Reinsurance News
July 2019
Issue 94

Results of the 2018 SOA Life Reinsurance Survey

By Anthony Ferraro

The North American life reinsurance market experienced a modest 2 percent boost in production for recurring individual life new business in both the U.S. and Canada during 2018. Group recurring in-force premiums increased 6 percent in the U.S. in 2018, although decreased 11 percent in Canada as compared to 2017. Table 1 summarizes the most recent results from the 2018 SOA Life Reinsurance Survey.

ABOUT THE SURVEY

The SOA Life Reinsurance Survey is an annual survey that captures individual and group life data from U.S. and Canadian life reinsurers. The survey reports reinsurance 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 2018.
- Portfolio reinsurance: Reinsurance covering an insurance policy with an issue date in a year prior to the year in which 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 2018.
- 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.

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 third year in a row after a prolonged period of

Table 1
Reinsurance Landscape

	Individual Life			Group		
	New Business Volumes ($ billions)			In-force Premiums ($ millions)		
	2017	2018	% Change	2017	2018	% Change
U.S.						
Recurring	$498	$506	2%	$777	$821	6%
Portfolio	169	101	–40%	3,462	4,490	30%
Retrocession	7	7	–7%	0	0	n/a
Total	**674**	**613**	**–9%**	**4,239**	**5,311**	**25%**
Canada						
Recurring	168	171	2%	104	93	–11%
Portfolio	0	19	NMR	835	32	–96%
Retrocession	9	7	–23%	0	0	n/a
Total	**177**	**197**	**11%**	**939**	**125**	**–87%**

NMR = non-meaningful result

decreases. Compared to 2017, U.S. recurring new business rose nearly 2 percent from $498 billion to $506 billion in 2018. A contributing factor for the increase is believed to be the 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—although growing—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 ten years. Although the recent rate of increases has trended down, since 2015, individual life recurring new business grew an impressive 24 percent.

In 2018, 80 percent of recurring new business production was yearly renewable term or YRT and 20 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 1 percent in 2018 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 2018. While the cession rate is flat as compared to 2017, it is higher than recent years. As seen in Figure 2 (Pg. 24), the estimated cession rate has hovered around 27 percent since 2011. It's interesting to note that 2018 individual life recurring new business and the 2018 cession rate have nearly returned to 2010 levels.

The top five companies by market share in the U.S. reinsurance market remained the same as in 2017 and represent 89 percent of 2018 market share as compared to 90 percent last year (see Table 2, Pg. 24). SCOR once again led all reinsurers in recurring individual life new business. In 2018, SCOR reported $115 billion of recurring business, a 9 percent increase from 2017, resulting in a 23 percent market share. The next three largest reinsurers by market share are tightly clustered. RGA and Swiss Re each garnered 19 percent market share, reporting $94 billion each. Munich Re reported recurring new business production levels in 2018 of $93 billion, up 1 percent from 2017. Of the nine reinsurers reporting results, six reported an increase in recurring new business volumes as compared to 2017.

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 portfolio results, and 2018 was no exception. New portfolio business dropped from $169 billion in 2017 to $101 billion in 2018. Munich Re accounts for $55 billion or 55 percent of the 2018 portfolio new business followed by SCOR at $26 billion (25 percent) and Hannover Life Re with $16 billion (16 percent). The remaining companies reporting portfolio new business are Canada Life ($4 billion) and RGA ($0.3 billion).

Figure 3 (Pg. 25) illustrates the portfolio new business written over the last ten years and the volatility of the results. As

Figure 1
U.S. Annual Percentage Change in Recurring New Business (2009–2019)

