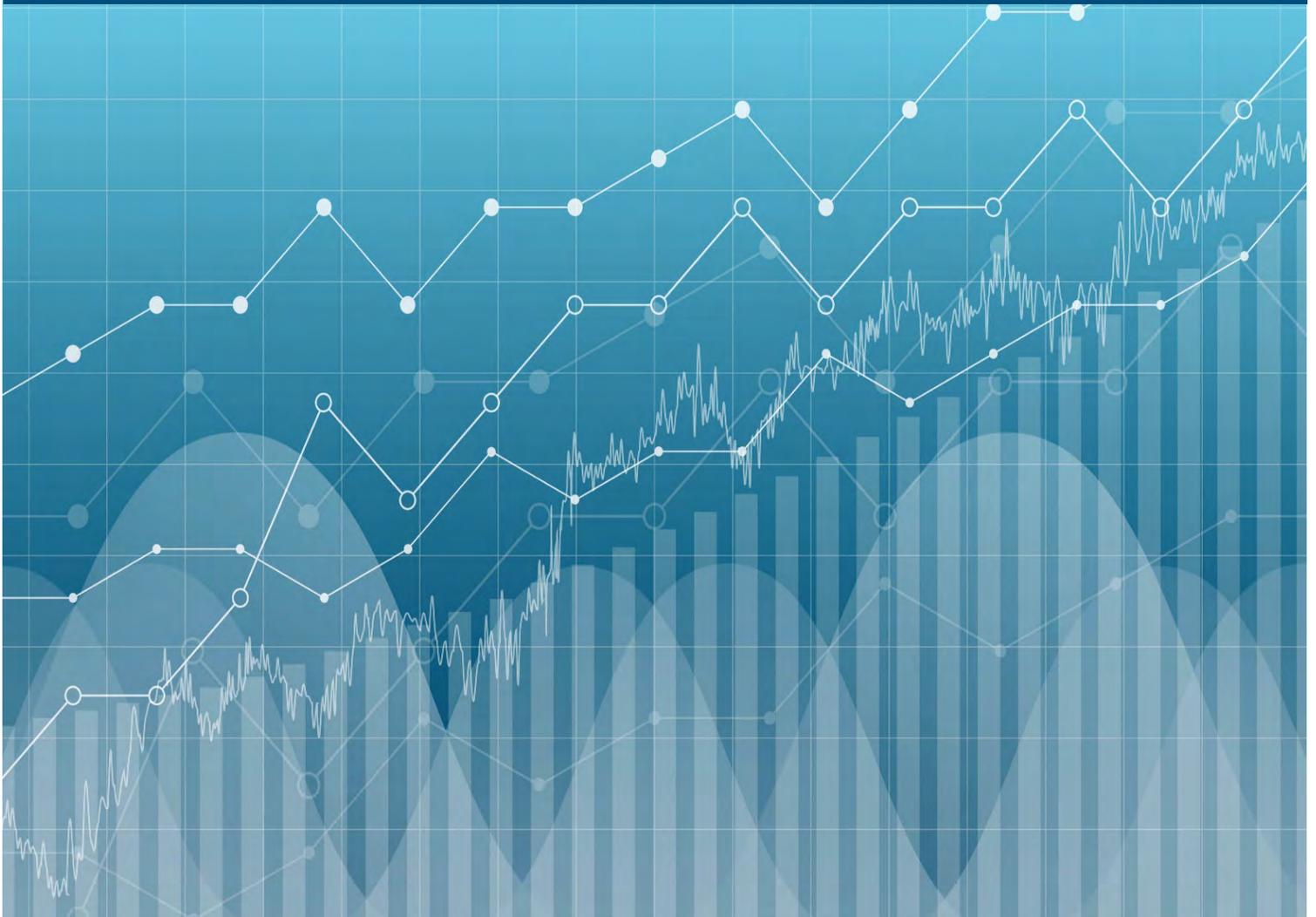


COVID-19 New Business and Product Survey Summary of Results Updated July 30, 2020





COVID-19 New Business and Product Survey Summary of Results

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Caveat and Disclaimer

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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 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 this survey is to collect and disseminate information on best practices around sales and the issuance of new business. This is a follow up to a similar survey fielded in April of this year and seeks to update participants regarding changes in practices and viewpoints since April.

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 June 26, 2020 and July 1, 2020. Thirty 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: About 87% of the companies who participated in this survey ranked pricing/new business profitability and in-force profitability (80%) as the two most concerning factors facing companies. Those same two factors ranked highest, each at 90%, if 10-year rates stayed below 1% over the next 3-5 years. 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; declining government bond rates, increased/uncertain mortality and morbidity, and underwriting uncertainty were the biggest concerns for term life writers; and declining government bond rates and underwriting uncertainty were the biggest concerns for permanent life writers.

Pricing Changes: Over half of the respondents have increased focus on tail scenarios or sensitivities in their pricing. One-half have updated their long-term rate assumptions and reduced their ultimate rate. Two-thirds are partially or fully passing widening credit spreads through to pricing.

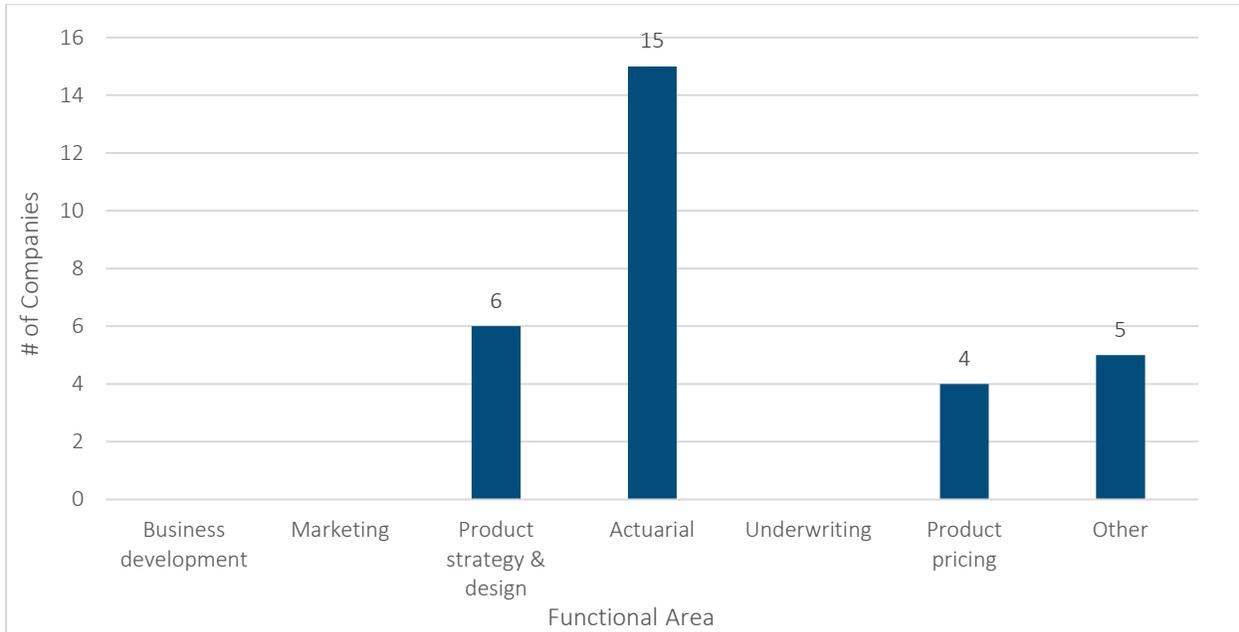
Product Changes: For annuity products, almost half of the respondents have adjusted non-guaranteed elements and a third have suspended or halted product sales. For individual life insurance products, nearly two-thirds of the respondents have restricted life and health products for certain age groups, and just over one-half have restricted life and health products for recent travelers to specific countries. About half of the respondents are actively developing new products to respond to the low rate environment.

Underwriting Changes: To address the potential lack of access to underwriting results, over two-thirds of the respondents have changed their underwriting process. Of those who have changed, half are increasing automated/accelerated underwriting limits, and over one-third are using attending physician statements in place of fluid requirements or postponed/put underwriting on hold.

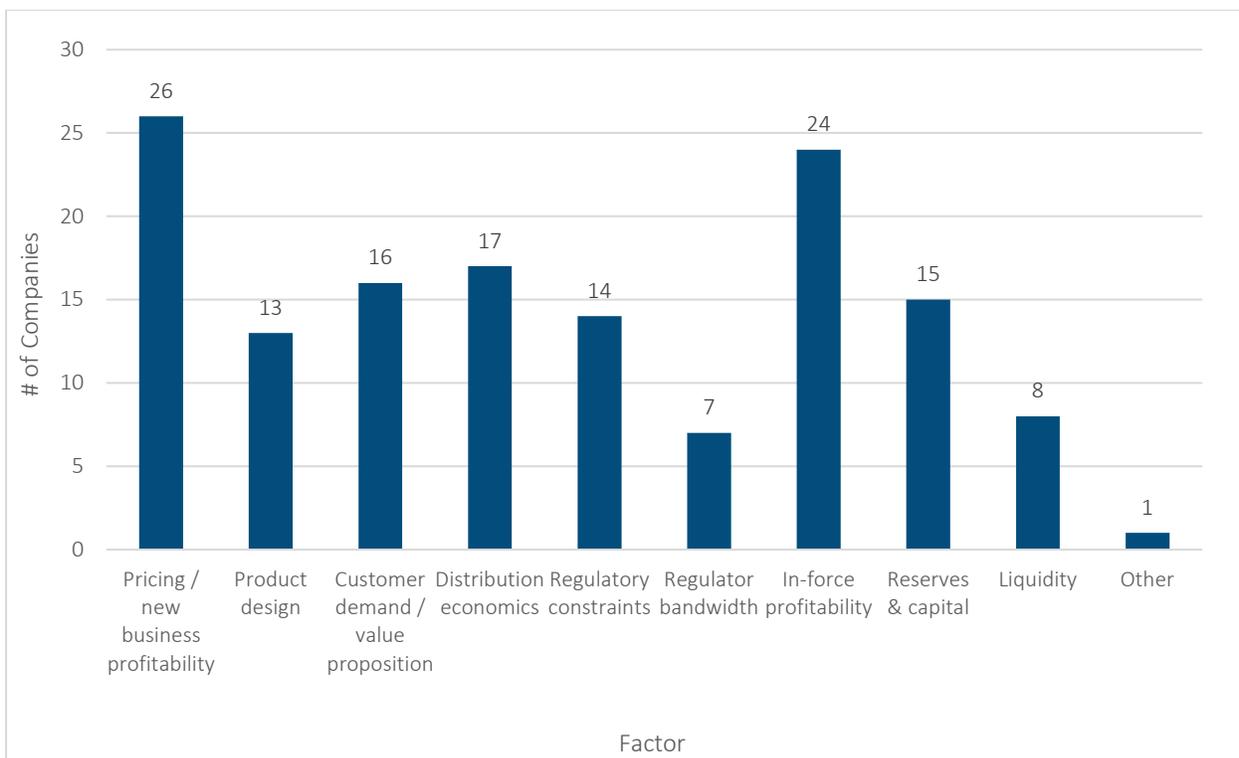
Section 3: New Business and Product Survey Questions and Response Detail

