



National Association of Insurance Commissioners

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2016

Life, A&H, and Fraternal Year– End Insurance Industry Analysis Report

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The NAIC year-end 2016 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, 2016, 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.

2016 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 a decrease in profitability from year-end 2015 as a decrease in revenue surpassed a decrease in benefits and expenses. The overall profitability in the life industry decreased 4.7% to \$34.0 billion in 2016, down from \$35.7 billion in 2015. Other notable items include the following:

- Cash and invested assets increased 5.1% mostly due to a 4.7% increase in bonds, an 18.9% increase in common stock, an 8.3% increase in total mortgages, and a 15.2% increase in derivatives;
- Capital and surplus increased 3.7% to \$380.8 from \$367.0 billion at year-end 2015 due primarily to net income of \$34.0 billion, partially offset by \$2.7 billion in unrealized capital losses;
- Larger realized losses of \$11.4 billion were reported compared to losses of \$3.5 billion in 2015 which was primarily from realized losses experienced by three companies;

Table 1 – Life and Accident & Health Entities

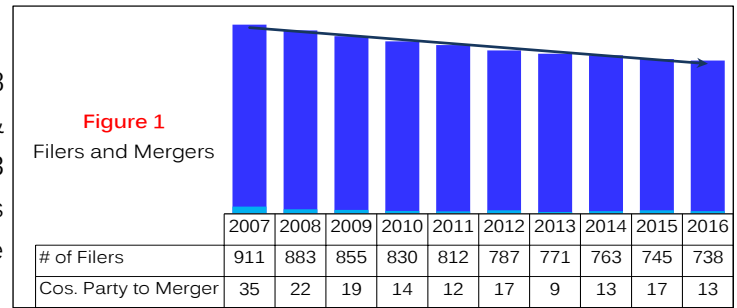
(\$ In Millions)	Chg.	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operations											
Direct Written Premium	1.2%	\$824,408	\$814,973	\$777,387	\$771,097	\$818,600	\$774,409	\$721,276	\$722,104	\$802,799	\$772,370
Life Direct Written Premium	0.8%	\$175,023	\$173,683	\$166,876	\$165,063	\$174,040	\$166,418	\$158,418	\$152,435	\$169,785	\$183,634
A&H Direct Written Premium	4.5%	\$179,736	\$172,047	\$168,296	\$182,768	\$179,603	\$178,437	\$176,594	\$172,093	\$167,756	\$154,563
Annuities	(4.1)%	\$248,118	\$258,667	\$255,380	\$242,992	\$267,004	\$249,289	\$230,262	\$240,193	\$260,563	\$237,905
Other Considerations	3.8%	\$78,236	\$75,346	\$70,472	\$77,073	\$90,286	\$85,847	\$68,288	\$64,389	\$84,172	\$89,544
Deposits	5.7%	\$143,295	\$135,544	\$116,362	\$103,201	\$107,667	\$94,418	\$87,714	\$92,995	\$120,524	\$106,723
Assumed Premium	(21.3)%	\$115,648	\$147,016	\$81,971	\$99,458	\$89,723	\$79,466	\$66,938	\$70,857	\$70,314	\$68,153
Ceded Premium	1.1%	\$192,819	\$190,703	\$103,227	\$199,010	\$151,105	\$135,268	\$122,031	\$184,193	\$129,108	\$122,010
Net Earned Premium	(6.0)%	\$601,805	\$640,535	\$647,587	\$580,738	\$642,945	\$621,717	\$581,368	\$511,463	\$631,303	\$616,771
Net Investment Income	1.9%	\$170,212	\$167,066	\$169,254	\$165,027	\$164,063	\$164,688	\$161,362	\$154,445	\$161,218	\$165,037
Benefits	3.0%	\$270,358	\$262,555	\$249,921	\$265,506	\$255,689	\$252,378	\$246,698	\$244,563	\$244,133	\$231,127
Commissions & General Expenses	11.6%	\$129,645	\$116,203	\$111,409	\$114,342	\$112,216	\$109,867	\$106,295	\$103,452	\$106,192	\$103,620
Operating Income	15.8%	\$45,387	\$39,184	\$33,865	\$52,772	\$47,539	\$20,181	\$41,334	\$48,225	(\$1,991)	\$30,523
Realized Gains/(Losses)	(227.0)%	(\$11,380)	(\$3,481)	(\$1,304)	(\$12,026)	(\$9,448)	(\$8,536)	(\$16,025)	(\$28,741)	(\$51,086)	(\$1,498)
Net Income/(Loss)	(4.7)%	\$34,008	\$35,703	\$32,561	\$40,746	\$38,091	\$11,645	\$25,309	\$19,484	(\$53,077)	\$29,025
Net Cash From Operations	12.5%	\$180,922	\$160,779	\$133,279	\$141,241	\$130,485	\$151,984	\$130,432	\$132,743	\$136,665	\$66,412
Number of Filers	(0.9)%	738	745	763	771	787	812	830	855	883	911
Capital and Surplus											
Unrealized Gains/(Losses)	73.4%	(\$2,699)	(\$10,153)	\$22,871	(\$4,335)	\$5,025	\$13,988	\$7,995	(\$19,143)	(\$47,800)	\$930
Capital and Surplus	3.7%	\$380,799	\$367,045	\$352,206	\$329,417	\$323,409	\$305,170	\$303,834	\$287,141	\$250,222	\$265,616
Stockholder Dividends	32.1%	(\$43,722)	(\$33,100)	(\$39,057)	(\$31,002)	(\$22,164)	(\$27,228)	(\$24,067)	(\$9,444)	(\$24,414)	(\$28,182)
ROE	0.5 pts.	8.9%	9.7%	9.2%	12.4%	11.8%	3.8%	8.3%	6.8%	(21.2)%	10.9%
Assets											
Cash & Invested Assets	5.1%	\$3,902,340	\$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
Net Admitted Assets (excl. Sep. Accts.)	5.4%	\$4,154,700	\$3,941,964	\$3,858,472	\$3,678,302	\$3,587,718	\$3,531,185	\$3,354,615	\$3,228,178	\$3,179,934	\$3,087,559
Separate Account Assets	3.3%	\$2,492,838	\$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
Total Net Admitted Assets	4.6%	\$6,647,539	\$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
Net Investment Yield	(0.3) pts.	4.5%	4.5%	4.8%	4.8%	4.9%	5.0%	5.2%	5.1%	5.4%	5.7%
ROA	0.0 pts.	0.8%	0.9%	0.9%	1.1%	1.1%	0.3%	0.8%	0.6%	(1.7)%	1.0%

