



# **U.S. Life Insurance Through the Pandemic (and Beyond)**

**Actuarial Club of Hartford and Springfield**

**Spring Meeting, 2023**

**Mary Pat Campbell, FSA, MAAA**

# About Conning

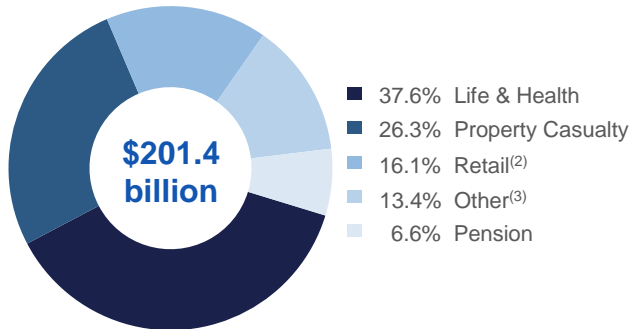
## Conning Overview

- Founded in 1912; investing institutional assets for over three decades
- 514 employees with 175 investment professionals (\*)
- Offices in Asia, Europe and North America
- PRI signatory as of 2012, with an integration of ESG factors into our investment process(\*\*)

## Recent Developments

- In 2016, acquired a controlling interest in Octagon Credit Investors, LLC, a specialty manager with expertise in collateralized loan obligations (CLOs) and bank loans
- In 2020, acquired a majority interest in Global Evolution, a specialty manager with expertise in emerging market debt strategies
- In 2023, Conning acquired a majority stake in Pearlmark Real Estate, LLC., a commercial real estate debt and equity manager

### Assets by Client Type<sup>(1)</sup>



\*Excludes Cathay SITE.

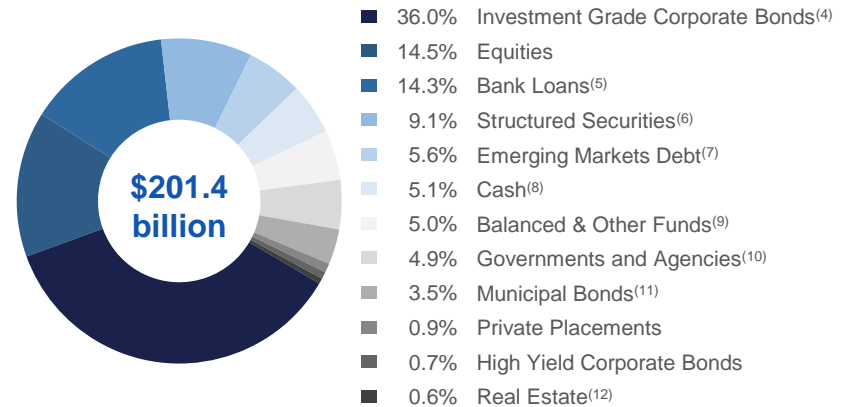
(1) As of March 31, 2023, represents the combined global assets under management for the affiliated firms under Conning Holdings Limited (CHL) and excludes Cathay Securities Investment Trust Co., Ltd. (SITE). Cathay SITE is a separate entity under Cathay Financial Holdings Co., Ltd which is the ultimate controlling parent of all CHL controlled entities. The CHL CEO sits on the Board of Cathay SITE and helps oversee the business.

(2) Retail Funds including Emerging Markets Public Funds, and CLO Funds

(3) Includes Asset Managers, Banks, Corporations, Foundations, Family Offices, Fund of Funds, Sub-advised /Third-party Funds, Trusts, and other investors

(4) Includes Convertible Securities

### Assets by Asset Class<sup>(1)</sup>



(5) Includes Bank Loans held in managed CLO funds

(6) Includes Mortgage-backed Securities, Asset-backed Securities, CLO Debt and CLO Equity

(7) Includes Emerging and Frontier Markets

(8) Includes Short Term Includes

(9) Includes Cathay SITE ILP Funds, Funds of Funds and other Mutual Funds

(10) Includes Treasuries, Supranational and Sovereigns

(9) Includes Taxable Municipals and Tax-Exempt Municipals

(12) Reflects historical cost of equity investments, outstanding loan receivables for debt investments, and unfunded commitments