3.1 DEMOGRAPHICS (N=30)

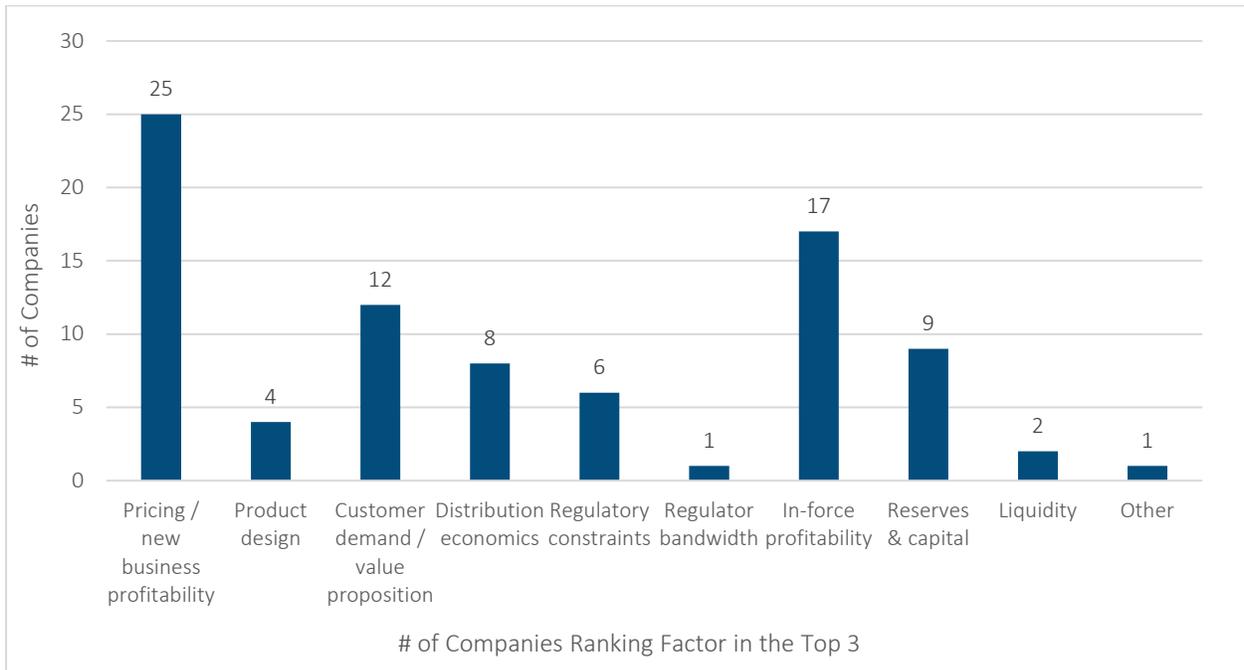
3.1.1 PLEASE INDICATE THE FUNCTIONAL AREA YOU WORK WITHIN THE ORGANIZATION.



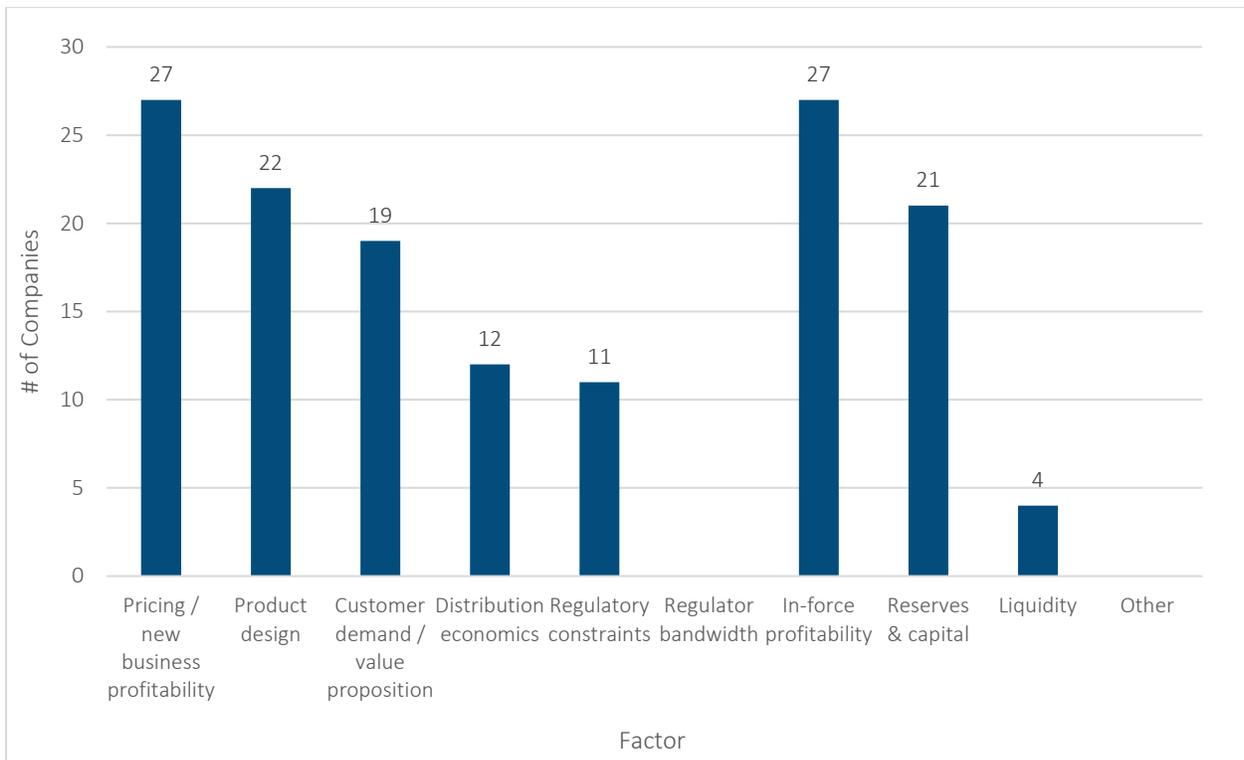
3.1.2 PLEASE INDICATE WHICH OF THE FOLLOWING FACTORS IS A CONCERN TO YOUR ORGANIZATION REGARDING NEW BUSINESS IN LIGHT OF COVID-19 AND RECENT MARKET CONDITIONS. PLEASE SELECT ALL THAT APPLY.



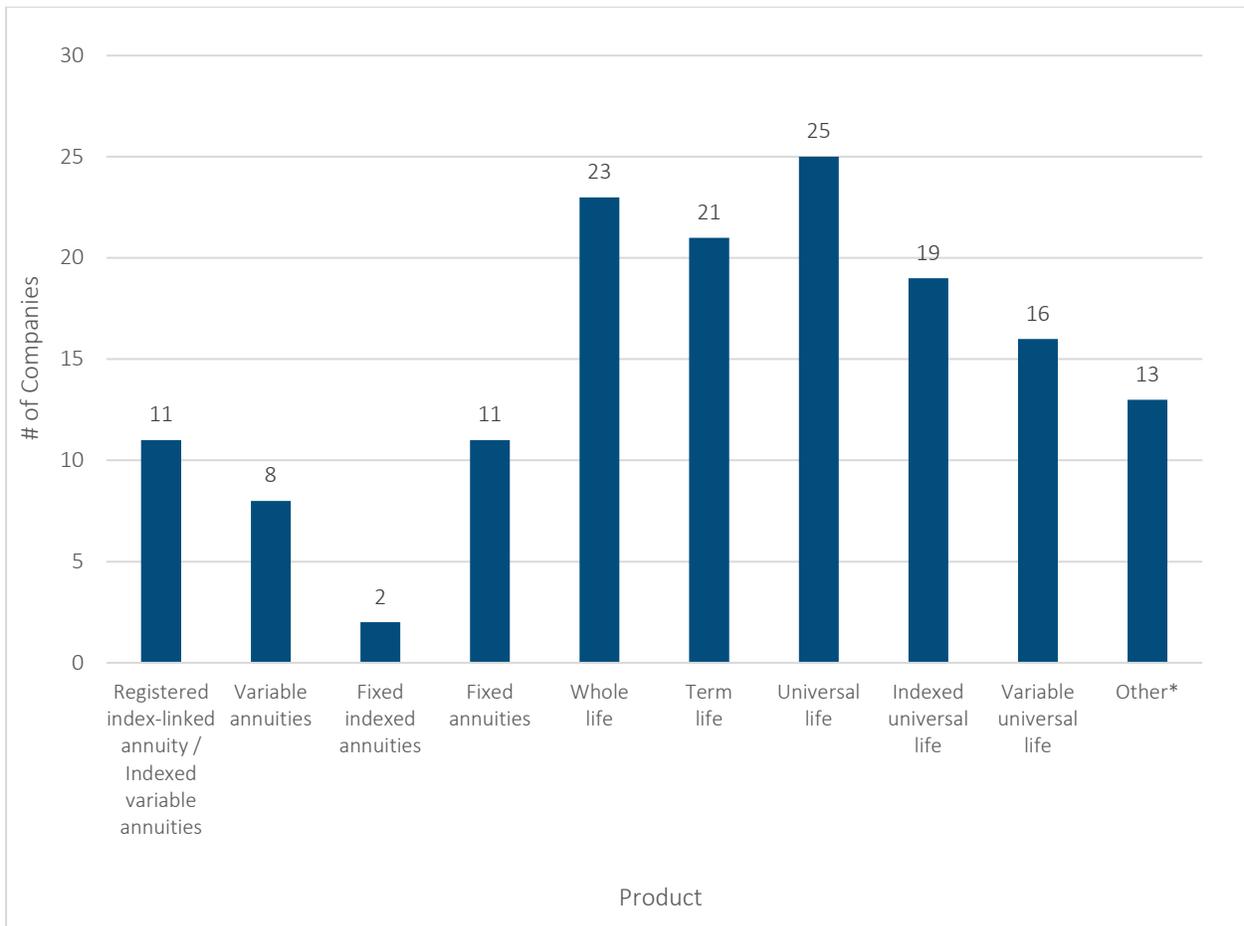
3.1.3 PLEASE RANK THE FOLLOWING FACTORS ACCORDING TO YOUR ORGANIZATION’S LEVEL OF CONCERN REGARDING NEW BUSINESS IN LIGHT OF COVID-19 AND RECENT MARKET CONDITIONS. (RANK MOST CONCERNED TO LEAST CONCERNED WITH 1 BEING MOST CONCERNED.)



