



National Association of Insurance Commissioners

& The CENTER for INSURANCE POLICY and RESEARCH

# 2014

## Life, A&H, and Fraternal Insurance Industry Analysis Report

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### DISCLAIMER

The NAIC 2014 Life, A&H and Fraternal Insurance Industry Analysis Report is a limited scope analysis based on the aggregated information filed to the NAIC's Financial Data Repository as of Dec. 31, 2014, and written by the Financial Regulatory Services Department staff. This report does not constitute the official opinion or views of the NAIC membership or any particular state insurance department.



**Life and A&H Industry at a Glance**

**Table 1** illustrates the life insurance industry's aggregate financial results for insurers filing with the NAIC on the life, accident & health annual statement blank. The life insurance industry reported a decrease in profitability from year-end 2013 as an increase in revenue was surpassed by an increase in benefits and expenses. The overall profitability in the life industry decreased 20.4% to net income of \$32.4 billion in 2014, down from \$40.7 billion in 2013. Notable items include the following:

- Operating earnings decreased 36.0% to \$33.8 billion due primarily to:
  - \$27.9 billion increase in life and accident and health reserves;
  - Direct written premium (excluding deposit-type funds) decreased 2.0% to \$654.4 billion primarily due to a \$15.1 billion decrease in A&H insurance premium revenues;
  - Ceded premium decreased 48.4% primarily due to decreases reported by four companies;
  - Net investment income increased 2.0%, conversely, there was a 0.1-percentage point decrease in the net investment yield to 4.7%;
- Cash and invested assets increased 3.8% due primarily to a \$73.0 billion (2.7%) increase in long-term bonds as well as a \$18.8 billion (5.1%) increase in total mortgages;
- Capital and surplus increased 6.4% to \$350.4 billion due primarily to net income of \$32.4 billion and a \$15.6 billion increase in unrealized capital gains which was partially offset by stockholder dividends of \$39.1 billion.

| Life and Accident & Health Entities     |            |             |             |             |             |             |             |             |             |             |             |
|-----------------------------------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| (\$ In Millions)                        | Chg.       | 2014        | 2013        | 2012        | 2011        | 2010        | 2009        | 2008        | 2007        | 2006        | 2005        |
| <b>Operations</b>                       |            |             |             |             |             |             |             |             |             |             |             |
| Direct Written Premium                  | (0.0)%     | \$770,760   | \$771,097   | \$818,600   | \$774,409   | \$721,276   | \$722,104   | \$802,799   | \$772,370   | \$709,356   | \$648,621   |
| Life Direct Written Premium             | 0.6%       | \$166,108   | \$165,063   | \$174,040   | \$166,418   | \$158,418   | \$152,435   | \$169,785   | \$183,634   | \$166,000   | \$154,814   |
| A&H Direct Written Premium              | (8.3)%     | \$167,648   | \$182,768   | \$179,603   | \$178,437   | \$176,594   | \$172,093   | \$167,756   | \$154,563   | \$143,857   | \$122,400   |
| Annuities                               | 3.0%       | \$250,182   | \$242,992   | \$267,004   | \$249,289   | \$230,262   | \$240,193   | \$260,563   | \$237,905   | \$217,821   | \$201,573   |
| Deposits & Other Considerations         | 3.6%       | \$186,822   | \$180,274   | \$197,952   | \$180,265   | \$156,002   | \$157,384   | \$204,696   | \$196,267   | \$181,678   | \$169,834   |
| Assumed Premium                         | (17.7)%    | \$81,883    | \$99,458    | \$89,723    | \$79,466    | \$66,938    | \$70,857    | \$70,314    | \$68,153    | \$63,768    | \$57,763    |
| Ceded Premium                           | (48.4)%    | \$102,759   | \$199,010   | \$151,105   | \$135,268   | \$122,031   | \$184,193   | \$129,108   | \$122,010   | \$107,696   | \$98,236    |
| Net Earned Premium                      | 10.4%      | \$641,241   | \$580,738   | \$642,945   | \$621,717   | \$581,368   | \$511,463   | \$631,303   | \$616,771   | \$583,606   | \$528,176   |
| Net Investment Income                   | 2.0%       | \$168,296   | \$165,027   | \$164,063   | \$164,688   | \$161,362   | \$154,445   | \$161,218   | \$165,037   | \$160,151   | \$153,100   |
| Benefits                                | (6.2)%     | \$249,020   | \$265,506   | \$255,689   | \$252,378   | \$246,698   | \$244,563   | \$244,133   | \$231,127   | \$218,339   | \$191,628   |
| Commissions & General Expenses          | (3.5)%     | \$110,354   | \$114,342   | \$112,216   | \$109,867   | \$106,295   | \$103,452   | \$106,192   | \$103,620   | \$100,099   | \$95,355    |
| Operating Income                        | (36.0)%    | \$33,775    | \$52,772    | \$47,539    | \$20,181    | \$41,334    | \$48,225    | (\$1,991)   | \$30,523    | \$29,484    | \$31,320    |
| Realized Gains/(Losses)                 | 88.9%      | (\$1,334)   | (\$12,026)  | (\$9,448)   | (\$8,536)   | (\$16,025)  | (\$28,741)  | (\$51,086)  | (\$1,498)   | \$6,534     | \$3,117     |
| Net Income/(Loss)                       | (20.4)%    | \$32,441    | \$40,746    | \$38,091    | \$11,645    | \$25,309    | \$19,484    | (\$53,077)  | \$29,025    | \$36,017    | \$34,436    |
| Net Cash From Operations                | (8.6)%     | \$129,105   | \$141,241   | \$130,485   | \$151,984   | \$130,432   | \$132,743   | \$136,665   | \$66,412    | \$84,757    | \$116,690   |
| <b>Capital and Surplus</b>              |            |             |             |             |             |             |             |             |             |             |             |
| Unrealized Gains/(Losses)               | 638.3%     | \$23,334    | (\$4,335)   | \$5,025     | \$13,988    | \$7,995     | (\$19,143)  | (\$47,800)  | \$930       | \$3,759     | \$2,803     |
| Capital and Surplus                     | 6.4%       | \$350,438   | \$329,417   | \$323,409   | \$305,170   | \$303,834   | \$287,141   | \$250,222   | \$265,616   | \$250,003   | \$241,390   |
| Stockholder Dividends                   | (26.2)%    | (\$39,111)  | (\$31,002)  | (\$22,164)  | (\$27,228)  | (\$24,067)  | (\$9,444)   | (\$24,414)  | (\$28,182)  | (\$29,379)  | (\$27,835)  |
| <b>Assets</b>                           |            |             |             |             |             |             |             |             |             |             |             |
| Cash & Invested Assets                  | 3.8%       | \$3,612,681 | \$3,481,351 | \$3,401,885 | \$3,357,278 | \$3,194,139 | \$3,069,295 | \$3,018,501 | \$2,950,696 | \$2,870,737 | \$2,795,586 |
| Net Admitted Assets (excl. Sep. Accts.) | 4.2%       | \$3,831,555 | \$3,678,302 | \$3,587,718 | \$3,531,185 | \$3,354,615 | \$3,228,178 | \$3,179,934 | \$3,087,559 | \$3,004,950 | \$2,917,808 |
| Separate Account Assets                 | 3.8%       | \$2,417,188 | \$2,328,906 | \$2,053,201 | \$1,835,605 | \$1,840,187 | \$1,623,769 | \$1,369,015 | \$1,899,460 | \$1,714,967 | \$1,467,104 |
| Total Net Admitted Assets               | 4.0%       | \$6,248,743 | \$6,007,208 | \$5,640,919 | \$5,366,790 | \$5,194,802 | \$4,851,946 | \$4,548,949 | \$4,987,019 | \$4,719,917 | \$4,384,912 |
| Net Investment Yield                    | (0.1) pts. | 4.7%        | 4.8%        | 4.9%        | 5.0%        | 5.2%        | 5.1%        | 5.4%        | 5.7%        | 5.7%        | 5.6%        |
| ROA                                     | (0.2) pts. | 0.9%        | 1.1%        | 1.1%        | 0.3%        | 0.8%        | 0.6%        | (1.7)%      | 1.0%        | 1.2%        | 0.8%        |