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

State	Life Insurance Premiums			Annuity Considerations			A&H Insurance Premiums			Other Considerations			Deposit-Type Contracts		
	% Chg	2016	2015	% Chg	2016	2015	% Chg	2016	2015	% Chg	2016	2015	% Chg	2016	2015
Alabama	8%	\$2,237	\$2,077	(5%)	\$2,813	\$2,969	3%	\$1,527	\$1,487	(8%)	\$441	\$477	(3%)	\$284	\$292
Alaska	(20%)	\$423	\$532	(3%)	\$367	\$380	(3%)	\$322	\$333	20%	\$211	\$175	56%	\$37	\$24
Arizona	1%	\$2,312	\$2,287	(2%)	\$4,617	\$4,726	7%	\$4,078	\$3,827	26%	\$1,676	\$1,330	8%	\$340	\$314
Arkansas	7%	\$1,182	\$1,103	(6%)	\$1,417	\$1,502	(1%)	\$993	\$1,002	33%	\$306	\$230	(5%)	\$83	\$88
California	2%	\$16,158	\$15,840	(4%)	\$23,614	\$24,497	(4%)	\$13,754	\$14,286	4%	\$8,744	\$8,374	12%	\$2,800	\$2,510
Colorado	(5%)	\$2,489	\$2,627	(2%)	\$4,584	\$4,692	3%	\$3,517	\$3,420	(19%)	\$797	\$980	25%	\$1,287	\$1,031
Connecticut	(23%)	\$2,490	\$3,228	1%	\$4,225	\$4,195	(2%)	\$2,822	\$2,865	(8%)	\$2,083	\$2,256	3%	\$7,838	\$7,581
Delaware	0%	\$1,179	\$1,176	9%	\$2,703	\$2,483	12%	\$616	\$550	(22%)	\$394	\$506	(9%)	\$52,358	\$57,516
Dist. Columbia	7%	\$426	\$397	12%	\$691	\$619	13%	\$879	\$781	(100%)	-\$3	\$1,279	578%	\$1,355	\$200
Florida	6%	\$9,343	\$8,839	(4%)	\$17,990	\$18,664	3%	\$12,924	\$12,582	31%	\$4,835	\$3,699	(5%)	\$1,467	\$1,542
Georgia	2%	\$4,726	\$4,636	(1%)	\$5,383	\$5,462	11%	\$5,728	\$5,151	16%	\$3,175	\$2,741	55%	\$975	\$631
Hawaii	2%	\$734	\$718	2%	\$1,296	\$1,273	1%	\$1,013	\$998	(13%)	\$363	\$419	(19%)	\$67	\$82
Idaho	(2%)	\$567	\$576	(10%)	\$883	\$977	10%	\$616	\$561	(8%)	\$220	\$239	(31%)	\$61	\$88
Illinois	1%	\$6,784	\$6,693	(4%)	\$9,412	\$9,799	(9%)	\$5,511	\$6,084	10%	\$3,176	\$2,881	30%	\$1,728	\$1,327
Indiana	5%	\$2,738	\$2,616	10%	\$5,808	\$5,264	4%	\$4,156	\$3,985	9%	\$913	\$838	22%	\$1,595	\$1,309
Iowa	4%	\$1,742	\$1,677	(3%)	\$2,917	\$3,022	3%	\$1,360	\$1,326	(20%)	\$2,012	\$2,502	59%	\$11,303	\$7,122
Kansas	(1%)	\$1,398	\$1,418	(17%)	\$2,148	\$2,588	3%	\$3,375	\$3,268	16%	\$442	\$380	(16%)	\$1,528	\$1,819
Kentucky	5%	\$1,570	\$1,494	(0%)	\$2,435	\$2,444	4%	\$1,654	\$1,594	82%	\$1,306	\$718	16%	\$286	\$246
Louisiana	6%	\$2,356	\$2,224	(6%)	\$3,368	\$3,575	4%	\$2,033	\$1,964	(5%)	\$598	\$629	13%	\$246	\$218
Maine	(11%)	\$466	\$522	(12%)	\$1,033	\$1,170	9%	\$895	\$823	24%	\$218	\$175	1%	\$94	\$93
Maryland	1%	\$2,942	\$2,911	1%	\$5,182	\$5,118	4%	\$3,398	\$3,253	40%	\$1,623	\$1,156	7%	\$750	\$698
Massachusetts	(24%)	\$3,632	\$4,768	6%	\$7,462	\$7,072	4%	\$3,227	\$3,110	(8%)	\$3,235	\$3,509	(15%)	\$853	\$1,000
Michigan	3%	\$4,491	\$4,379	(0%)	\$9,286	\$9,317	1%	\$3,420	\$3,392	(16%)	\$1,542	\$1,832	11%	\$1,010	\$910
Minnesota	9%	\$4,570	\$4,198	3%	\$4,785	\$4,650	1%	\$1,528	\$1,510	(6%)	\$1,829	\$1,939	(27%)	\$739	\$1,014
Mississippi	4%	\$1,215	\$1,169	(7%)	\$1,416	\$1,527	(2%)	\$1,420	\$1,442	17%	\$199	\$171	6%	\$119	\$112
Missouri	(1%)	\$2,717	\$2,751	(8%)	\$6,152	\$6,651	7%	\$3,957	\$3,713	10%	\$1,132	\$1,028	(6%)	\$867	\$926
Montana	(2%)	\$351	\$360	(3%)	\$510	\$529	(7%)	\$346	\$371	19%	\$132	\$111	29%	\$37	\$29
Nebraska	8%	\$1,087	\$1,008	(0%)	\$1,582	\$1,584	4%	\$1,324	\$1,270	18%	\$455	\$385	(35%)	\$297	\$459
Nevada	8%	\$1,030	\$952	(29%)	\$1,500	\$2,117	2%	\$1,144	\$1,122	(12%)	\$359	\$407	10%	\$320	\$292
New Hampshire	2%	\$610	\$600	14%	\$1,987	\$1,748	2%	\$668	\$655	118%	\$1,216	\$558	55%	\$293	\$189
New Jersey	(3%)	\$6,133	\$6,301	(9%)	\$10,532	\$11,514	14%	\$6,154	\$5,420	(8%)	\$2,684	\$2,910	9%	\$1,625	\$1,493
New Mexico	8%	\$679	\$626	(1%)	\$984	\$997	10%	\$830	\$757	20%	\$425	\$354	5%	\$83	\$79
New York	2%	\$11,976	\$11,741	(4%)	\$17,151	\$17,808	4%	\$9,576	\$9,208	(4%)	\$8,571	\$8,923	12%	\$29,817	\$26,564
North Carolina	1%	\$4,557	\$4,490	(6%)	\$6,781	\$7,232	12%	\$5,178	\$4,610	12%	\$3,278	\$2,930	(50%)	\$749	\$1,492
North Dakota	(11%)	\$402	\$449	(5%)	\$595	\$629	(3%)	\$295	\$304	(13%)	\$188	\$217	28%	\$79	\$62
Ohio	2%	\$5,033	\$4,937	(16%)	\$9,773	\$11,600	5%	\$7,154	\$6,793	11%	\$2,486	\$2,236	11%	\$4,230	\$3,806
Oklahoma	15%	\$1,621	\$1,411	(10%)	\$1,863	\$2,074	2%	\$1,627	\$1,597	(4%)	\$526	\$546	4%	\$207	\$199
Oregon	5%	\$1,232	\$1,175	1%	\$2,431	\$2,415	2%	\$1,815	\$1,782	(0%)	\$1,158	\$1,160	19%	\$286	\$241
Pennsylvania	(0%)	\$6,368	\$6,373	(5%)	\$12,736	\$13,469	5%	\$6,624	\$6,326	29%	\$4,285	\$3,322	35%	\$7,639	\$5,670
Rhode Island	(11%)	\$453	\$510	(14%)	\$1,102	\$1,277	0%	\$478	\$476	(18%)	\$230	\$281	88%	\$121	\$64
South Carolina	3%	\$2,093	\$2,041	(5%)	\$3,615	\$3,824	4%	\$2,044	\$1,972	14%	\$542	\$476	(2%)	\$191	\$196
South Dakota	(1%)	\$808	\$818	(12%)	\$560	\$640	1%	\$377	\$373	22%	\$111	\$91	4%	\$75	\$72
Tennessee	3%	\$2,949	\$2,876	(5%)	\$4,516	\$4,765	11%	\$3,141	\$2,838	18%	\$1,256	\$1,065	(43%)	\$888	\$1,568
Texas	2%	\$11,212	\$11,038	(6%)	\$15,836	\$16,911	9%	\$17,596	\$16,178	3%	\$3,208	\$3,114	136%	\$3,299	\$1,399
Utah	1%	\$1,331	\$1,314	(3%)	\$2,196	\$2,253	16%	\$1,164	\$1,005	(16%)	\$492	\$585	3%	\$358	\$348
Vermont	1%	\$254	\$252	3%	\$560	\$542	3%	\$359	\$347	(11%)	\$171	\$191	21%	\$53	\$44
Virginia	2%	\$4,251	\$4,158	4%	\$6,482	\$6,262	3%	\$4,248	\$4,107	(22%)	\$1,408	\$1,806	27%	\$949	\$746
Washington	9%	\$2,547	\$2,341	(9%)	\$4,272	\$4,687	11%	\$3,222	\$2,901	8%	\$1,480	\$1,373	1%	\$473	\$466
West Virginia	(4%)	\$606	\$631	9%	\$1,330	\$1,221	11%	\$727	\$656	(9%)	\$165	\$182	12%	\$107	\$96
Wisconsin	3%	\$2,574	\$2,500	(13%)	\$4,752	\$5,489	0%	\$3,570	\$3,568	13%	\$1,253	\$1,108	13%	\$701	\$622
Wyoming	(5%)	\$271	\$284	2%	\$433	\$427	5%	\$340	\$324	41%	\$60	\$43	(2%)	\$21	\$22
American Samoa	3%	\$3	\$3	7%	\$0	\$0	(14%)	\$0	\$0	0%	\$0	\$0	0%	\$0	\$0
Guam	1%	\$54	\$54	(15%)	\$8	\$10	12%	\$44	\$39	3%	\$3	\$3	(44%)	\$0	\$0
Puerto Rico	5%	\$509	\$485	5%	\$659	\$628	3%	\$859	\$831	33%	\$137	\$103	(60%)	\$19	\$46
U.S. Virgin Islands	2%	\$22	\$22	44%	\$12	\$9	2%	\$248	\$245	18%	\$4	\$4	(31%)	\$0	\$0
Northern Mariana Islands	5%	\$8	\$8	28%	\$0	\$0	143%	\$28	\$12	0%	\$0	\$0	0%	\$0	\$0
Canada	(3%)	\$318	\$329	(15%)	\$15	\$18	(2%)	\$342	\$350	2%	\$14	\$14	10%	\$2	\$2
Aggregate other alien	(5%)	\$4,655	\$4,895	(16%)	\$500	\$592	12%	\$11,311	\$10,130	89%	\$148	\$78	(14%)	\$102	\$118