3.1.4 WHICH OF THE FOLLOWING FACTORS WOULD YOU BE CONCERNED ABOUT IF 10-YEAR RATES STAYED BELOW 1% OVER THE NEXT 3-5 YEARS? (PLEASE INDICATE ALL THAT APPLY.)



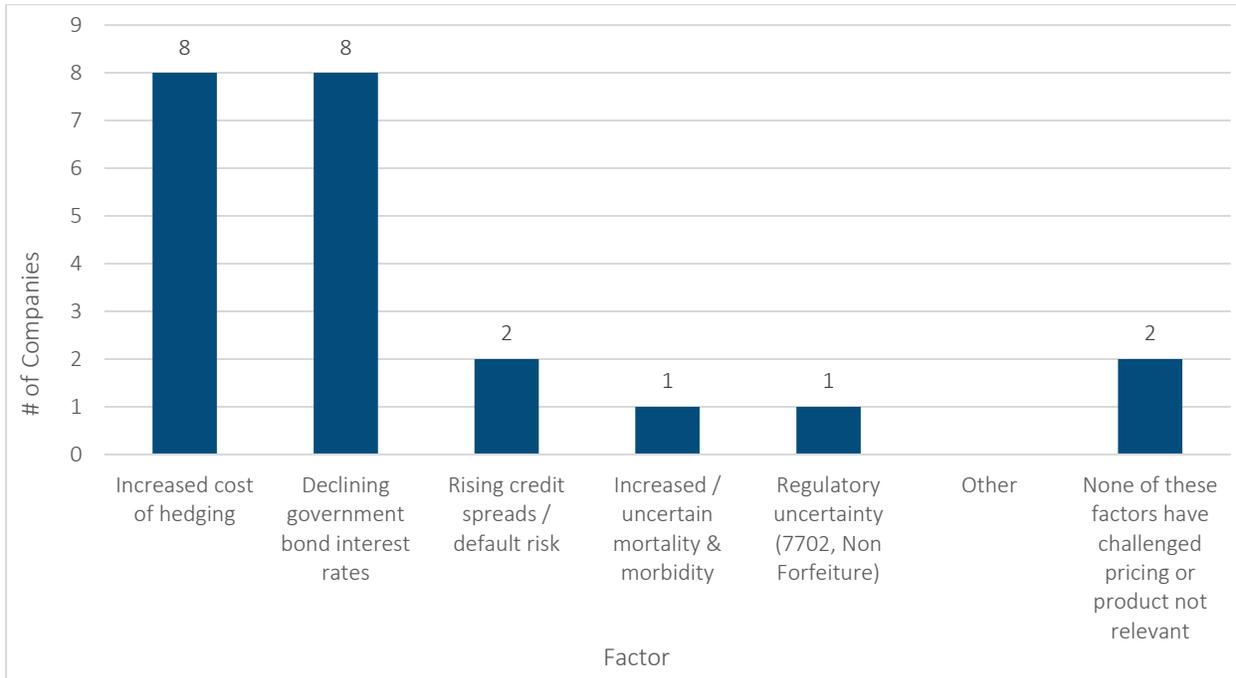
3.1.5 WHICH OF THE FOLLOWING PRODUCTS DOES YOUR COMPANY OFFER? (SELECT ALL THAT APPLY)



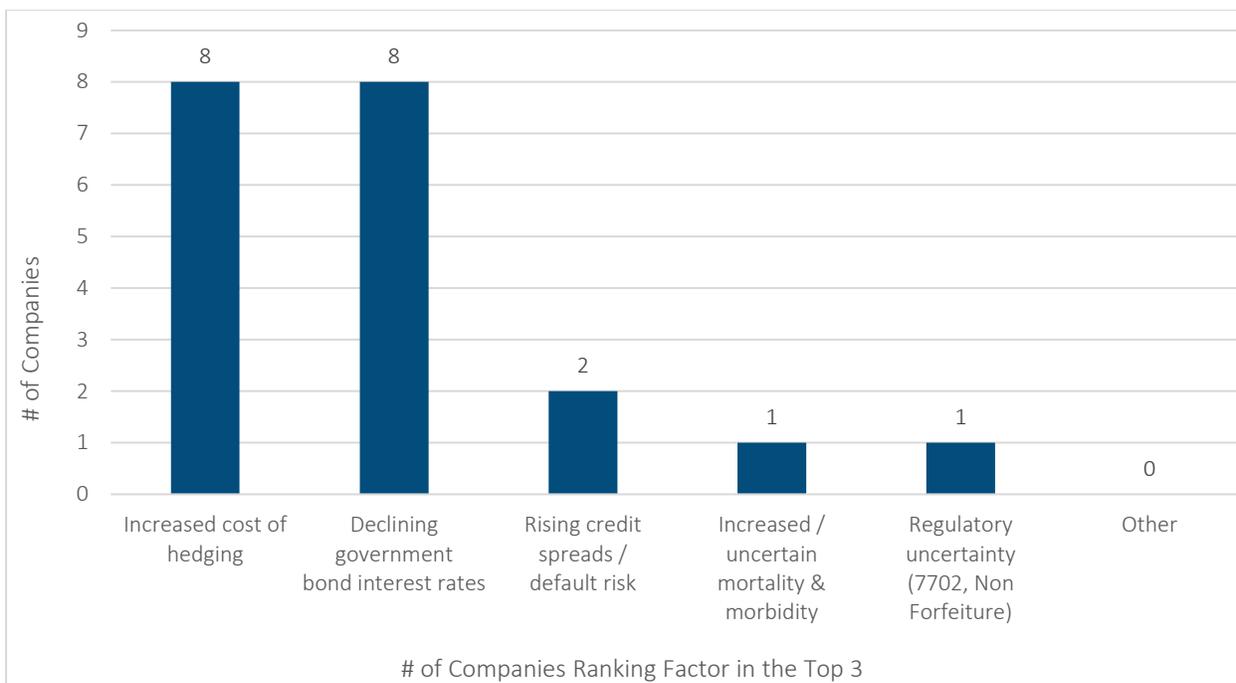
*Other includes immediate annuities, preneed, linked benefit products (annuity with LTC, life with LTC), pension risk transfer, structured settlement annuities, and mutual funds.

3.2 CHALLENGES AND CONCERNS

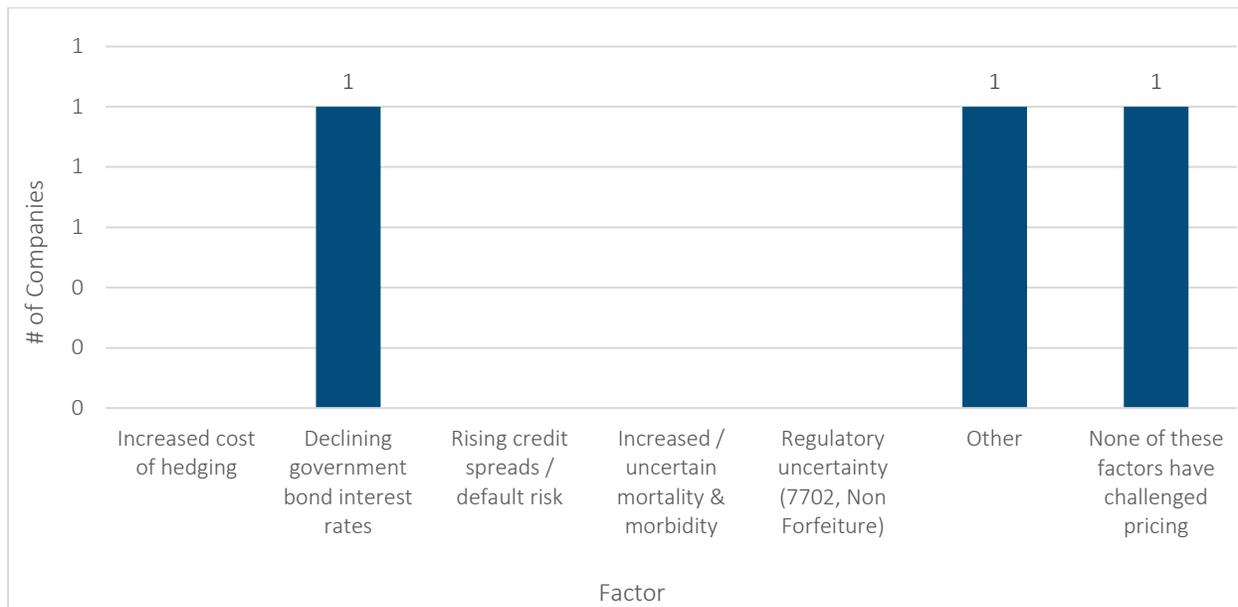
3.2.1 PLEASE INDICATE WHICH OF THE FOLLOWING FACTORS HAVE CHALLENGED YOUR ORGANIZATION'S VARIABLE ANNUITY (VA) PRICING IN THE CURRENT ENVIRONMENT. SELECT ALL THAT APPLY.



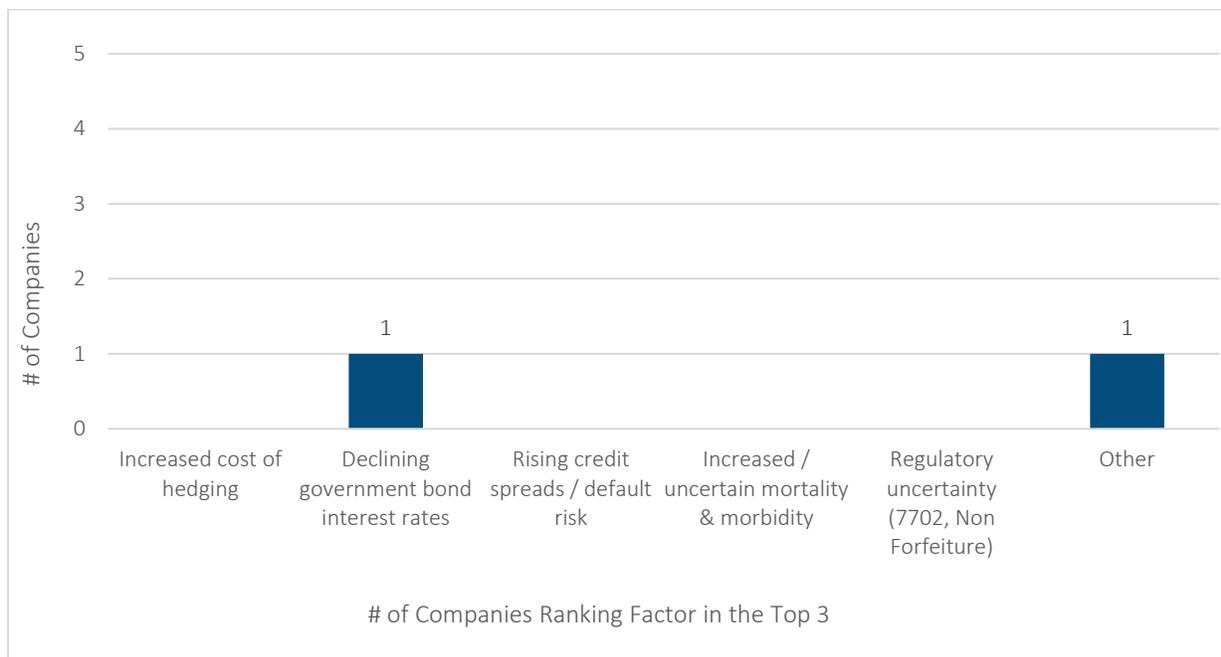
3.2.2 PLEASE RANK THE FOLLOWING FACTORS BASED ON THE DEGREE TO WHICH THEY HAVE CHALLENGED YOUR ORGANIZATION'S PRICING FOR VA? PLEASE RANK 1 AS MOST SEVERE.