Note: Adjustments to exclude affiliated amounts were made where appropriate.

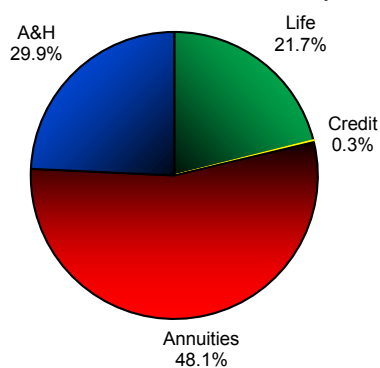
## Premium

The life industry reported a marginal decrease of \$337.2 million in direct written premium and deposits to \$770.8 billion in 2014. Conversely, net written premium and deposits increased 11.7% (\$78.3 billion) to \$749.9 billion.

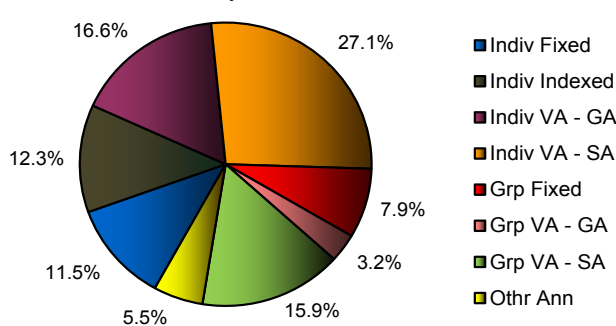
Assumed premium decreased 17.7% (\$17.6 billion) to \$81.9 billion. Similarly, ceded premium decreased 48.8% (\$96.3 billion) to \$102.8 billion. The decline was primarily due to decreases reported by four companies, which made up 94.3% of the total reduction.

**Table 2** to the right, illustrates, in total and by line of business, the top five states reporting the greatest dollar amount of increases or decreases in total direct premium from 2014.

**Figure 1**  
2014 Net Earned Premium Allocation by Sector



**Figure 2**  
2014 Annuity Considerations Distribution



On an earned basis, the industry reported a 10.4% (\$60.5 billion) increase in net premium to \$641.2 billion. **Figure 1** above illustrates the industry's 2014 net earned premium allocation by sector; **Figure 2** shows the distribution of annuity considerations in 2014.

**Table 3** on the following page, shows total direct written, assumed, ceded and net premium over the

**Table 2**

**Top Five States - Change in Direct Premiums Written by Line of Business**  
(based on \$ change in Billions)

| Total     |       |        |        |           |         |        |        |
|-----------|-------|--------|--------|-----------|---------|--------|--------|
| Increases |       |        |        | Decreases |         |        |        |
|           | % Chg | 2014   | 2013   |           | % Chg   | 2014   | 2013   |
| NY        | 14.2% | \$70.7 | \$61.9 | OT        | (11.7)% | \$18.6 | \$21.1 |
| DE        | 18.8% | \$50.4 | \$42.4 | PA        | (6.5)%  | \$33.8 | \$36.2 |
| CA        | 2.3%  | \$61.6 | \$60.2 | OH        | (6.5)%  | \$27.0 | \$28.9 |
| AZ        | 7.2%  | \$12.3 | \$11.5 | KY        | (19.6)% | \$6.4  | \$8.0  |
| AL        | 60.7% | \$2.0  | \$1.3  | GA        | (6.8)%  | \$17.6 | \$18.8 |

| Life |        |        |        |    |         |       |       |
|------|--------|--------|--------|----|---------|-------|-------|
|      | % Chg  | 2014   | 2013   |    | % Chg   | 2014  | 2013  |
| AK   | 170.2% | \$0.9  | \$0.3  | OT | (20.8)% | \$5.6 | \$7.0 |
| CA   | 3.8%   | \$15.1 | \$14.6 | MA | (5.3)%  | \$3.5 | \$3.7 |
| TX   | 3.8%   | \$10.7 | \$10.3 | GA | (3.0)%  | \$4.3 | \$4.4 |
| NJ   | 6.5%   | \$6.1  | \$5.7  | IL | (1.9)%  | \$6.5 | \$6.6 |
| FL   | 3.8%   | \$8.4  | \$8.1  | DE | (6.1)%  | \$1.2 | \$1.3 |

| Annuities |       |        |        |    |         |       |       |
|-----------|-------|--------|--------|----|---------|-------|-------|
|           | % Chg | 2014   | 2013   |    | % Chg   | 2014  | 2013  |
| AZ        | 32.6% | \$5.5  | \$4.1  | OT | (17.8)% | \$1.6 | \$2.0 |
| MI        | 14.0% | \$10.9 | \$9.5  | NC | (2.6)%  | \$6.9 | \$7.1 |
| CA        | 4.7%  | \$23.1 | \$22.1 | KY | (5.0)%  | \$2.3 | \$2.5 |
| FL        | 5.0%  | \$18.1 | \$17.3 | CO | (2.2)%  | \$4.6 | \$4.7 |
| MO        | 8.7%  | \$7.6  | \$7.0  | WI | (1.0)%  | \$4.8 | \$4.9 |