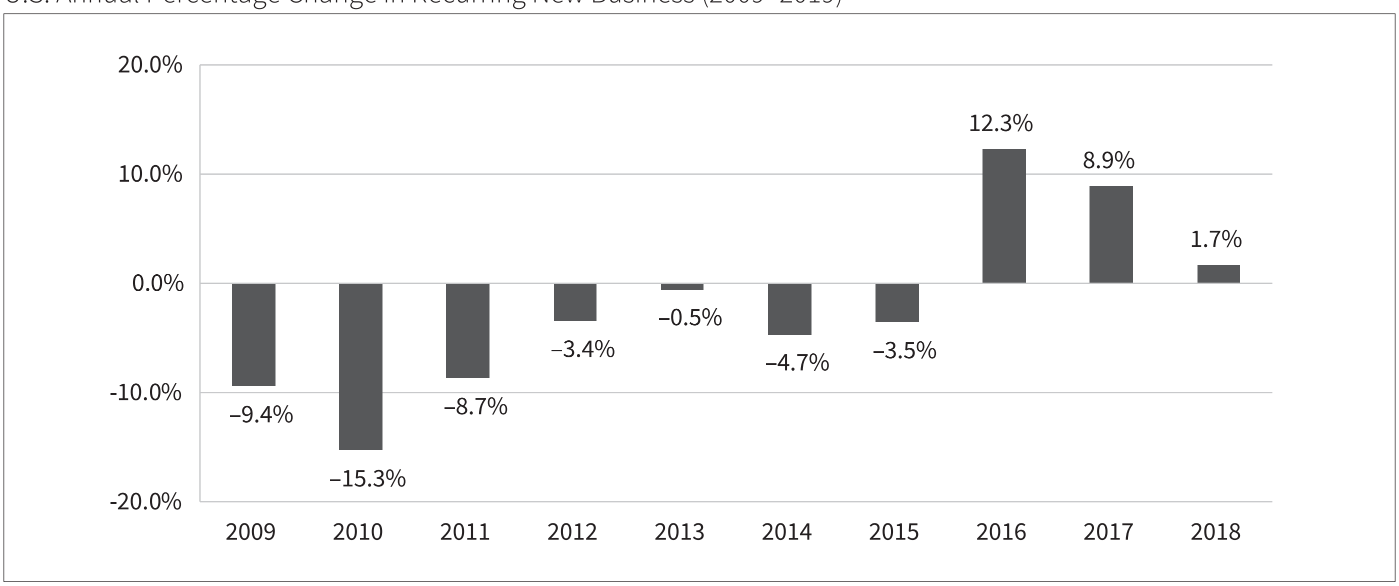


Figure 2
U.S. Recurring Cession Rate