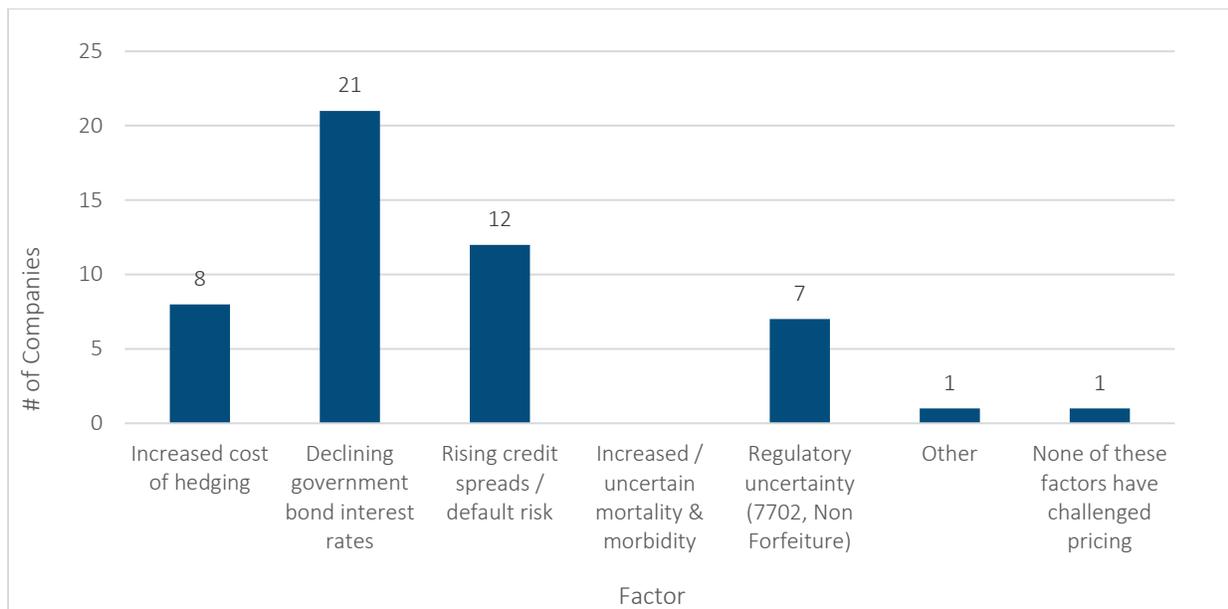
3.2.3 PLEASE INDICATE WHICH OF THE FOLLOWING FACTORS HAVE CHALLENGED YOUR ORGANIZATION'S REGISTERED INDEX-LINKED ANNUITY / INDEXED VARIABLE ANNUITIES PRICING IN THE CURRENT ENVIRONMENT. SELECT ALL THAT APPLY.



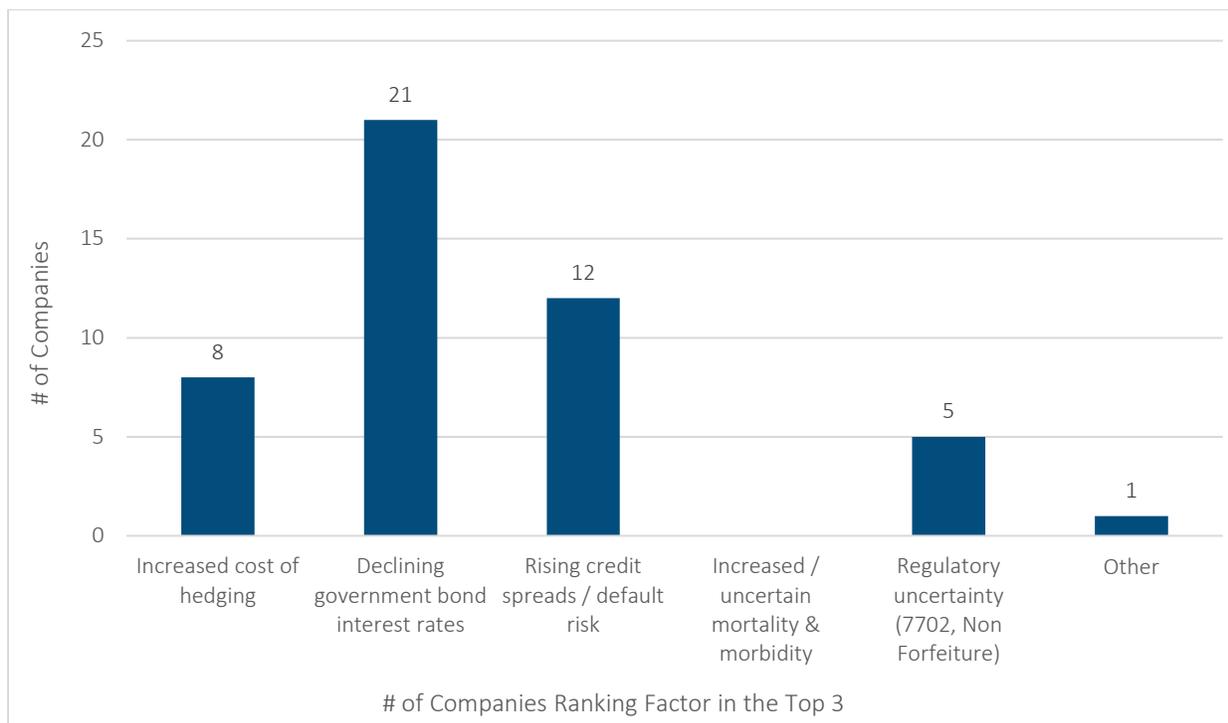
3.2.4 PLEASE RANK THE FOLLOWING FACTORS BASED ON THE DEGREE TO WHICH THEY HAVE CHALLENGED YOUR ORGANIZATION'S PRICING FOR REGISTERED INDEX-LINKED ANNUITY / INDEXED VARIABLE ANNUITIES? PLEASE RANK 1 AS MOST SEVERE.



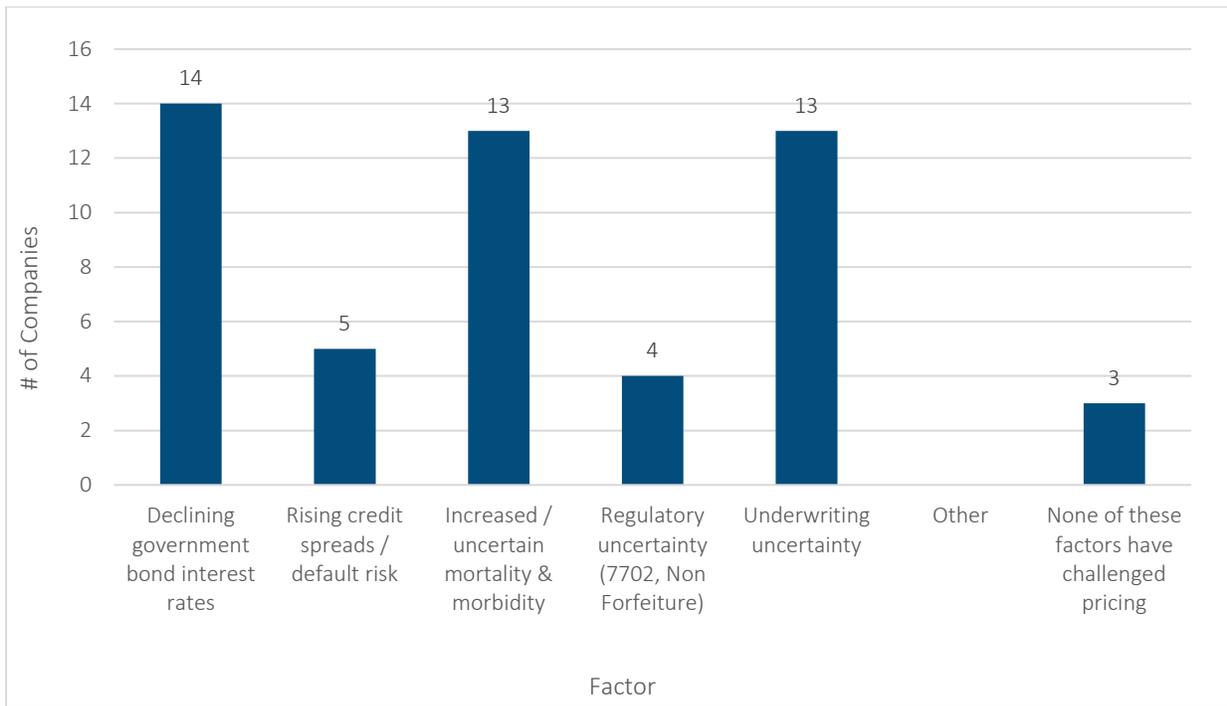
3.2.5 PLEASE INDICATE WHICH OF THE FOLLOWING FACTORS HAVE CHALLENGED YOUR ORGANIZATION'S FIXED AND/OR FIXED INDEXED ANNUITY (FIA) PRICING IN THE CURRENT ENVIRONMENT. SELECT ALL THAT APPLY.