Filings

As shown in **Figure 1**, for year-end 2016, a total of 738 companies filed with the NAIC on the life, accident & health annual statement blank. Of those companies, 13 were reported to be party to a merger. The industry has not seen a significant change in mergers since the years 2007 to 2008.



Premium

Table 2, on the previous page, illustrates state detail for 2016 and 2015 by premium type with the three largest states for each premium type highlighted.

The life industry reported an increase of 1.2% (\$9.4 billion) in direct written premium and deposits to \$824.4 billion in 2016. Net written premium and deposits decreased 3.2% (\$24.4 billion) to \$747.2 billion. Ceded premium was relatively flat with an increase of 1.1% (\$2.1 billion). Assumed premium decreased 21.3%, or \$31.4 billion mostly due to a large increase reported by one company in 2015 that did not recur in 2016. While on an aggregate basis, the life industry did not see much movement in premiums, there were many companies that experienced significant changes in assumed and ceded premiums. Of the 407 companies that reported assumed premiums, 44 companies with over \$100.0 million in assumed premium reported changes of over 20.0% from 2015. Of the 597 companies that reported ceded premiums, 74 companies with over \$100.0 million in ceded premiums reported changes of over 20.0% from 2015.

On an earned basis, the industry reported a 6.0% (\$38.7 billion) decrease in net earned premium to \$601.8 billion. **Figure 2** illustrates the industry's 2016 net earned premium allocation by sector. Individual annuities accounted for 60.9% of annuity premiums, group A&H accounted for 64.0% of A&H premiums, and ordinary life insurance accounted for 75.9% of life premiums. **Table 3** shows the distribution of annuity considerations for the past five years. There has been an overall downward trend in annuity considerations over the past five years, largely driven by individual variable annuities in the separate account, group variable annuities in the separate account, and other annuities. Individual fixed and indexed annuities have experienced an upward trend over the same time period. The trends may be driven by the continued low interest rate environment encountered by the industry the past several years.

Figure 2
2016 Net Earned Prem. Allocation by Sector

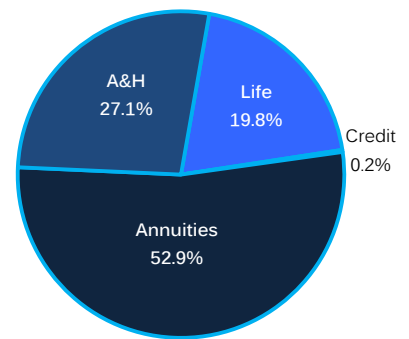


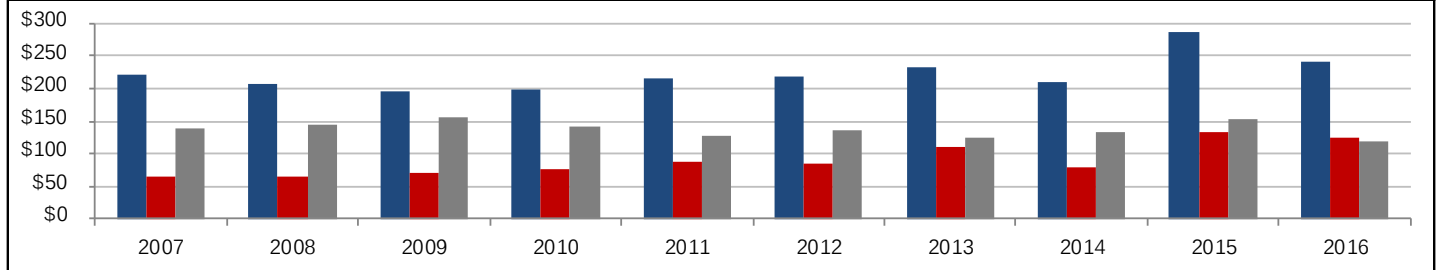
Table 3 – 5-Year Annuity Considerations Distribution

<i>\$ In Billions</i>	% Change	2016	2015	2014	2013	2012
Total Net Annuity Considerations	(1.7)%	\$318.5	\$324.1	\$352.7	\$278.8	\$337.4
Individual Fixed Annuities	21.8%	\$47.7	\$39.2	\$40.4	\$32.5	\$27.6
Individual Indexed Annuities	1.4%	\$49.5	\$48.9	\$43.3	\$19.5	\$32.8
Individual Variable Annuities General Account	37.5%	\$26.3	\$19.1	\$58.6	\$19.0	\$19.1
Individual Variable Annuities Separate Account	(23.5)%	\$69.5	\$90.9	\$95.6	\$98.5	\$100.0
Group Fixed Annuities	24.3%	\$36.3	\$29.2	\$28.0	\$19.0	\$55.6
Group Variable Annuities General Account	9.8%	\$13.2	\$12.0	\$11.4	\$11.0	\$8.5
Group Variable Annuities Separate Account	(6.8)%	\$53.6	\$57.5	\$56.0	\$52.6	\$54.1
Other Annuities	(17.9)%	\$22.4	\$27.3	\$19.4	\$26.6	\$39.7