| A&H |       |       |       |    |         |        |        |
|-----|-------|-------|-------|----|---------|--------|--------|
|     | % Chg | 2014  | 2013  |    | % Chg   | 2014   | 2013   |
| NJ  | 14.9% | \$6.5 | \$5.7 | OH | (23.9)% | \$6.4  | \$8.4  |
| NY  | 6.9%  | \$8.5 | \$7.9 | GA | (27.4)% | \$4.7  | \$6.5  |
| MD  | 6.0%  | \$3.3 | \$3.1 | TX | (10.3)% | \$14.5 | \$16.2 |
| IL  | 2.9%  | \$6.4 | \$6.2 | KY | (47.1)% | \$1.6  | \$3.0  |
| CT  | 5.4%  | \$2.8 | \$2.7 | WI | (20.0)% | \$3.5  | \$4.4  |

| Other |        |       |       |    |         |       |       |
|-------|--------|-------|-------|----|---------|-------|-------|
|       | % Chg  | 2014  | 2013  |    | % Chg   | 2014  | 2013  |
| DC    | 105.0% | \$0.8 | \$0.4 | PA | (29.3)% | \$5.9 | \$8.4 |
| CA    | 4.3%   | \$7.3 | \$7.0 | DE | (88.2)% | \$0.2 | \$1.5 |
| NC    | 13.4%  | \$2.4 | \$2.1 | MA | (26.1)% | \$3.4 | \$4.7 |
| NV    | 68.3%  | \$0.6 | \$0.3 | MD | (43.3)% | \$1.0 | \$1.8 |
| GA    | 8.0%   | \$2.7 | \$2.5 | IL | (22.7)% | \$2.4 | \$3.2 |

| Deposit-type Contracts |       |        |        |    |         |       |       |
|------------------------|-------|--------|--------|----|---------|-------|-------|
|                        | % Chg | 2014   | 2013   |    | % Chg   | 2014  | 2013  |
| DE                     | 23.7% | \$45.5 | \$36.8 | NJ | (39.2)% | \$1.4 | \$2.3 |
| NY                     | 44.7% | \$24.2 | \$16.7 | PA | (14.6)% | \$3.0 | \$3.5 |
| TX                     | 36.5% | \$2.2  | \$1.6  | CT | (5.5)%  | \$8.4 | \$8.9 |
| MA                     | 27.5% | \$1.6  | \$1.3  | IL | (26.1)% | \$1.3 | \$1.7 |
| UT                     | 81.1% | \$0.3  | \$0.2  | KS | (35.1)% | \$0.7 | \$1.1 |

**Figure 3**  
Net Investment Income & Yield

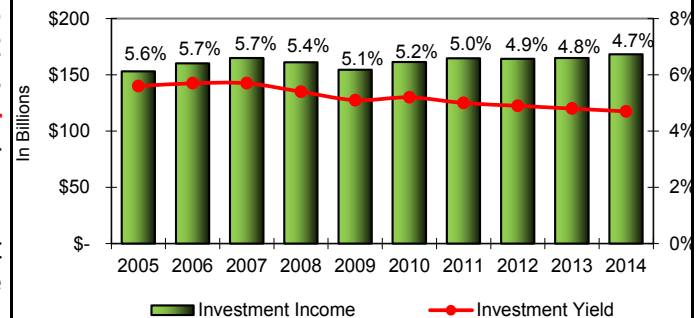
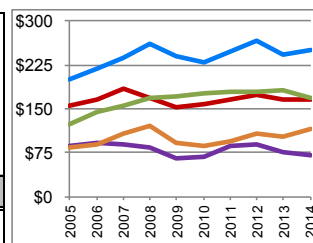


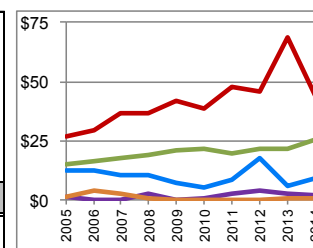
Table 3

**Total Written Premium by LOB**  
(\$ in Billions)

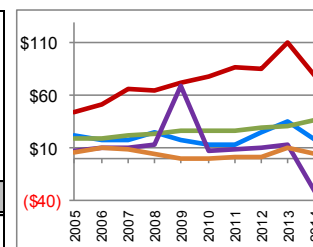
| Direct Premium         | % Chg.        | 2014           | 2013           | 2012           | 2011           | 2010           | 2009           | 2008           | 2007           | 2006           | 2005           |
|------------------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Life Insurance         | 0.6%          | \$166.1        | \$165.1        | \$174.0        | \$166.4        | \$158.4        | \$152.4        | \$169.8        | \$183.6        | \$166.0        | \$154.8        |
| Annuity Considerations | 3.0%          | \$250.2        | \$243.0        | \$267.0        | \$249.3        | \$230.3        | \$240.2        | \$260.6        | \$237.9        | \$217.8        | \$201.6        |
| A&H Insurance          | (8.3)%        | \$167.6        | \$182.8        | \$179.6        | \$178.4        | \$176.6        | \$172.1        | \$167.8        | \$154.6        | \$143.9        | \$122.4        |
| Other                  | (8.6)%        | \$70.5         | \$77.1         | \$90.3         | \$85.8         | \$68.3         | \$64.4         | \$84.2         | \$89.5         | \$92.3         | \$86.8         |
| <b>Total</b>           | <b>(2.0)%</b> | <b>\$654.4</b> | <b>\$667.9</b> | <b>\$710.9</b> | <b>\$680.0</b> | <b>\$633.6</b> | <b>\$629.1</b> | <b>\$682.3</b> | <b>\$665.6</b> | <b>\$620.0</b> | <b>\$565.6</b> |
| Deposit-type Contracts | 12.7%         | \$116.4        | \$103.2        | \$107.7        | \$94.4         | \$87.7         | \$93.0         | \$120.5        | \$106.7        | \$89.3         | \$83.0         |



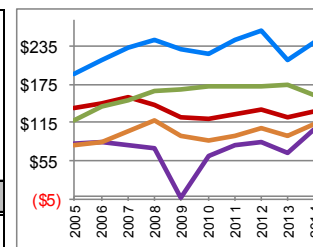
| Assumed Premium        | % Chg.         | 2014          | 2013          | 2012          | 2011          | 2010          | 2009          | 2008          | 2007          | 2006          | 2005          |
|------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Life Insurance         | (35.9)%        | \$44.0        | \$68.6        | \$45.9        | \$48.1        | \$38.9        | \$42.1        | \$36.6        | \$36.9        | \$29.8        | \$27.3        |
| Annuity Considerations | 64.4%          | \$9.4         | \$5.7         | \$17.6        | \$8.7         | \$5.7         | \$7.2         | \$10.3        | \$10.7        | \$12.5        | \$12.3        |
| A&H Insurance          | 18.9%          | \$25.9        | \$21.8        | \$21.6        | \$19.9        | \$21.5        | \$21.0        | \$19.4        | \$17.7        | \$16.7        | \$15.4        |
| Other                  | (26.8)%        | \$2.0         | \$2.7         | \$4.4         | \$2.5         | \$0.8         | \$0.4         | \$2.9         | \$0.3         | \$0.4         | \$1.3         |
| <b>Total</b>           | <b>(17.7)%</b> | <b>\$81.3</b> | <b>\$98.8</b> | <b>\$89.4</b> | <b>\$79.3</b> | <b>\$66.9</b> | <b>\$70.7</b> | <b>\$69.2</b> | <b>\$65.7</b> | <b>\$59.5</b> | <b>\$56.2</b> |
| Deposit-type Contracts | (9.9)%         | \$0.6         | \$0.6         | \$0.3         | \$0.1         | \$0.1         | \$0.2         | \$1.1         | \$2.5         | \$4.3         | \$1.5         |