# Conning Insurance Research: Total Coverage, Deep Knowledge



**Total Industry Coverage**



**Experienced Team**



**Unique Offerings**

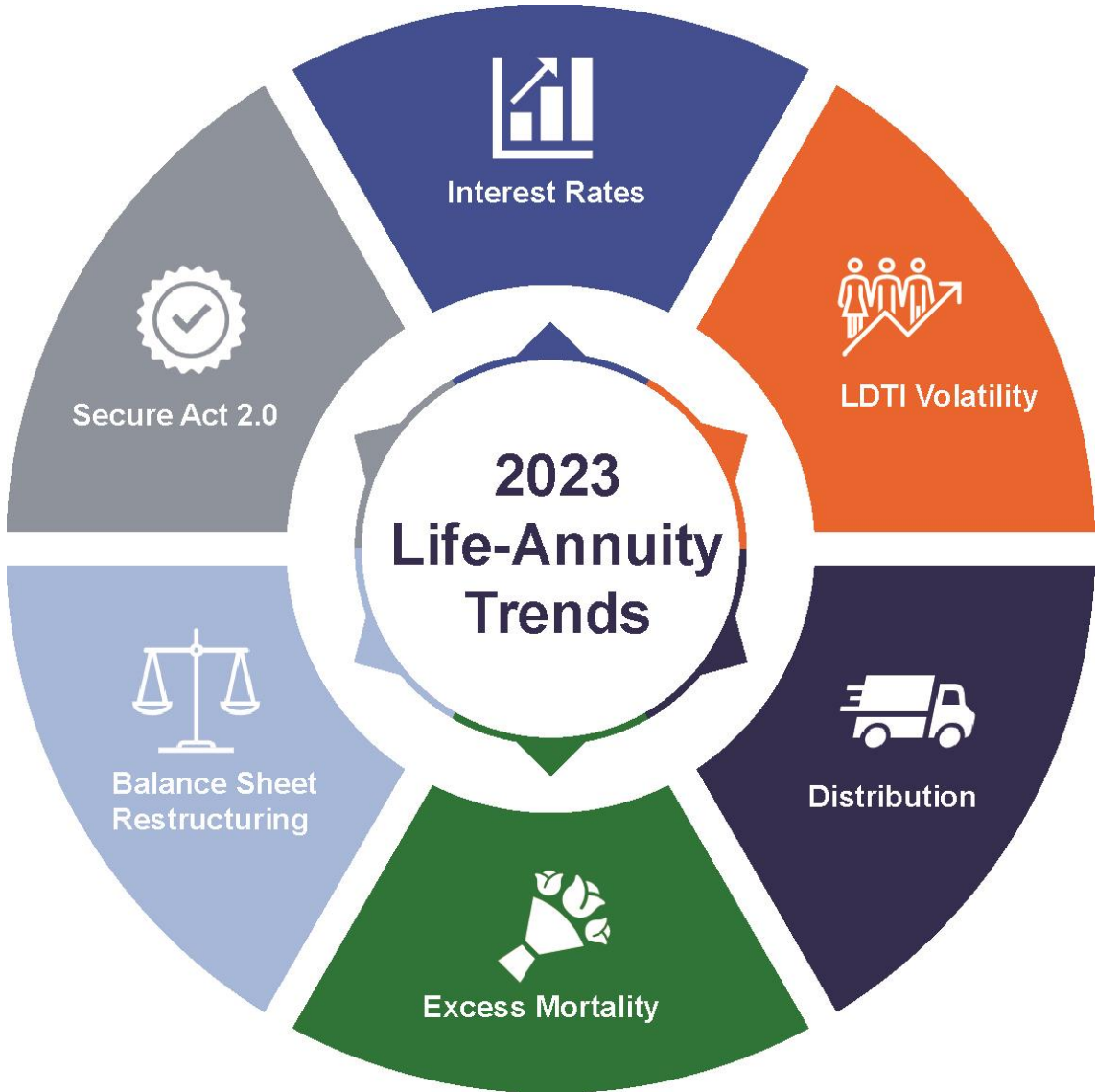


**How We Add Value**

---

# LIFE-ANNUITY INDUSTRY THEMES IN 2023

# Life-Annuity Top Themes in 2023

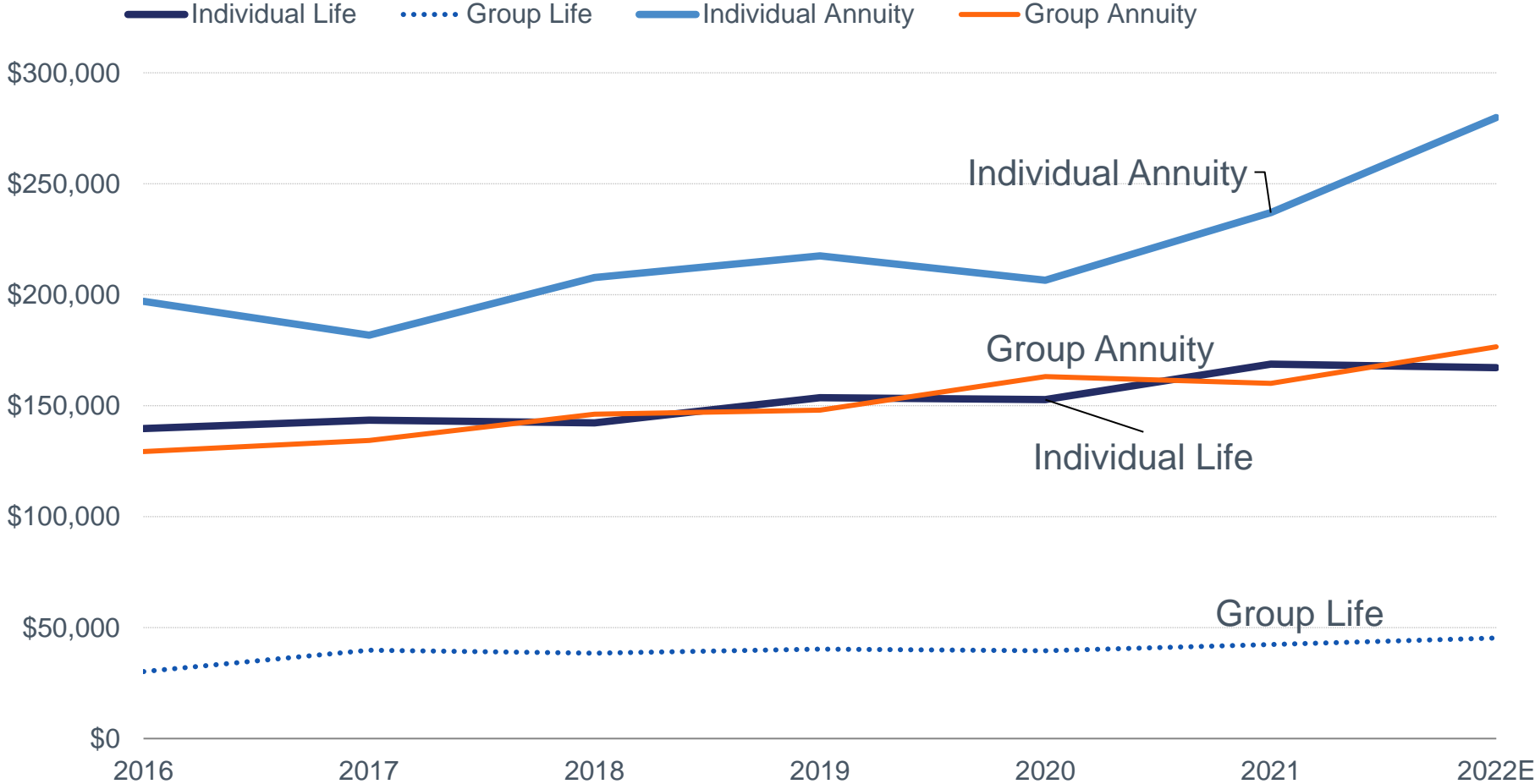


Prepared by Conning, Inc.

# Individual Annuity Dominates by Direct Premium

## Direct Premium by Line of Business

\$ in Millions



Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC

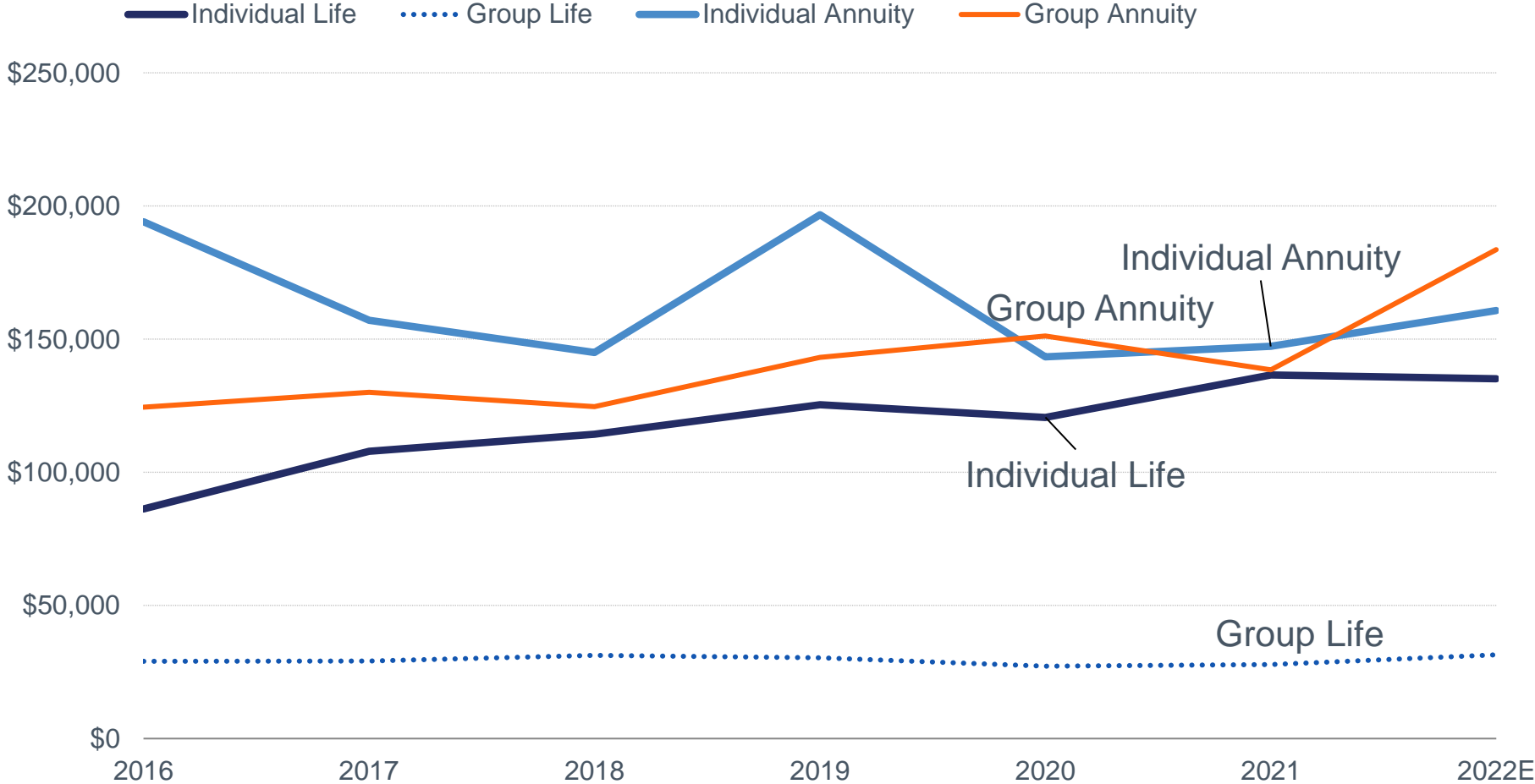


© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Although Offshore Reinsurance Makes the Net Premium Story Hazy

