



National Association of Insurance Commissioners

& The CENTER for INSURANCE POLICY and RESEARCH

2015

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

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DISCLAIMER

The NAIC 2015 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, 2015, 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.

2015 Life, A&H and Fraternal
Insurance Industry Analysis Report



Highlights

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 an increase in profitability from year-end 2014 as a decrease in revenue was surpassed by a larger decrease in benefits and expenses. The overall profitability in the life industry increased 9.7% to \$35.7 billion in 2015, up from \$32.6 billion in 2014. Other notable items include the following:

- Cash and invested assets, excluding separate accounts, increased 2.1% mostly due to a 1.9% increase in long-term bonds, as well as an 8.4% increase in total mortgages;
- Capital and surplus increased 4.2% to \$367.0 billion due primarily to net income of \$35.7 billion and \$10.0 billion in paid-in surplus, partially offset by \$33.1 billion in stockholder dividends and \$11.1 billion in unrealized capital losses;
- Direct written premium increased 2.8% to \$679.7 billion and deposit-type contracts increased 16.2% to \$135.2 billion;
- Ceded premium and deposits increased 84.8% to \$190.7 billion mostly due to increases reported by two companies and assumed premium and deposits increased 79.4% mostly due to a large increase reported by one company.

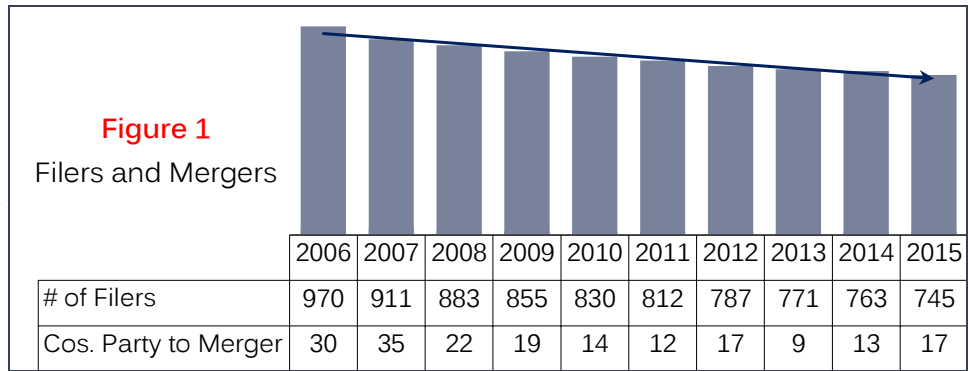
Life and Accident & Health Entities											
(\$ In Millions)	Chg.	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operations											
Direct Written Premium	4.8%	\$814,973	\$777,387	\$771,097	\$818,600	\$774,409	\$721,276	\$722,104	\$802,799	\$772,370	\$709,356
Life Direct Written Premium	4.1%	\$173,710	\$166,876	\$165,063	\$174,040	\$166,418	\$158,418	\$152,435	\$169,785	\$183,634	\$166,000
A&H Direct Written Premium	2.2%	\$172,007	\$168,296	\$182,768	\$179,603	\$178,437	\$176,594	\$172,093	\$167,756	\$154,563	\$143,857
Annuities	1.3%	\$258,667	\$255,380	\$242,992	\$267,004	\$249,289	\$230,262	\$240,193	\$260,563	\$237,905	\$217,821
Other Considerations	6.9%	\$75,346	\$70,472	\$77,073	\$90,286	\$85,847	\$68,288	\$64,389	\$84,172	\$89,544	\$92,333
Deposits	16.2%	\$135,244	\$116,362	\$103,201	\$107,667	\$94,418	\$87,714	\$92,995	\$120,524	\$106,723	\$89,345
Assumed Premium	79.4%	\$147,016	\$81,971	\$99,458	\$89,723	\$79,466	\$66,938	\$70,857	\$70,314	\$68,153	\$63,768
Ceded Premium	84.8%	\$190,727	\$103,227	\$199,010	\$151,105	\$135,268	\$122,031	\$184,193	\$129,108	\$122,010	\$107,696
Net Earned Premium	(1.1)%	\$640,535	\$647,587	\$580,738	\$642,945	\$621,717	\$581,368	\$511,463	\$631,303	\$616,771	\$583,606
Net Investment Income	(1.3)%	\$167,066	\$169,254	\$165,027	\$164,063	\$164,688	\$161,362	\$154,445	\$161,218	\$165,037	\$160,151
Benefits	5.1%	\$262,555	\$249,921	\$265,506	\$255,689	\$252,378	\$246,698	\$244,563	\$244,133	\$231,127	\$218,339
Commissions & General Expenses	4.3%	\$116,203	\$111,409	\$114,342	\$112,216	\$109,867	\$106,295	\$103,452	\$106,192	\$103,620	\$100,099
Operating Income	15.7%	\$39,184	\$33,865	\$52,772	\$47,539	\$20,181	\$41,334	\$48,225	(\$1,991)	\$30,523	\$29,484
Realized Gains/(Losses)	(166.9)%	(\$3,481)	(\$1,304)	(\$12,026)	(\$9,448)	(\$8,536)	(\$16,025)	(\$28,741)	(\$51,086)	(\$1,498)	\$6,534
Net Income/(Loss)	9.7%	\$35,703	\$32,561	\$40,746	\$38,091	\$11,645	\$25,309	\$19,484	(\$53,077)	\$29,025	\$36,017
Net Cash From Operations	18.3%	\$157,704	\$133,279	\$141,241	\$130,485	\$151,984	\$130,432	\$132,743	\$136,665	\$66,412	\$84,757
Number of Filers	(2.4)%	745	763	771	787	812	830	855	883	911	970
Capital and Surplus											
Unrealized Gains/(Losses)	(144.4)%	(\$10,153)	\$22,871	(\$4,335)	\$5,025	\$13,988	\$7,995	(\$19,143)	(\$47,800)	\$930	\$3,759
Capital and Surplus	4.2%	\$367,045	\$352,206	\$329,417	\$323,409	\$305,170	\$303,834	\$287,141	\$250,222	\$265,616	\$250,003
Stockholder Dividends	(15.3)%	(\$33,070)	(\$39,057)	(\$31,002)	(\$22,164)	(\$27,228)	(\$24,067)	(\$9,444)	(\$24,414)	(\$28,182)	(\$29,379)
ROE	0.5 pts.	9.7%	9.2%	12.4%	11.8%	3.8%	8.3%	6.8%	(21.2)%	10.9%	14.4%
Assets											
Cash & Invested Assets	2.1%	\$3,712,271	\$3,636,175	\$3,481,351	\$3,401,885	\$3,357,278	\$3,194,139	\$3,069,295	\$3,018,501	\$2,950,696	\$2,870,737
Net Admitted Assets (excl. Sep. Accts.)	2.2%	\$3,941,967	\$3,858,472	\$3,678,302	\$3,587,718	\$3,531,185	\$3,354,615	\$3,228,178	\$3,179,934	\$3,087,559	\$3,004,950
Separate Account Assets	(0.4)%	\$2,413,058	\$2,423,542	\$2,328,906	\$2,053,201	\$1,835,605	\$1,840,187	\$1,623,769	\$1,369,015	\$1,899,460	\$1,714,967
Total Net Admitted Assets	1.2%	\$6,355,025	\$6,282,014	\$6,007,208	\$5,640,919	\$5,366,790	\$5,194,802	\$4,851,946	\$4,548,949	\$4,987,019	\$4,719,917
Net Investment Yield	(0.3) pts.	4.5%	4.8%	4.8%	4.9%	5.0%	5.2%	5.1%	5.4%	5.7%	5.7%
ROA	0.0 pts.	0.9%	0.9%	1.1%	1.1%	0.3%	0.8%	0.6%	(1.7)%	1.0%	1.2%