| Ceded Premium          | % Chg.         | 2014          | 2013           | 2012           | 2011           | 2010           | 2009           | 2008           | 2007           | 2006          | 2005          |
|------------------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
| Life Insurance         | (28.8)%        | \$78.4        | \$110.1        | \$85.3         | \$86.7         | \$77.1         | \$71.3         | \$64.6         | \$65.7         | \$51.8        | \$43.3        |
| Annuity Considerations | (50.9)%        | \$17.3        | \$35.2         | \$25.2         | \$12.8         | \$12.3         | \$17.9         | \$25.1         | \$17.4         | \$16.9        | \$22.5        |
| A&H Insurance          | 18.9%          | \$36.6        | \$30.8         | \$29.7         | \$26.6         | \$25.5         | \$26.5         | \$23.6         | \$21.2         | \$19.4        | \$19.6        |
| Other                  | (347.6)%       | (\$33.3)      | \$13.4         | \$9.8          | \$8.2          | \$7.1          | \$68.3         | \$12.3         | \$9.4          | \$9.4         | \$7.3         |
| <b>Total</b>           | <b>(47.8)%</b> | <b>\$99.0</b> | <b>\$189.5</b> | <b>\$150.1</b> | <b>\$134.3</b> | <b>\$122.0</b> | <b>\$184.0</b> | <b>\$125.6</b> | <b>\$113.7</b> | <b>\$97.5</b> | <b>\$92.6</b> |
| Deposit-type Contracts | (60.1)%        | \$3.8         | \$9.5          | \$1.0          | \$1.0          | \$0.1          | \$0.2          | \$3.5          | \$8.3          | \$10.2        | \$5.6         |



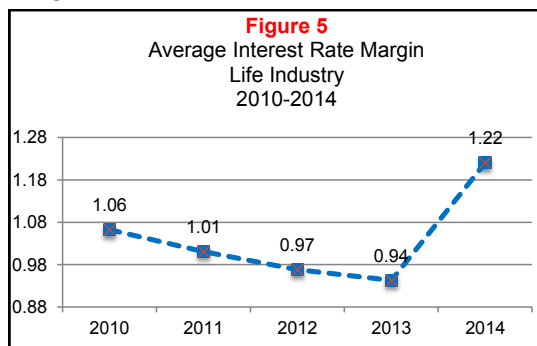
| Net Premium            | % Chg.       | 2014           | 2013           | 2012           | 2011           | 2010           | 2009           | 2008           | 2007           | 2006           | 2005           |
|------------------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Life Insurance         | 6.6%         | \$131.8        | \$123.6        | \$134.6        | \$127.8        | \$120.2        | \$123.2        | \$141.8        | \$154.9        | \$144.1        | \$138.8        |
| Annuity Considerations | 13.5%        | \$242.3        | \$213.5        | \$259.4        | \$245.3        | \$223.7        | \$229.4        | \$245.7        | \$231.3        | \$213.4        | \$191.4        |
| A&H Insurance          | (9.7)%       | \$157.0        | \$173.8        | \$171.4        | \$171.8        | \$172.6        | \$166.6        | \$163.5        | \$151.0        | \$141.2        | \$118.1        |
| Other                  | 59.3%        | \$105.7        | \$66.4         | \$84.8         | \$80.1         | \$62.0         | (\$3.5)        | \$74.8         | \$80.4         | \$83.4         | \$80.9         |
| <b>Total</b>           | <b>10.3%</b> | <b>\$636.8</b> | <b>\$577.2</b> | <b>\$650.2</b> | <b>\$625.0</b> | <b>\$578.5</b> | <b>\$515.8</b> | <b>\$625.9</b> | <b>\$617.6</b> | <b>\$582.0</b> | <b>\$529.2</b> |
| Deposit-type Contracts | 19.9%        | \$113.1        | \$94.3         | \$107.0        | \$93.6         | \$87.7         | \$93.0         | \$118.1        | \$100.9        | \$83.4         | \$78.9         |



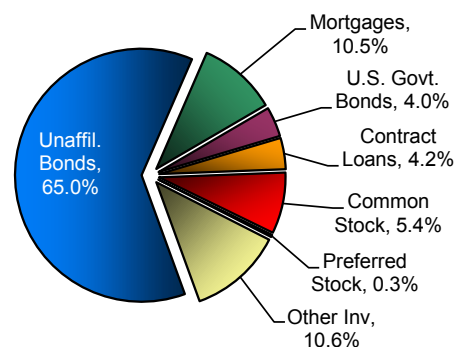
past ten years, as well as a graph to show trending broken out by line of business.

### Investment Income

Net investment income increased 2.0%, or \$3.3 billion, to \$168.3 billion in 2014, while the industry's net investment yield decreased 0.1-percentage point to 4.7% as seen in **Figure 3** on the previous page. Life insurers' invested asset portfolio increased 3.8% (\$131.3 billion) to \$3.6 trillion at Dec. 31, 2014. The increase in invested assets is due primarily to 2.7% (\$73.0 billion) and 5.1% (\$18.8 billion) increases in long-term bonds and mortgages, respectively. **Figure 4** above, illustrates net investment income by asset class. Insurers reported increases in investment income of 57.5% (\$5.2 billion) to \$14.2 billion on affiliated common stock.