## Net Premium by Line of Business

\$ in Millions



Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC

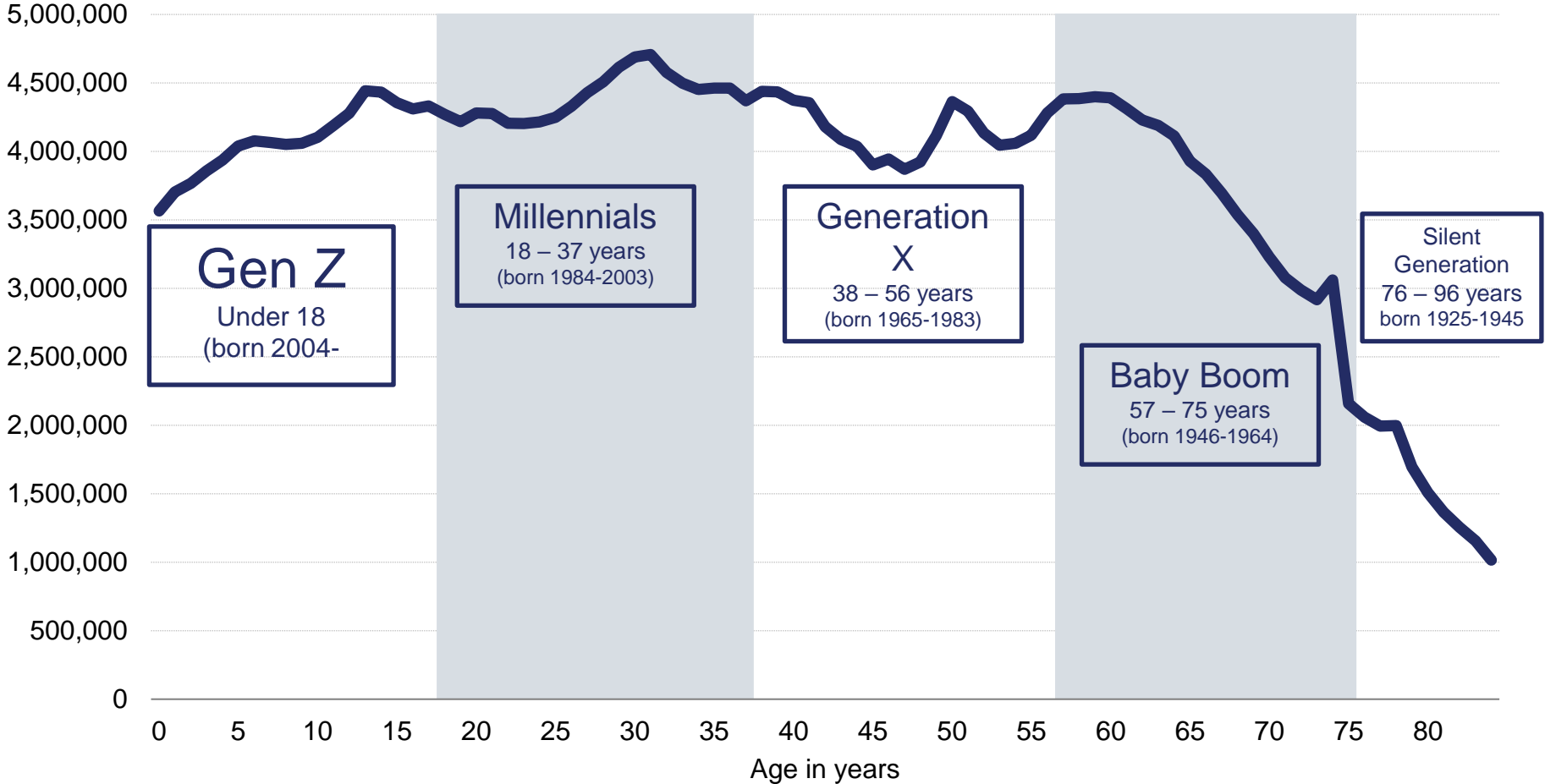


© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Secure Act 2.0 Creating Generational Opportunities

## U.S. Population Age Distribution, 2021

Shading by major generations



Prepared by Conning, Inc. Source: Census Bureau, U.S. Department of Commerce (2023).

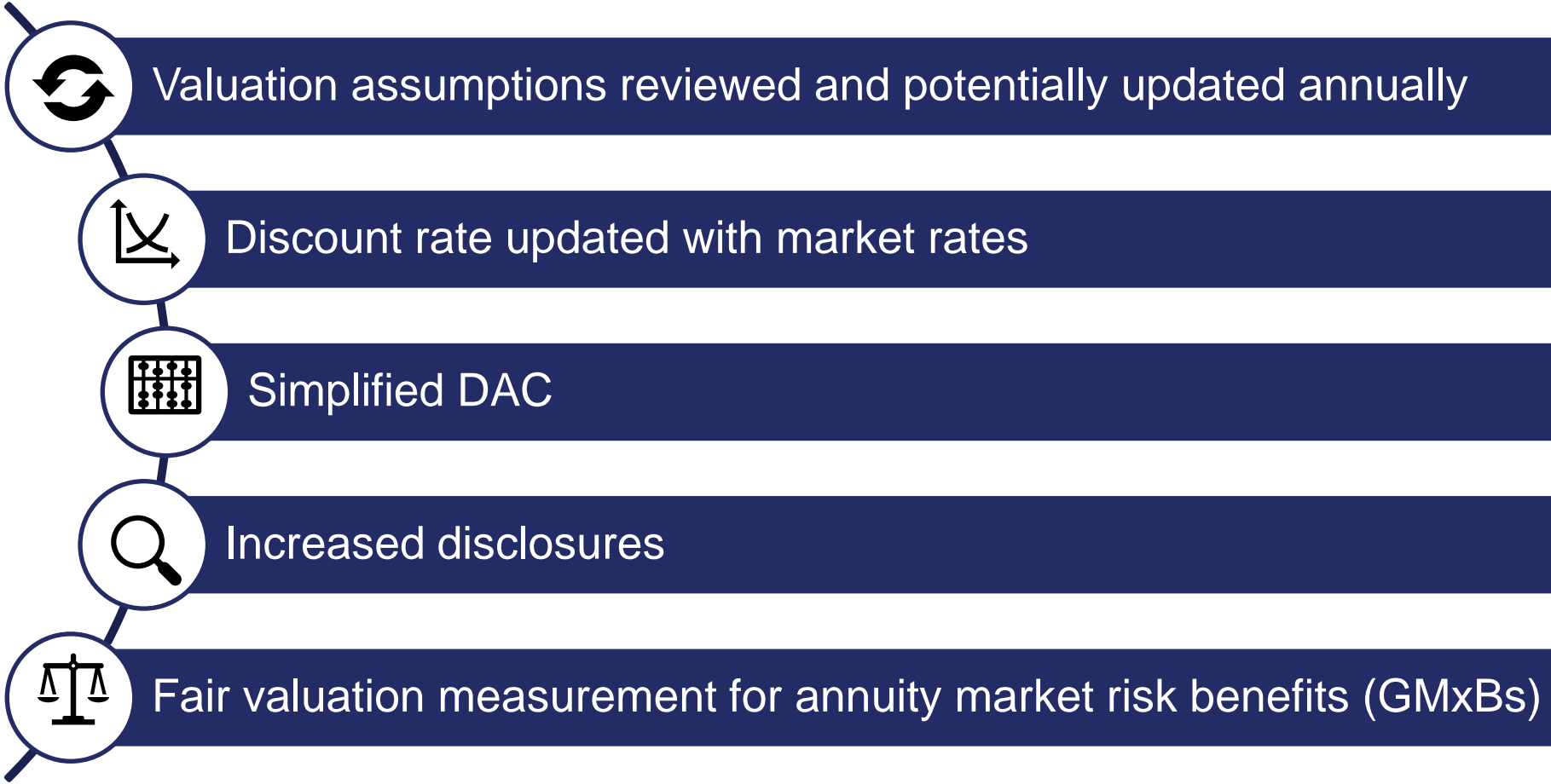


© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.



# LDTI Increasing Volatility

## Main Features of LDTI (Long-duration targeted improvements) Changes Affecting Life-Annuity GAAP



Prepared by Conning, Inc.

---

# INTEREST RATES

# Fed Rate Hikes to Combat Inflation: Mixed Impact on Insurers

## U.S. 10-Year Treasury Yield

5 percentage points of increase by FOMC  
March 2022 – May 2023

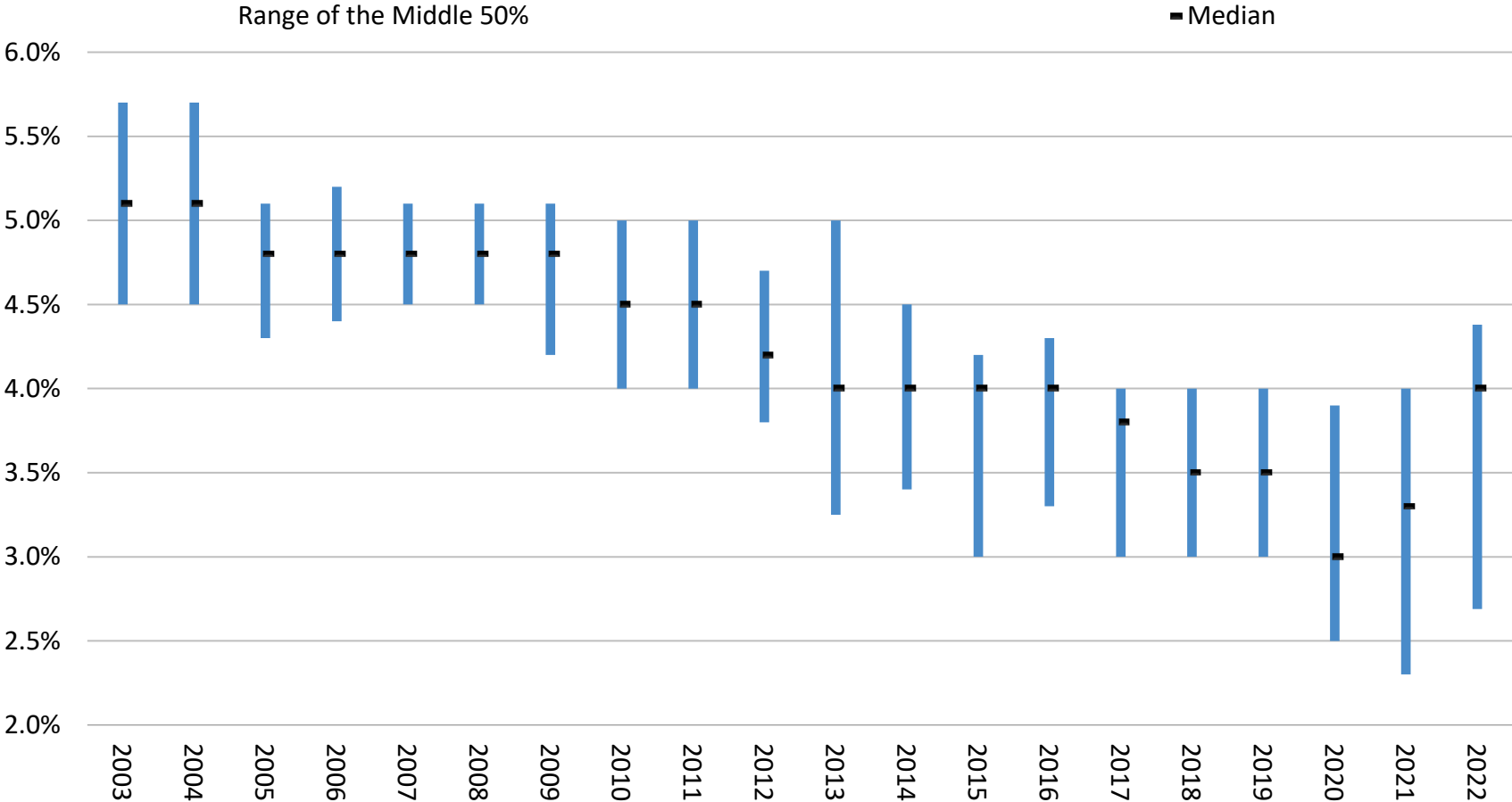


FOMC = Federal Open Market Committee of the Federal Reserve

Prepared by Conning, Inc. Sources: U.S. Department of the Treasury (2023) and The Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement", <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200303a.htm>, March 3, 2020 for the first FOMC change, and the subsequent 11 changes also from Federal Reserve press releases covering the period shown.

