Results of the 2019 SOA Life Reinsurance Survey

By Anthony Ferraro and Joe Lario

The North American Individual Life reinsurance market experienced a 3 percent boost in new business volume for recurring Individual Life new business in the U.S. whereas Canada experienced stronger growth at 10 percent during 2019.

Group recurring in-force premiums decreased by 6 percent in the U.S. in 2019, although premiums increased 7 percent in Canada over the same time period. Table 1 summarizes the most recent results from the 2019 SOA Life Reinsurance Survey.

ABOUT THE SURVEY

The SOA Life Reinsurance Survey is an annual survey that exhibits individual and group life data from U.S. and Canadian life reinsurers. Survey results are based on financial information self-reported by reinsurance entities and include new business production and in-force figures, with reinsurance broken into the following categories:

- Recurring reinsurance: Conventional reinsurance covering an insurance policy with an issue date in the year in which it was reinsured. For purposes of this survey, this refers to an insurance policy issued and reinsured in 2019.
- Portfolio reinsurance: Reinsurance covering an insurance policy with an issue date in a year prior to the year in which

Table 1
Reinsurance Landscape

	Individual Life New Business Volumes ($ billions)			Group In-force Premiums ($ millions)		
	2018	2019	% Change	2018	2019	% Change
U.S.						
Recurring	$521	$535	3%	821	772	-6%
Portfolio	$101	$91	-10%	4,490	5,612	25%
Retrocession	$7	$7	7%	0	0	n/a
Total	629	633	1%	5,311	6,384	20%
Canada						
Recurring	172	189	10%	125	134	7%
Portfolio	19	6	-70%	0	0	n/a
Retrocession	7	6	-15%	0	0	n/a
Total	198	201	2%	125	134	7%

it was reinsured or financial reinsurance. One example of portfolio reinsurance would be a group of policies issued during the period 2005–2006, but being reinsured in 2019.

- Retrocession reinsurance: Reinsurance not directly written by the ceding company. Since the business usually comes from a reinsurer, this can be thought of as "reinsurance of reinsurance."

Individual life results are based on net amount at risk, while the group life results are based on premium.

The figures are quoted in the currency of origin with U.S. business provided in USD and Canadian business provided in CAD.

While we reach out to all of the professional life reinsurers in North America, please note that there may be companies that did not respond to the survey and so are not included. For the first time, RMA has been included in the study. RMA represents Korean Re, Toa Re and other reinsurers and both 2018 and 2019 numbers for RMA have been presented to enable an accurate year-over-year comparison.

The remainder of this article discusses this year's results in more detail and looks at overall life reinsurance trends. We will begin by looking at the results for the U.S. individual life market.

UNITED STATES—INDIVIDUAL LIFE

Recurring New Business

Recurring individual life new business recorded an increase in production for the fourth year in a row after a prolonged period of decreases. Compared to 2018, U.S. recurring new business rose nearly 3 percent from $521 billion to $535 billion in 2019. A contributing factor for the increase is believed to be the continued growth in accelerated underwriting programs in which the collection of fluids is replaced with alternative data sources. Since these programs are still relatively new to the market, direct writers have reached out to reinsurers for assistance in both developing the programs and taking a share of the risk. Similarly, the emergence of new digital distribution channels has prompted sharing of risk in light of new target markets.

Figure 1 shows the annual percentage change in U.S. recurring new business production over the last 10 years. Although the recent rate of increases has trended down, since 2015, individual life recurring new business has grown at a CAGR of 7 percent.

In 2019, 82 percent of recurring new business production was yearly renewable term or YRT and 18 percent was coinsurance, in line with prior years.

To estimate an overall cession rate for the life reinsurance industry, we compare new direct life sales to new recurring reinsurance production. According to LIMRA,[1] individual life insurance sales increased 5 percent in 2019 based on both premium and face amount, mainly driven by continued strong sales of indexed universal life. Taking these results together with the life reinsurance production levels results in an estimated cession rate for the industry of 29 percent for 2019, which has remained fairly consistent over the past few years. As seen in Figure 2, the estimated cession rate has hovered around 25 percent to 30 percent since 2010.