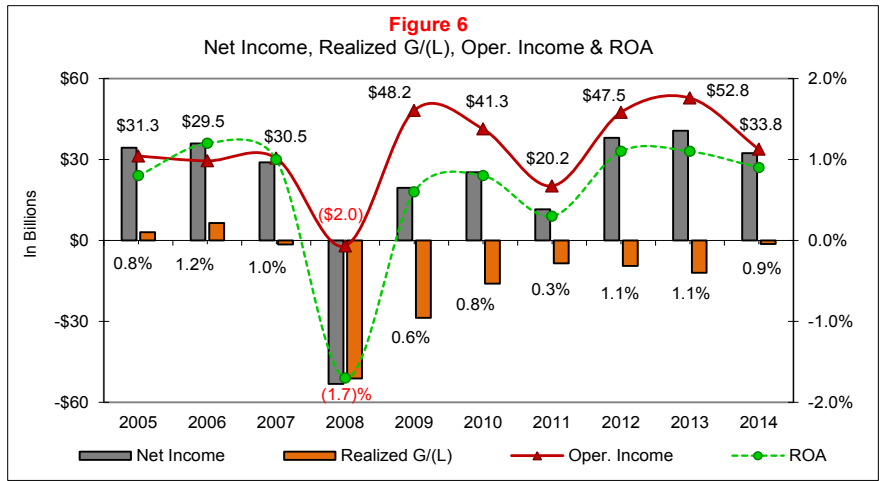


**Figure 4**  
Net Investment Income Allocation



The Federal Reserve held the fed funds interest rate at 0.25%, which has resulted in a continued low short-term interest rate environment.

**Figure 5** on the previous page, shows the industry's average interest rate margin over the past five years. The interest rate margin represents the average return on investments compared to the tabular interest credited to reserves.

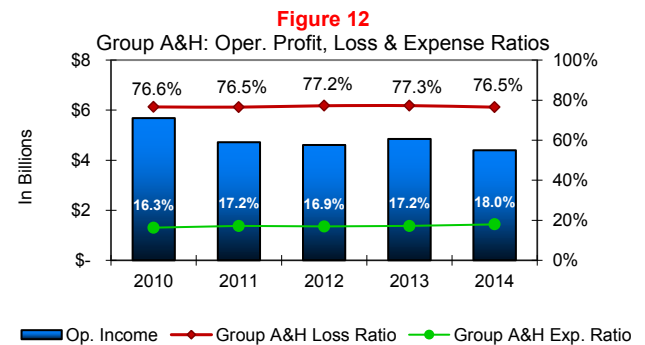
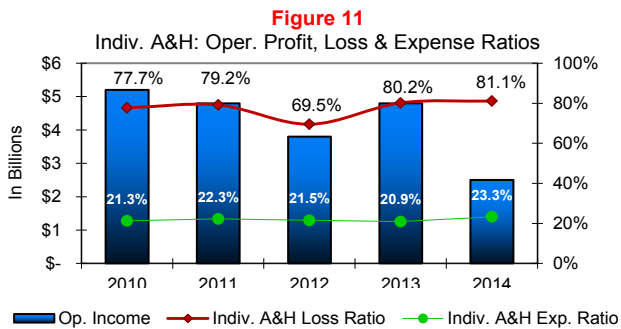
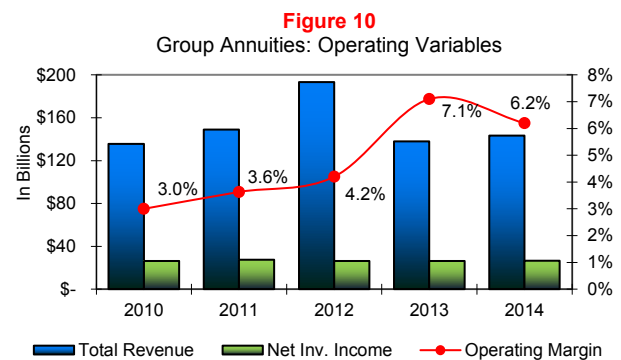
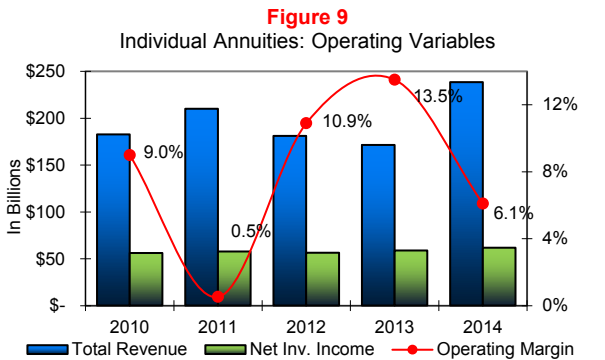
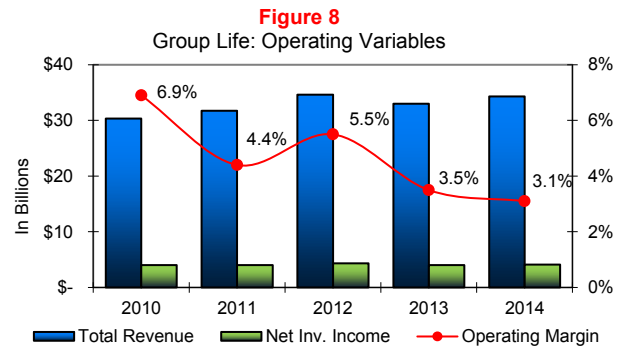
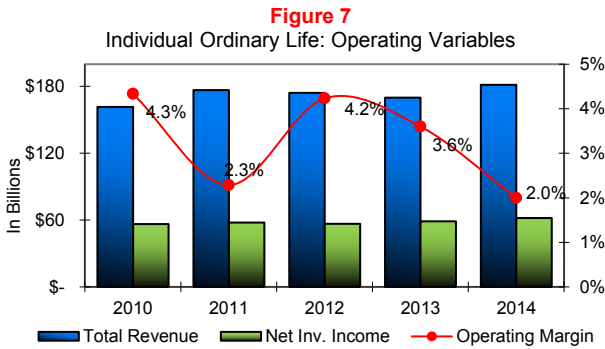


### Operations

Net earnings dropped 20.4% as the industry reported net income of \$32.4 billion in 2014. This was predominantly due to an 36.0% decrease in operating income to \$33.8 billion. The largest decreases in operating income occurred in the following lines of business:

- Ordinary individual annuities operating income decreased 37.0% (\$8.6 billion) to \$14.6 billion;
- Individual life operating income decreased 15.2% (\$2.6 billion) to \$3.6 billion;
- Other A&H operating income decreased 47.5% (\$2.3 billion) to \$2.5 billion.