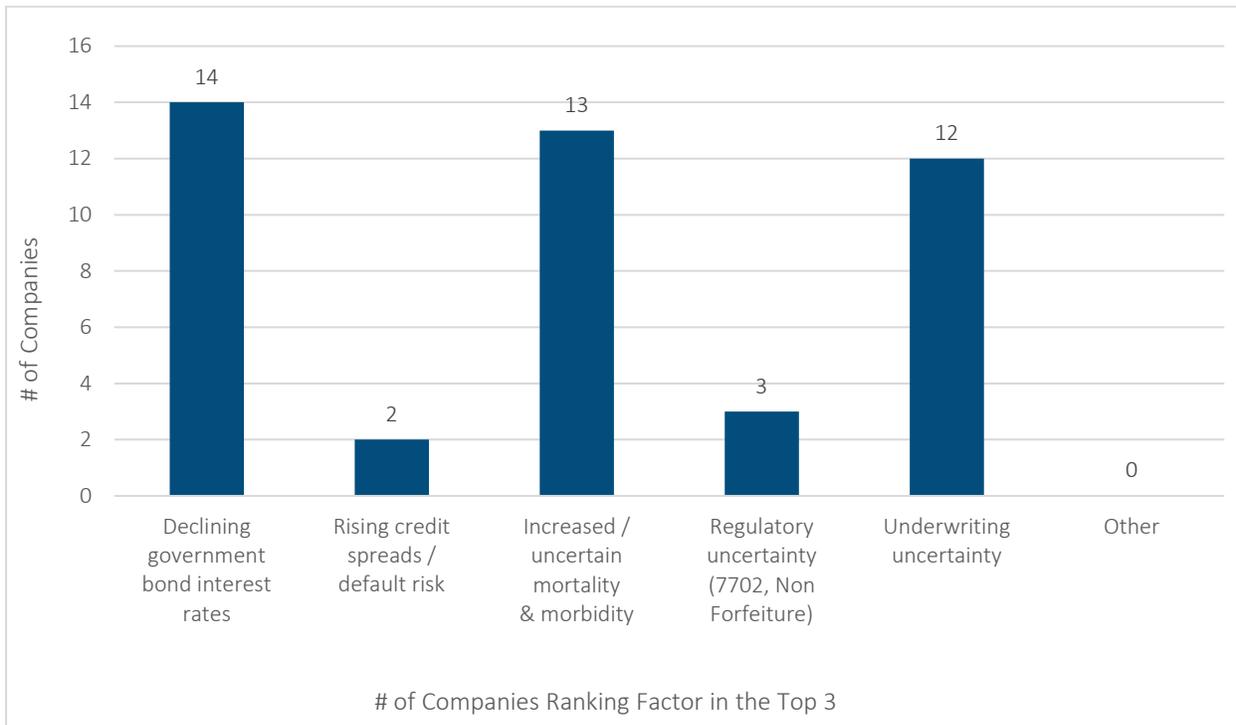
3.2.6 PLEASE RANK THE FOLLOWING FACTORS BASED ON THE DEGREE TO WHICH THEY HAVE CHALLENGED YOUR ORGANIZATION'S PRICING FOR FIXED ANNUITIES AND FIA? PLEASE RANK 1 AS MOST SEVERE.



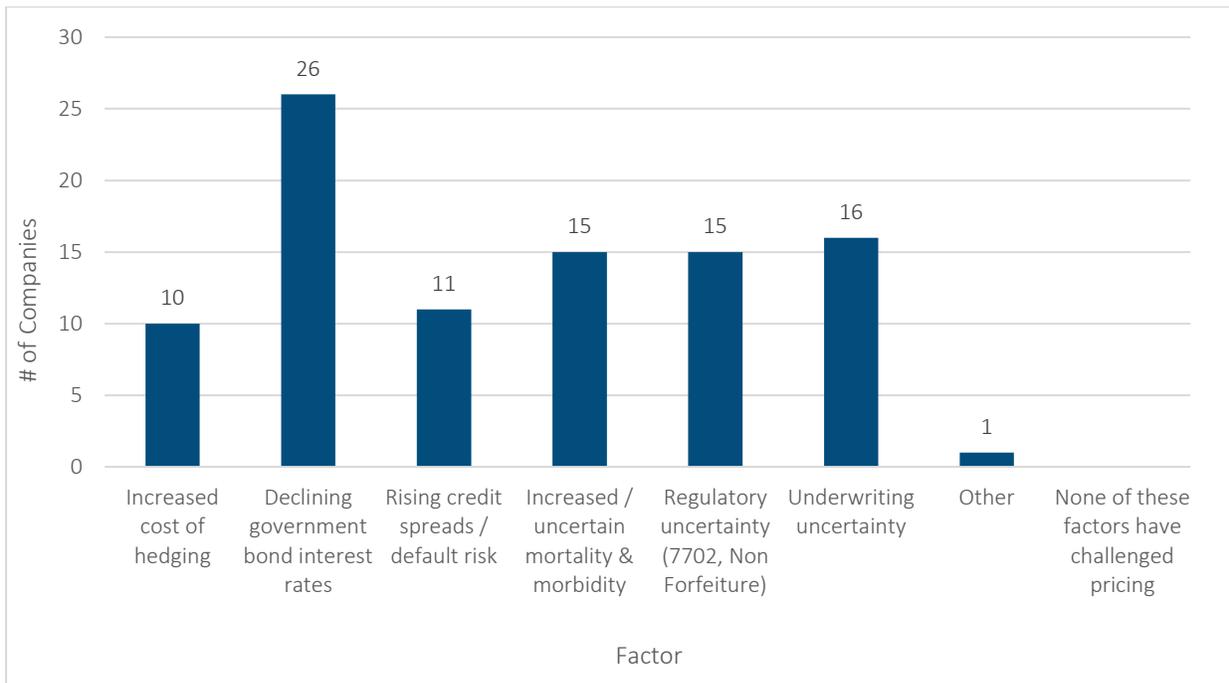
3.2.7 PLEASE INDICATE WHICH OF THE FOLLOWING FACTORS HAVE CHALLENGED YOUR ORGANIZATION'S TERM LIFE PRICING IN THE CURRENT ENVIRONMENT. SELECT ALL THAT APPLY.



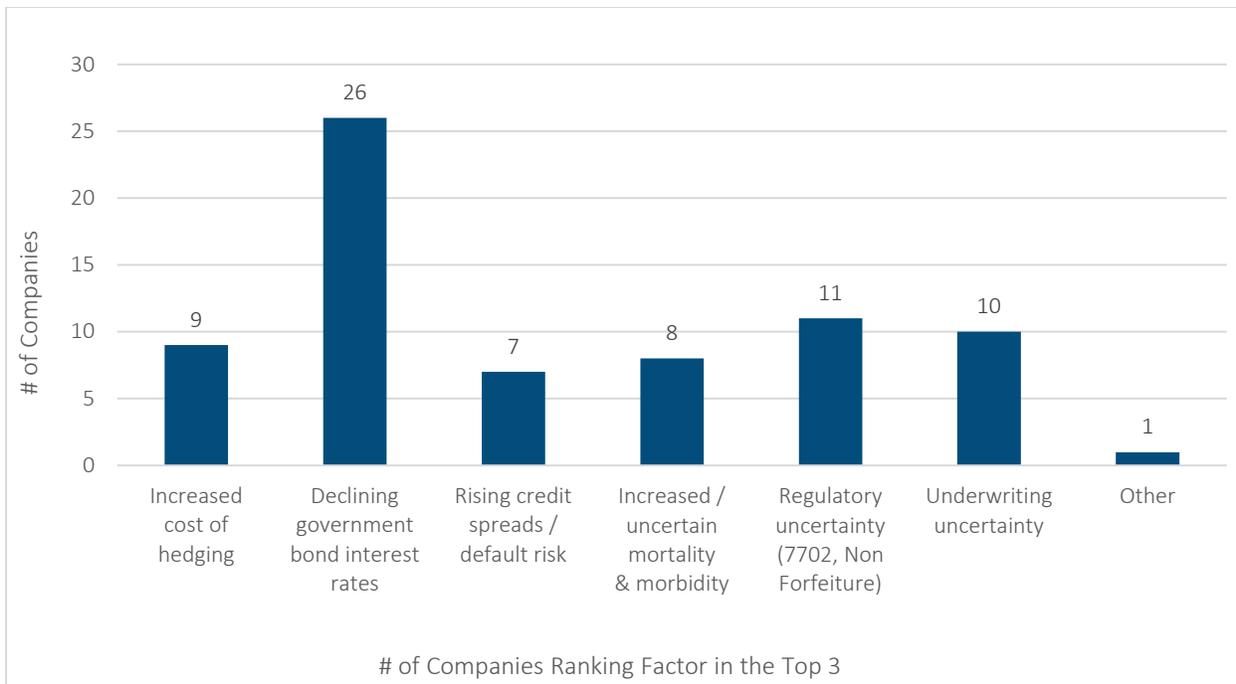
3.2.8 PLEASE RANK THE FOLLOWING FACTORS BASED ON THE DEGREE TO WHICH THEY HAVE CHALLENGED YOUR ORGANIZATION'S PRICING FOR TERM LIFE? PLEASE RANK 1 AS MOST SEVERE.



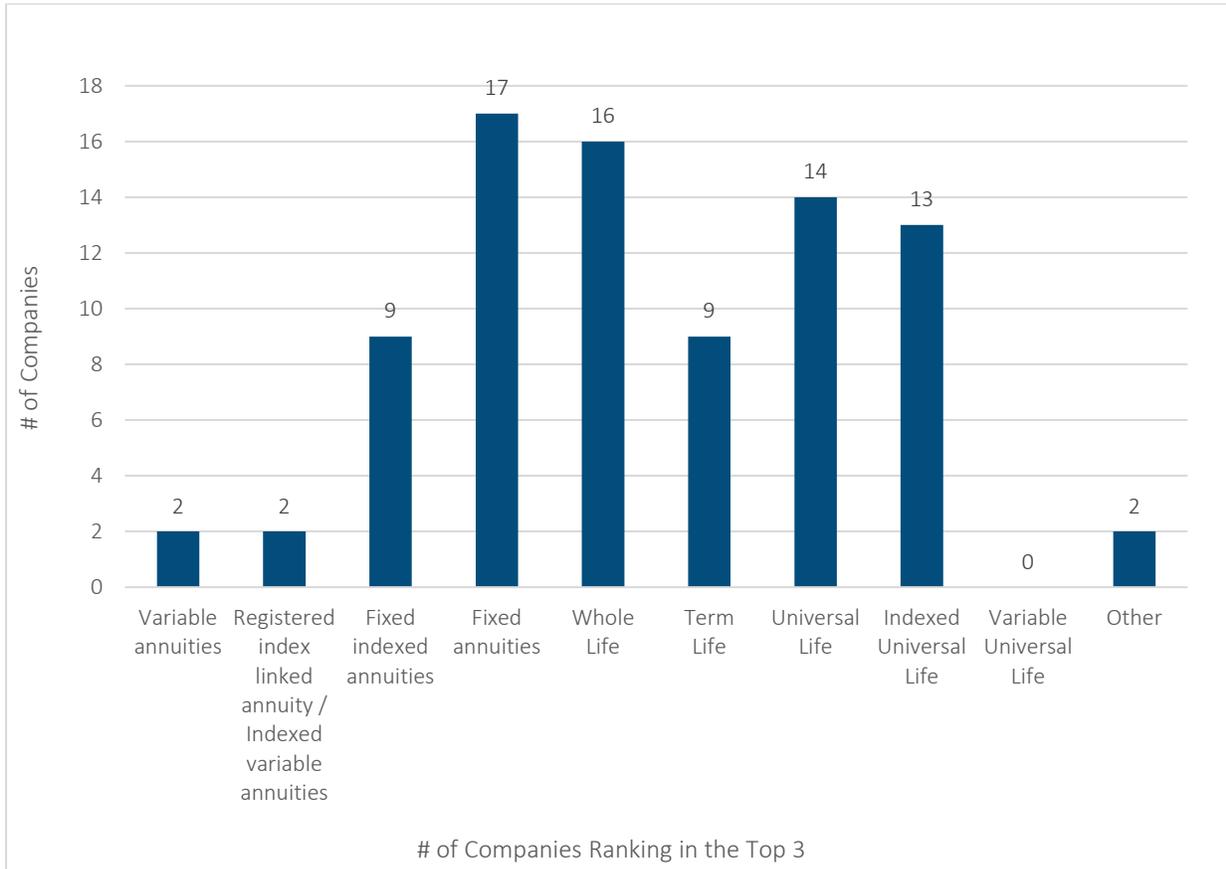
3.2.9 PLEASE INDICATE WHICH OF THE FOLLOWING FACTORS HAVE CHALLENGED YOUR ORGANIZATION'S PERMANENT LIFE PRICING IN THE CURRENT ENVIRONMENT. SELECT ALL THAT APPLY.