The top five companies by market share in the U.S. reinsurance market remained the same as in 2018 and represent 86 percent of 2019 market share as compared to 87 percent last year

Figure 1
U.S. Percentage Change in Recurring New Business 2010–2019

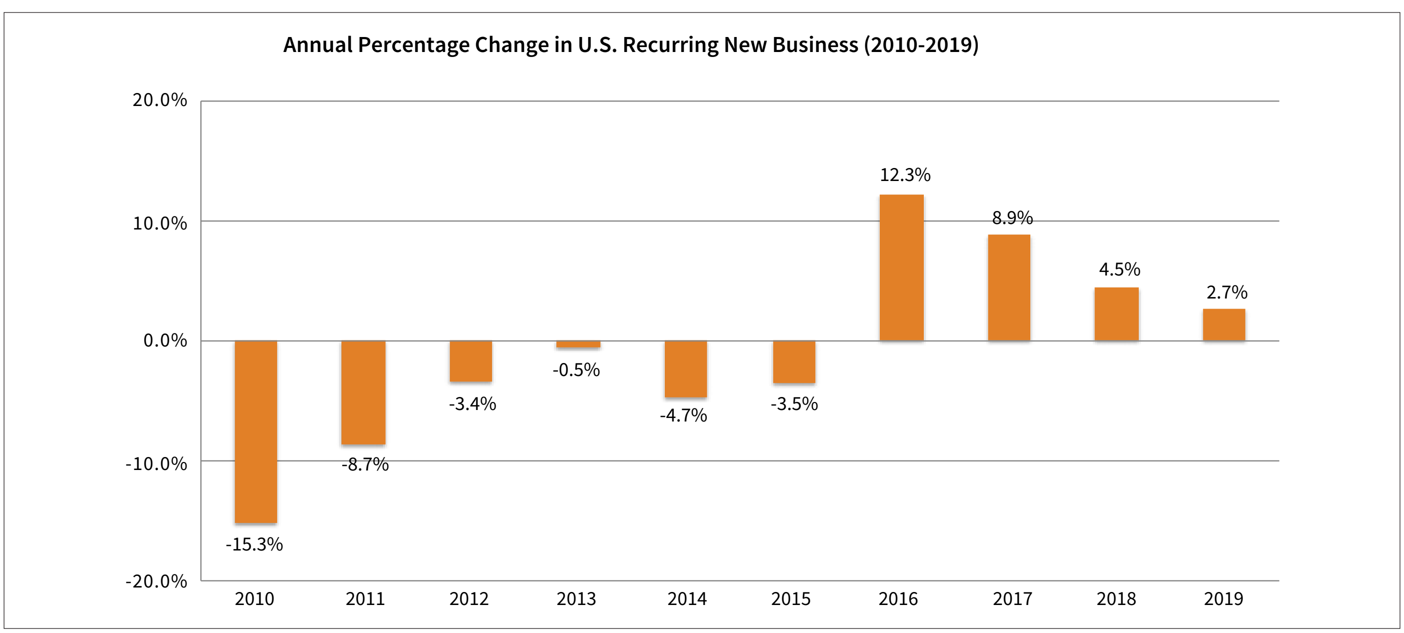
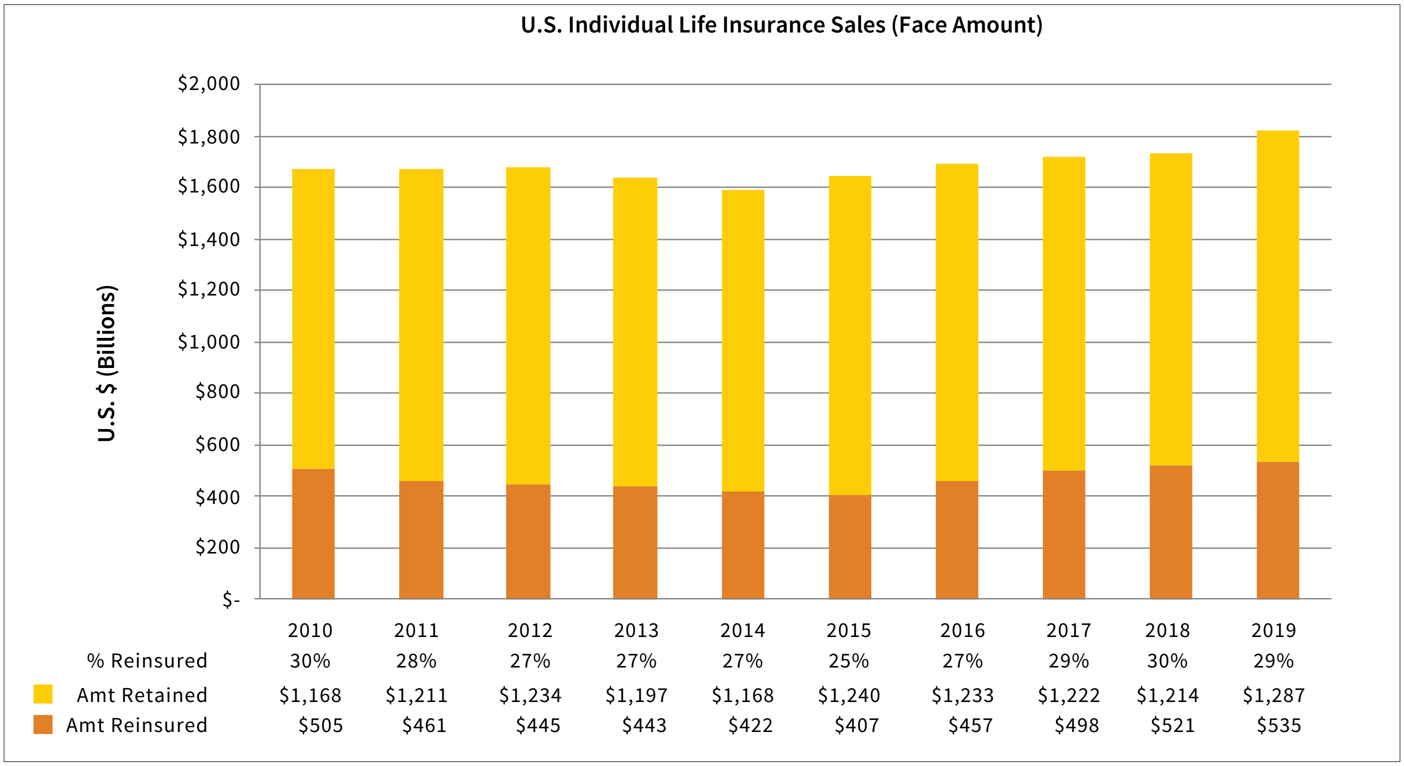