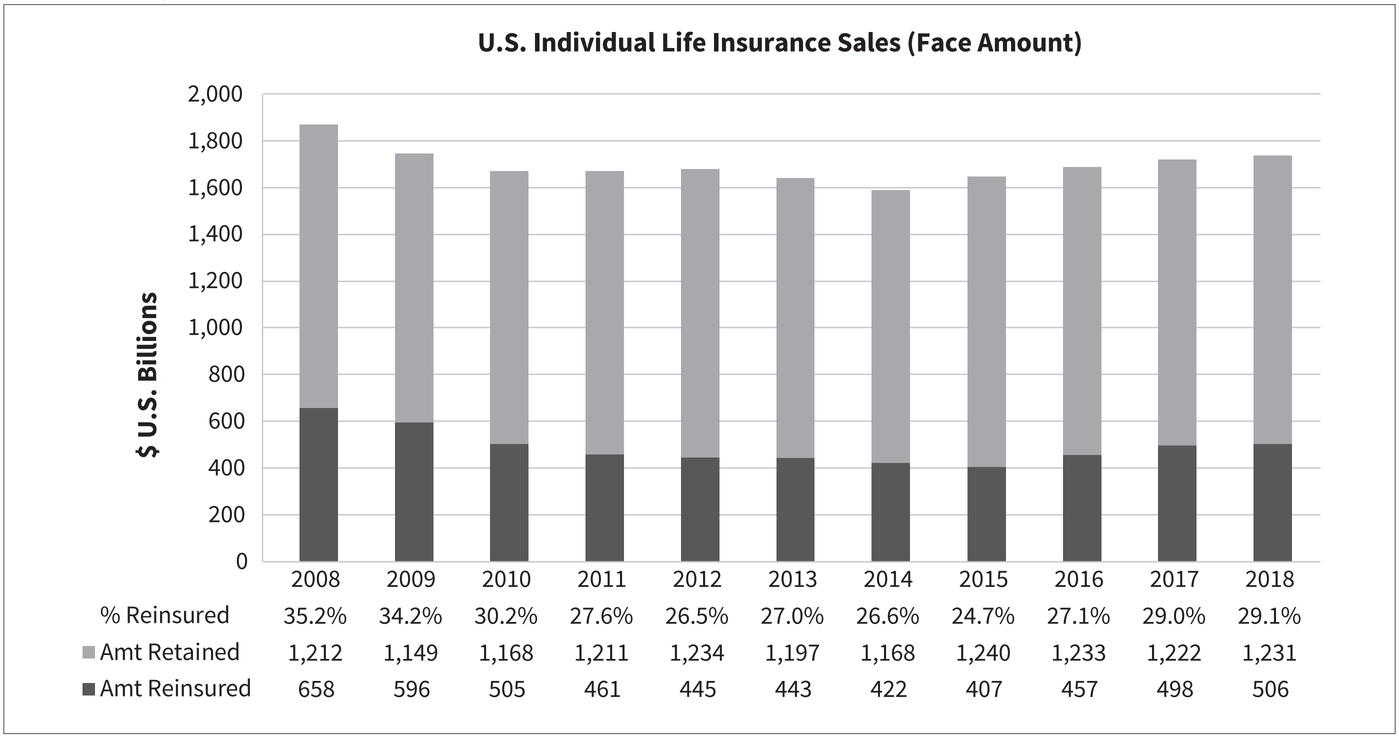
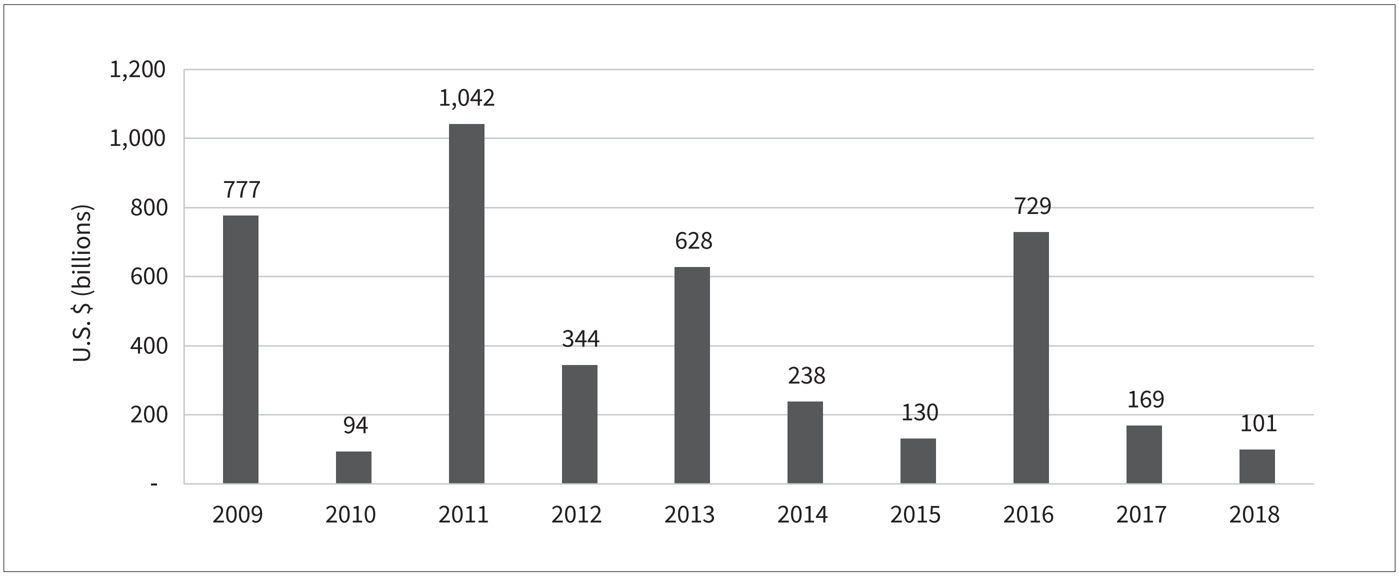