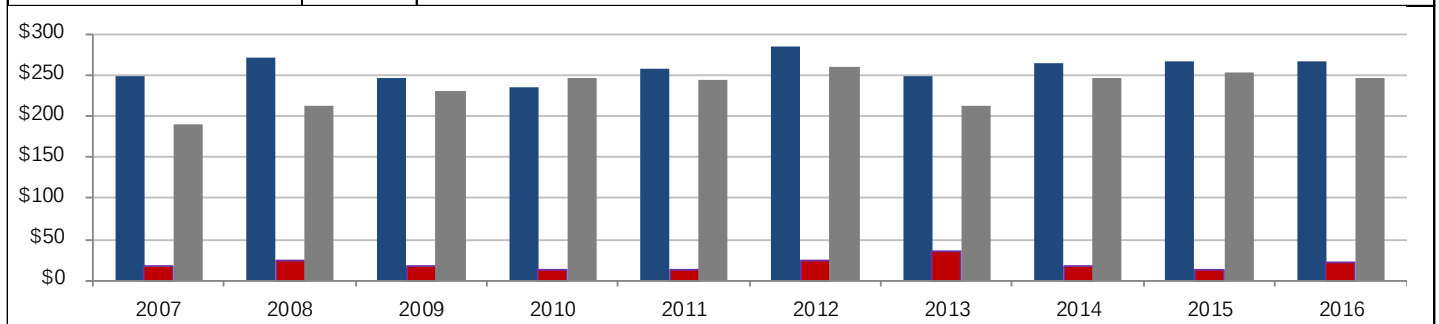
Table 4

Total Written Premium by LOB
(\$ in Billions)

Life Insurance	% Chg.	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Direct Premium	0.8%	\$175.0	\$173.7	\$166.9	\$165.1	\$174.0	\$166.4	\$158.4	\$152.4	\$169.8	\$183.6
Assumed Premium	(40.8)%	\$67.2	\$113.6	\$44.0	\$68.6	\$45.9	\$48.1	\$38.9	\$42.1	\$36.6	\$36.9
Gross Premium	(15.7)%	\$242.3	\$287.3	\$210.9	\$233.7	\$219.9	\$214.6	\$197.3	\$194.5	\$206.4	\$220.6
Ceded Premiums	(7.6)%	\$123.7	\$133.9	\$78.6	\$110.1	\$85.3	\$86.7	\$77.1	\$71.3	\$64.6	\$65.7
Net Premium	(22.7)%	\$118.6	\$153.4	\$132.3	\$123.6	\$134.6	\$127.8	\$141.8	\$154.9	\$144.1	\$138.8



Annuity Considerations	% Chg.	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Direct Premium	(4.1)%	\$248.1	\$258.7	\$255.4	\$243.0	\$267.0	\$249.3	\$230.3	\$240.2	\$260.6	\$237.9
Assumed Premium	122.8%	\$18.6	\$8.3	\$9.5	\$5.7	\$17.6	\$8.7	\$5.7	\$7.2	\$10.3	\$10.7
Gross Premium	(0.1)%	\$266.7	\$267.0	\$264.8	\$248.7	\$284.6	\$258.0	\$235.9	\$247.4	\$270.9	\$248.6
Ceded Premiums	50.4%	\$21.0	\$13.9	\$17.5	\$35.2	\$25.2	\$12.8	\$12.3	\$17.9	\$25.1	\$17.4
Net Premium	(2.9)%	\$245.7	\$253.1	\$247.4	\$213.5	\$259.4	\$245.3	\$245.7	\$231.3	\$213.4	\$191.4



A&H Insurance	% Chg.	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Direct Premium	4.5%	\$179.7	\$172.0	\$168.3	\$182.8	\$179.6	\$178.4	\$176.6	\$172.1	\$167.8	\$154.6
Assumed Premium	25.3%	\$26.2	\$20.9	\$25.9	\$21.8	\$21.6	\$19.9	\$21.5	\$21.0	\$19.4	\$17.7
Gross Premium	6.7%	\$205.9	\$192.9	\$194.2	\$204.5	\$201.2	\$198.4	\$198.1	\$193.1	\$187.1	\$172.3
Ceded Premiums	23.3%	\$41.2	\$33.5	\$36.6	\$30.8	\$29.7	\$26.6	\$25.5	\$26.5	\$23.6	\$21.2
Net Premium	3.2%	\$164.6	\$159.5	\$157.6	\$173.8	\$171.4	\$171.8	\$163.5	\$151.0	\$141.2	\$118.1

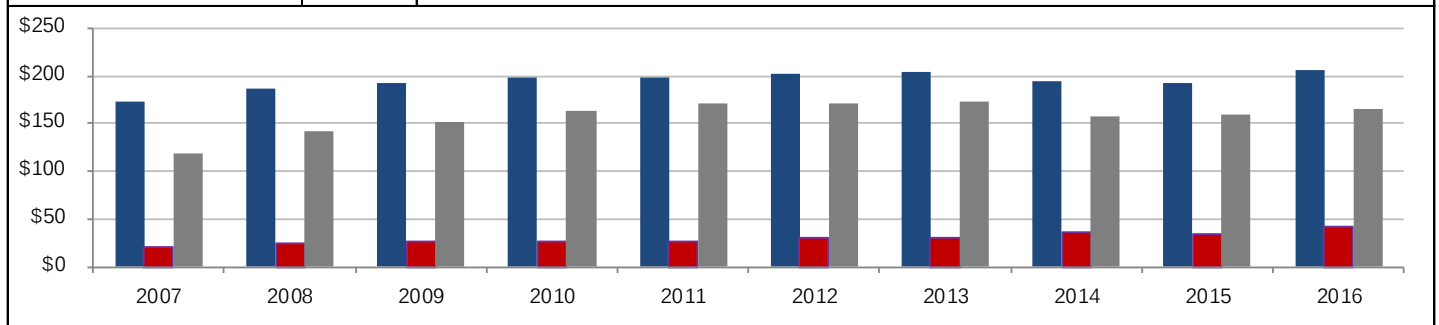


Table 4 (Cont'd)

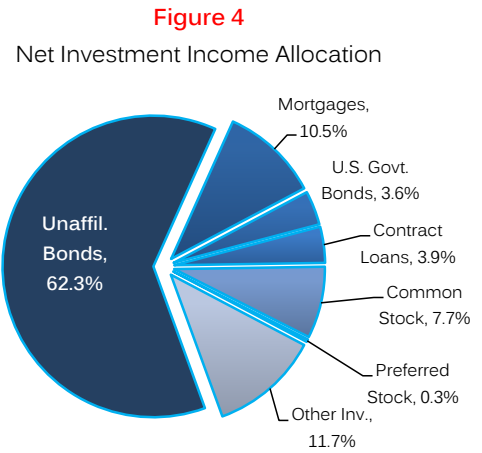
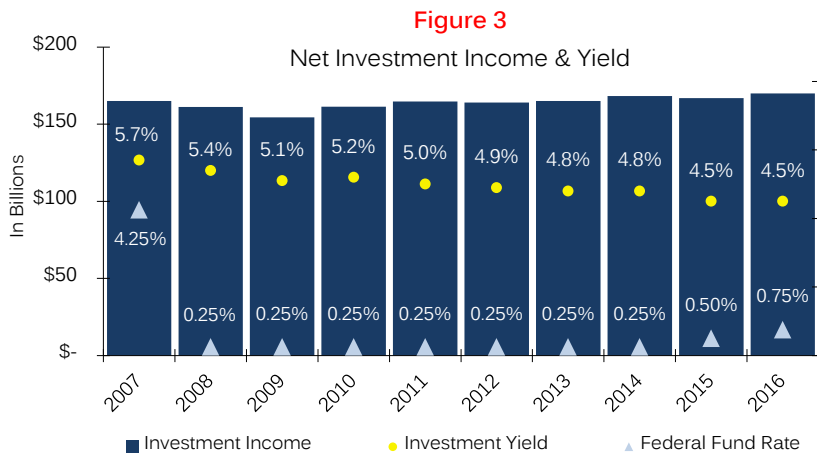
Total Written Premium by LOB											
(\$ in Billions)											
Other	% Chg.	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Direct Premium	3.8%	\$78.2	\$75.3	\$70.5	\$77.1	\$90.3	\$85.8	\$68.3	\$64.4	\$84.2	\$89.5
Assumed Premium	(16.8)%	\$1.4	\$1.6	\$2.0	\$2.7	\$4.4	\$2.5	\$0.8	\$0.4	\$2.9	\$0.3
Gross Premium	3.4%	\$79.6	\$77.0	\$72.5	\$79.8	\$94.6	\$88.4	\$69.1	\$64.8	\$87.1	\$89.8
Ceded Premiums	(15.4)%	\$5.4	\$6.4	(\$33.3)	\$13.4	\$9.8	\$8.2	\$7.1	\$68.3	\$12.3	\$9.4
Net Premium	5.1%	\$74.2	\$70.6	\$105.7	\$66.4	\$84.8	\$80.1	\$74.8	\$80.4	\$83.4	\$80.9