Figure 2
U.S. Individual Life Insurance Sales (Face Amount)



(see Table 2). SCOR once again led all reinsurers in recurring individual life new business. In 2019, SCOR reported $113 billion of recurring business, a 1 percent decrease from 2018, resulting in a 21 percent market share. The next three largest reinsurers by market share are tightly clustered. Swiss Re increased their market share in 2019, now holding 20 percent of the market, reporting $106 billion. An increase in reported recurring new business production levels in 2019 increased Munich Re's market share to 19 percent. RGA rounds out the largest reinsurers with a market share of 18 percent. Of the 10 reinsurers reporting results, seven reported an increase in recurring new business volumes as compared to 2018.

Portfolio New Business

For survey purposes, portfolio reinsurance includes in-force blocks of business and financial reinsurance. As a result, there are often large fluctuations from year to year in reported port-

Table 2
U.S. Recurring Individual Life Volume ($ billions USD)

Company	2018		2019		Change from 2018 to 2019
	Assumed Business	Market Share	Assumed Business	Market Share	
SCOR Global Life (US)	$115	22%	$113	21%	-1%
Swiss Re	$94	18%	$106	20%	13%
Munich Re (US)	$93	18%	$100	19%	7%
RGA Reinsurance Company	$94	18%	$96	18%	2%
Hannover Life Re	$56	11%	$43	8%	-24%
RMA	$14	3%	$21	4%	45%
Canada Life	$20	4%	$20	4%	4%
General Re Life	$13	2%	$16	3%	26%
PartnerRe	$14	3%	$11	2%	-18%
Optimum Re (US)	$9	2%	$9	2%	6%
Total	**$521**	**100%**	**$535**	**100%**	**3%**

folio results, and 2019 was no exception. New portfolio business dropped from $101 billion in 2018 to $91 billion in 2019. Munich Re accounts for $55 billion (61 percent) of the 2019 portfolio new business followed by Swiss Re at $31 billion (34 percent) and RGA with $3.5 billion (4 percent). There is only one other company reporting portfolio new business in 2019 and that is SCOR with $0.5 billion (1 percent).

Figure 3 illustrates the portfolio new business written over the last 10 years and the volatility of the results. As reported previously, the large spikes in 2011 and 2013 were the result of a merger/acquisition within the life reinsurance industry, or, as is the case with 2016, the result of a large in-force transaction.

Retrocession

Retrocession new business volumes are considerably smaller than recurring new business and portfolio new business. As noted in last year's survey, from 2005 to 2015, retrocession production in the U.S. had been on a downswing, dropping from $43 billion in 2005 to $5 billion in 2015. Following an uptick in 2016 to $8 billion, retrocession new business dropped back to approximately $7 billion in 2017 and remained flat through 2019. The primary retrocessionaires in 2019 (unchanged from 2018) were Berkshire Hathaway Group, AXA Equitable and Pacific Life.

CANADA—INDIVIDUAL LIFE

Now we will examine the results for the Canadian individual life market.

Recurring New Business

Recurring individual life new business in Canada ticked upward for the fifth consecutive year. Reported recurring new business totaled $189 billion in 2019 which is a 10 percent increase over 2018. Figure 4 shows the annual percentage change in recurring new business over the last 10 years. Since 2014, recurring new business in Canada has grown at a 6 percent CAGR after a period of minimal growth and declines.

According to LIMRA, Canadian direct individual life sales ended 2019 up 8 percent as compared to 2018 on an annualized premium basis and up 5 percent on a face amount basis.[2] The impact of the