Table 2
U.S. Recurring Individual Life Volume ($ billions USD)

Company	2017		2018		Change from 2017 to 2018
	Assumed Business	Market Share	Assumed Business	Market Share	
SCOR Global Life	$105	21%	$115	23%	9%
RGA	89	18%	94	19%	6%
Swiss Re	96	19%	94	19%	–2%
Munich Re	92	19%	93	18%	1%
Hannover Life Re	66	13%	56	11%	–14%
Canada Life Re	20	4%	20	4%	0%
PartnerRe	12	2%	14	3%	17%
General Re Life	10	2%	13	2%	20%
Optimum Re	9	2%	9	2%	–6%
Total	**498**	**100%**	**506**	**100%**	**2%**

Figure 3
U.S. Portfolio Business Trend



reported previously, the large spikes in 2009, 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 inforce 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 in 2018. The primary retrocessionaires in 2018 (unchanged from 2017) were Berkshire Hathaway Group, Pacific Life and AXA Equitable.

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 fourth consecutive year. Reported recurring new business totaled $171 billion in 2018 which is a 2 percent increase over 2017. Figure 4 (Pg. 26) shows the annual percentage change in recurring new business over the last 10 years. Since 2014, recurring new business in Canada grew nearly 20 percent after a period of minimal growth and declines. For 2018, 95 percent of recurring new business in Canada is YRT and 5 percent is coinsurance, consistent with prior years.

According to LIMRA, Canadian direct individual life sales ended 2018 down 9 percent as compared to 2017 on an annualized premium basis and down 2 percent on a face amount basis.[2] Remnants of the tax law changes that took effect at the beginning of 2017 severely impacted first quarter 2018 sales, although the second half of the year showed a marked improvement.

The estimated cession rate for 2018, which is based on a comparison of direct life sales to recurring reinsurance volumes, edged up from 65 percent to 67 percent despite the decrease in sales by face amount. As shown in Figure 5, the cession rate had steadily dropped from 2009 to 2016 in Canada before trending up again in 2017 and 2018. 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 SCOR. In 2018, they collectively represent 66 percent market share. Munich Re topped recurring new business writers reporting $46 billion, a 9 percent increase over 2017. RGA followed with $42 billion (6 percent decrease from 2017) and SCOR rounded out the top three with a reported $27 billion (17 percent increase from 2017). PartnerRe reported $24 billion in recurring new business volume, a 25 percent increase versus 2017, and now accounts for 14 percent market share.

Of the seven reinsurers reporting to the survey, five reported increases in recurring new business volumes over 2017. Table 3 summarizes assumed volumes and market share by reinsurer and compares 2018 and 2017 results.

Figure 4
Canadian Annual Percentage Change in Recurring New Business (2009–2019)