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

Table 2 (\$ in Millions)	Life Insurance Premiums			Annuity Considerations			A&H Insurance Premiums			Other Considerations			Deposit-Type Contracts		
	State	% Chg	2015	2014	% Chg	2015	2014	% Chg	2015	2014	% Chg	2015	2014	% Chg	2015
Alabama	(9%)	\$2,077	\$2,278	8%	\$2,969	\$2,747	5%	\$1,487	\$1,411	(19%)	\$477	\$587	30%	\$292	\$224
Alaska	(27%)	\$532	\$732	(31%)	\$380	\$553	(1%)	\$333	\$336	(9%)	\$175	\$193	18%	\$24	\$20
Arizona	7%	\$2,287	\$2,128	(14%)	\$4,726	\$5,476	11%	\$3,827	\$3,442	39%	\$1,330	\$956	(2%)	\$314	\$321
Arkansas	8%	\$1,103	\$1,025	(2%)	\$1,502	\$1,539	(12%)	\$1,002	\$1,136	7%	\$230	\$215	(18%)	\$88	\$107
California	5%	\$15,840	\$15,113	6%	\$24,497	\$23,141	3%	\$14,286	\$13,910	14%	\$8,374	\$7,324	20%	\$2,510	\$2,093
Colorado	10%	\$2,627	\$2,380	2%	\$4,692	\$4,620	3%	\$3,420	\$3,310	34%	\$980	\$734	30%	\$1,031	\$795
Connecticut	34%	\$3,228	\$2,410	(6%)	\$4,195	\$4,441	2%	\$2,865	\$2,796	60%	\$2,256	\$1,411	(10%)	\$7,581	\$8,445
Delaware	(1%)	\$1,176	\$1,185	(15%)	\$2,483	\$2,906	(3%)	\$550	\$569	190%	\$506	\$174	26%	\$57,516	\$45,525
Dist. Columbia	2%	\$397	\$388	(15%)	\$619	\$731	2%	\$781	\$769	64%	\$1,279	\$779	0%	\$200	\$199
Florida	5%	\$8,839	\$8,421	3%	\$18,664	\$18,135	7%	\$12,582	\$11,791	(1%)	\$3,699	\$3,739	45%	\$1,542	\$1,064
Georgia	8%	\$4,636	\$4,295	3%	\$5,462	\$5,296	9%	\$5,151	\$4,745	3%	\$2,741	\$2,653	10%	\$631	\$572
Hawaii	(1%)	\$718	\$724	(6%)	\$1,273	\$1,354	8%	\$998	\$924	22%	\$419	\$343	39%	\$82	\$59
Idaho	11%	\$576	\$519	5%	\$977	\$926	2%	\$561	\$548	29%	\$239	\$186	71%	\$88	\$52
Illinois	3%	\$6,693	\$6,519	(5%)	\$9,799	\$10,325	(5%)	\$6,084	\$6,420	18%	\$2,881	\$2,447	4%	\$1,327	\$1,277
Indiana	0%	\$2,616	\$2,608	(1%)	\$5,264	\$5,295	8%	\$3,985	\$3,701	10%	\$838	\$761	50%	\$1,309	\$875
Iowa	(2%)	\$1,677	\$1,717	(1%)	\$3,022	\$3,040	4%	\$1,326	\$1,279	26%	\$2,502	\$1,985	(13%)	\$7,122	\$8,214
Kansas	9%	\$1,418	\$1,304	13%	\$2,588	\$2,299	2%	\$3,268	\$3,203	(8%)	\$380	\$412	144%	\$1,819	\$746
Kentucky	(1%)	\$1,494	\$1,505	5%	\$2,444	\$2,335	(0%)	\$1,594	\$1,598	4%	\$718	\$688	(20%)	\$246	\$309
Louisiana	0%	\$2,224	\$2,224	(0%)	\$3,575	\$3,580	2%	\$1,964	\$1,930	13%	\$629	\$556	20%	\$218	\$183
Maine	17%	\$522	\$445	8%	\$1,170	\$1,085	(1%)	\$823	\$828	(12%)	\$175	\$198	62%	\$93	\$57
Maryland	1%	\$2,911	\$2,884	(1%)	\$5,118	\$5,190	(1%)	\$3,253	\$3,292	15%	\$1,156	\$1,004	11%	\$698	\$631
Massachusetts	35%	\$4,768	\$3,524	(0%)	\$7,072	\$7,075	7%	\$3,110	\$2,916	2%	\$3,509	\$3,437	(39%)	\$1,000	\$1,640
Michigan	6%	\$4,379	\$4,121	(14%)	\$9,317	\$10,864	1%	\$3,392	\$3,368	16%	\$1,832	\$1,582	11%	\$910	\$819
Minnesota	4%	\$4,198	\$4,024	4%	\$4,650	\$4,492	(2%)	\$1,510	\$1,543	2%	\$1,939	\$1,899	55%	\$1,014	\$655
Mississippi	(0%)	\$1,169	\$1,171	1%	\$1,527	\$1,518	(12%)	\$1,442	\$1,630	2%	\$171	\$167	(37%)	\$112	\$180
Missouri	5%	\$2,751	\$2,626	(13%)	\$6,651	\$7,619	9%	\$3,713	\$3,392	(4%)	\$1,028	\$1,069	(5%)	\$926	\$975
Montana	(2%)	\$360	\$368	5%	\$529	\$503	(3%)	\$371	\$380	(20%)	\$111	\$138	40%	\$29	\$21
Nebraska	1%	\$1,008	\$1,001	(9%)	\$1,584	\$1,734	15%	\$1,270	\$1,100	24%	\$385	\$310	(0%)	\$459	\$460
Nevada	6%	\$952	\$898	42%	\$2,117	\$1,490	5%	\$1,122	\$1,068	(27%)	\$407	\$557	29%	\$292	\$226
New Hampshire	4%	\$600	\$577	10%	\$1,748	\$1,591	1%	\$655	\$651	36%	\$558	\$411	4%	\$189	\$181
New Jersey	1%	\$6,301	\$6,260	(0%)	\$11,514	\$11,568	(17%)	\$5,420	\$6,534	13%	\$2,910	\$2,567	7%	\$1,493	\$1,401
New Mexico	1%	\$626	\$619	(1%)	\$997	\$1,011	18%	\$757	\$640	12%	\$354	\$315	1%	\$79	\$78
New York	4%	\$11,741	\$11,260	2%	\$17,808	\$17,382	8%	\$9,208	\$8,498	(6%)	\$8,923	\$9,454	10%	\$26,564	\$24,152
North Carolina	6%	\$4,490	\$4,235	4%	\$7,232	\$6,924	(10%)	\$4,610	\$5,147	20%	\$2,930	\$2,437	17%	\$1,492	\$1,273
North Dakota	19%	\$449	\$376	(6%)	\$629	\$667	4%	\$304	\$292	63%	\$217	\$133	22%	\$62	\$50
Ohio	2%	\$4,937	\$4,856	16%	\$11,600	\$10,022	7%	\$6,793	\$6,374	19%	\$2,236	\$1,879	(2%)	\$3,806	\$3,890
Oklahoma	3%	\$1,411	\$1,376	10%	\$2,074	\$1,878	0%	\$1,597	\$1,593	36%	\$546	\$402	10%	\$199	\$181
Oregon	1%	\$1,175	\$1,162	1%	\$2,415	\$2,390	(3%)	\$1,782	\$1,836	39%	\$1,160	\$833	10%	\$241	\$220
Pennsylvania	2%	\$6,373	\$6,256	6%	\$13,469	\$12,695	6%	\$6,326	\$5,979	(44%)	\$3,322	\$5,924	90%	\$5,670	\$2,987
Rhode Island	17%	\$510	\$437	3%	\$1,277	\$1,239	(31%)	\$476	\$691	12%	\$281	\$250	1%	\$64	\$64
South Carolina	5%	\$2,041	\$1,938	9%	\$3,824	\$3,505	4%	\$1,972	\$1,898	33%	\$476	\$358	4%	\$196	\$189
South Dakota	28%	\$818	\$641	10%	\$640	\$580	2%	\$373	\$367	(35%)	\$91	\$140	18%	\$72	\$61
Tennessee	3%	\$2,876	\$2,794	0%	\$4,765	\$4,764	6%	\$2,838	\$2,669	(0%)	\$1,065	\$1,065	296%	\$1,568	\$396
Texas	3%	\$11,038	\$10,666	7%	\$16,911	\$15,873	11%	\$16,178	\$14,530	11%	\$3,114	\$2,794	(36%)	\$1,399	\$2,170
Utah	4%	\$1,314	\$1,263	4%	\$2,253	\$2,164	8%	\$1,005	\$932	41%	\$585	\$414	14%	\$348	\$307
Vermont	(1%)	\$252	\$254	3%	\$542	\$528	10%	\$347	\$317	78%	\$191	\$107	(3%)	\$44	\$45
Virginia	7%	\$4,158	\$3,879	1%	\$6,262	\$6,225	4%	\$4,107	\$3,947	61%	\$1,806	\$1,122	(1%)	\$746	\$756
Washington	1%	\$2,341	\$2,329	3%	\$4,687	\$4,559	2%	\$2,901	\$2,841	(7%)	\$1,373	\$1,477	61%	\$466	\$289
West Virginia	3%	\$631	\$611	1%	\$1,221	\$1,208	2%	\$656	\$640	8%	\$182	\$169	(2%)	\$96	\$98
Wisconsin	1%	\$2,500	\$2,476	13%	\$5,489	\$4,843	1%	\$3,568	\$3,546	4%	\$1,108	\$1,062	22%	\$622	\$510
Wyoming	4%	\$284	\$275	1%	\$427	\$424	(6%)	\$324	\$345	21%	\$43	\$35	(4%)	\$22	\$22
American Samoa	6%	\$3	\$3	(3%)	\$0	\$0	6%	\$0	\$0	0%	\$0	\$0	0%	\$0	\$0
Guam	6%	\$54	\$51	(8%)	\$10	\$10	15%	\$39	\$34	(2%)	\$3	\$3	(23%)	\$0	\$0
Puerto Rico	4%	\$485	\$466	(2%)	\$628	\$638	7%	\$831	\$777	(27%)	\$103	\$142	198%	\$46	\$15
U.S. Virgin Islands	(2%)	\$22	\$22	(6%)	\$9	\$9	4%	\$245	\$236	4%	\$4	\$4	(59%)	\$0	\$1
Canada	(8%)	\$329	\$357	(4%)	\$18	\$18	(12%)	\$350	\$399	14%	\$14	\$12	8%	\$2	\$2
Aggregate other alien	(12%)	\$4,895	\$5,583	(64%)	\$592	\$1,647	(9%)	\$10,130	\$11,158	(33%)	\$78	\$116	24%	\$118	\$96