# Rising Rate Environment a Boon to Consumers

## Universal Life Credited Rates



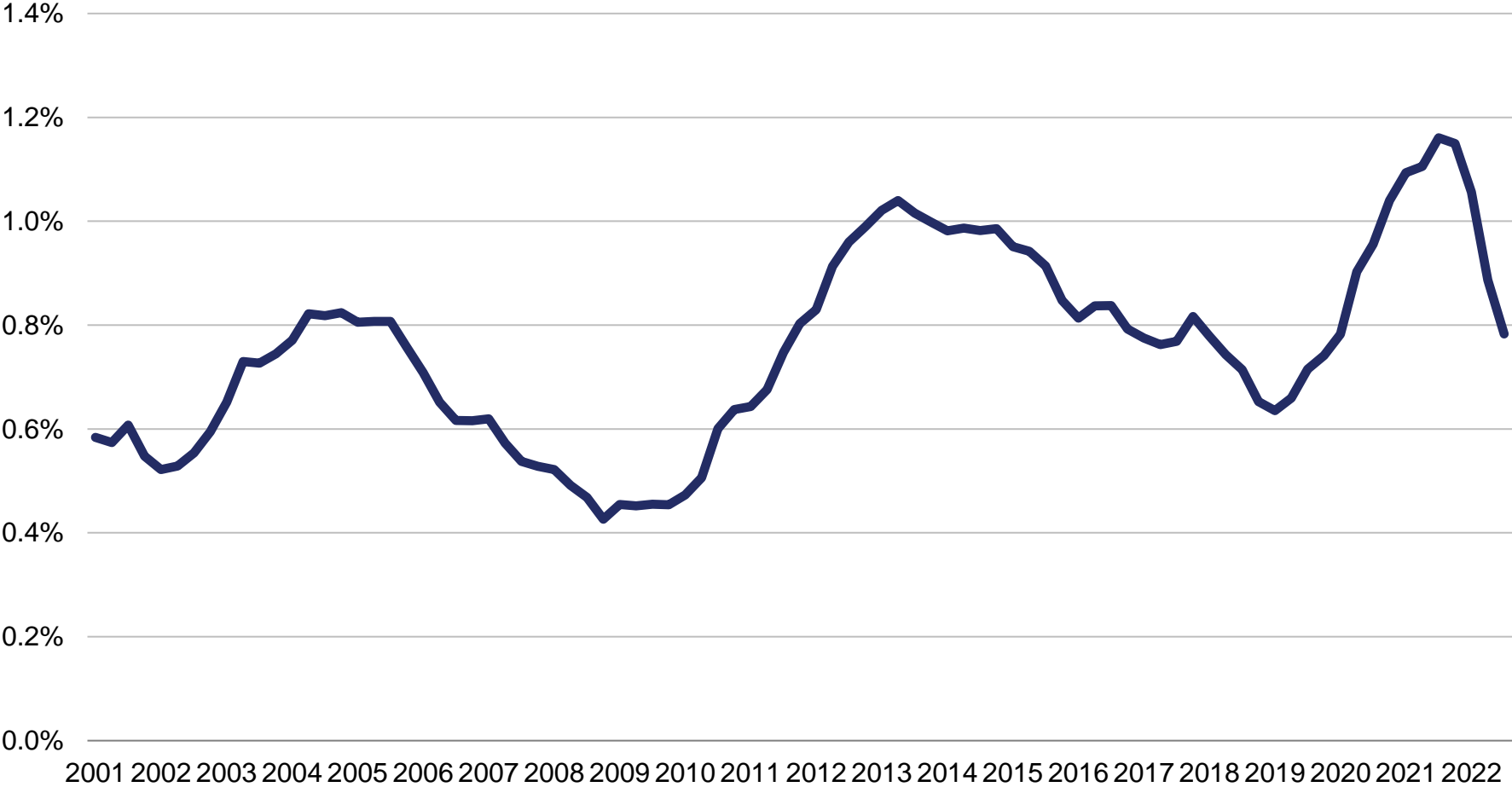
Prepared by Conning, Inc. Source: LIMRA's Retail U.S. Individual Life Insurance Sales Survey



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Interest Maintenance Reserve Going Negative?

## IMR as a Percentage of Net Admitted Bonds



Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC



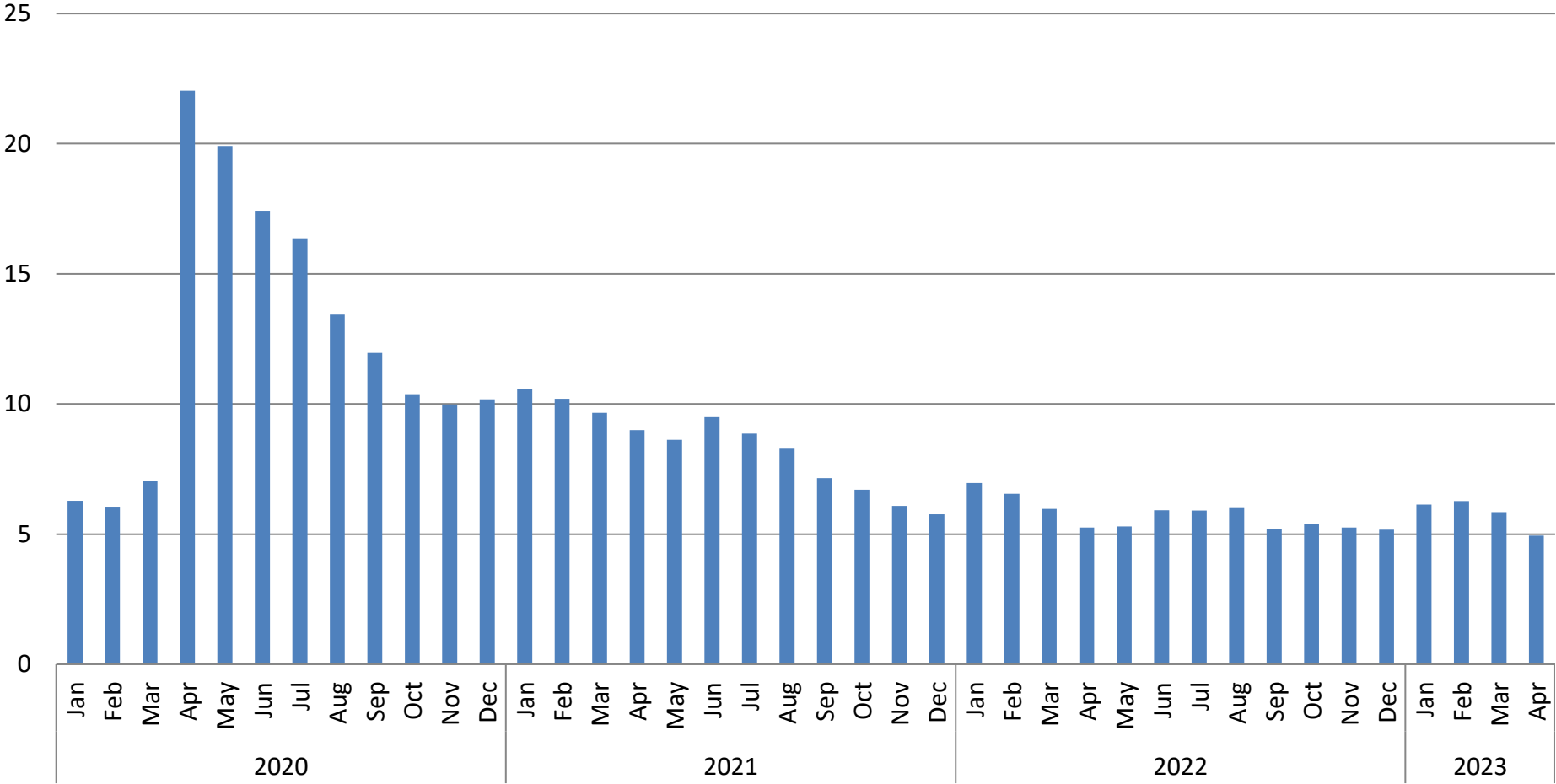
© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