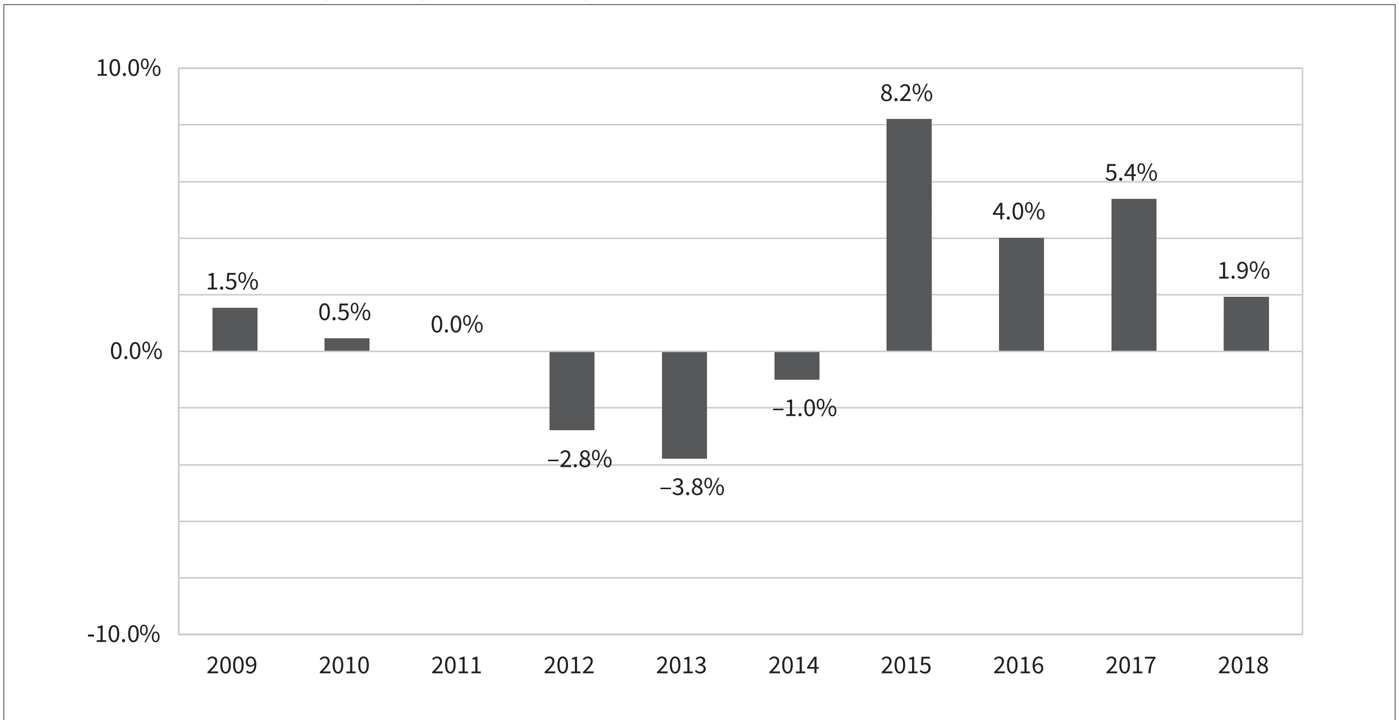
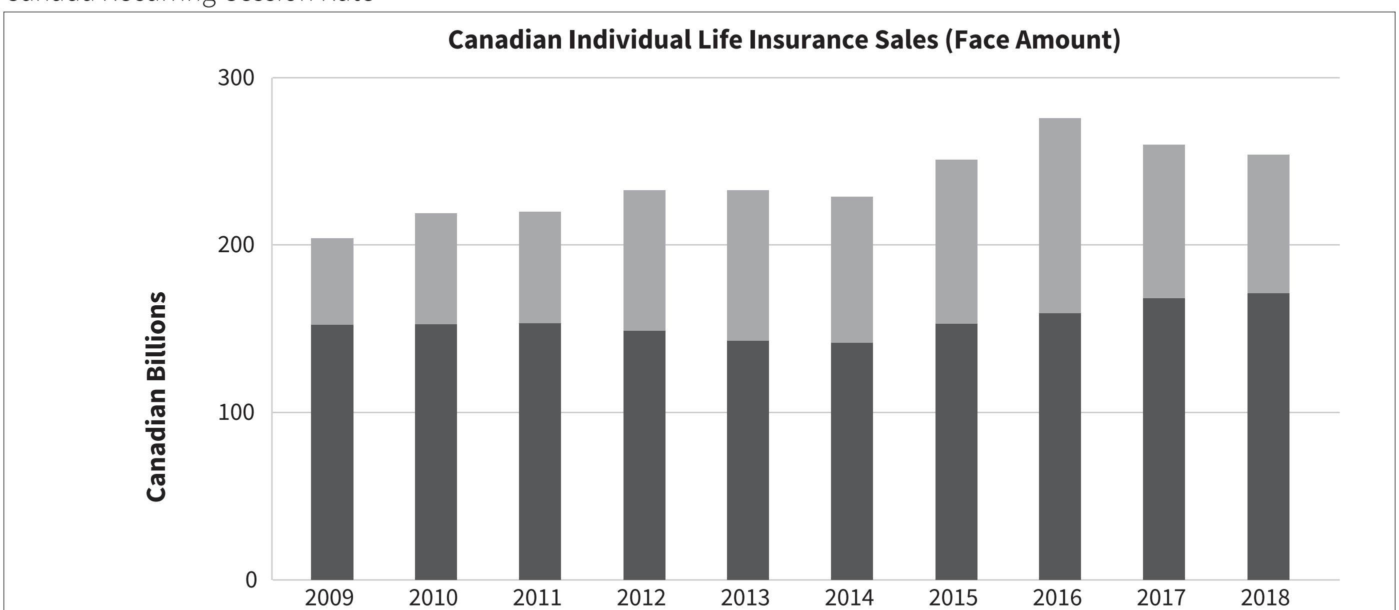