Filings

As shown in **Figure 1**, for year-end 2015, a total of 745 companies filed with the NAIC on the life, accident & health annual statement blank. Of those companies, 17 were reported to be party to a merger.



Premium

The life industry reported an increase of 4.8%, or \$37.6 billion million in direct written premium and deposits to \$815.0 billion in 2015. Likewise, net written premium and deposits increased 2.0% (\$15.1 billion) to \$771.3 billion. Ceded premium increased 84.8%, or \$87.5 billion, to \$190.7 billion mostly due to increases reported by two companies and assumed premium increased 79.4%, or \$65.0 billion mostly due to a large increase reported by one company.

Table 2, on the previous page, illustrates state detail for 2015 and 2014 by premium type with the three largest states for each premium type highlighted.

On an earned basis, the industry reported a 1.1% (\$7.1 billion) decrease in net earned premium to \$640.4 billion. **Figure 2** illustrates the industry's 2015 net earned premium allocation by sector; **Table 3** shows the distribution of annuity considerations for the past five years.

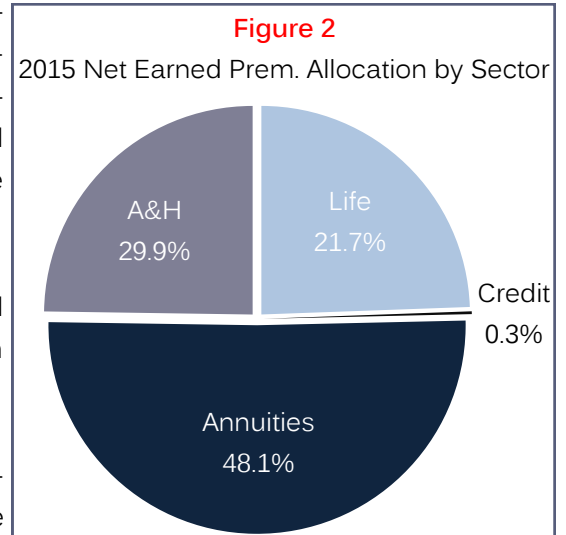


Table 3

5-Year Annuity Considerations Distribution

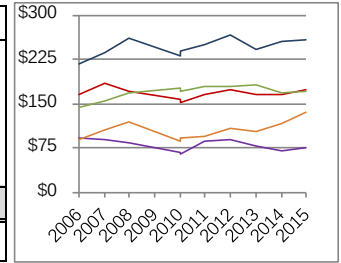
<i>\$ in Billions</i>	% Change	2015	2014	2013	2012	2011
Total Net Annuity Considerations	(8.1)%	\$324.1	\$352.7	\$278.8	\$337.4	\$325.1
Individual Fixed Annuities	(3.2)%	\$39.2	\$40.4	\$32.5	\$27.6	\$48.1
Individual Indexed Annuities	12.9%	\$48.9	\$43.3	\$19.5	\$32.8	\$31.9
Individual Variable Annuities General Account	(67.4)%	\$19.1	\$58.6	\$19.0	\$19.1	\$22.4
Individual Variable Annuities Separate Account	(4.9)%	\$90.9	\$95.6	\$98.5	\$100.0	\$105.0
Group Fixed Annuities	4.3%	\$29.2	\$28.0	\$19.0	\$55.6	\$21.7
Group Variable Annuities General Account	5.3%	\$12.0	\$11.4	\$11.0	\$8.5	\$9.2
Group Variable Annuities Separate Account	2.7%	\$57.5	\$56.0	\$52.6	\$54.1	\$53.9
Other Annuities	40.7%	\$27.3	\$19.4	\$26.6	\$39.7	\$32.9

Source: As filed on the Analysis of Annuity Operations by Line of Business supplement.

