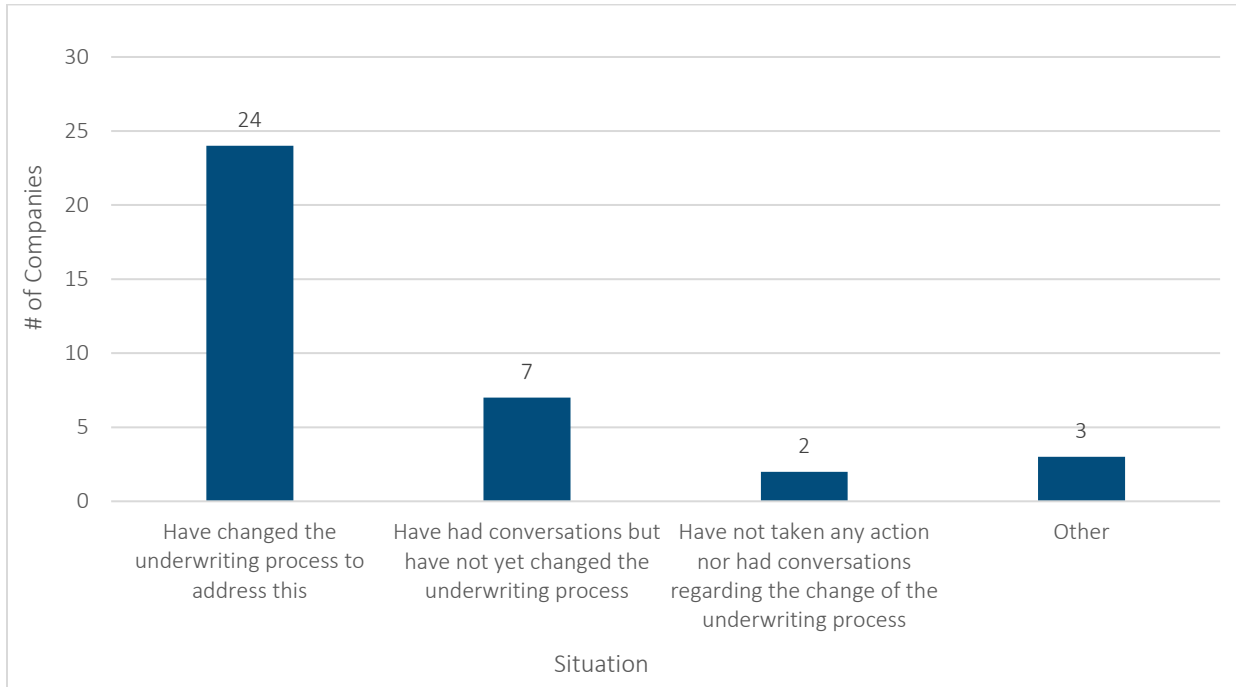
Of the 11 companies that indicated they have changed frequency of field communication, all have increased frequency of communication with the field, most indicating they have done this for all products.