However, realized capital losses decreased 88.9% to \$1.3 billion compared to \$12.0 billion in 2013. It



**Table 4**

| Assets<br>(excluding separate accounts) |               |             |                    |                    |
|-----------------------------------------|---------------|-------------|--------------------|--------------------|
| (\$ in millions)                        | % of Total    | % Change    | 12/31/14           | 12/31/13           |
| Bonds                                   | 74.1%         | 2.8%        | \$2,678,104        | \$2,605,042        |
| Common Stock                            | 2.0%          | 5.5%        | \$71,161           | \$67,425           |
| Preferred Stock                         | 0.3%          | 10.4%       | \$9,114            | \$8,259            |
| Mortgage Loans                          | 10.3%         | 5.3%        | \$371,943          | \$353,128          |
| Real Estate                             | 0.6%          | (2.5)%      | \$21,802           | \$22,362           |
| Cash & S/T Investments                  | 2.7%          | 2.2%        | \$96,832           | \$94,714           |
| Derivatives                             | 1.6%          | 39.9%       | \$56,041           | \$40,070           |
| BA Assets                               | 4.5%          | 11.1%       | \$160,845          | \$144,805          |
| Other Invested Assets                   | 4.1%          | 0.9%        | \$146,839          | \$145,546          |
| <b>Total Invested Assets</b>            | <b>100.0%</b> | <b>3.8%</b> | <b>\$3,612,681</b> | <b>\$3,481,351</b> |
| Reinsurance Receivables                 | 27.1%         | 6.1%        | \$60,351           | \$56,903           |
| Receivable from Parent                  | 4.3%          | 48.0%       | \$9,491            | \$6,413            |
| Deferred Tax Asset                      | 16.2%         | 4.9%        | \$35,949           | \$34,271           |
| Other Receivables                       | 34.7%         | 5.2%        | \$77,135           | \$73,310           |
| Other Non-Invested Assets               | 0.3%          | 3.2%        | \$705              | \$684              |
| Agg. Write-Ins Other than Inv. Assets   | 17.4%         | 2.0%        | \$38,695           | \$37,940           |
| <b>Total Non-Invested Assets</b>        | <b>100.0%</b> | <b>6.1%</b> | <b>\$222,326</b>   | <b>\$209,521</b>   |

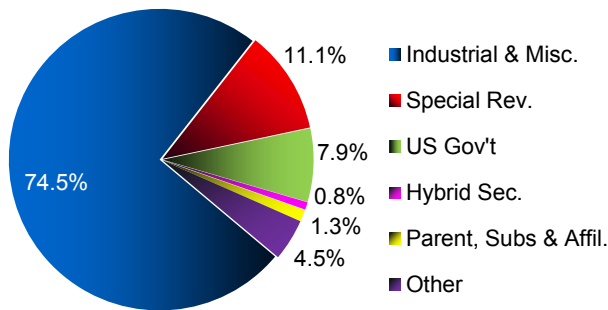
should be noted that two groups reported an aggregate of \$2.5 billion in capital losses. The ten groups with the largest gains reported a total of \$3.6 billion.

As illustrated in **Figure 6** on the previous page, the industry's return on assets decreased marginally to 0.9% compared to the prior year-end, which was consistent with the minimal decrease in net investment income.

**Figures 7-12** on the previous page, show various lines of business in the life/A&H insurance and annuity considerations sectors over the past five years.

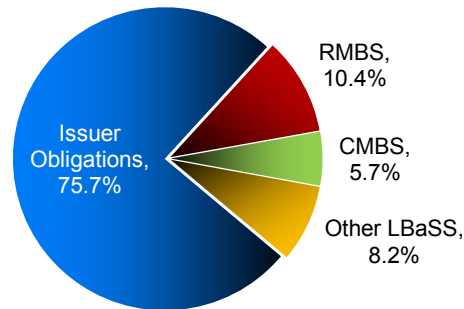
**Figure 13**

Bond Distribution



**Figure 14**

Bond Allocation



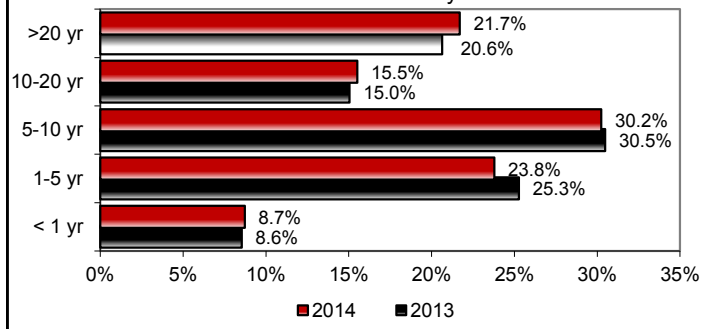
**Assets**

The life industry reported a 4.0% increase in total net admitted assets to top \$6.2 trillion at Dec. 31, 2014. The increase is due primarily to 3.8% (\$131.3 billion) and 4.1% (\$94.6 billion) increases in total cash and invested assets of the general account and separate account assets, respectively. Non-invested assets rose 6.1% to \$222.3 billion primarily due to a 6.1% increase in reinsurance receivables. **Table 4** above, illustrates the change in general account assets during 2014. See page 7 for discussion of separate accounts. As seen in **Figure 13**, the majority of the industry's bond portfolio is comprised of industrial and miscellaneous bonds. The remainder is in special revenue, U.S. Government, hybrid securities and other bonds. **Figure 14** shows how long-term bonds are allocated into the following categories: issuer obligations, residential mortgage-backed securities (MBS), commercial MBS and other loan-backed and structured securities (LBaSS). The industry's holdings of noninvestment-grade bonds remained unchanged at 5.9% of total bonds at Dec. 31, 2014, of which 3.8% were class NAIC 3. The bond portfolio is also 72.0% publicly-traded securities and 28.0% private placements.

The life insurance industry maintains a portfolio where bond durations have gradually increased with 32.5% of the holdings in 2014 due to mature in five years or less compared with 33.8% in the prior year. Bonds with a maturity of ten years or later increased 1.6% to \$1.0 trillion. **Figure 15** illustrates bond distribution by duration.

**Figure 15**

% of Total Bonds Held by Duration

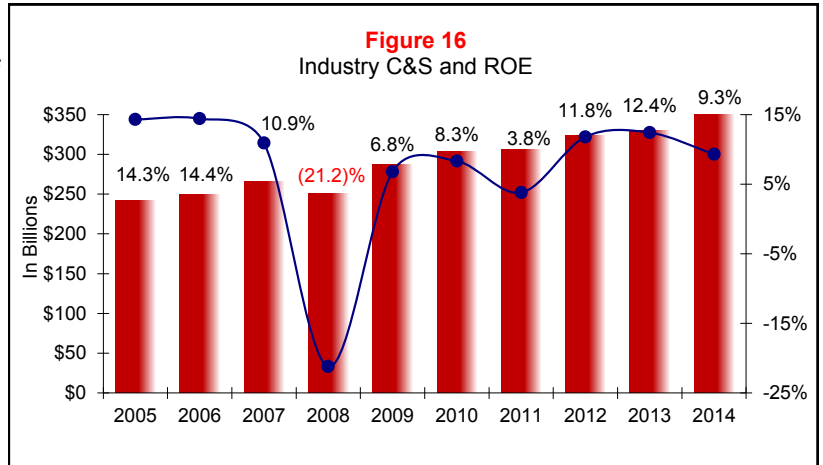


## Liabilities

The life industry reported a 4.1% (\$230.5 billion) increase in total liabilities to \$5.9 trillion at year-end 2014. The increase is due largely to a 4.0% (\$136.2 billion) increases in liabilities from separate accounts (see page 7). The industry also reported 3.8% (\$91.2 billion) and 2.1% (\$4.7 billion) increases in aggregate life reserves and aggregate accident and health reserves, respectively. There were also 1,311.5% (\$4.5 billion) and 9.7% (\$4.5 billion) increases in dividends to stockholders declared and unpaid, and asset valuation reserve, respectively. These items were partially offset by 6.4% (\$3.4 billion) and 5.7% (\$2.0 billion) decreases in payables for securities lending and derivatives, respectively.