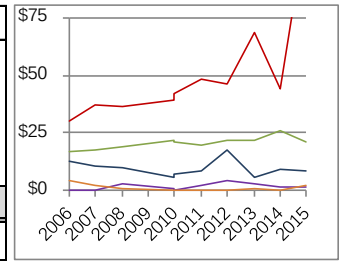
Table 4, on the following page, shows total direct written, assumed, ceded and net premium over the past ten years, as well as graphs to show trending broken out by line of business.

Table 4

Total Written Premium by LOB											
(\$ in Billions)											
Direct Premium	% Chg.	2015	2014	2013	2012	2011	2010	2010	2008	2007	2006
Life Insurance	4.1%	\$173.7	\$166.9	\$165.1	\$174.0	\$166.4	\$158.4	\$152.4	\$169.8	\$183.6	\$166.0
Annuity Considerations	1.3%	\$258.7	\$255.4	\$243.0	\$267.0	\$249.3	\$230.3	\$240.2	\$260.6	\$237.9	\$217.8
A&H Insurance	2.2%	\$172.0	\$168.3	\$182.8	\$179.6	\$178.4	\$176.6	\$172.1	\$167.8	\$154.6	\$143.9
Other	6.9%	\$75.3	\$70.5	\$77.1	\$90.3	\$85.8	\$68.3	\$64.4	\$84.2	\$89.5	\$92.3
Total	2.8%	\$679.7	\$661.0	\$667.9	\$710.9	\$680.0	\$633.6	\$629.1	\$682.3	\$665.6	\$620.0
Deposit-type Contracts	16.2%	\$135.2	\$116.4	\$103.2	\$107.7	\$94.4	\$87.7	\$93.0	\$120.5	\$106.7	\$89.3



Assumed Premium	% Chg.	2015	2014	2013	2012	2011	2010	2010	2008	2007	2006
Life Insurance	158.0%	\$113.6	\$44.0	\$68.6	\$45.9	\$48.1	\$38.9	\$42.1	\$36.6	\$36.9	\$29.8
Annuity Considerations	(11.8)%	\$8.3	\$9.5	\$5.7	\$17.6	\$8.7	\$5.7	\$7.2	\$10.3	\$10.7	\$12.5
A&H Insurance	(19.5)%	\$20.9	\$25.9	\$21.8	\$21.6	\$19.9	\$21.5	\$21.0	\$19.4	\$17.7	\$16.7
Other	(17.3)%	\$1.6	\$2.0	\$2.7	\$4.4	\$2.5	\$0.8	\$0.4	\$2.9	\$0.3	\$0.4
Total	77.5%	\$144.5	\$81.4	\$98.8	\$89.4	\$79.3	\$66.9	\$70.7	\$69.2	\$65.7	\$59.5
Deposit-type Contracts	359.3%	\$2.5	\$0.6	\$0.6	\$0.3	\$0.1	\$0.1	\$0.2	\$1.1	\$2.5	\$4.3



Ceded Premium	% Chg.	2015	2014	2013	2012	2011	2010	2010	2008	2007	2006
Life Insurance	70.4%	\$133.9	\$78.6	\$110.1	\$85.3	\$86.7	\$77.1	\$71.3	\$64.6	\$65.7	\$51.8
Annuity Considerations	(20.2)%	\$13.9	\$17.5	\$35.2	\$25.2	\$12.8	\$12.3	\$17.9	\$25.1	\$17.4	\$16.9
A&H Insurance	(8.6)%	\$33.5	\$36.6	\$30.8	\$29.7	\$26.6	\$25.5	\$26.5	\$23.6	\$21.2	\$19.4
Other	(119.1)%	\$6.4	(\$33.3)	\$13.4	\$9.8	\$8.2	\$7.1	\$68.3	\$12.3	\$9.4	\$9.4
Total	88.7%	\$187.7	\$99.4	\$189.5	\$150.1	\$134.3	\$122.0	\$184.0	\$125.6	\$113.7	\$97.5
Deposit-type Contracts	(19.5)%	\$3.0	\$3.8	\$9.5	\$1.0	\$1.0	\$0.1	\$0.2	\$3.5	\$8.3	\$10.2



Net Premium	% Chg.	2015	2014	2013	2012	2011	2010	2010	2008	2007	2006
Life Insurance	16.0%	\$153.4	\$132.3	\$123.6	\$134.6	\$127.8	\$120.2	\$141.8	\$154.9	\$144.1	\$138.8
Annuity Considerations	2.3%	\$253.1	\$247.4	\$213.5	\$259.4	\$245.3	\$223.7	\$245.7	\$231.3	\$213.4	\$191.4
A&H Insurance	1.2%	\$159.4	\$157.6	\$173.8	\$171.4	\$171.8	\$172.6	\$163.5	\$151.0	\$141.2	\$118.1
Other	(33.2)%	\$70.6	\$105.7	\$66.4	\$84.8	\$80.1	\$62.0	\$74.8	\$80.4	\$83.4	\$80.9
Total	(1.0)%	\$636.5	\$643.0	\$577.2	\$650.2	\$625.0	\$578.5	\$625.9	\$617.6	\$582.0	\$529.2
Deposit-type Contracts	19.1%	\$134.7	\$113.1	\$94.3	\$107.0	\$93.6	\$87.7	\$118.1	\$100.9	\$83.4	\$78.9

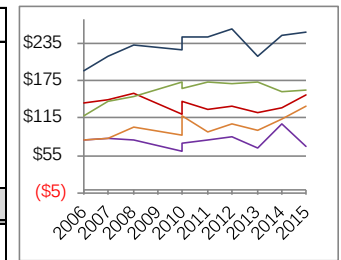


Figure 3

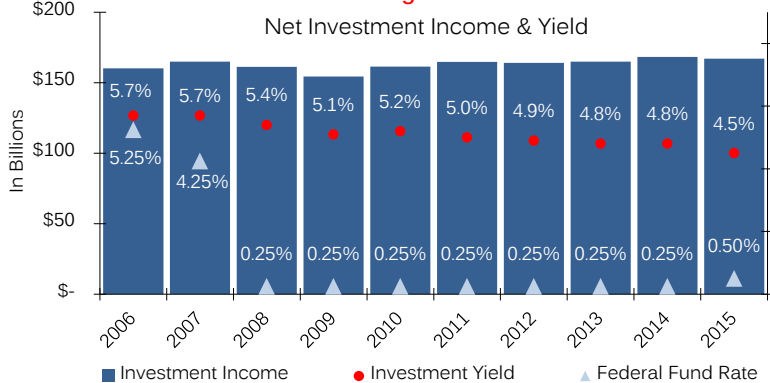
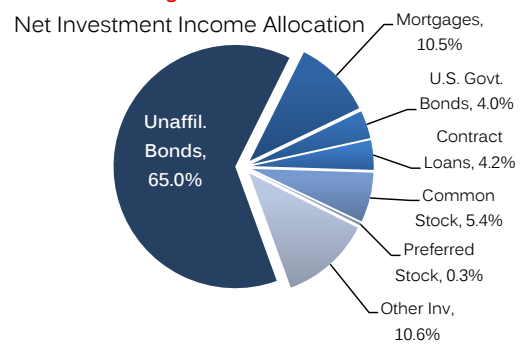


Figure 4



Investment Income

Adjusted net investment income decreased 1.3%, or \$2.2 billion, to \$167.1 billion in 2015 compared to \$169.3 billion in 2014. The decline was mostly due to a \$2.1 billion decrease in derivatives to \$3.9 billion. The industry's net investment yield decreased 0.3-percentage point to 4.5% as seen in Figure 3. Life insurers' invested asset portfolio

lio increased 2.1% to \$3.7 trillion at Dec. 31, 2015. The increase in invested assets was due primarily to 1.9% (\$52.3 billion) and 8.4% (\$31.2 billion) increases in long-term bonds and mortgages, respectively. **Figure 4**, on the previous page, illustrates net investment income by asset class.