---

# ECONOMIC CONDITIONS

# Unemployment Improvements Positive for Group Life Sales

**Number of Unemployed**  
*in millions*



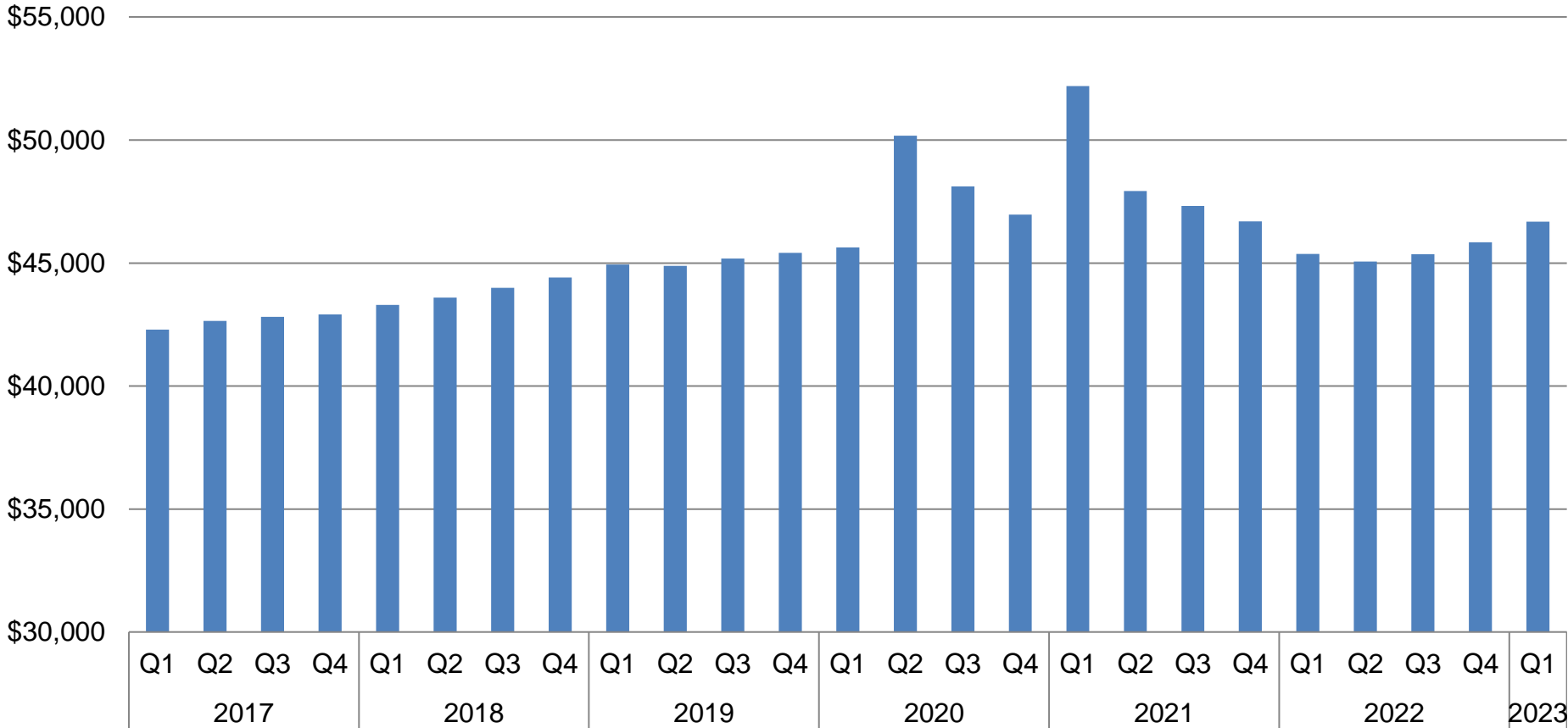
Prepared by Conning, Inc. Source: Bureau of Labor Statistics, U.S. Department of Labor (2023)



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Slowly Growing Income May Support Sales

## Disposable Personal Income *per capita*



Prepared by Conning, Inc. Source: Bureau of Economic Analysis, Department of Commerce (2023)



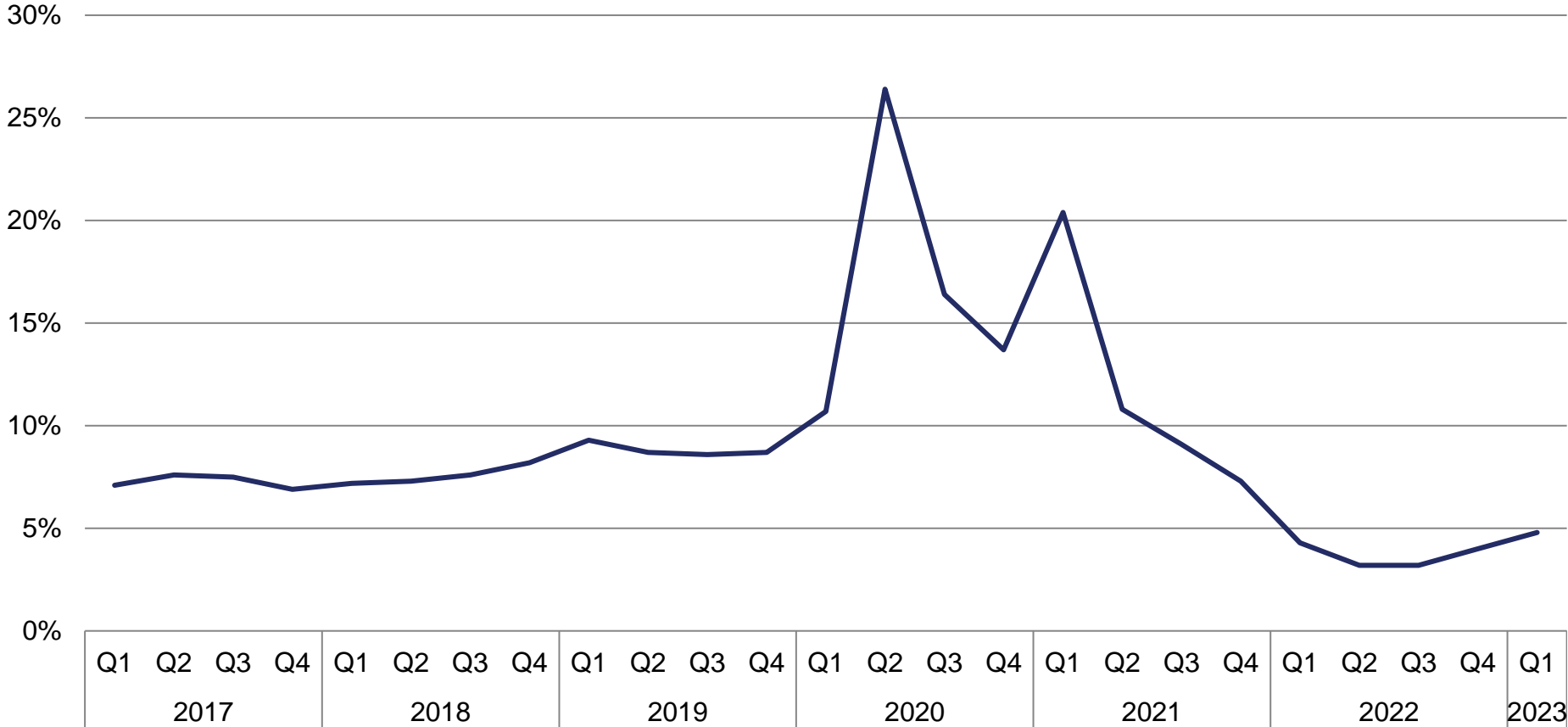
© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.