Deposit-type Contracts	% Chg.	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Direct Premium	5.7%	\$143.3	\$135.5	\$116.4	\$103.2	\$107.7	\$94.4	\$87.7	\$93.0	\$120.5	\$106.7
Assumed Premium	(9.5)%	\$2.3	\$2.5	\$0.6	\$0.6	\$0.3	\$0.1	\$0.1	\$0.2	\$1.1	\$2.5
Gross Premium	5.4%	\$145.6	\$138.1	\$116.9	\$103.8	\$108.0	\$94.5	\$87.8	\$93.2	\$121.6	\$109.2
Ceded Premiums	(50.0)%	\$1.5	\$3.0	\$3.8	\$9.5	\$1.0	\$1.0	\$0.1	\$0.2	\$3.5	\$8.3
Net Premium	6.7%	\$144.1	\$135.0	\$113.1	\$94.3	\$107.0	\$93.6	\$118.1	\$100.9	\$83.4	\$78.9

Table 4 shows total direct written, assumed, ceded and net premium by line of business over the past ten years, as well as graphs to show trending. Assumed premiums in the life insurance segment in 2016 was more in line with what has been seen over the past ten years compared to 2015, as a result of a non-recurring reinsurance transaction that took place in 2015. Annuity considerations experienced significant increases in both assumed and ceded reinsurance over what was reported in 2015. A&H insurance reported increases for direct, gross, and net premiums on an aggregate basis and have increased significantly since 2007. Deposit-type contracts have experienced an overall upward trend over the last ten years.

Investment Income

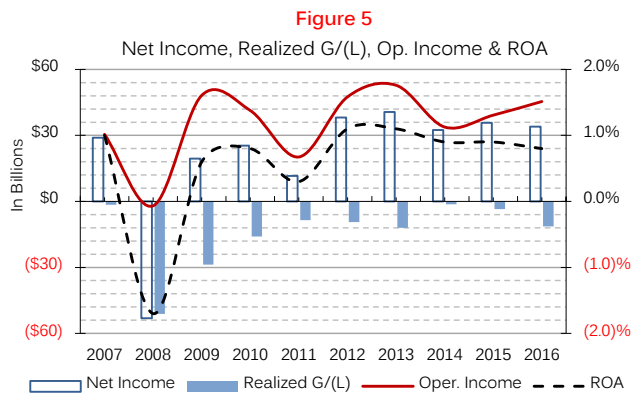
Adjusted net investment income increased 1.9% (\$3.1 billion), to \$170.2 billion in 2016 compared to \$167.1 billion in 2015. The increase was mostly due to a \$2.3 billion increase in other bonds to \$121.7 billion. The industry's net investment yield was flat at 4.5% as seen in Figure 3 on the following page. Life insurers' invested asset portfolio increased 5.1% to \$3.9 trillion at year-end 2016. The increase in invested assets was due primarily to 4.7% (\$127.7 billion) and 8.3% (\$33.5 billion) increases in long-term bonds and mortgages, respectively. Figure 4, on the following page, illustrates net investment income by asset class.



In December 2016 the Federal Reserve increased the fed funds interest rate to 0.75% from 0.50%. It was increased again in March 2017 to 1.0%, which is not reflected in 10-year historical chart above.

Operations

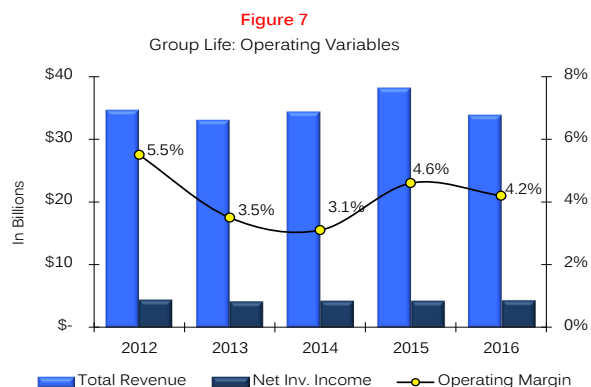
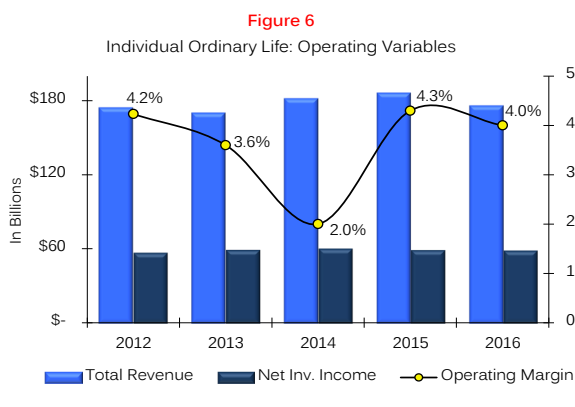
The industry reported profitability of \$34.0 billion in 2016 compared to \$35.7 billion for 2015. This decline was predominantly due to larger realized losses of \$12.7 billion compared to losses of \$3.5 billion for 2015. The realized losses of three companies accounted for 48.1% of the \$11.4 billion realized losses and were primarily from derivative instruments. The impact realized losses have had on net income over the past ten years is depicted in **Figure 5**.

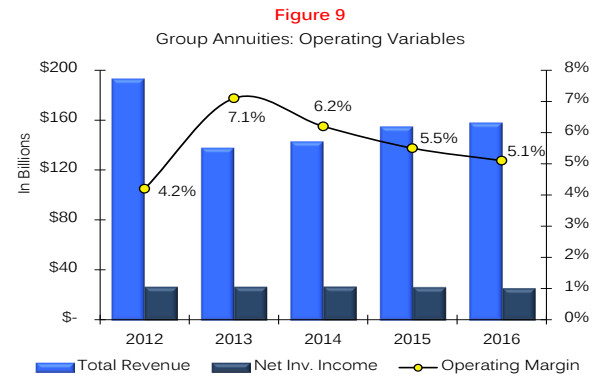
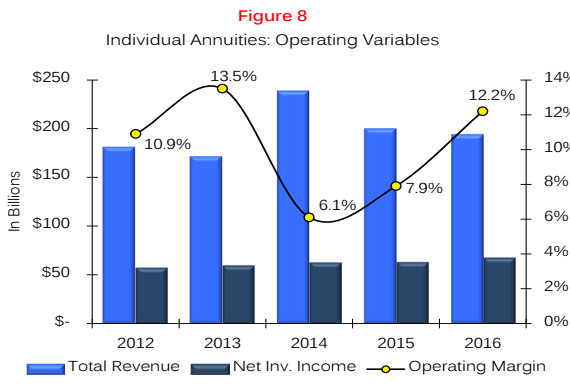


As illustrated in **Figure 5**, the industry's return on assets has been relatively static since 2012, with only a slight downward trend.

