

2016 GRET Recommendation

NAIC LATF – AUGUST 13, 2015

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GRET Agenda

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

Methodology

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

Recommendation

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

Distribution Channel	Acquisition			Maintenance per Policy	Number of Companies *	Average 1st Year Premium per Policy Issued During Year	Average Face Amount (\$000) per Policy Issued During Year
	per Policy	per Face Amount (\$000)	per Premium				
Independent	\$ 149	\$ 0.80	37%	\$ 45	115	\$ 4,467	\$ 305
Career	224	1.20	56	67	76	1,515	204
Direct	178	1.00	44	53	19	727	47
Niche	135	0.70	34	40	19	676	54
Other*	153	0.80	38	46	109	869	43
Total					338		

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

TABLE 2
CURRENT (2015) FACTORS, based on average of 2012/2013 data

Distribution Channel	Acquisition			Maintenance per Policy	Number of Companies
	per Policy	per Face Amount (\$000)	per First Year Premium		
Independent	\$ 146	\$ 0.80	36%	\$ 44	124
Career	235	1.30	59	70	75
Direct	161	0.90	40	48	22
Niche	136	0.70	34	41	26
Other	150	0.80	38	45	120
Total					367

Usage of GRET

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

Information for the 338 companies in study

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