Figure 3
U.S. Portfolio Business Trend

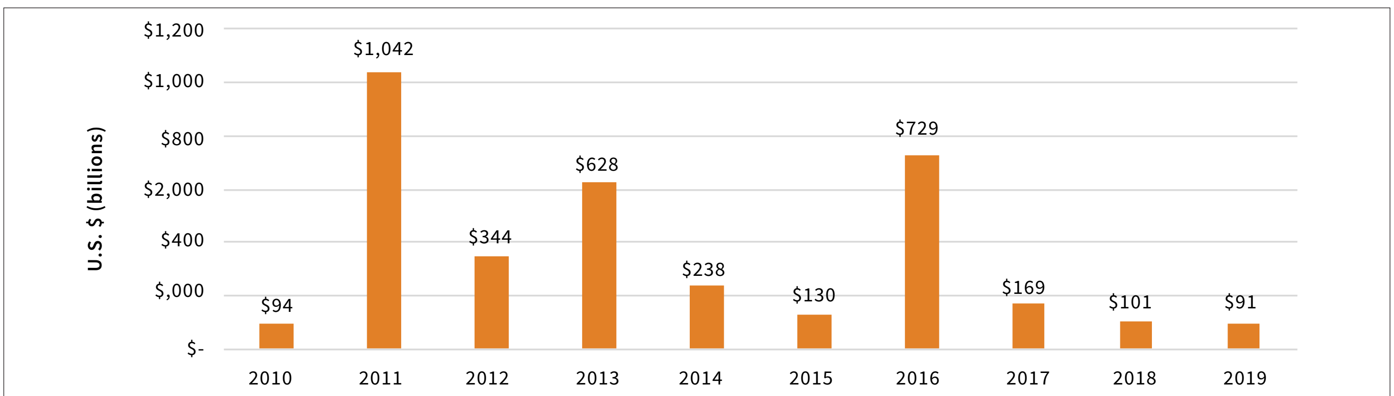


Figure 4
Canadian Percentage Change in Recurring New Business 2010–2019

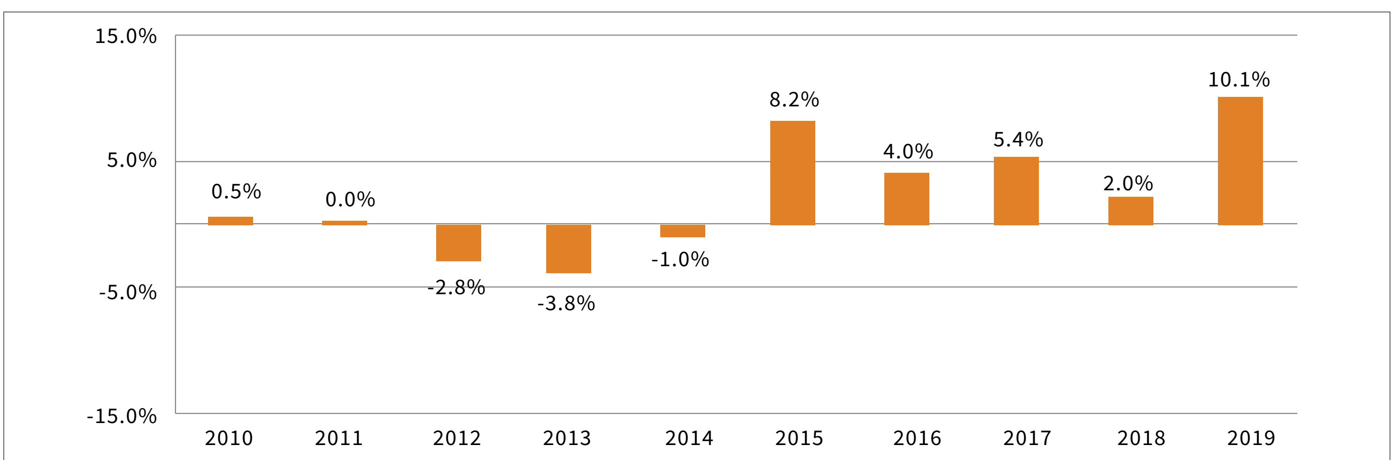
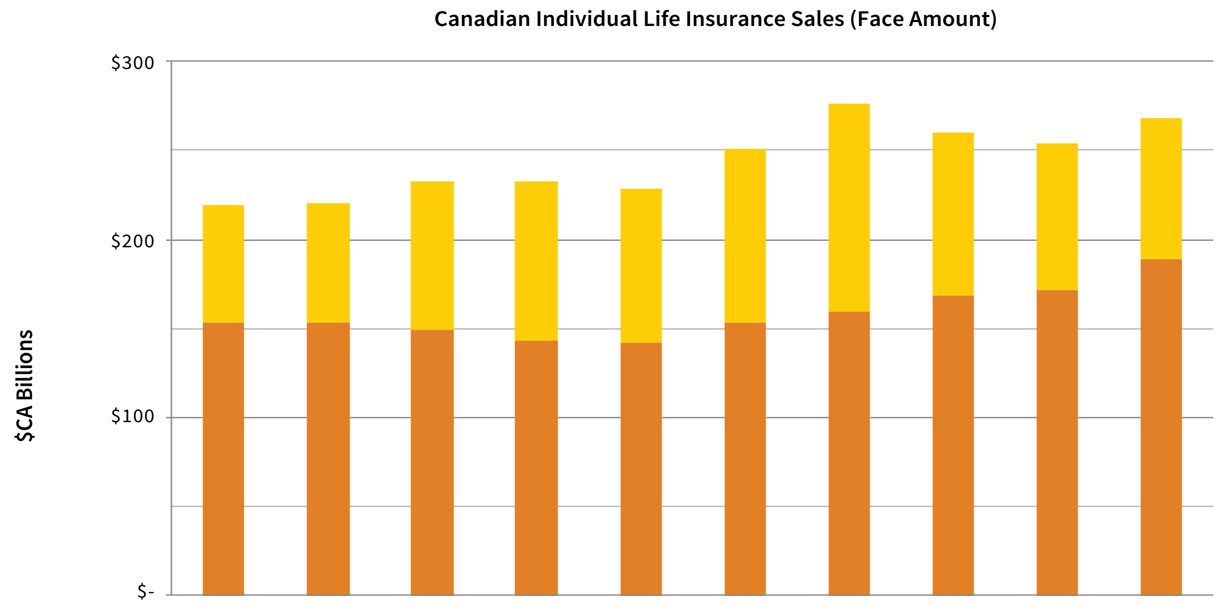