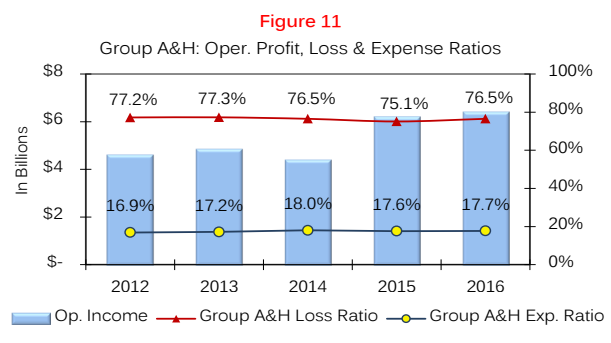
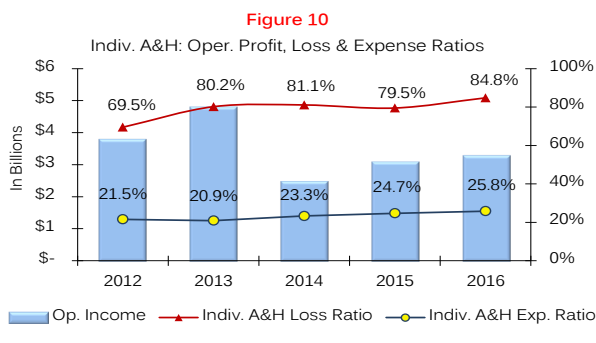
\$ In Billions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Income	\$29.0	-\$53.1	\$19.5	\$25.3	\$11.6	\$38.1	\$40.7	\$32.4	\$35.7	\$34.0
Realized G/(L)	-\$1.5	-\$51.1	-\$28.7	-\$16.0	-\$8.5	-\$9.4	-\$12.0	-\$1.3	-\$3.5	-\$11.4
Oper. Income	\$30.5	-\$2.0	\$48.2	\$41.3	\$20.2	\$47.5	\$52.8	\$33.8	\$39.2	\$45.4
ROA	1.0%	-1.7%	0.6%	0.8%	0.3%	1.1%	1.1%	0.9%	0.9%	0.8%

Figures 6-9 show the total revenue, net investment income, and operating margin for the individual and group life sectors and the individual and group annuities sectors over the past five years. As illustrated in **Figures 8 and 9**, the operating margins for the annuities sector have experienced significantly more change than for the life sector.





Figures 10 and 11 show the operating profit, loss ratio, and expense ratio for the individual and group A&H sectors over the past five years.



Assets

The life industry reported a 4.6% increase in total net admitted assets at Dec. 31, 2016 to \$6.6 trillion. The increase was primarily in total cash and invested assets, which increased 5.1% (\$190.0 billion) to \$3.9 trillion versus non-invested assets, which increased 9.9% (\$22.7 billion). Separate accounts increased 3.3% to \$2.5 trillion and accounted for 37.5% of total net admitted assets. Table 5 illustrates the change in general account assets during 2016, of which there were several reported increases. Over the past ten years, the industry has seen significant increases in the following asset classes: mortgage loans, derivatives, and BA assets while other assets classes

Table 5 – Assets (excluding separate accounts)												
(\$ In Billions)	% of Total	% Change	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Bonds	73.7%	4.7%	\$2,874.1	\$2,746.3	\$2,693.9	\$2,605.1	\$2,547.0	\$2,536.0	\$2,426.5	\$2,291.9	\$2,151.6	\$2,164.1
Common Stock	2.2%	18.9%	\$84.3	\$70.9	\$71.3	\$67.4	\$65.1	\$65.9	\$66.5	\$60.6	\$48.1	\$74.2
Preferred Stock	0.2%	(0.2)%	\$9.6	\$9.6	\$9.1	\$8.3	\$7.8	\$8.1	\$9.1	\$11.7	\$64.0	\$65.5
Mortgage Loans	11.2%	8.3%	\$437.7	\$404.2	\$373.0	\$353.2	\$335.6	\$323.1	\$307.4	\$316.0	\$328.0	\$315.1
Real Estate	0.6%	3.2%	\$24.5	\$23.7	\$21.9	\$22.4	\$21.4	\$20.6	\$19.7	\$19.5	\$20.0	\$19.6
Cash & S/T Investments	2.6%	(1.8)%	\$101.9	\$103.7	\$100.7	\$94.7	\$106.7	\$96.8	\$95.3	\$122.8	\$146.8	\$79.2
Derivatives	1.6%	15.2%	\$62.0	\$53.8	\$56.5	\$40.1	\$41.6	\$44.4	\$21.7	\$0.0	\$0.0	\$0.0
BA Assets	4.1%	2.2%	\$158.8	\$155.4	\$162.3	\$144.8	\$137.0	\$125.3	\$112.6	\$0.0	\$0.0	\$0.0
Other Invested Assets	3.8%	3.4%	\$149.4	\$144.5	\$147.3	\$145.5	\$139.8	\$136.8	\$135.0	\$246.6	\$259.9	\$232.9
Total Invested Assets	100.0%	5.1%	\$3,902.3	\$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
Reinsurance Receivables	30.7%	22.9%	\$77.5	\$63.0	\$60.3	\$51.7	\$50.8	\$38.9	\$30.3	\$31.0	\$27.2	\$25.4
Receivable from Parent	3.0%	(5.5)%	\$7.6	\$8.1	\$9.5	\$6.4	\$7.2	\$6.9	\$6.3	\$7.1	\$16.2	\$10.8
Deferred Tax Asset	15.7%	6.9%	\$39.7	\$37.1	\$35.9	\$34.5	\$34.4	\$35.0	\$34.6	\$33.6	\$22.9	\$15.5
Other Receivables	30.9%	(1.0)%	\$78.1	\$78.9	\$77.1	\$73.9	\$68.1	\$67.9	\$64.6	\$61.4	\$68.9	\$61.4
Other Non-Invested Assets	0.3%	(11.0)%	\$0.7	\$0.8	\$0.7	\$0.7	\$0.7	\$0.8	\$0.7	\$0.7	\$1.1	\$0.7
Agg. Write-Ins Other than Inv. Assets	19.4%	16.8%	\$48.9	\$41.9	\$38.7	\$29.7	\$26.4	\$24.3	\$23.4	\$24.7	\$22.3	\$23.1
Total Non-Invested Assets	100.0%	9.9%	\$252.4	\$229.7	\$222.3	\$197.0	\$187.6	\$173.9	\$159.8	\$158.5	\$158.6	\$136.8

such as preferred stock, real estate, and other invested assets have either remained flat or experienced decreases. See page 10 for discussion of separate accounts.

As seen in **Figure 12**, the majority of the industry's bond portfolio is comprised of industrial and miscellaneous bonds, 74.2%. The remainder is in special revenue, U.S. Government, hybrid securities and other bonds. **Figure 13** shows the allocation of long-term bonds 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 6.7% (\$11.2 billion) and represented 6.1% of total bonds at Dec. 31, 2016, of which 3.8% were class NAIC 3. The distribution of bonds between class NAIC 1 through class NAIC 6 has been essentially flat for the last five years. The bond portfolio was also 70.2% publicly-traded securities and 29.8% private placements.