Figure 5
Canada Recurring Cession Rate

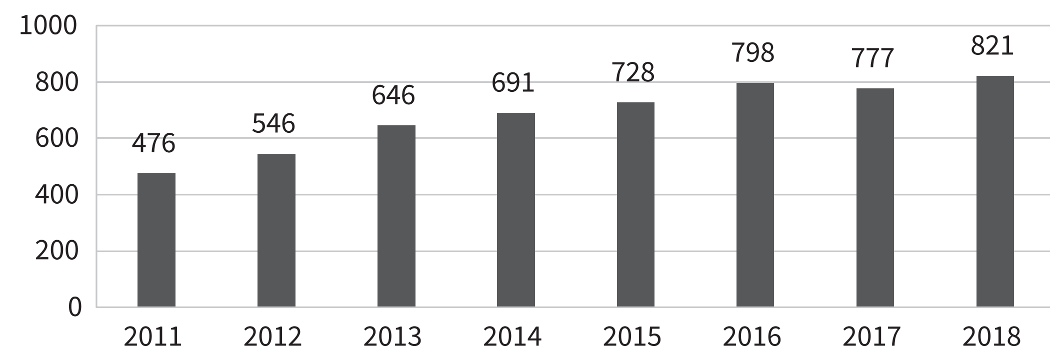


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
% Reinsured	75%	70%	70%	64%	61%	62%	61%	58%	65%	67%
Amt Retained	52	66	67	84	90	87	98	116	92	83
Amt Reinsured	152	153	153	149	143	142	153	160	168	171

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

Company	2017		2018		Change from
	Assumed Business	Market Share	Assumed Business	Market Share	
Munich Re	$42	25%	$46	27%	9%
RGA	44	26%	42	24%	–6%
SCOR Global Life	23	14%	27	16%	17%
PartnerRe	19	11%	24	14%	25%
Swiss Re	28	17%	16	9%	–42%
Optimum Re	10	6%	12	7%	12%
Hannover Life Re	2	1%	6	3%	262%
Total	**168**	**100%**	**171**	**100%**	**2%**

Figure 6
U.S. In-force Recurring Group Premium Trend



Portfolio New Business

RGA and PartnerRe reported portfolio new business for 2018. RGA accounted for $18.878 billion of the $18.925 billion reported.

Retrocession

Similar to 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 $4.0 billion, followed by Berkshire Hathaway ($2.9 billion) and AXA Equitable ($0.04 billion). Overall, the retrocession market in Canada decreased from $8.6 billion in 2017 to $6.9 billion in 2018.

UNITED STATES—GROUP LIFE

The next section discusses the group insurance results for the U.S. U.S. group life reinsurers reported over $5.3 billion of in-force premium in 2018, up 25 percent from the $4.2 billion reported in 2017. Of this, recurring business accounted for $0.8 billion and portfolio business represented $4.5 billion.

Recurring in-force group premiums in the U.S. grew by 6 percent to reach $821 million in 2018 following a drop in premium in 2017. Nonetheless, group in-force premiums grew 72 percent from $476 million in 2011 to $821 million in 2018 (see Figure 6).

As shown in Table 4 (Pg. 28), the top three reinsurers in the U.S. group life reinsurance market for recurring business are Swiss Re, Munich Re and RGA. Collectively, these three companies account for 87 percent of the market. Swiss Re, Munich Re and RGA reported increases in 2018 of 1 percent, 7 percent and 8 percent, respectively.