## Capital and Surplus

The life industry's capital and surplus increased by 6.4% to \$350.4 billion at Dec. 31, 2014, due primarily to net income of \$32.4 billion and unrealized capital gains of \$15.6 billion, which was largely offset by total stockholder dividends of \$39.1 billion. The net unrealized capital gains reflect a 916.1% improvement from gains of \$1.5 billion in 2013. Paid-in capital and surplus increased 126.7% to \$2.6 billion. As seen in **Figure 16**, the industry's return on equity declined to 9.3% from 12.4% in 2013 due mainly to the industry's decrease in net income.

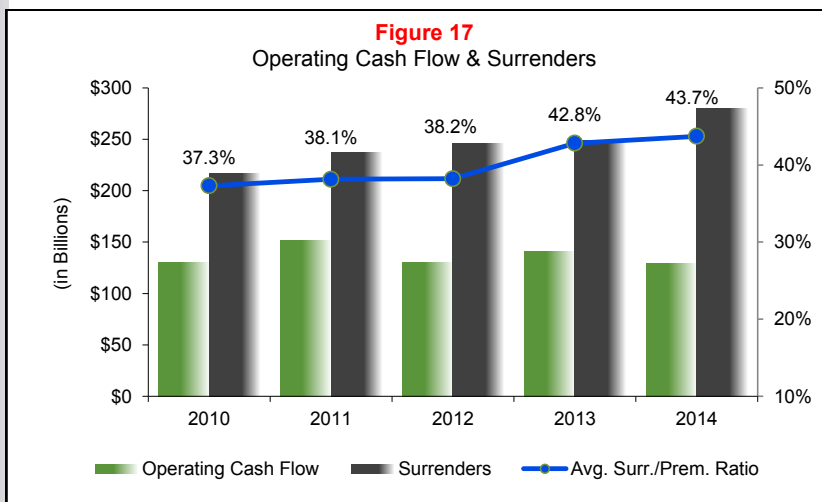


## Liquidity

The life industry reported operating cash flow of \$129.1 billion in 2014, down 8.6% (\$12.1 billion) from \$141.2 billion in the prior year. The deterioration is due primarily to an 8.4% (\$43.1 billion) increase in benefits and loss-related payments partially offset by a \$15.3 billion reduction in transfers to separate accounts and \$20.0 billion decrease in cash inflow.

Surrender benefits increased 12.7% to \$280.4 billion primarily reflected in 20.3% (\$24.4 billion) and 9.2% (\$9.2 billion) increases in individual and group annuities, respectively.

The life industry reported a 6.7% (\$8.5 billion) decrease in net cash outflow from investing activities to \$118.9 billion in 2014 from \$127.4 billion in 2013. The decrease can be attributed primarily to a 15.9% decrease in long-term bonds proceeds during 2014 compared to the prior year. The industry also reported a significant decrease in net cash outflow from financing activities to \$7.6 billion in 2014 compared to \$25.6 billion in 2013. The increase was primarily due to \$12.2 billion increases in net deposits on deposit-type contracts, respectively.



**Figure 17** shows the industry's operating cash flow and surrenders activity over the past five years.



## Separate Accounts

The life industry reported an 3.8% increase in separate account assets to \$2.4 trillion at Dec. 31, 2014, as seen below in **Table 5**. Total separate account liabilities increased 4.0% to \$2.4 trillion. Aggregate separate account reserves for life, annuity and A&H products increased 3.6% to \$2.2 trillion. Similarly, total liabilities for deposit-type contracts increased 8.0% to \$189.7 billion.

The industry reported gross realized capital gains of \$76.9 billion in 2014 compared to \$51.9 billion in the prior year, a 48.3% increase. The industry also reported a 8.9% increase in separate account fee income to \$34.2 billion in 2014. Likewise, net investment income increased 46.0% to \$84.3 billion from \$57.8 billion in 2013. At Dec. 31, 2014, the ratio of separate account fees to separate account assets increased to 1.4% from 1.3% and the industry's CARVM allowance increased 2.1% to \$(33.4) billion.

Below, **Table 5** provides a few of the various disclosures included in the general interrogatory questions in the Separate Accounts Annual Statement.

| <b>Table 5</b>                                                       |             |             |
|----------------------------------------------------------------------|-------------|-------------|
| <b>Separate Accounts Disclosures</b>                                 |             |             |
| <i>(\$ in Millions)</i>                                              |             |             |
|                                                                      | <b>2014</b> | <b>2013</b> |
| Companies with Separate Accounts                                     | 169         | 175         |
| Separate Accounts (S.A.) Total Assets                                | \$2,417,188 | \$2,328,906 |
| Surplus                                                              | \$2,232     | \$1,941     |
| Net Premiums and Ann. Cons.                                          | \$192,821   | \$189,994   |
| Net Inv. Inc. and Cap. G(L)                                          | \$138,197   | \$311,431   |
| Net Gain from Ops                                                    | \$835       | (\$41)      |
| <i>by Line of Business</i>                                           |             |             |
| Ordinary Life                                                        | \$84        | \$124       |
| Ind. Ann.                                                            | \$288       | (\$88)      |
| Ind. Supp. Contracts                                                 | \$10        | \$1         |
| Grp. Life                                                            | \$64        | \$85        |
| Grp Ann.                                                             | \$378       | (\$212)     |
| Agg. Other                                                           | \$11        | \$48        |
| <b><u>Separate Accounts Products with General Account (G.A.)</u></b> |             |             |
| <b><u>Guarantees</u></b>                                             |             |             |
| Companies having products with Guarantees provided by the G.A.       | 115         | 121         |
| Percentage of total                                                  | 68.0%       | 69.1%       |
| Industry Aggregate -- Maximum Guarantees                             | \$197,465   | \$186,824   |
| Companies with G.A. paying Guarantees to the S.A.                    | 84          | 88          |
| Percentage of total                                                  | 49.7%       | 50.3%       |
| Industry Aggregate -- Guarantees Paid by G.A.                        | \$1,316     | \$1,769     |