Figure 5
Canadian Individual Life Insurance Sales (Face Amount)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
% Reinsured	70%	70%	64%	61%	62%	61%	58%	65%	68%	70%
Amt Retained	$66	$67	$84	$90	$87	$98	$116	$92	$82	$79
Amt Reinsured	$153	$153	$149	$143	$142	$153	$160	$168	$172	$189

tax law changes that took effect at the beginning of 2017 is starting to give way to more normal market activity. This is further buoyed by the introduction of new Participating Whole Life products into the market and the increasing prevalence of fluidless programs.

The estimated cession rate for 2019, which is based on a comparison of direct life sales to recurring reinsurance volumes, edged up from 68 percent to 70 percent. As shown in Figure 5, the cession rate had steadily dropped from 2010 to 2016 in Canada before trending up again from 2017 on. As well, the estimated Canadian cession rate is much higher than that of the U.S., where approximately 29 percent is reinsured.

In terms of market share, the top three life reinsurers in the Canadian market are Munich Re, RGA and Partner Re. In 2019, they collectively represent 70 percent market share. Munich Re topped recurring new business writers reporting $54 billion, a 19 percent increase over 2018. RGA followed with $46 billion (10 percent increase from 2018) and Partner Re rounded out the top three with a reported $33 billion (36 percent increase from 2018).

Of the eight reinsurers reporting to the survey, seven reported increases in recurring new business volumes from 2018 to 2019. Table 3 summarizes assumed volumes and market share by reinsurer and compares 2019 and 2018 results.

Table 3
Canada Recurring Individual Life Volume ($ billions CAD)

Company	2018		2019		Change from 2018 to 2019
	Assumed Business	Market Share	Assumed Business	Market Share	
Munich Re (Canada)	$46	27%	$54	29%	19%
RGA Re (Canada)	$42	24%	$46	24%	10%
PartnerRe	$24	14%	$33	17%	36%
Swiss Re	$14	8%	$18	9%	22%
SCOR Global Life (Canada)	$27	16%	$17	9%	-37%
Optimum Re (Canada)	$12	7%	$13	7%	15%
Hannover Life Re (Canada)	$6	3%	$7	4%	19%
RMA	$2	1%	$2	1%	0%
Total	**$172**	**100%**	**$189**	**100%**	**10%**

Portfolio New Business

RGA and PartnerRe reported portfolio new business for 2019. RGA accounted for $5.1 billion of the $5.7 billion reported.