The life insurance industry maintains a portfolio where bond durations have increased with 32.7% of the holdings at year-end 2016 due to mature in five years or less compared with 36.6% at year-end 2012. Bonds with a maturity of ten years or later represented 37.3% of total bonds. **Figure 14** illustrates bond distribution by duration.

Liabilities

The life industry reported a 4.7% (\$280.9 billion) increase in total liabilities to \$6.3 trillion at year-end 2016. The largest increases were in the following:

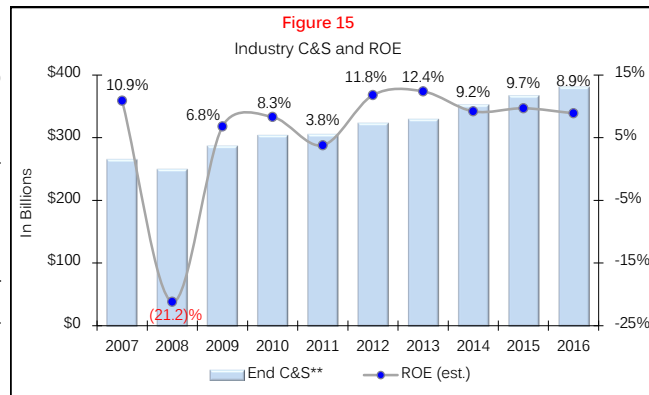
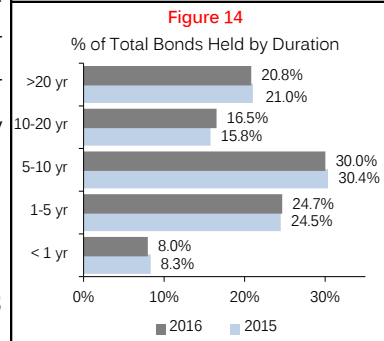
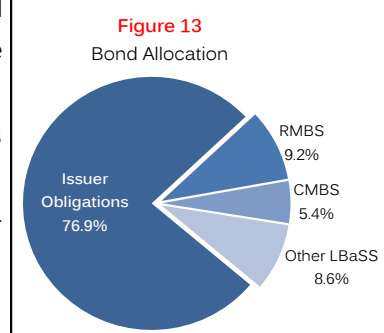
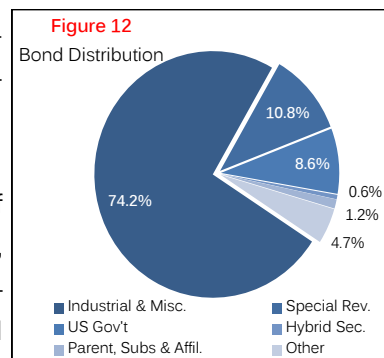
- 4.4% (\$112.2 billion) increase in aggregate reserves for life contracts to \$2.7 trillion;
- 3.3% (\$79.9 billion) increase in separate account liabilities to \$2.5 trillion;
- 8.1% (\$22.0 billion) increase in liability for deposit-type contracts to \$292.1 billion;
- 19.2% (\$13.5 billion) increase in funds held under coinsurance to \$83.9 billion;
- 16.6% (\$13.3 billion) increase in funds held under reinsurance treaties with unauthorized reinsurers to \$93.2 billion;
- 4.5% (\$11.0 billion) increase in aggregate reserves for A&H contracts to \$252.7 billion.

These items were partially offset by a 3.1% (\$1.5 billion) decrease in payable for securities lending to \$47.8 billion and a 9.0% (\$825.7 billion) decrease in remittances and item not allocated.

Capital and Surplus

The life industry's capital and surplus increased by 3.7% to \$380.8 billion compared to \$367.0 billion at Dec. 31, 2015 due primarily to net income of \$34.0 billion, partially offset by unrealized capital losses of \$2.7 billion.

As seen in **Figure 15**, the industry's return on equity decreased to 8.9% from 9.7% in 2015 due mainly to the industry's decline in net income.

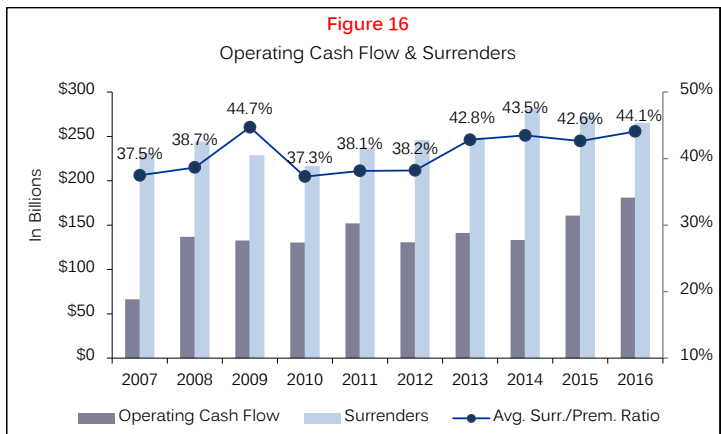


Liquidity

The life industry reported operating cash flow of \$180.9 billion in 2016, up 12.5% (\$20.1 billion) from \$160.8 billion in the prior year. The increase was primarily from a 25.0% (\$15.6 billion) increase in miscellaneous income and a 2.3% (\$12.8 billion) decrease in benefits and loss-related payments partially offset by a 2.6% (\$16.7 billion) decrease in premiums collected net of reinsurance.

Surrender benefits decreased 2.9% (\$7.9 billion) to \$265.3 billion primarily from a 4.7% (\$6.6 billion) decrease in individual annuities, a 2.5% (\$2.7 billion) decrease in group annuities, and a 10.3% (\$462.9 million) decrease in group life. **Figure 16** shows the industry's operating cash flow and surrenders activity over the past ten years.

The life industry reported \$(183.7) billion in net cash from investment activity as total investment proceeds of \$799.9 billion were surpassed by \$983.7 billion in total investments acquired. The largest increase in investments acquired was \$106.6 billion in bonds to \$788.0 billion. Net cash from financing activity increased 112.9% (\$27.6 billion) to \$3.2 billion mostly from a \$10.0 billion increase in net deposits on deposit-type contracts to \$12.6 billion and an increase in other cash provided to \$1.9 billion.



Separate Accounts

The life industry reported a 3.3% increase in separate account assets to \$2.5 trillion at Dec. 31, 2016. Likewise, total separate account liabilities increased 3.3% to \$2.5 trillion. Aggregate separate account reserves for life, annuity and A&H products increased 3.3% (\$71.5 billion) to \$2.2 trillion and payable for securities increased 36.2% (\$8.9 billion) to \$33.6 billion.

Net investment income and capital gains and losses increased to \$154.9 billion compared to \$(3.9) billion for 2015. Net gain from operations decreased 29.4% (\$177.0) million to \$424.1 million. The largest declines were in the following lines of business: individual annuities decreased \$377.1 million to \$(38.9) million and group annuities decreased \$155.0 million to \$27.6 million.