In December 2015, the Federal Reserve increased the fed funds interest rate to 0.5% from 0.25%, which is expected to gradually increase the low short-term interest rate environment although the affects of the increase so far have been very limited.

Operations

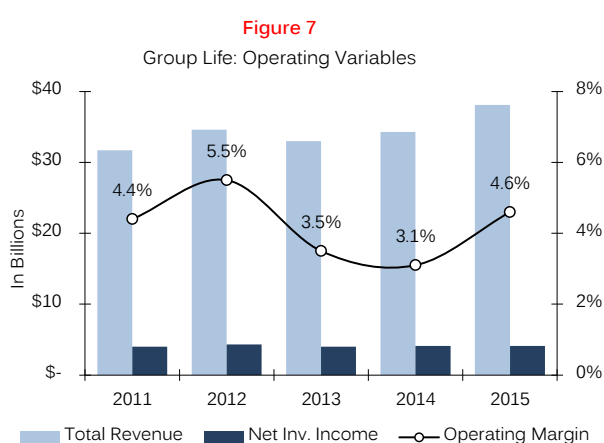
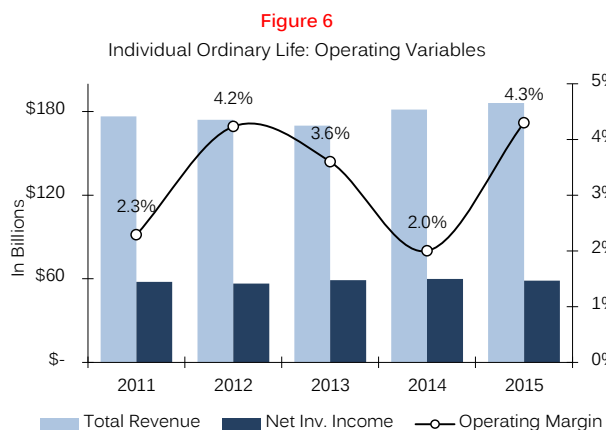
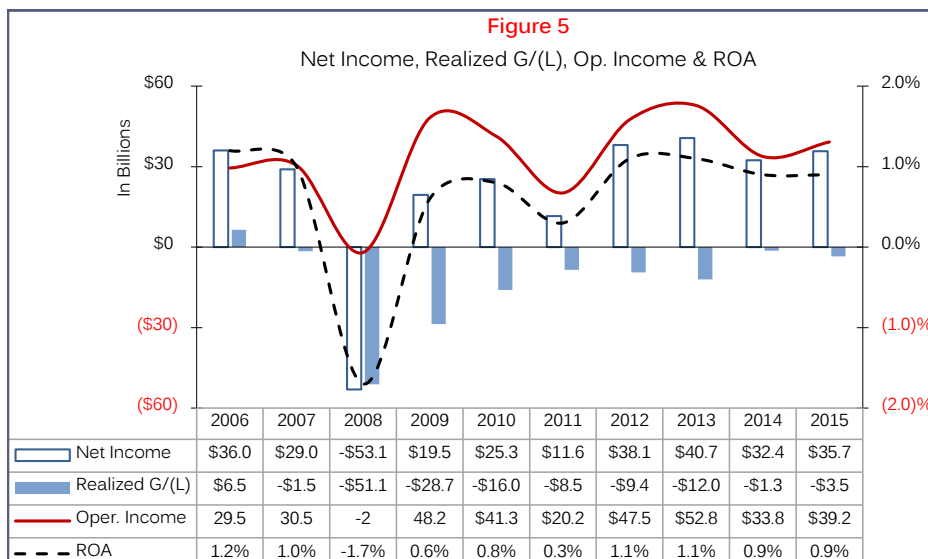
Net earnings rose 9.7% as the industry reported profitability of \$35.7 billion in 2015. This was predominantly due to a 15.7% increase in operating income to \$39.2 billion. Contributing to the increase was a \$70.9 billion increase in write-ins to \$(5.0) billion mostly due to one company's large Modco adjustment made in 2014 and one company's large reserve adjustment in 2015. The largest increases in operating income occurred in the following lines of business:

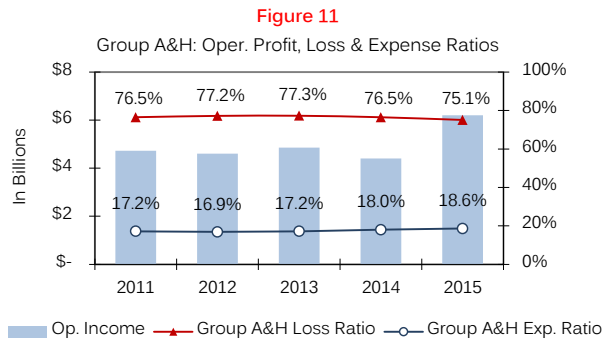
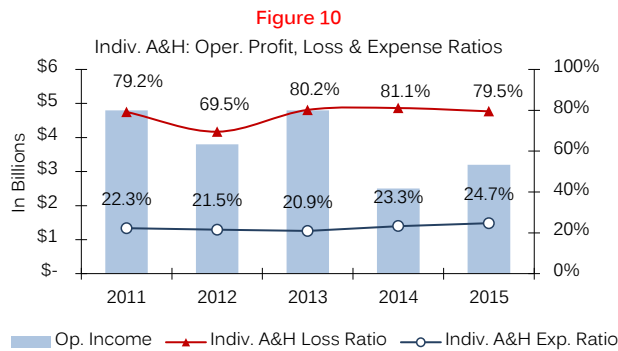
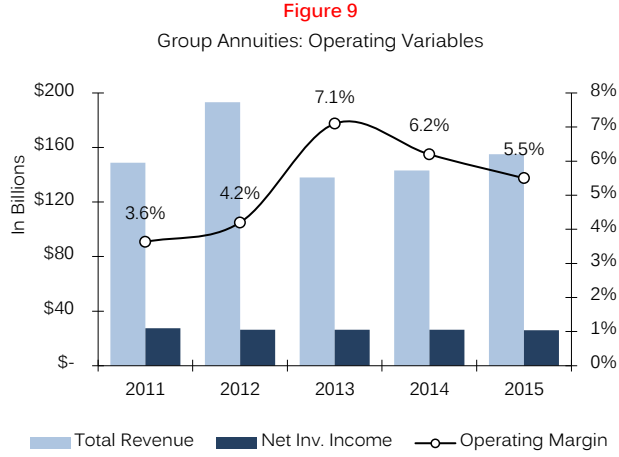
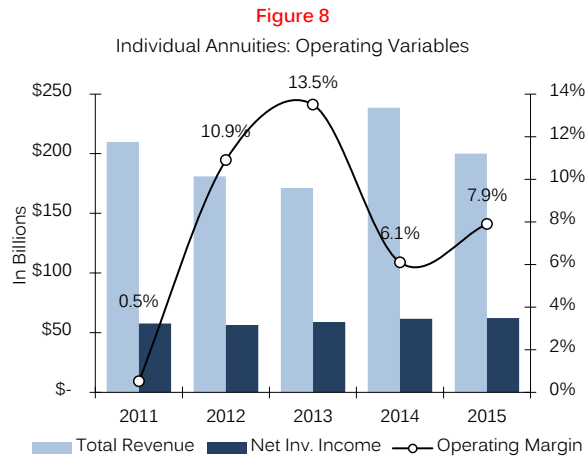
- Individual life operating income increased 120.8% (\$4.3 billion) to \$7.9 billion;
- Group A&H operating income increased 40.9% (\$1.8 billion) to \$6.2 billion;
- Individual annuities operating income increased 8.6% (\$1.3 billion) to \$15.8 billion.