Retrocession

Similar to that of the U.S., retrocession business in Canada is considerably smaller than recurring new business and portfolio business. Canadian retrocessionaires were Pacific Life, Berkshire Hathaway and AXA Equitable. Pacific Life led the retrocessionaires with $4.1 billion, followed by Berkshire Hathaway ($1.7 billion) and AXA Equitable ($0.07 billion). Overall, the retrocession market in Canada decreased from $6.9 billion in 2018 to $5.9 billion in 2019.

UNITED STATES—GROUP LIFE

The next section discusses the group insurance results for the U.S.

U.S. group life reinsurers reported over $6.4 billion of in-force premium in 2019, up 20 percent from the $5.3 billion reported in 2018. Of this, recurring business accounted for $0.8 billion and portfolio business represented $5.6 billion.

Traditional (i.e., excluding portfolio and retrocession) in-force group premiums in the U.S. fell by 6 percent to $772 million in 2019 following an increase in premium in 2018. Nonetheless, group in-force premiums grew 41 percent from $546 million in 2012 to $772 million in 2019 (see Figure 6).

As shown in Table 4, the top three reinsurers in the U.S. group life reinsurance market for traditional business are Swiss Re, RGA and Munich Re. Collectively, these three companies account for 84 percent of the market. Swiss Re, RGA and Munich Re reported changes in 2019 traditional premium of -11 percent, 6 percent and -17 percent, respectively.

In-force group portfolio premium totaled $5.6 billion in 2019, up 25 percent from last year's $4.5 billion. Portfolio premium originates from two reinsurers. Canada Life Re reported $4.0 billion in portfolio premium in 2019, up from $2.8 billion in 2018. Munich Re reported $1.6 billion in 2019 versus the $1.5 billion reported in 2018.

Figure 6
U.S. In-force Traditional Group Premiums

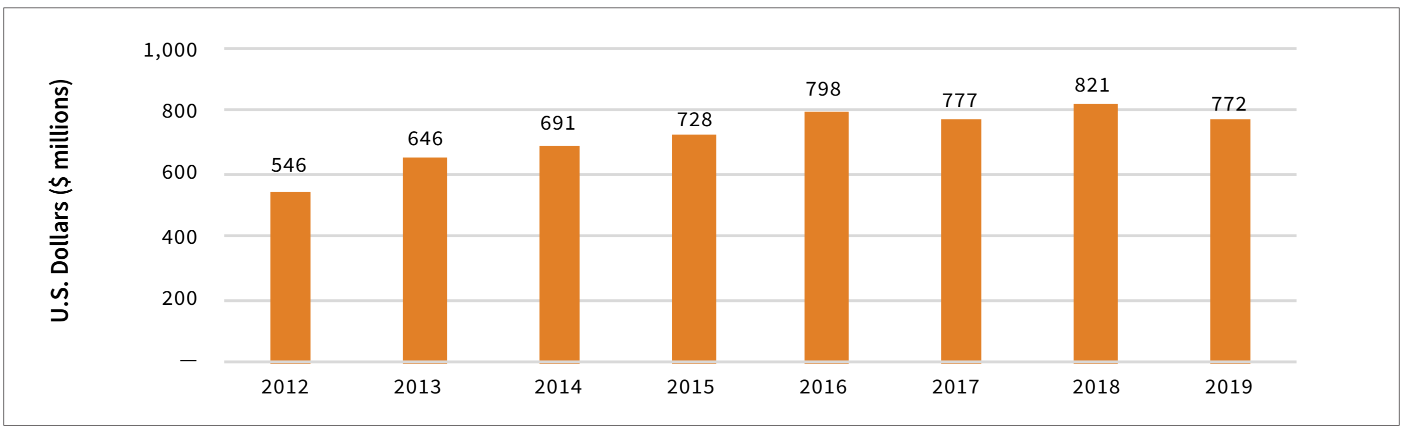


Table 4
U.S. Traditional In-force Group Premiums ($ millions USD)