# Slowly Increasing Savings Rate May Also Support Sales

## Personal Savings Rate

*As percentage of DPI*



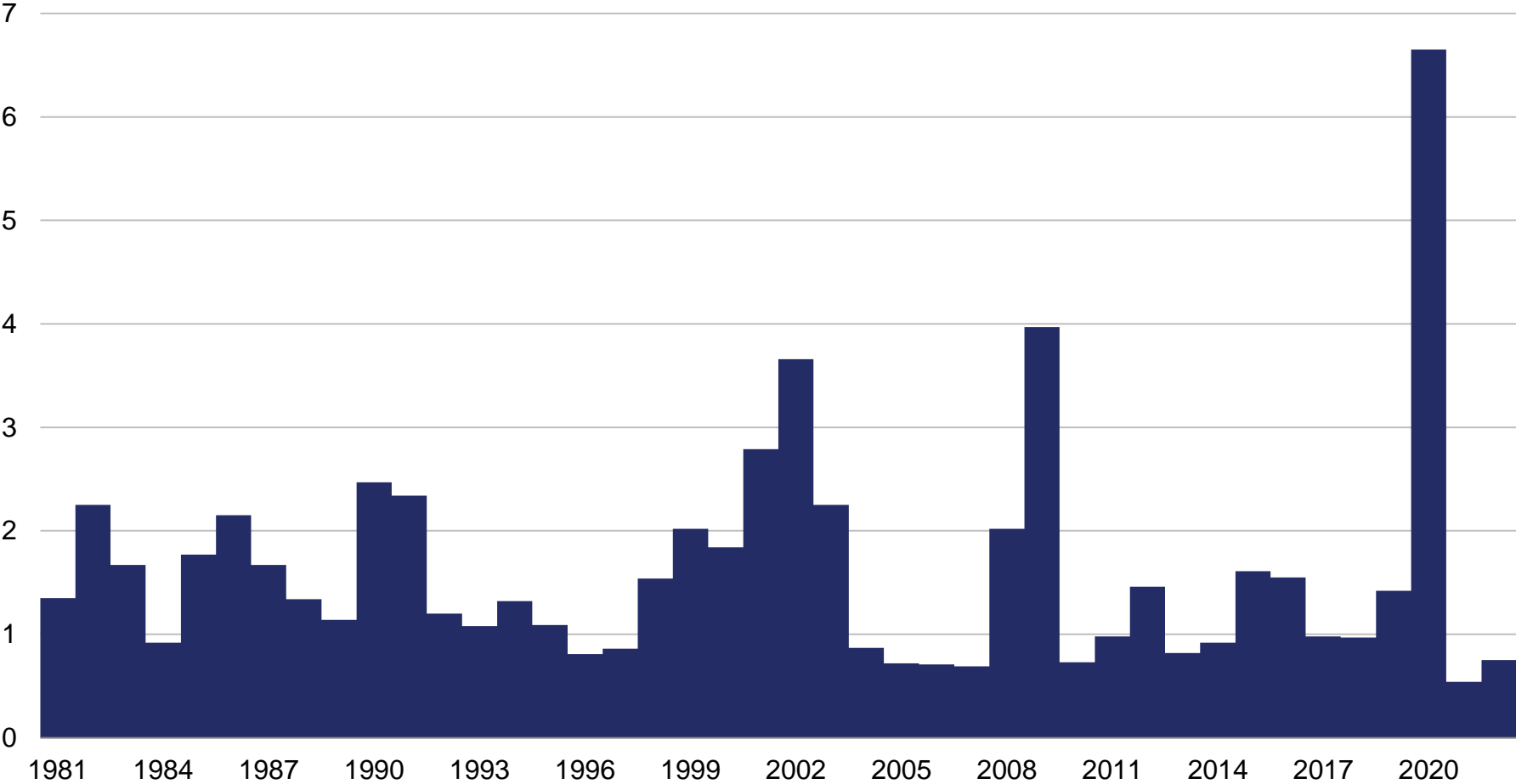
Prepared by Conning, Inc. Source: Bureau of Economic Analysis, Department of Commerce (2023)



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Small Increase in Downgrades in 2022, Nowhere Near 2020 Activity

## Downgrade-to-Upgrade Ratio



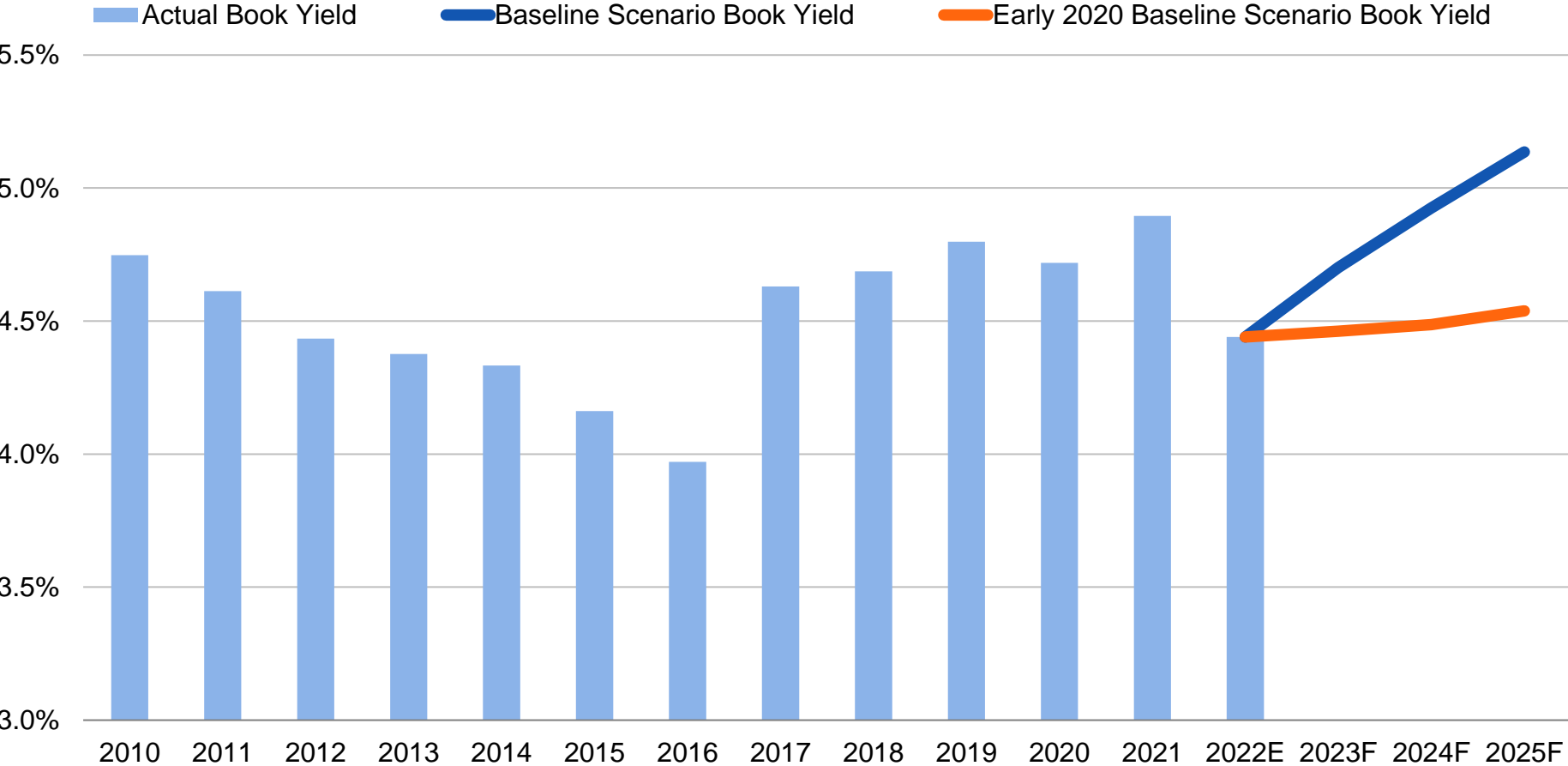
Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Climbing Rates Reverse the Trend, But Will Credit Losses Climb?

## Life Industry Portfolio Book Yield—Illustrative Scenarios



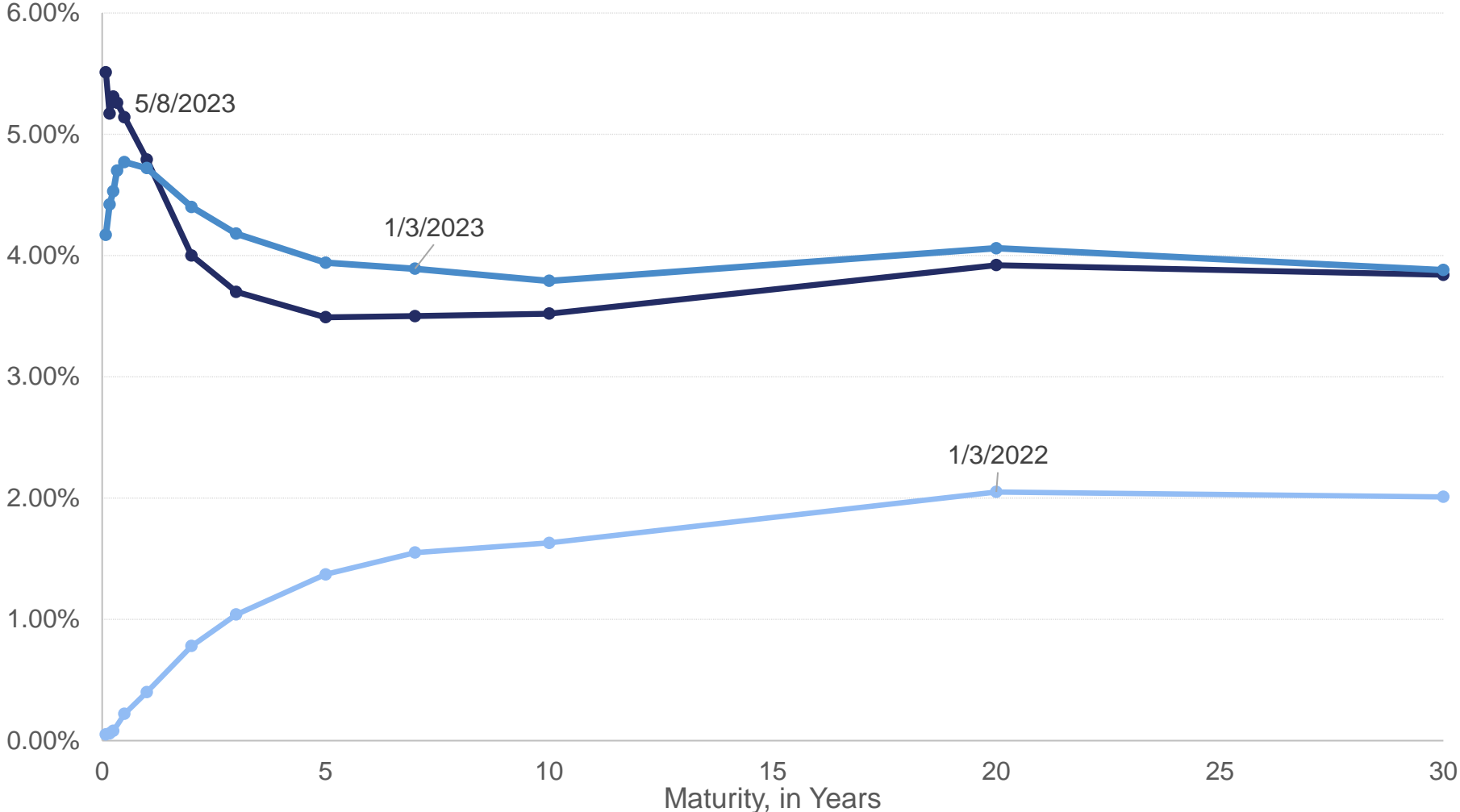
Prepared by Conning, Inc. Sources: ©2023 S&P Global Market Intelligence LLC and Forecast ©2023 Conning, Inc.