Realized capital losses worsened 166.9% to \$3.5 billion compared to \$1.3 billion in 2014.

As illustrated in **Figure 5**, compared to 2014, the industry's return on assets was static at 0.9%.

Figures 6-11, show various lines of business in the life/A&H insurance and annuity considerations sectors over the past five years.





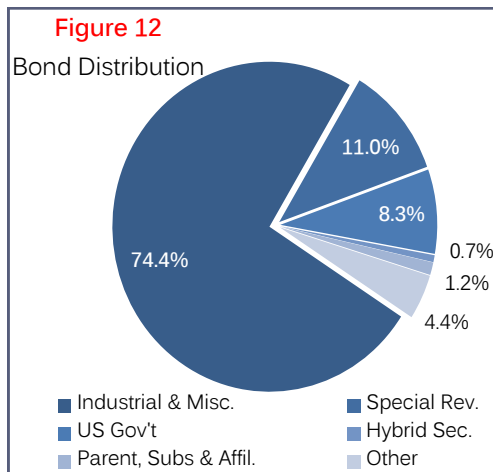
Assets

The life industry reported a 1.2% increase in total net admitted assets at Dec. 31, 2015 to just under \$6.4 trillion. The increase was due primarily to a 2.1% (\$76.1 billion) increase in total cash and invested assets partially offset by a 0.4% (\$10.5 billion) decrease in separate account assets. Non-invested assets rose 3.3% to \$229.7 billion primarily due to a 4.5% increase in reinsurance receivables to \$63.0 billion. **Table 5** illustrates the change in general account assets during 2015. See page 10 for discussion of separate accounts.

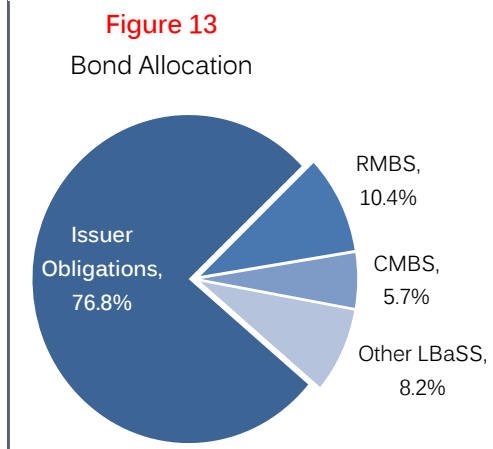
Table 5
Assets
(excluding separate accounts)

(\$ in Billions)	% of Total	% Change	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Bonds	74.0%	1.9%	\$2,746.2	\$2,693.9	\$2,605.1	\$2,547.0	\$2,536.0	\$2,426.5	\$2,291.9	\$2,151.6	\$2,164.1	\$2,134.6
Common Stock	1.9%	(0.4)%	\$71.0	\$71.3	\$67.4	\$65.1	\$65.9	\$66.5	\$60.6	\$48.1	\$74.2	\$75.9
Preferred Stock	0.3%	5.6%	\$9.6	\$9.1	\$8.3	\$7.8	\$8.1	\$9.1	\$11.7	\$64.0	\$65.5	\$64.5
Mortgage Loans	10.9%	8.4%	\$404.2	\$373.0	\$353.2	\$335.6	\$323.1	\$307.4	\$316.0	\$328.0	\$315.1	\$294.0
Real Estate	0.6%	8.3%	\$23.7	\$21.9	\$22.4	\$21.4	\$20.6	\$19.7	\$19.5	\$20.0	\$19.6	\$18.8
Cash & S/T Investments	2.8%	3.0%	\$103.7	\$100.7	\$94.7	\$106.7	\$96.8	\$95.3	\$122.8	\$146.8	\$79.2	\$79.8
Derivatives	1.5%	(4.7)%	\$53.8	\$56.5	\$40.1	\$41.6	\$44.4	\$21.7	\$18.4	\$0.0	\$0.0	\$0.0
BA Assets	4.2%	(4.3)%	\$155.4	\$162.3	\$144.8	\$137.0	\$125.3	\$112.6	\$105.7	\$0.0	\$0.0	\$0.0
Other Invested Assets	3.9%	(1.9)%	\$144.6	\$147.3	\$145.5	\$139.8	\$136.8	\$135.0	\$122.6	\$259.9	\$232.9	\$203.2
Total Invested Assets	100.0%	2.1%	\$3,712.3	\$3,636.2	\$3,481.4	\$3,401.9	\$3,356.9	\$3,193.7	\$3,068.9	\$3,018.5	\$2,950.7	\$2,870.7
Reinsurance Receivables	27.4%	4.5%	\$63.0	\$60.3	\$51.7	\$50.8	\$38.9	\$30.3	\$31.0	\$27.2	\$25.4	\$25.9
Receivable from Parent	3.5%	(14.7)%	\$8.1	\$9.5	\$6.4	\$7.2	\$6.9	\$6.3	\$7.1	\$16.2	\$10.8	\$9.5
Deferred Tax Asset	16.1%	3.2%	\$37.1	\$35.9	\$34.5	\$34.4	\$35.0	\$34.6	\$33.6	\$22.9	\$15.5	\$14.3
Other Receivables	34.3%	2.3%	\$78.9	\$77.1	\$73.9	\$68.1	\$67.9	\$64.6	\$61.4	\$68.9	\$61.4	\$58.2
Other Non-Invested Assets	0.3%	7.9%	\$0.8	\$0.7	\$0.7	\$0.7	\$0.8	\$0.7	\$0.7	\$1.1	\$0.7	\$0.6
Agg. Write-Ins Other than Inv. Assets	18.2%	8.2%	\$41.9	\$38.7	\$29.7	\$26.4	\$24.3	\$23.4	\$24.7	\$22.3	\$23.1	\$23.2
Total Non-Invested Assets	100.0%	3.3%	\$229.7	\$223.3	\$197.0	\$187.6	\$173.9	\$159.8	\$158.5	\$158.6	\$136.8	\$131.6

As seen in **Figure 12**, the majority of the industry's bond portfolio is comprised of industrial and miscellaneous bonds, 74.4%. The remainder is in special revenue, U.S. Government, hybrid securities and other bonds. **Figure 13** 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 increased 2.5% (\$4.1 billion) and represented 5.9 of total bonds at Dec. 31, 2015, of which 3.9% were class NAIC 3. The bond portfolio was also 70.9% publicly-traded securities and 29.1% private placements.



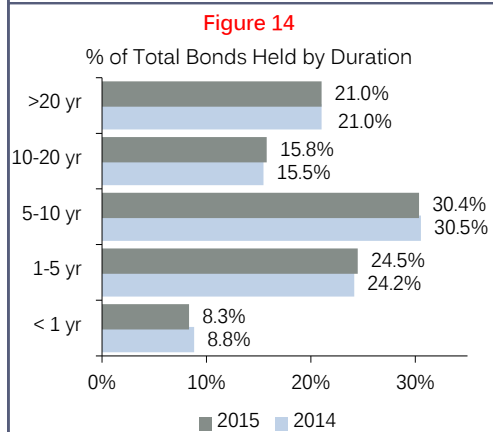
The life insurance industry maintains a portfolio where bond durations have increased with 32.8% of the holdings in 2015 due to mature in five years or less compared with 36.2% in 2011. Bonds with a maturity of ten years or later represented 36.8% of total bonds. **Figure 14** illustrates bond distribution by duration.