Company	2018		2019		Change from 2018 to 2019
	Assumed Business	Market Share	Assumed Business	Market Share	
Swiss Re	$329	40%	$292	38%	-11%
RGA Reinsurance Company	$174	21%	$184	24%	6%
Munich Re (US)	$212	26%	$177	23%	-17%
SCOR Global Life	$32	4%	$51	7%	59%
General Re Life	$32	4%	$33	4%	2%
Group Reinsurance Plus	$34	4%	$30	4%	-11%
Hannover Life Re	$7	1%	$5	1%	-23%
Canada Life	$1	0%	$1	0%	38%
Optimum Re (US)	$0	0%	$0	0%	-25%
Total	**$821**	**100%**	**$772**	**100%**	**-6%**

Table 5
Canada Traditional In-force Group Premiums ($ millions CAD)

Company	2018		2019		Change from 2018 to 2019
	Assumed Business	Market Share	Assumed Business	Market Share	
Munich Re (Canada)	$83	66%	$93	69%	12%
RGA Re (Canada)	$19	15%	$19	14%	-2%
Swiss Re	$17	14%	$17	13%	-2%
Optimum Re (Canada)	$3	3%	$3	2%	-18%
SCOR Global Life	$3	2%	$3	2%	3%
Total	**$125**	**100%**	**$134**	**100%**	**7%**

CANADA—GROUP LIFE

Next, we look at results for the group life insurance market in Canada.

Group life reinsurers in Canada reported $134 million of in-force premium in 2019. Due to a reclassification by Munich Re, the entirety of the $134 million is from traditional business. For 2019, in-force group premium increased by 7 percent as compared to 2018. Similar to the U.S., the group market in Canada is dominated by three reinsurers: Munich Re, RGA and Swiss Re. These three account for 96 percent of the market share (see Table 5). Of the five reinsurers reporting, three reported decreases in traditional in-force premium versus 2018.

LOOKING AHEAD

Over the past four to five years we have seen a continued trend of robust growth in U.S. and Canadian life recurring new business. External factors will continue to shape the reinsurance landscape in the intermediate-term:

- Continued trend evolution in Individual Life sales due to COVID-19.
- Continued expansion of accelerated underwriting programs.
- Emerging needs for insurability of those currently uninsured or underinsured.
- Continued aging of the population and changing consumer preferences.
- Level of product agility as carriers make investments to address technology burden and develop innovative customer solutions.
- Continued regulatory uncertainty as carriers deal with PBR, IFRS17 and GAAP LDTI among other regulatory regimes.

Life reinsurers are equipped to support direct carriers in addressing the challenges posed by these factors. Reinsurers' expertise goes beyond traditional mortality and risk selection and includes financial reinsurance, reinsurance of inforce blocks and value-added expertise in areas such as the development of accelerated underwriting programs, assessment of new data sources, product development, development of data-driven insights, establishment of rules engines, predictive analytics, post-issue monitoring and risk management. This expertise and support can be invaluable to direct writers as many look to expand their offerings, improve outreach to consumers and enhance controls.

Thank you to all the reinsurers that participated in this year's survey. Complete results are available at ***https://www.munichre.com/us-life/en/perspectives.html.***

Note that Munich Re prepared this survey on behalf of the Society of Actuaries Reinsurance Section as a service to section members. The contributing companies provide the data in response to the survey. The data is not audited, and Munich Re, the Society of Actuaries and the Reinsurance Section take no responsibility for the accuracy of the figures.

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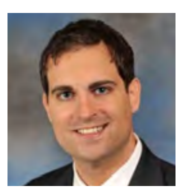

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ENDNOTES

1 LIMRA, "U.S. Individual Life Insurance Sales Trends, 1975 – 2018 Industry Estimates" and "U.S. Retail Individual Life Insurance Sales Technical Supplement, Fourth Quarter 2019"

2 LIMRA, "Canadian Individual Life Insurance Sales Technical Supplement (2019 Annual)"