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Persistent Inversion of the Yield Curve

## Constant Maturity Treasury Yield Curves on Selected Dates



Prepared by Conning, Inc. Source: U.S. Department of the Treasury (2023)

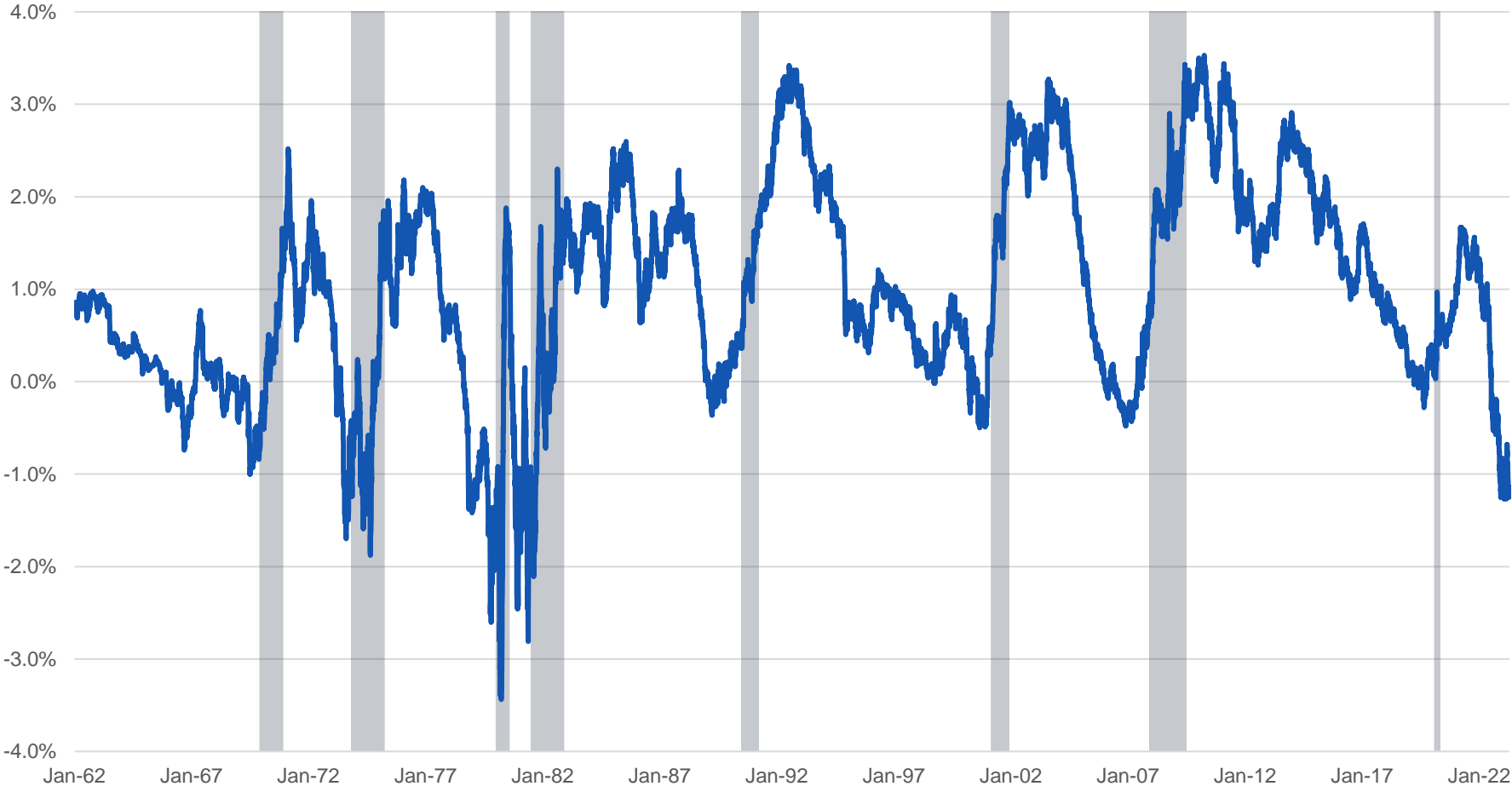


© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Persistent Inversion of the Yield Curve

## Difference between 10-year Constant Maturity Treasury Rates and 1-year CMTs

*Recession months are shaded*



Prepared by Conning, Inc. Source: U.S. Department of the Treasury (2023)



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

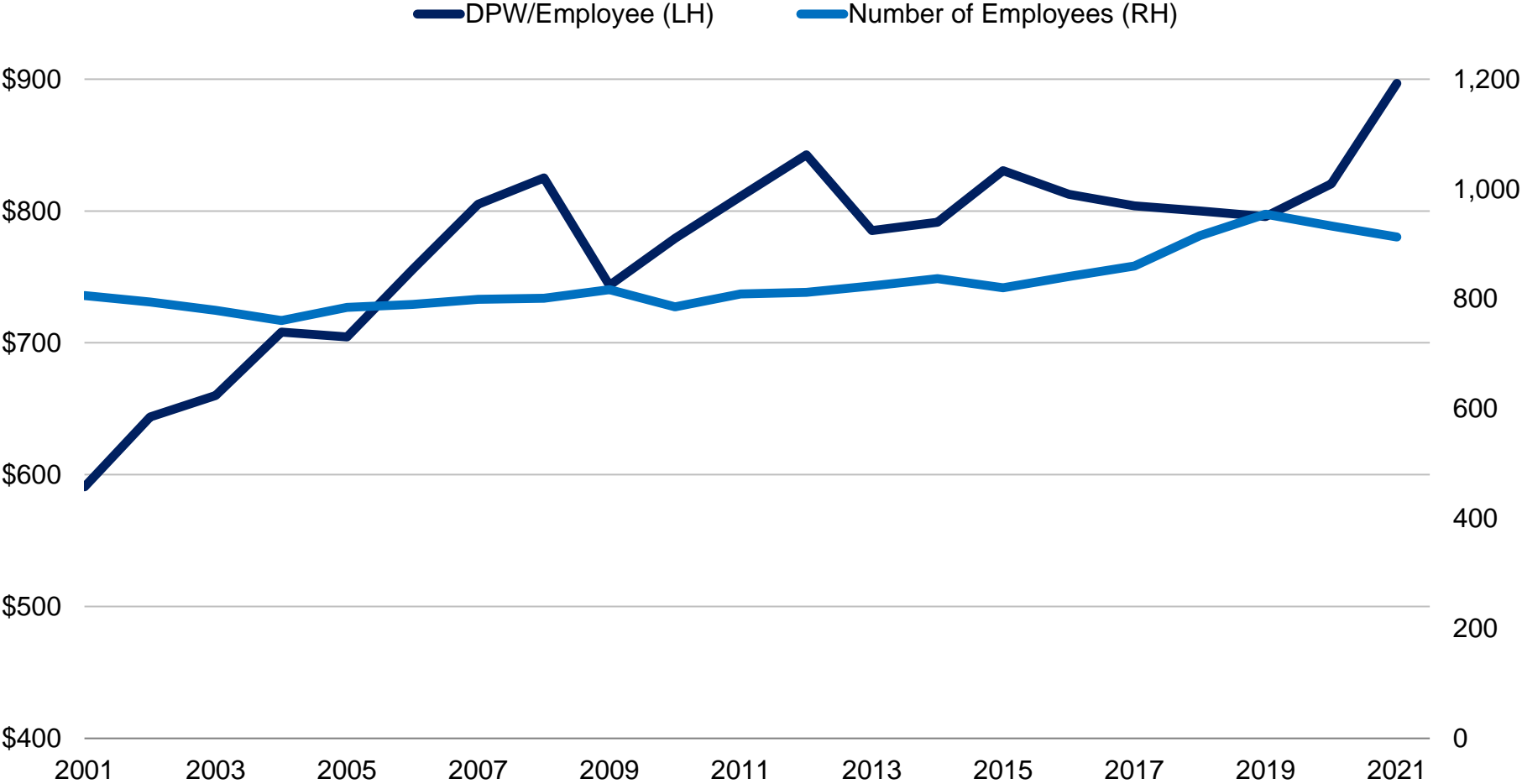
---

# TECH AND OPERATIONS

# The Tech Impact: Productivity Growth Outpacing Headcounts

## Life-Annuity Headcount and Direct Premium Written/Employee

In thousands



Prepared by Conning, Inc. Sources: ©2023 S&P Global Market Intelligence LLC and Bureau of Labor Statistics, U.S. Department of Labor (2022)

