GRET Agenda

• Methodology
• Recommendation
• Usage of GRET
• Information about companies in study
Methodology

• NAIC provided Annual Statement data by company
• SOA surveyed companies for their distribution channel(s)
  • Used primary channel, as few current respondents have multiple channels
• SOA analyzed data to derive unit expense factors by distribution channel
  • Allocated expenses to acquisition and maintenance categories based on:
    • Expense seeds of: Acquisition/premium: $200; Acquisition/face amount: $1.10; Acquisition/Premium: 50%; Maintenance/premium: $60
• Eliminated companies
  • With expense ratios far below or above the average for distribution channel
  • With general expenses of less than $50,000
  • Reinsurance companies
### Recommendation

#### TABLE 1
**PROPOSED 2016 GRET FACTORS**, based on average of 2013/2014 data

<table>
<thead>
<tr>
<th>Distribution Channel</th>
<th>Acquisition per Face Amount ($000)</th>
<th>Maintenance per Policy</th>
<th>Number of Companies *</th>
<th>Average 1st Year Premium per Policy Issued During Year</th>
<th>Average Face Amount ($000) per Policy Issued During Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent</td>
<td>$ 149</td>
<td>$ 0.80</td>
<td>$ 45</td>
<td>115</td>
<td>$ 4,467</td>
</tr>
<tr>
<td>Career</td>
<td>224</td>
<td>1.20</td>
<td>56</td>
<td>67</td>
<td>76</td>
</tr>
<tr>
<td>Direct</td>
<td>178</td>
<td>1.00</td>
<td>44</td>
<td>53</td>
<td>19</td>
</tr>
<tr>
<td>Niche</td>
<td>135</td>
<td>0.70</td>
<td>34</td>
<td>40</td>
<td>19</td>
</tr>
<tr>
<td>Other*</td>
<td>153</td>
<td>0.80</td>
<td>38</td>
<td>46</td>
<td>109</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>338</td>
<td></td>
</tr>
</tbody>
</table>

*Those companies included in the “other” category are those companies that did not respond to this year or prior year’s surveys

#### TABLE 2

<table>
<thead>
<tr>
<th>Distribution Channel</th>
<th>Acquisition per Face Amount ($000)</th>
<th>per First Year Premium</th>
<th>Maintenance per Policy</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent</td>
<td>$ 146</td>
<td>$ 0.80</td>
<td>36%</td>
<td>$ 44</td>
</tr>
<tr>
<td>Career</td>
<td>235</td>
<td>1.30</td>
<td>59</td>
<td>70</td>
</tr>
<tr>
<td>Direct</td>
<td>161</td>
<td>0.90</td>
<td>40</td>
<td>48</td>
</tr>
<tr>
<td>Niche</td>
<td>136</td>
<td>0.70</td>
<td>34</td>
<td>41</td>
</tr>
<tr>
<td>Other</td>
<td>150</td>
<td>0.80</td>
<td>38</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Usage of GRET

• Also surveyed was the use of GRET
• Results of respondents, eliminating companies that produced no or limited new business
  – 2015 survey: 25%
  – 2014 survey: 30%
  – 2013 survey: 22%
• Variation primarily due to limited sample and mix of respondents in year
Information for the 338 companies in study

- As a % of individual life industry (excluding reinsurers) in 2014
  - General expenses: 90%
  - Number of new policies: 94%
- Change from 2013 to 2014 for individual life insurance
  - Increase in general expenses of 3.5%
  - Decrease in number of new policies of 2.6%
- Of total general expenses for individual life by distribution channel
  - Independent – 30%
  - Career – 53%
  - Direct – 6%
  - Niche – 2%
  - Other – 9%