3.2.10 PLEASE RANK THE FOLLOWING FACTORS BASED ON THE DEGREE TO WHICH THEY HAVE CHALLENGED YOUR ORGANIZATION'S PRICING FOR PERMANENT LIFE? PLEASE RANK 1 AS MOST SEVERE.

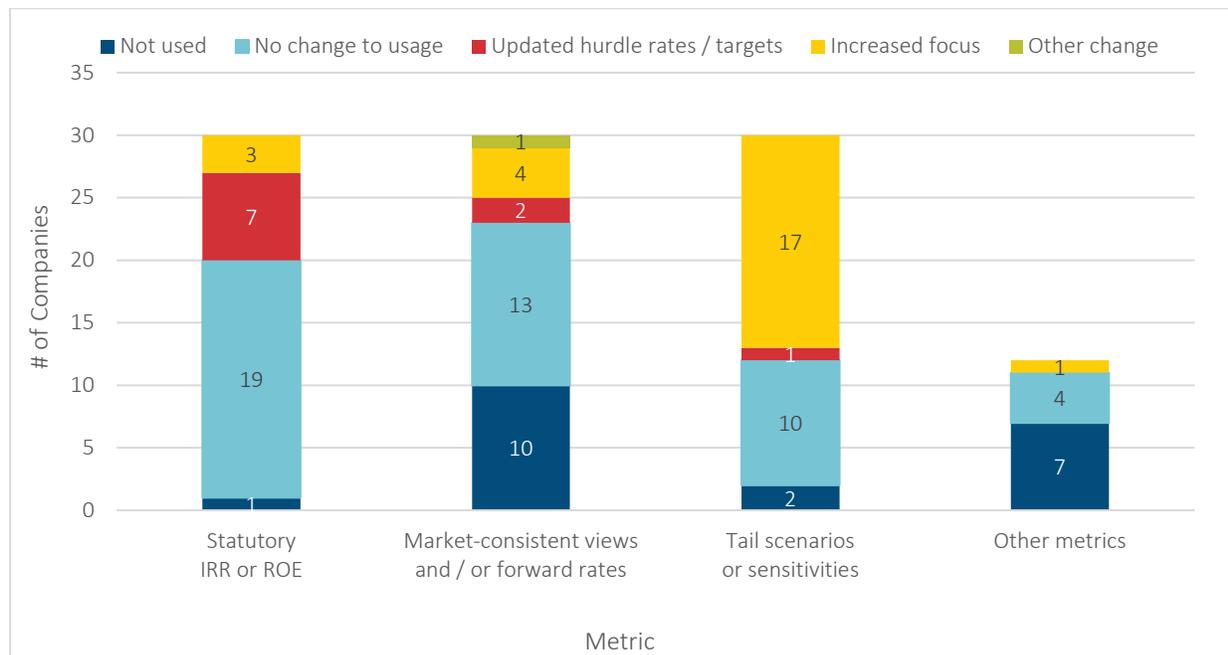


3.2.11 PLEASE INDICATE THE PRODUCTS THAT YOU WOULD BE MOST CONCERNED ABOUT FOR YOUR COMPANY IN A “LOW FOR LONG” INTEREST RATE SCENARIO OVER THE NEXT 3-5 YEARS. PLEASE RANK 1 AS MOST CONCERNED.



3.3 PRICING CHANGES

3.3.1 HAS YOUR COMPANY CHANGED THEIR USE OF ANY OF THE FOLLOWING PRICING METRICS IN LIGHT OF RECENT MARKET CONDITIONS?

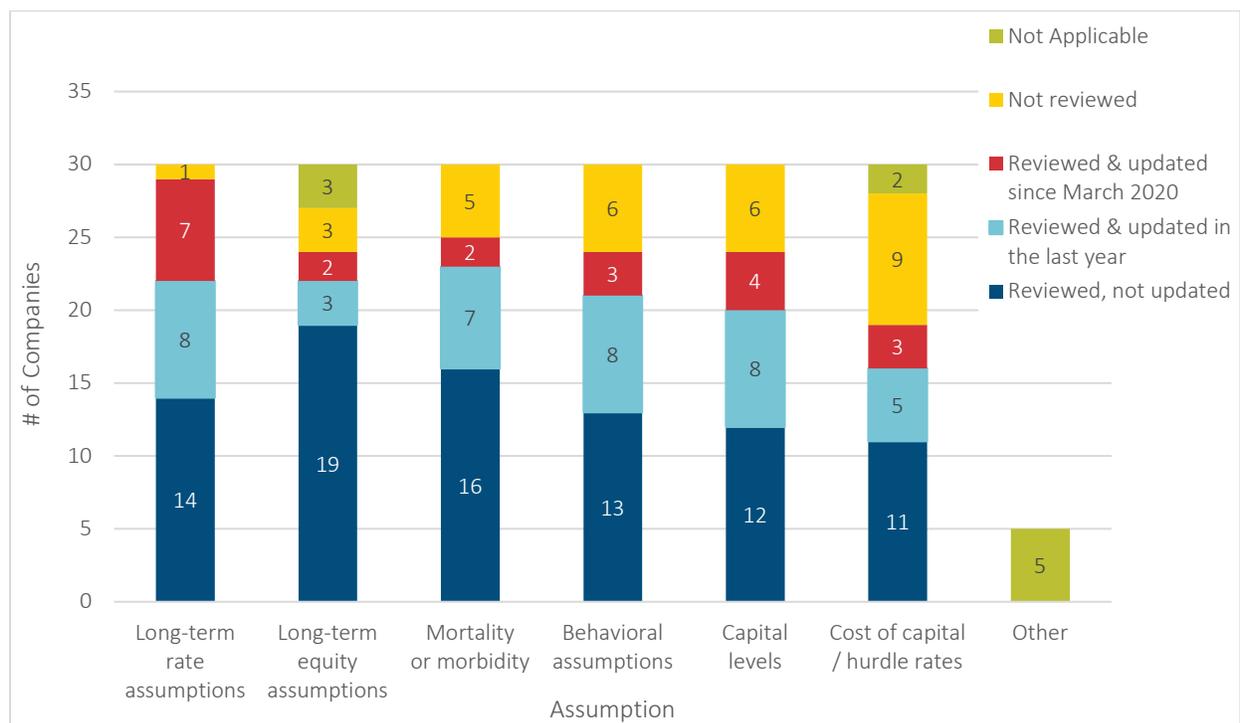


3.3.2 WHY IS YOUR ORGANIZATION NOT USING THESE METRICS?

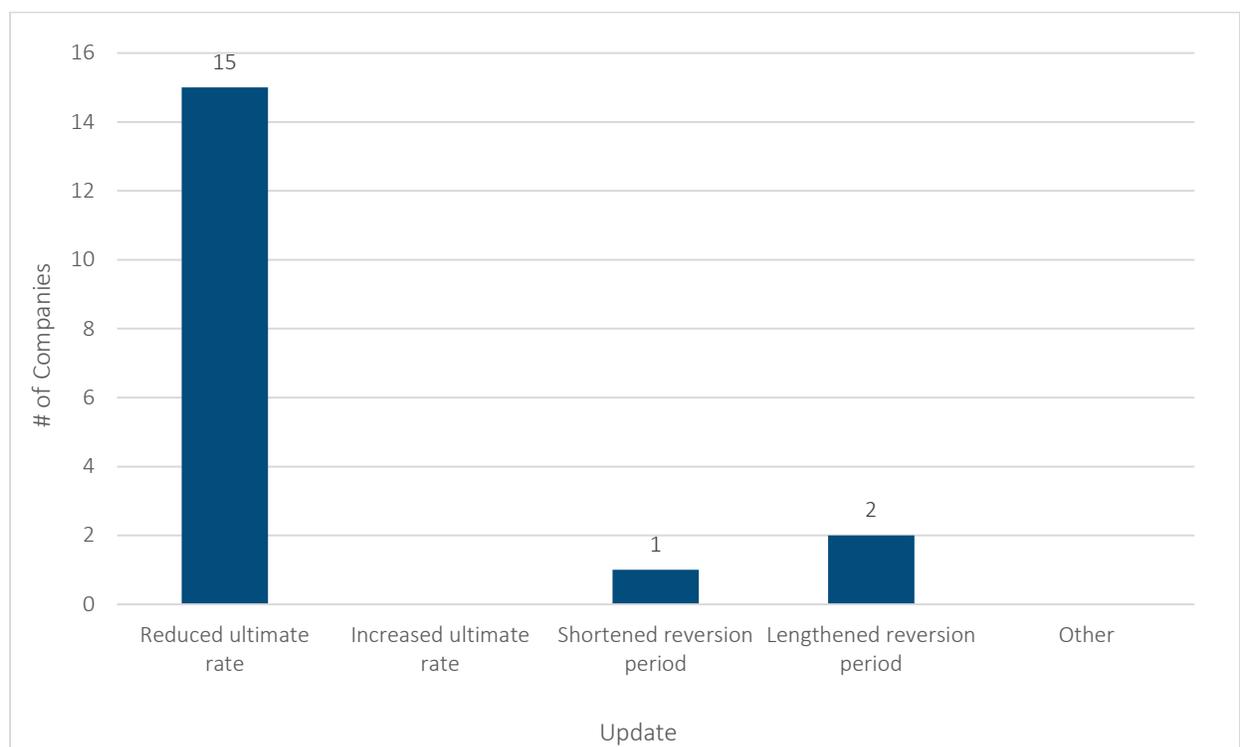
Responses:

- Statutory IRR or ROE:
 - *As a term provider only currently, Statutory IRR is not a concern to us.*
- Market-consistent views and/or forward rates:
 - *too complicated. not worth the effort for our structure*
 - *Simple products*
 - *not sure*
 - *manage overall on a realistic framework*
 - *As a smaller company with simpler products we don't feel it's appropriate to include this as an explicit measure.*
 - *business not managed this way*
 - *We do not have fixed indexed or variable products.*
 - *We have enough metrics to evaluate our profitability.*
 - *Not consistent with US pricing practices - we use this on VAs*
 - *Haven't historically used*
- Tail scenarios or sensitivities:
 - *Not sure*
 - *not our practice in pricing*

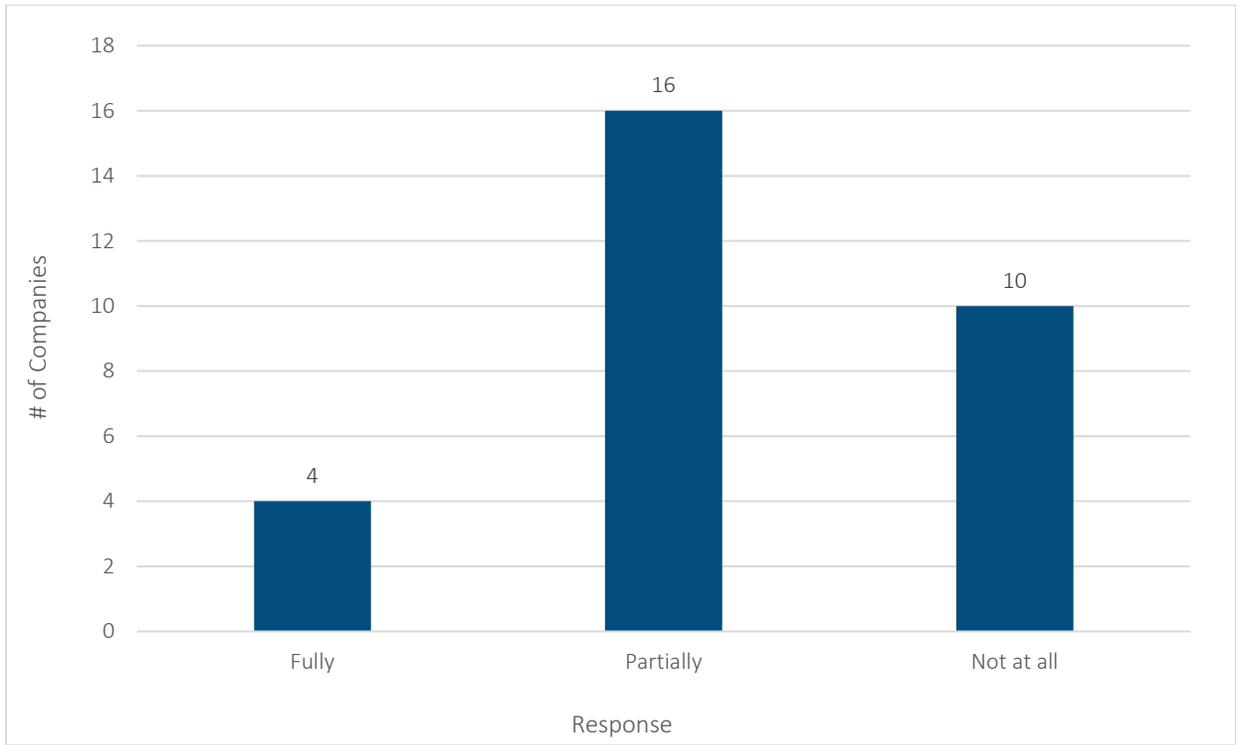
3.3.3 WHAT ASSUMPTIONS HAS YOUR ORGANIZATION REVIEWED AND/OR UPDATED IN RESPONSE TO RECENT MARKET CONDITIONS?