Liabilities

The life industry reported a 1.0% (\$57.5 billion) increase in total liabilities to \$6.0 trillion at year-end 2015. The increase was due largely to a 2.7% (\$67.8 billion) increase in aggregate reserves for life contracts. There was also 3.6% (\$8.0 billion) increase in aggregate reserves for accident and health contracts to \$231.3 billion. These items were partially offset by the following:

- A decrease in separate account liabilities of \$10.6 billion to \$2.4 trillion;
- Borrowed money decreased \$5.4 billion to \$13.6 billion;
- Dividends to stockholders declared and unpaid decreased \$4.5 billion to \$395.9 million;
- Asset valuation reserve decreased \$3.3 billion to \$47.7 billion.

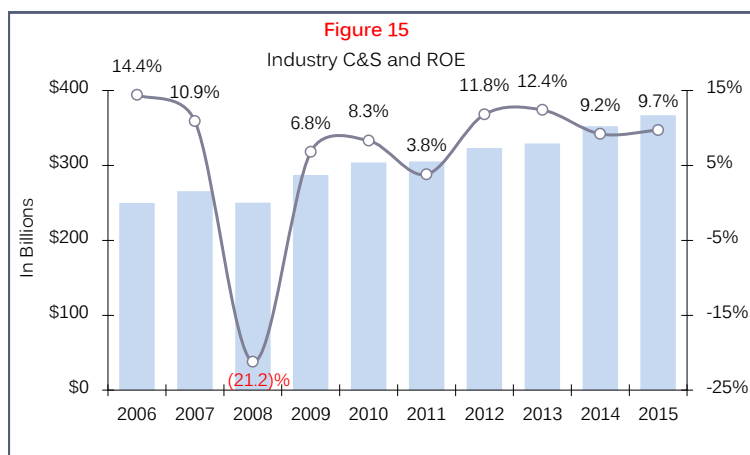


Capital and Surplus

The life industry's capital and surplus increased by 4.2% to \$367.0 billion at Dec. 31, 2015 due primarily to the following:

- Net income of \$35.7 billion
- \$10.0 billion in paid-in surplus
- Partially offset by total stockholder dividends of \$33.1 billion and unrealized capital losses of \$10.2 billion.

As seen in **Figure 15**, the industry's return on equity increased to 9.7% from 9.2% in 2014 due mainly to the industry's increase in net income.



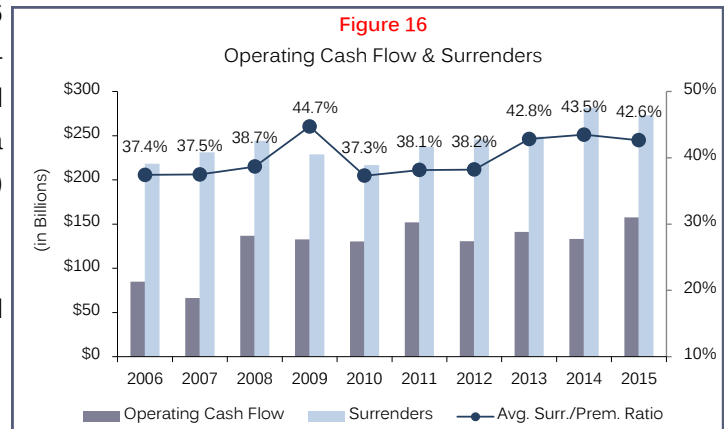
Liquidity

The life industry reported operating cash flow of \$157.7 billion in 2015, up 18.3% (\$24.4 billion) from \$133.3 billion in the prior year. The improvement was due primarily to a 5.0% (\$30.4 billion) increase in net premiums partially offset by a 1.3% (\$7.3 billion) increase in benefits and loss-related payments.

Surrender benefits decreased 3.0% to \$273.14 billion primarily reflected in 56.8% (\$41.0 billion) and 4.0% (\$5.8 billion) decreases in individual life and individual annuities, respectively.

The life industry reported \$(132.3) billion in net cash from investment activity as total investment proceeds of \$779.4 billion was surpassed by \$911.8 billion in total investments acquired. The largest increases in investments acquired were \$20.6 billion in mortgage loans and \$17.6 billion in bonds to \$96.3 billion and \$681.7 billion, respectively. Net cash from financing activity decreased 160.0% (\$13.2 billion) to \$(21.4) billion mostly due to a \$10.4 billion reduction in other cash provided to \$(3.6) billion.

Figure 16 shows the industry's operating cash flow and surrenders activity over the past ten years.



Separate Accounts

The life industry reported a 0.4% decrease in separate account assets to \$2.4 trillion at Dec. 31, 2015. Likewise, total separate account liabilities decreased 0.4% to \$2.4 trillion. Aggregate separate account reserves for life, annuity and A&H products decreased 0.3% to \$2.1 trillion. Similarly, total liabilities for deposit-type contracts decreased 0.2% to \$189.4 billion.

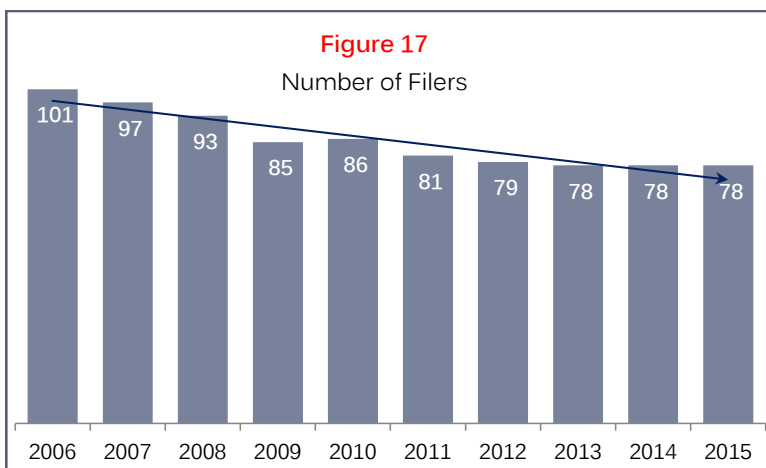
Net investment income and capital gains and losses dropped 102.8% to \$(3.9) billion compared to \$138.2 billion for 2014. The industry reported gross realized capital gains of \$62.4 billion in 2015 compared to \$76.9 billion in the prior year, an 18.9% decrease. Separate account fees increased 2.7% to \$35.2 billion. At Dec. 31, 2015, the ratio of separate account fees to separate account assets increased to 1.5% from 1.4% and the industry's CARVM allowance increased 9.9% to \$(30.1) billion. Separate account surplus increased 3.1% to \$2.3 billion compared to 2014.