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

Company	2017		2018		Change from 2017 to 2018
	Assumed Business	Market Share	Assumed Business	Market Share	
Swiss Re	$326	42%	$329	40%	1%
Munich Re	197	25%	212	26%	7%
RGA	161	21%	174	21%	8%
Group Reinsurance Plus	37	5%	34	4%	–8%
SCOR Global Life	21	3%	32	4%	54%
General Re	27	3%	32	4%	19%
Hannover Life Re	8	1%	7	1%	–12%
Canada Life Re	1	0%	1	0%	–41%
Optimum Re	0.4	0%	0.2	0%	–37%
TOTALS	**777**	**100%**	**821**	**100%**	**6%**

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

Company	2017		2018		Change from 2017 to 2018
	Assumed Business	Market Share	Assumed Business	Market Share	
Munich Re	$51	49%	$50	54%	–1%
RGA	21	20%	19	21%	–8%
Swiss Re	26	25%	17	19%	–33%
Optimum Re	6	5%	3	4%	–41%
SCOR Global Life	1	1%	3	3%	183%
TOTALS	**104**	**100%**	**93**	**100%**	**–11%**

In-force group portfolio premium totaled $4.5 billion in 2018, up 30 percent from last year's $3.5 billion. Portfolio premium originates from three reinsurers. Canada Life Re reported $2.8 billion in portfolio premium in 2018, up from $2.0 billion in 2017. Munich Re reported $1.5 billion in 2018 versus the $1.3 billion reported in 2017. Finally, Hannover Life Re reported $204 million in group life portfolio premium in 2018, up from $132 million.

CANADA—GROUP LIFE

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

Group life reinsurers in Canada reported $125 million of in-force premium in 2018. Of this, recurring business accounted for $93 million and portfolio business represented $32 million. For 2018, recurring in-force group premium decreased 11 percent as compared to 2017. 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 94 percent of the market share (see Table 5). Of the five reinsurers reporting, four reported decreases in recurring in-force premium versus 2017.

Munich Re was the only Canadian reinsurer reporting group in-force portfolio business in 2018. Munich Re reported $32 million in portfolio premiums for 2018.

LOOKING AHEAD

As noted last year, life reinsurance production is influenced by many factors, including direct life sales, the economy, regulation, and importantly, the reinsurance ceding practices of a limited number of life insurers. The 2 percent increase in both U.S. and Canadian life recurring new business reinsurance production in 2018 continued the positive trend since 2016. LIMRA forecasts moderate near-term growth in direct U.S. life insurance sales.

A key objective for many direct life insurers is sales growth. To that end, direct writers are looking to new distribution channels, including digital and direct-to-consumer models, as well as new target markets. Life reinsurers are well-positioned to partner with direct writers in these initiatives by sharing in the risk and in identifying new distribution partners. Additionally, life reinsurers' expertise goes beyond the traditional mortality and risk selection. Life reinsurers can offer expertise related to accelerated underwriting programs—developing underwriting rules, assessing the protective value of new data sources, product development and providing automated underwriting rules engines—in addition to developing predictive analytics tools, such as smoker propensity models and risk class prediction models. This expertise and support can be invaluable to direct writers as many look to improve the customer experience as a means of reaching more insureds and expanding insurability.

Reinsurance remains a valuable tool for efficient capital and volatility management. Financial reinsurance structures and reinsurance of in-force blocks, either for non-core businesses or as a means to manage profitability, continue to be attractive levers for direct writers.

Thank you to all of the reinsurers that participated in this year's survey. Complete results are available at *www.munichre.com/us/life/publications*. ■

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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ENDNOTES

1 LIMRA "U.S. Individual Life Insurance Sales Trends, 1975–2017 Industry Estimates" and "U.S. Retail Individual Life Insurance Sales Technical Supplement, Fourth Quarter 2018."

2 LIMRA, "Canadian Individual Life Insurance Sales Technical Supplement (2018 Annual)."