### 3.5.2 WHAT OTHER PRODUCT CHANGES OR RESTRICTIONS HAVE YOU MADE OR ARE YOU CONSIDERING?

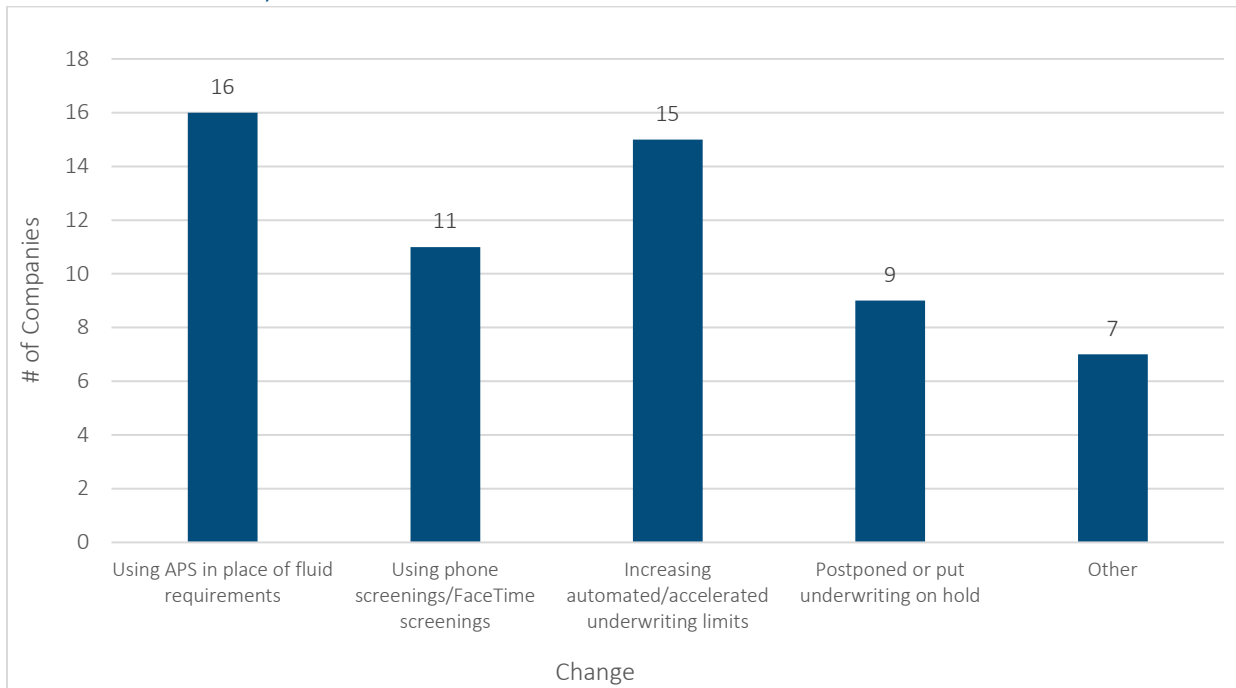


### 3.6 UNDERWRITING CHANGES

3.6.1 REGARDING THE POTENTIAL LACK OF ACCESS TO UNDERWRITING RESULTS, WHICH OF THE FOLLOWING BEST DESCRIBES YOUR CURRENT SITUATION?



3.6.2 YOU INDICATED YOU HAVE CHANGED YOUR UNDERWRITING PROCESS TO ADDRESS THE POTENTIAL LACK OF ACCESS TO UNDERWRITING RESULTS. HOW HAVE YOU CHANGED YOUR UNDERWRITING PROCESS? (PLEASE SELECT ALL THAT APPLY)





## Section 4: Acknowledgments

The SOA, LIMRA, and Oliver Wyman would like to thank the industry Low Interest Rate Task Force (established in January 2020 by LIMRA, Oliver Wyman, and ACLI), as well as the following individuals for their support in the design and development of the survey.

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 Tim Morant, FSA, MAAA, Munich Re  
 David Seidel, FSA, MAAA, Securian  
 Stephen Stone, Northwestern Mutual  
 Steve Verhagen, FSA, MAAA, CUNA Mutual

The SOA also thanks the many companies that participated in the survey.

Allianz Life	MassMutual
Allstate	National Western Life Insurance Company
American Equity Investment Life Insurance Company	Nationwide
American Family Life Insurance	New York Life Insurance Company
Ameritas	Northwestern Mutual
Amica Life	Ohio National Financial Services
Boston Mutual Life	OneAmerica
Cincinnati Life	Penn Mutual
Columbian Financial Group	Prudential Financial
Country Financial	Sammons Financial
EMC National Life Company	SBLI
Fidelity & Guaranty Life	Securian Financial
GPM Life Insurance Company	Shelter Life Insurance
Great American	State Farm
Guardian	Symetra Life Insurance Company
Jackson National	Transamerica
John Hancock	Western & Southern Financial Group
LFG	WoodmenLife

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With roots dating back to 1889, the [Society of Actuaries](#) (SOA) is the world's largest actuarial professional organizations with more than 31,000 members. Through research and education, the SOA's mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal challenges. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.

The SOA supports actuaries and advances knowledge through research and education. As part of its work, the SOA seeks to inform public policy development and public understanding through research. The SOA aspires to be a trusted source of objective, data-driven research and analysis with an actuarial perspective for its members, industry, policymakers and the public. This distinct perspective comes from the SOA as an association of actuaries, who have a rigorous formal education and direct experience as practitioners as they perform applied research. The SOA also welcomes the opportunity to partner with other organizations in our work where appropriate.

The SOA has a history of working with public policymakers and regulators in developing historical experience studies and projection techniques as well as individual reports on health care, retirement and other topics. The SOA's research is intended to aid the work of policymakers and regulators and follow certain core principles:

**Objectivity:** The SOA's research informs and provides analysis that can be relied upon by other individuals or organizations involved in public policy discussions. The SOA does not take advocacy positions or lobby specific policy proposals.

**Quality:** The SOA aspires to the highest ethical and quality standards in all of its research and analysis. Our research process is overseen by experienced actuaries and nonactuaries from a range of industry sectors and organizations. A rigorous peer-review process ensures the quality and integrity of our work.

**Relevance:** The SOA provides timely research on public policy issues. Our research advances actuarial knowledge while providing critical insights on key policy issues, and thereby provides value to stakeholders and decision makers.

**Quantification:** The SOA leverages the diverse skill sets of actuaries to provide research and findings that are driven by the best available data and methods. Actuaries use detailed modeling to analyze financial risk and provide distinct insight and quantification. Further, actuarial standards require transparency and the disclosure of the assumptions and analytic approach underlying the work.

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## About LIMRA

Established in 1916, LIMRA is a research and professional development not-for-profit trade association for the financial services industry. More than 600 insurance and financial services organizations around the world rely on LIMRA's research and educational solutions to help them make bottom-line decisions with greater confidence. Companies look to LIMRA for its unique ability to help them understand their customers, markets, distribution channels and competitors and leverage that knowledge to develop realistic business solutions.

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## About Oliver Wyman

Oliver Wyman is a global leader in management consulting. With offices in 60 cities across 29 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm has more than 5,000 professionals around the world who work with clients to optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit [www.oliverwyman.com](http://www.oliverwyman.com). Follow Oliver Wyman on Twitter @OliverWyman.