<i>\$ in Millions</i>	Table 6	% Change	2015	2014
Totals Revenue		(26.9%)	\$248,684	\$340,201
Net premiums		24.1%	\$238,727	\$192,293
Net investment income and capital gains and losses		(102.8%)	(\$3,882)	\$138,162
Total Benefits and Expenses		(3.2%)	\$209,966	\$216,998
Death benefits		91.1%	\$7,250	\$3,793
Annuity benefits		6.7%	\$22,157	\$20,762
Surrender benefits and withdrawals for life contracts		(8.9%)	\$172,082	\$188,874
Fees for charges for investment mgt, admin and guarantees		3.0%	\$35,436	\$34,413
Increase in aggregate reserve for life and A&H contracts		(108.0%)	(\$5,939)	\$74,555
Increase in liability for deposit-type contracts		(103.4%)	(\$468)	\$13,786
Net gain from operations		(28.0%)	\$601	\$835
Surplus		3.1%	\$2,300	\$2,232
Assets		(0.4%)	\$2,413,058	\$2,423,542
Liabilities		(0.4%)	\$2,413,185	\$2,423,711
CARVM Allowance		(9.9%)	(\$30,125)	(\$33,424)

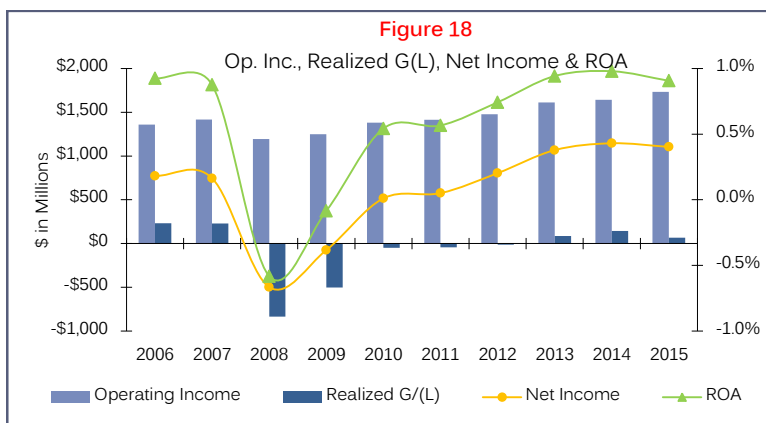
Table 7
Fraternal Societies

(\$ in Millions)	Chg.	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operations											
Direct Written Premium	3.5%	\$11,603	\$11,206	\$11,024	\$11,218	\$10,964	\$10,972	\$9,752	\$8,541	\$7,098	\$7,246
Life Direct Written Premium	0.9%	\$4,034	\$3,996	\$4,030	\$4,238	\$4,039	\$3,781	\$3,484	\$3,409	\$3,201	\$3,174
A&H Direct Written Premium	(1.3)%	\$623	\$631	\$652	\$670	\$688	\$716	\$696	\$656	\$612	\$562
Annuities	16.7%	\$6,947	\$5,955	\$5,590	\$5,560	\$5,435	\$5,552	\$4,702	\$3,768	\$2,825	\$3,034
Other Considerations	773.1%	\$2	\$0	\$2	\$2	\$2	\$2	\$17	\$0	\$1	\$1
Deposits	7.0%	\$667	\$623	\$751	\$747	\$800	\$921	\$854	\$707	\$458	\$476
Ceded Premium	2.4%	\$347	\$339	\$355	\$383	\$418	\$441	\$379	\$324	\$259	\$215
Net Earned Premium	3.4%	\$10,590	\$10,247	\$9,919	\$10,086	\$9,759	\$9,641	\$8,476	\$7,514	\$6,373	\$6,602
Net Investment Income	2.5%	\$5,737	\$5,595	\$5,430	\$5,387	\$5,292	\$5,035	\$4,822	\$4,817	\$4,701	\$4,576
Benefits	4.9%	\$11,634	\$11,087	\$10,600	\$11,272	\$11,236	\$11,197	\$10,194	\$9,670	\$7,775	\$8,028
Commissions & General Expenses	4.5%	\$2,344	\$2,244	\$2,253	\$2,218	\$2,158	\$2,035	\$1,952	\$1,834	\$1,763	\$1,800
Operating Income (before refunds to members)	5.5%	\$1,733	\$1,643	\$1,613	\$1,478	\$1,415	\$1,381	\$1,248	\$1,195	\$1,418	\$1,360
Refunds to Members	8.5%	\$695	\$640	\$633	\$662	\$795	\$816	\$821	\$857	\$902	\$819
Realized Gains/(Losses)	(53.5)%	\$67	\$143	\$87	(\$12)	(\$44)	(\$48)	(\$502)	(\$835)	\$229	\$233
Net Income/(Loss)	(3.6)%	\$1,105	\$1,146	\$1,068	\$804	\$576	\$517	(\$75)	(\$499)	\$745	\$774
Net Cash From Operations	6.4%	\$4,380	\$4,114	\$3,860	\$4,721	\$4,797	\$5,099	\$4,580	\$3,366	\$1,242	\$1,812
Number of Filers	0.0%	78	78	78	79	81	86	85	93	97	101
Surplus											
Unrealized Gains/(Losses)	(377.4)%	(\$328)	\$118	\$397	\$151	(\$125)	\$395	\$627	(\$1,247)	(\$78)	\$143
Surplus	7.2%	\$13,469	\$12,560	\$11,828	\$9,838	\$9,165	\$9,464	\$9,149	\$8,709	\$9,907	\$9,392
Assets											
Cash & Invested Assets	4.2%	\$124,305	\$119,284	\$114,711	\$111,727	\$104,801	\$98,590	\$91,711	\$85,510	\$85,795	\$84,477
Net Admitted Assets (excl. Sep. Accts.)	4.2%	\$125,741	\$120,696	\$116,071	\$113,056	\$106,083	\$99,819	\$92,865	\$86,582	\$86,876	\$85,559
Separate Account Assets	4.2%	\$24,793	\$23,794	\$21,007	\$16,580	\$13,746	\$13,073	\$10,886	\$8,408	\$11,978	\$10,520
Total Net Admitted Assets	4.2%	\$150,534	\$144,490	\$137,078	\$129,637	\$119,829	\$112,892	\$103,751	\$94,990	\$98,854	\$96,079
Net Investment Yield	(0.1) pts.	4.7%	4.8%	4.8%	5.0%	5.2%	5.3%	5.4%	5.6%	5.5%	5.5%
ROA	(0.1) pts.	0.9%	1.0%	0.9%	0.7%	0.6%	0.5%	(0.1)%	(0.6)%	0.9%	0.9%

Table 7 illustrates the fraternal insurance industry's aggregate financial results for societies which file on the fraternal annual statement blank. Figure 17 shows the number of filers over the previous ten years.



The fraternal industry reported a 3.6% decrease in net income to \$1.1 billion and reported a 5.5% (\$90.4 million) increase in operating income before refunds to members to \$1.7 billion for 2015. The deterioration in net income was mostly attributed to a \$543.3 million increase in benefits and a \$100.9 million increase in commissions and general expenses, partially offset by a \$348.4 million increase in net earned premiums and a \$139.9 million increase in net investment income. 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 3.5% (\$392.2 million) to \$11.6 billion. This was primarily due to a 16.7% (\$994.5 million) in-

crease in annuities and a 7.3% (\$45.6 million) increase in deposits.

Net investment income increased 2.5% to \$5.7 billion while the industry's net investment yield slightly decreased to 4.7% from 4.8% in 2014. The industry reported a 4.2% (\$5.0 billion) increase in cash and invested assets to \$124.3 billion mostly in long-term bonds, which were up 4.1% (\$4.1 billion). Separate account assets increased 4.2% to \$24.8 billion lending to a 4.2% increase in total net admitted assets to \$150.5 billion.

Surplus increased 7.2% to \$13.5 billion primarily due to net income of \$1.1 billion.