Table 6

| (\$ in Millions)                             | Fraternal Societies |           |           |           |           |           |           |           |          |          |          |
|----------------------------------------------|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|
|                                              | Chg.                | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      | 2008      | 2007     | 2006     | 2005     |
| <b>Operations</b>                            |                     |           |           |           |           |           |           |           |          |          |          |
| Direct Written Premium                       | 1.7%                | \$11,206  | \$11,024  | \$11,218  | \$10,964  | \$10,972  | \$9,752   | \$8,541   | \$7,098  | \$7,246  | \$7,152  |
| Life Direct Written Premium                  | (0.8)%              | \$3,996   | \$4,030   | \$4,238   | \$4,039   | \$3,781   | \$3,484   | \$3,409   | \$3,201  | \$3,174  | \$2,985  |
| A&H Direct Written Premium                   | (3.2)%              | \$631     | \$652     | \$670     | \$688     | \$716     | \$696     | \$656     | \$612    | \$562    | \$516    |
| Annuities                                    | 17.7%               | \$6,578   | \$5,590   | \$5,560   | \$5,435   | \$5,552   | \$4,702   | \$3,768   | \$2,825  | \$3,034  | \$3,161  |
| Deposits & Other Considerations              | (17.1)%             | \$624     | \$752     | \$750     | \$802     | \$923     | \$870     | \$708     | \$459    | \$477    | \$490    |
| Ceded Premium                                | (4.4)%              | \$339     | \$355     | \$383     | \$418     | \$441     | \$379     | \$324     | \$259    | \$215    | \$140    |
| Net Earned Premium                           | 3.3%                | \$10,247  | \$9,919   | \$10,086  | \$9,759   | \$9,641   | \$8,476   | \$7,514   | \$6,373  | \$6,602  | \$6,712  |
| Net Investment Income                        | 3.0%                | \$5,595   | \$5,430   | \$5,387   | \$5,292   | \$5,035   | \$4,822   | \$4,817   | \$4,701  | \$4,576  | \$4,431  |
| Benefits                                     | 4.6%                | \$11,087  | \$10,600  | \$11,272  | \$11,236  | \$11,197  | \$10,194  | \$9,670   | \$7,775  | \$8,028  | \$7,998  |
| Commissions & General Expenses               | (0.4)%              | \$2,244   | \$2,253   | \$2,218   | \$2,158   | \$2,035   | \$1,952   | \$1,834   | \$1,763  | \$1,800  | \$1,704  |
| Operating Income (before refunds to members) | 1.8%                | \$1,643   | \$1,613   | \$1,478   | \$1,415   | \$1,381   | \$1,248   | \$1,195   | \$1,418  | \$1,360  | \$1,392  |
| Refunds to Members                           | 1.2%                | \$640     | \$633     | \$662     | \$795     | \$816     | \$821     | \$857     | \$902    | \$819    | \$797    |
| Realized Gains/(Losses)                      | 64.1%               | \$143     | \$87      | (\$12)    | (\$44)    | (\$48)    | (\$502)   | (\$835)   | \$229    | \$233    | \$157    |
| Net Income/(Loss)                            | 7.3%                | \$1,146   | \$1,068   | \$804     | \$576     | \$517     | (\$75)    | (\$499)   | \$745    | \$774    | \$752    |
| Net Cash From Operations                     | 6.6%                | \$4,114   | \$3,860   | \$4,721   | \$4,797   | \$5,099   | \$4,580   | \$3,366   | \$1,242  | \$1,812  | \$11,984 |
| <b>Surplus</b>                               |                     |           |           |           |           |           |           |           |          |          |          |
| Unrealized Gains/(Losses)                    | (70.2)%             | \$118     | \$397     | \$151     | (\$125)   | \$395     | \$627     | (\$1,247) | (\$78)   | \$143    | \$84     |
| Surplus                                      | 6.2%                | \$12,560  | \$11,828  | \$9,838   | \$9,165   | \$9,464   | \$9,149   | \$8,709   | \$9,907  | \$9,392  | \$8,529  |
| <b>Assets</b>                                |                     |           |           |           |           |           |           |           |          |          |          |
| Cash & Invested Assets                       | 4.0%                | \$119,284 | \$114,711 | \$111,727 | \$104,801 | \$98,590  | \$91,711  | \$85,510  | \$85,795 | \$84,477 | \$82,732 |
| Net Admitted Assets (excl. Sep. Accts.)      | 4.0%                | \$120,696 | \$116,071 | \$113,056 | \$106,083 | \$99,819  | \$92,865  | \$86,582  | \$86,876 | \$85,559 | \$83,739 |
| Separate Account Assets                      | 13.3%               | \$23,794  | \$21,007  | \$16,580  | \$13,746  | \$13,073  | \$10,886  | \$8,408   | \$11,978 | \$10,520 | \$8,908  |
| Total Net Admitted Assets                    | 5.4%                | \$144,490 | \$137,078 | \$129,637 | \$119,829 | \$112,892 | \$103,751 | \$94,990  | \$98,854 | \$96,079 | \$92,647 |
| Net Investment Yield                         | 0.0 pts.            | 4.8%      | 4.8%      | 5.0%      | 5.2%      | 5.3%      | 5.4%      | 5.6%      | 5.5%     | 5.5%     | 5.4%     |
| ROA                                          | 0.1 pts.            | 1.0%      | 0.9%      | 0.7%      | 0.6%      | 0.5%      | (0.1)%    | (0.6)%    | 0.9%     | 0.9%     | 0.9%     |

### Fraternal Societies

**Table 6** illustrates the fraternal insurance industry's aggregate financial results for societies which file on the fraternal annual statement blank. The fraternal industry continued to show improvement as it reported a 7.3% increase in net income and a 6.2% increase in surplus.

The industry reported a 1.8% (\$29.8 million) increase in operating income before refunds to members to \$1.6 billion for 2014. The improvement in profitability can be mostly attributed to a \$491.6 million increase in the aggregate net earned premium and net investment income, partially offset by a \$478.3 million increase in benefits and expenses. Realized capital gains increased 64.1% to \$143.1 million contributing to the net gain. **Figure 18** shows the industry's operating income and realized gains (losses) activity to net income and return on assets.

Total direct written premium and deposits increased 1.7% (\$182.2 million) to \$11.2 billion. This was primarily due to 17.7% (\$988.6 million) increase in annuities partially offset by a 17.1% (\$128.3 million) decrease in deposits.

Net investment income increased 3.0% to \$5.6 billion while the industry's net investment yield remained unchanged at 4.8%. The industry reported a 4.0% (\$4.5 billion) increase in cash and invested assets to \$119.3 billion mostly in long-term bonds, which were up 3.6% (\$3.3 billion). Separate account assets increased 13.3% to \$23.8 billion leading to a 5.4% increase in total net admitted assets to \$144.5 billion.

Surplus increased 6.2% to \$12.68 billion primarily due to a net income of \$1.1 billion.