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

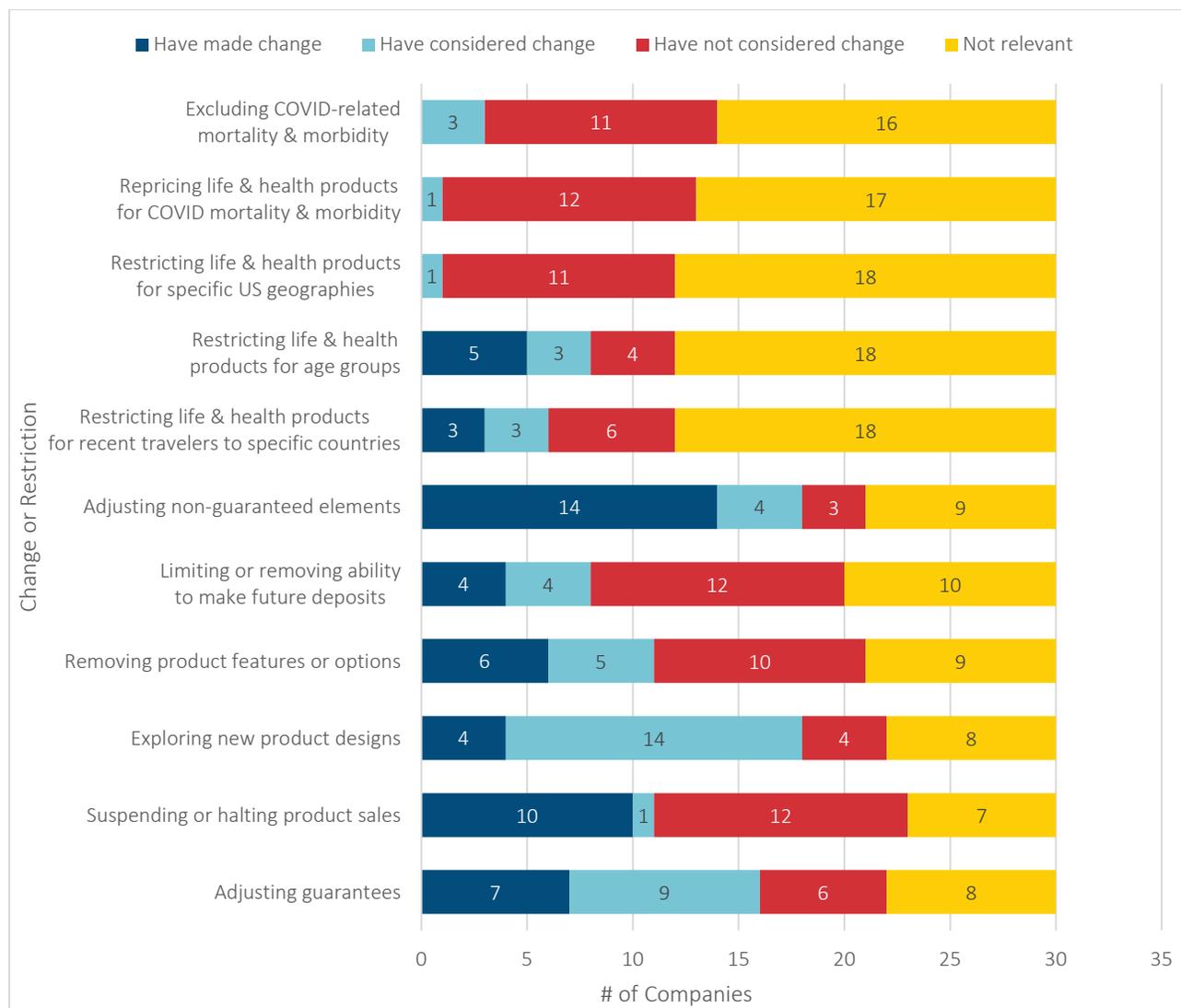


3.3.5 TO WHAT EXTENT ARE YOU PASSING WIDENING CREDIT SPREADS THROUGH TO PRICING?

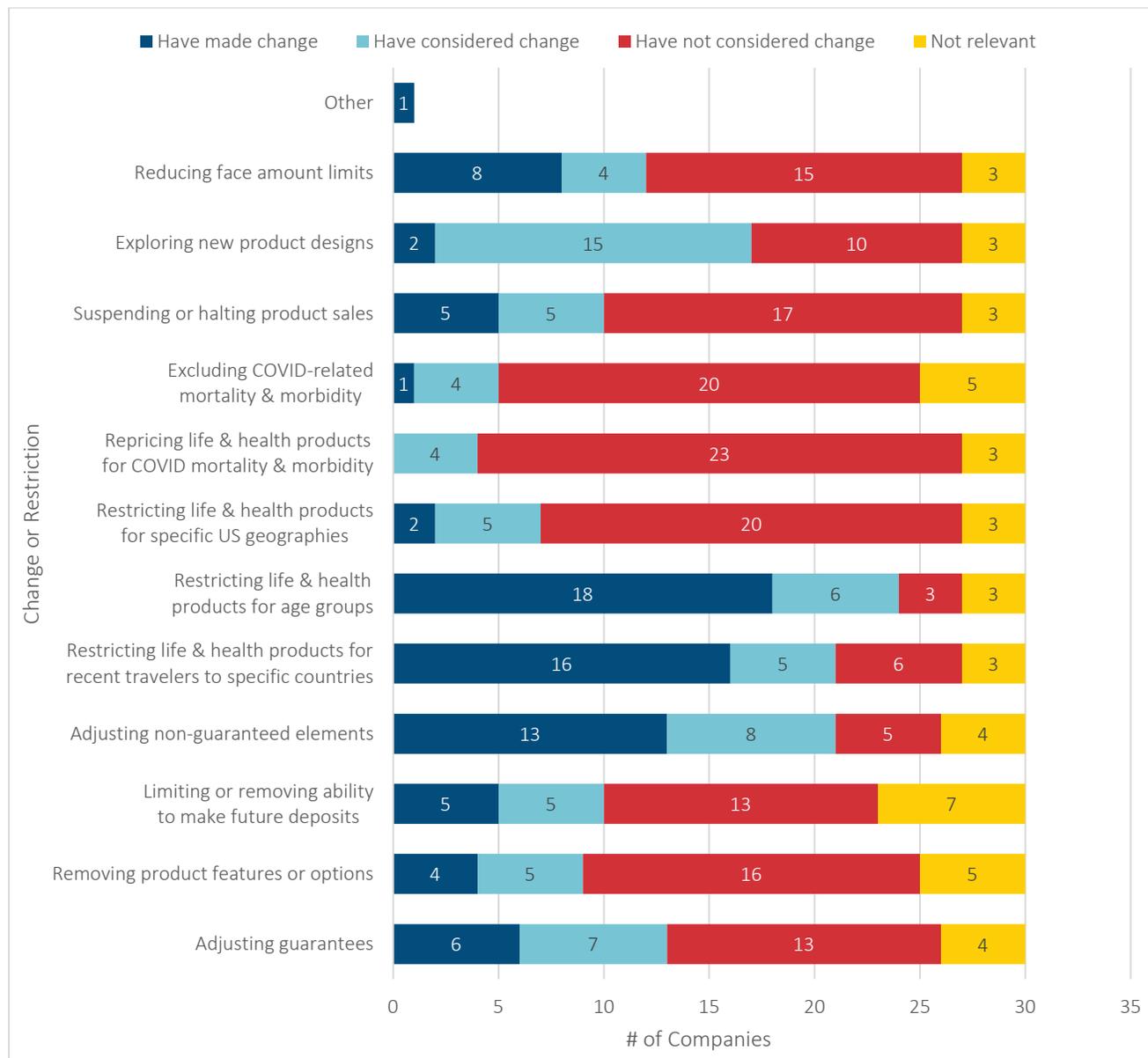


3.4 PRODUCT CHANGES

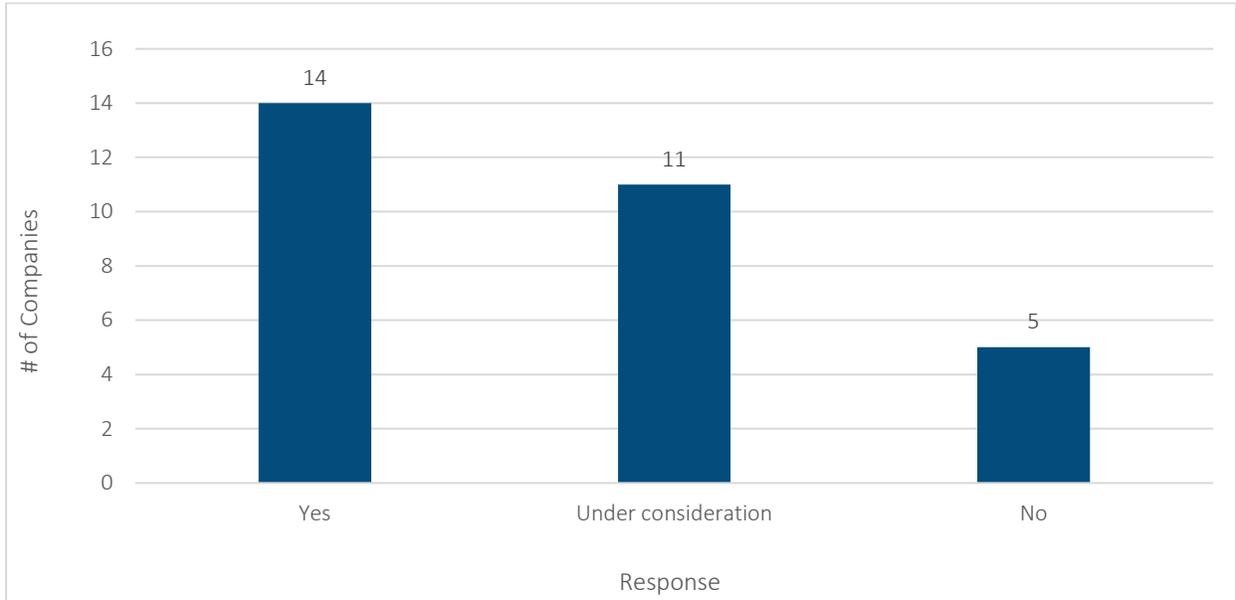
3.4.1 FOR ANNUITY PRODUCTS, WHAT PRODUCT CHANGES OR RESTRICTIONS HAVE YOU MADE OR ARE YOU CONSIDERING?



3.4.2 FOR INDIVIDUAL LIFE INSURANCE PRODUCTS, WHAT PRODUCT CHANGES OR RESTRICTIONS HAVE YOU MADE OR ARE YOU CONSIDERING?

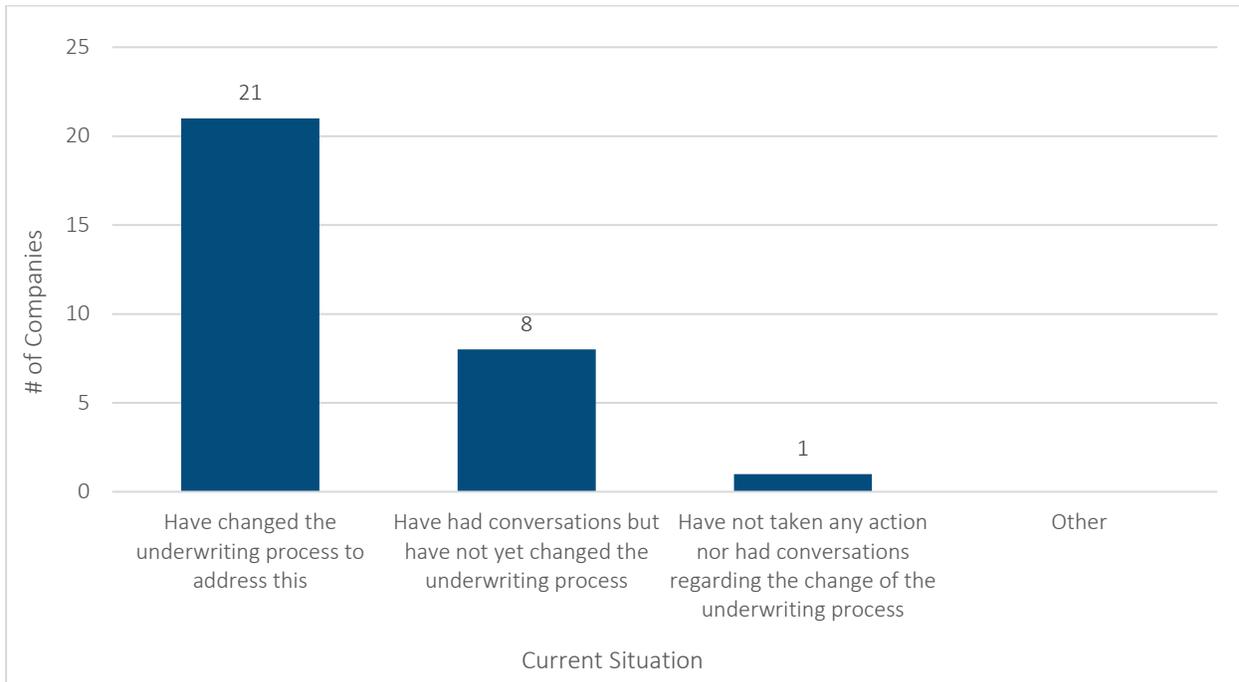


3.4.3 IS YOUR ORGANIZATION ACTIVELY DEVELOPING NEW PRODUCTS TO RESPOND TO THE LOW RATE ENVIRONMENT?

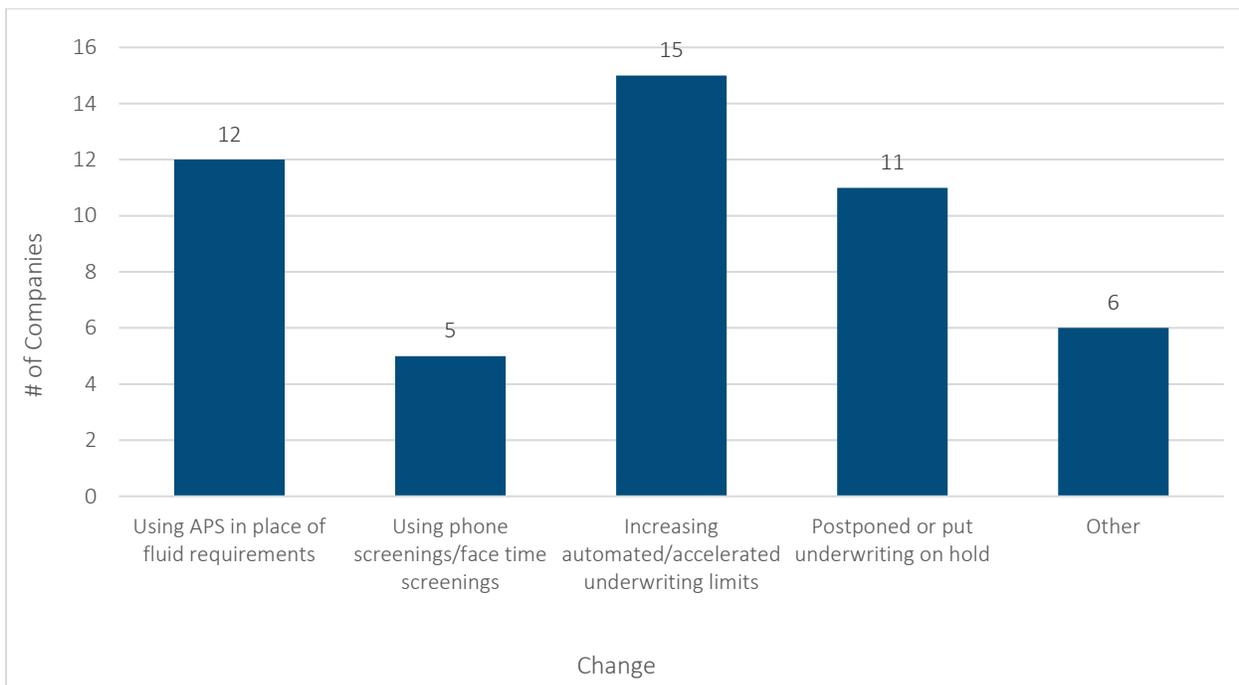


3.5 UNDERWRITING CHANGES

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



3.5.2 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 and LIMRA would like to thank the industry Low Interest Rate Task Force (established in January 2020 by LIMRA and Oliver Wyman).

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

Allianz	Mutual of Omaha
Allstate	Mutual Trust Life
American Equity	Nationwide
Amica Life	New York Life Insurance Company
Catholic United Financial	Pacific Life Insurance
Columbian Financial Group	Pan-American Life
Country Financial	Sammons Financial Group
CUNA Mutual Group	SBLI
Equitable Life & Casualty	Securian Financial
Fidelity & Guaranty Life	State Farm
Farmers New World Life	The Penn Mutual Life Insurance Company
Global Atlantic Financial Group	Vantis Life Insurance Company
John Hancock	WAEPA
MassMutual	Western & Southern Financial Group
Modern Woodmen of America	WoodmenLife

About The Society of Actuaries

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.

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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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