<i>\$ In Millions</i>	% Change	2016	2015
Totals Revenue	29.3%	\$321,527	\$248,607
Net premiums	(31.3%)	\$169,321	\$246,634
Net investment income and capital gains and losses	4,036.5%	\$154,925	(\$3,936)
Total Benefits and Expenses	(1.8%)	\$212,975	\$216,777
Death benefits	(5.2%)	\$6,873	\$7,251
Annuity benefits	2.6%	\$22,732	\$22,153
Surrender benefits and withdrawals for life contracts	(4.4%)	\$170,579	\$178,374
Fees for charges for investment mgt, admin and guarantees	(0.6%)	\$35,250	\$35,447
Increase in aggregate reserve for life and A&H contracts	1,280.3%	\$71,040	(\$6,019)
Increase in liability for deposit-type contracts	595.0%	\$2,318	(\$468)
Net gain from operations	(29.4%)	\$424	\$601
Surplus	(2.0%)	\$2,255	\$2,300
Assets	3.3%	\$2,492,838	\$2,413,058
Liabilities	3.3%	\$2,493,305	\$2,413,451
CARVM Allowance	10.7%	(\$26,892)	(\$30,125)

Separate account fees decreased 1.5% to \$34.7 billion from \$35.2 billion at Dec. 31, 2016. The ratio of separate account fees to separate account assets decreased to 1.4% from 1.5% and the industry's CARVM allowance increased 10.7% to \$(26.9) billion. Separate account surplus decreased 2.0% to just under \$2.3 billion compared to year-end 2015.

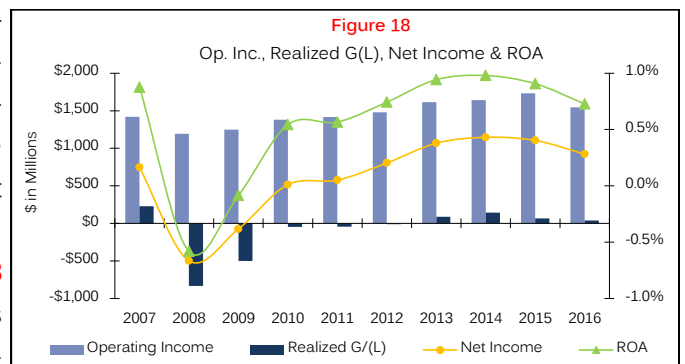
Table 7 — Fraternal Societies

(\$ in Millions)	Chg.	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operations											
Direct Written Premium	2.1%	\$11,852	\$11,603	\$11,206	\$11,024	\$11,218	\$10,964	\$10,972	\$9,752	\$8,541	\$7,098
Life Direct Written Premium	5.5%	\$4,256	\$4,034	\$3,996	\$4,030	\$4,238	\$4,039	\$3,781	\$3,484	\$3,409	\$3,201
A&H Direct Written Premium	0.0%	\$623	\$623	\$631	\$652	\$670	\$688	\$716	\$696	\$656	\$612
Annuities	(1.3)%	\$6,195	\$6,278	\$5,955	\$5,590	\$5,560	\$5,435	\$5,552	\$4,702	\$3,768	\$2,825
Other Considerations	(56.2)%	\$1	\$2	\$0	\$2	\$2	\$2	\$2	\$17	\$0	\$1
Deposits	16.6%	\$777	\$667	\$623	\$751	\$747	\$800	\$921	\$854	\$707	\$458
Ceded Premium	179.7%	\$972	\$347	\$339	\$355	\$383	\$418	\$441	\$379	\$324	\$259
Net Earned Premium	(4.6)%	\$10,105	\$10,590	\$10,247	\$9,919	\$10,086	\$9,759	\$9,641	\$8,476	\$7,514	\$6,373
Net Investment Income	0.4%	\$5,758	\$5,737	\$5,595	\$5,430	\$5,387	\$5,292	\$5,035	\$4,822	\$4,817	\$4,701
Benefits	2.3%	\$11,898	\$11,634	\$11,087	\$10,600	\$11,272	\$11,236	\$11,197	\$10,194	\$9,670	\$7,775
Commissions & General Expenses	3.1%	\$2,417	\$2,344	\$2,244	\$2,253	\$2,218	\$2,158	\$2,035	\$1,952	\$1,834	\$1,763
Operating Income (before refunds to members)	(10.8)%	\$1,546	\$1,733	\$1,643	\$1,613	\$1,478	\$1,415	\$1,381	\$1,248	\$1,195	\$1,418
Refunds to Members	(4.8)%	\$661	\$695	\$640	\$633	\$662	\$795	\$816	\$821	\$857	\$902
Realized Gains/(Losses)	(41.3)%	\$39	\$67	\$143	\$87	(\$12)	(\$44)	(\$48)	(\$502)	(\$835)	\$229
Net Income/(Loss)	(16.4)%	\$924	\$1,105	\$1,146	\$1,068	\$804	\$576	\$517	(\$75)	(\$499)	\$745
Net Cash From Operations	(5.6)%	\$4,134	\$4,380	\$4,114	\$3,860	\$4,721	\$4,797	\$5,099	\$4,580	\$3,366	\$1,242
Number of Filers	(2.6)%	76	78	78	78	79	81	86	85	93	97
Surplus											
Unrealized Gains/(Losses)	133.8%	\$111	(\$328)	\$118	\$397	\$151	(\$125)	\$395	\$627	(\$1,247)	(\$78)
Surplus	7.8%	\$14,522	\$13,469	\$12,560	\$11,828	\$9,838	\$9,165	\$9,464	\$9,149	\$8,709	\$9,907
Assets											
Cash & Invested Assets	4.3%	\$129,633	\$124,305	\$119,284	\$114,711	\$111,727	\$104,801	\$98,590	\$91,711	\$85,510	\$85,795
Net Admitted Assets (excl. Sep. Accts.)	4.2%	\$131,070	\$125,741	\$120,696	\$116,071	\$113,056	\$106,083	\$99,819	\$92,865	\$86,582	\$86,876
Separate Account Assets	11.3%	\$27,584	\$24,793	\$23,794	\$21,007	\$16,580	\$13,746	\$13,073	\$10,886	\$8,408	\$11,978
Total Net Admitted Assets	5.4%	\$158,654	\$150,534	\$144,490	\$137,078	\$129,637	\$119,829	\$112,892	\$103,751	\$94,990	\$98,854
Net Investment Yield	(0.2) pts.	4.5%	4.7%	4.8%	4.8%	5.0%	5.2%	5.3%	5.4%	5.6%	5.5%
ROA	(0.2) pts.	0.7%	0.9%	1.0%	0.9%	0.7%	0.6%	0.5%	(0.1)%	(0.6)%	0.9%

Note: Figures reflect filings received as of April 19, 2016, and may change due to additional filings or amendments.

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. Total direct written premium and deposits increased 2.1% (\$248.8 million) to \$11.9 billion. This was primarily due to a 5.5% (\$222.3 million) increase in life premium and a 16.6% (\$110.4 million) increase in deposits.

The fraternal industry reported a 16.4% decrease in net income to \$923.6 million and reported a 10.8% (\$187.0 million) decrease in operating income before refunds to members to \$1.5 billion for 2016. The deterioration in net income was mostly attributed to a \$484.5 million decrease in net earned premiums, a \$264.1 million increase in benefits and a \$58.5 million increase in general expenses. **Figure 18** shows the industry’s operating income and realized gains (losses) activity to net income and return on assets. Net investment income increased 0.4% to \$5.8 billion while the industry’s net investment yield slightly decreased to 4.5% from 4.7% in 2015.



The industry reported a 4.3% (\$5.3 billion) increase in cash and invested assets to \$129.6 billion mostly in long-term bonds, which were up 4.1% (\$4.1 billion). Separate account assets, segregated accounts, and protected cell accounts increased 11.3% to \$27.6 billion compared to \$24.8 billion at year-end 2015. Surplus increased 7.8% (\$1.1 billion) to \$14.5 billion primarily due to net income of \$923.6 million.