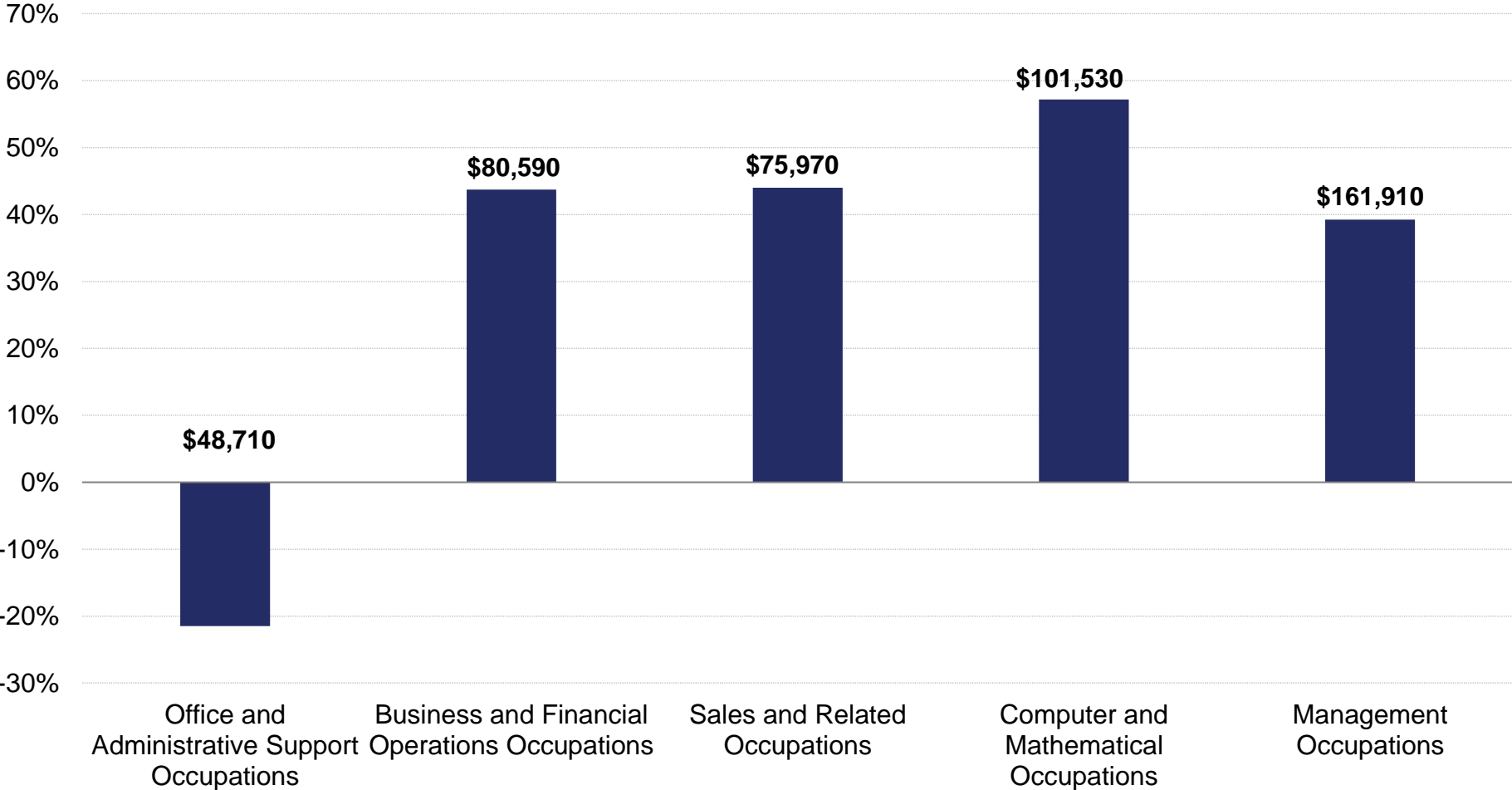


© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# A Shifting Workforce: Technical and Expensive

## Change In Insurance Industry Employees By Major Occupations: 2002-2021

2021 average annual salary above column



Prepared by Conning, Inc. Source: Occupational Employment Statistics, 2021, Bureau of Labor Statistics, U.S. Department of Labor (2022)



# Digital Life Insurers Emerge

## Digital Agencies

eLife®

ETHOS

 Haven Life

## Digital Insurers

 bestow

 dayforward

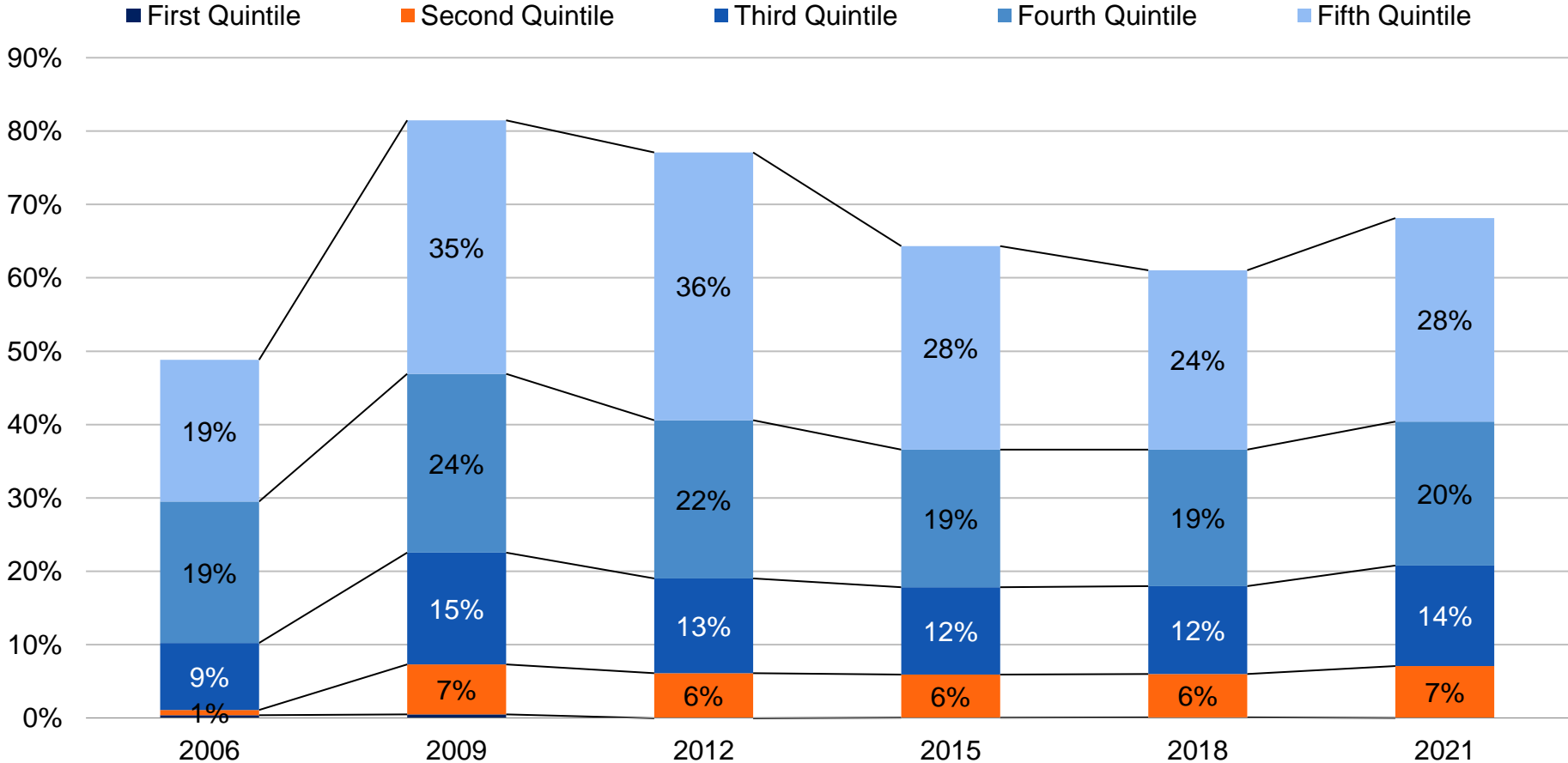
 Ladder

---

# LIFE CONSUMER NEED VS. INTEREST

# Life Insurance Protection Gap Persists

Protection Gap per Quintile, as a Percentage of In-Force Individual Life Face Value



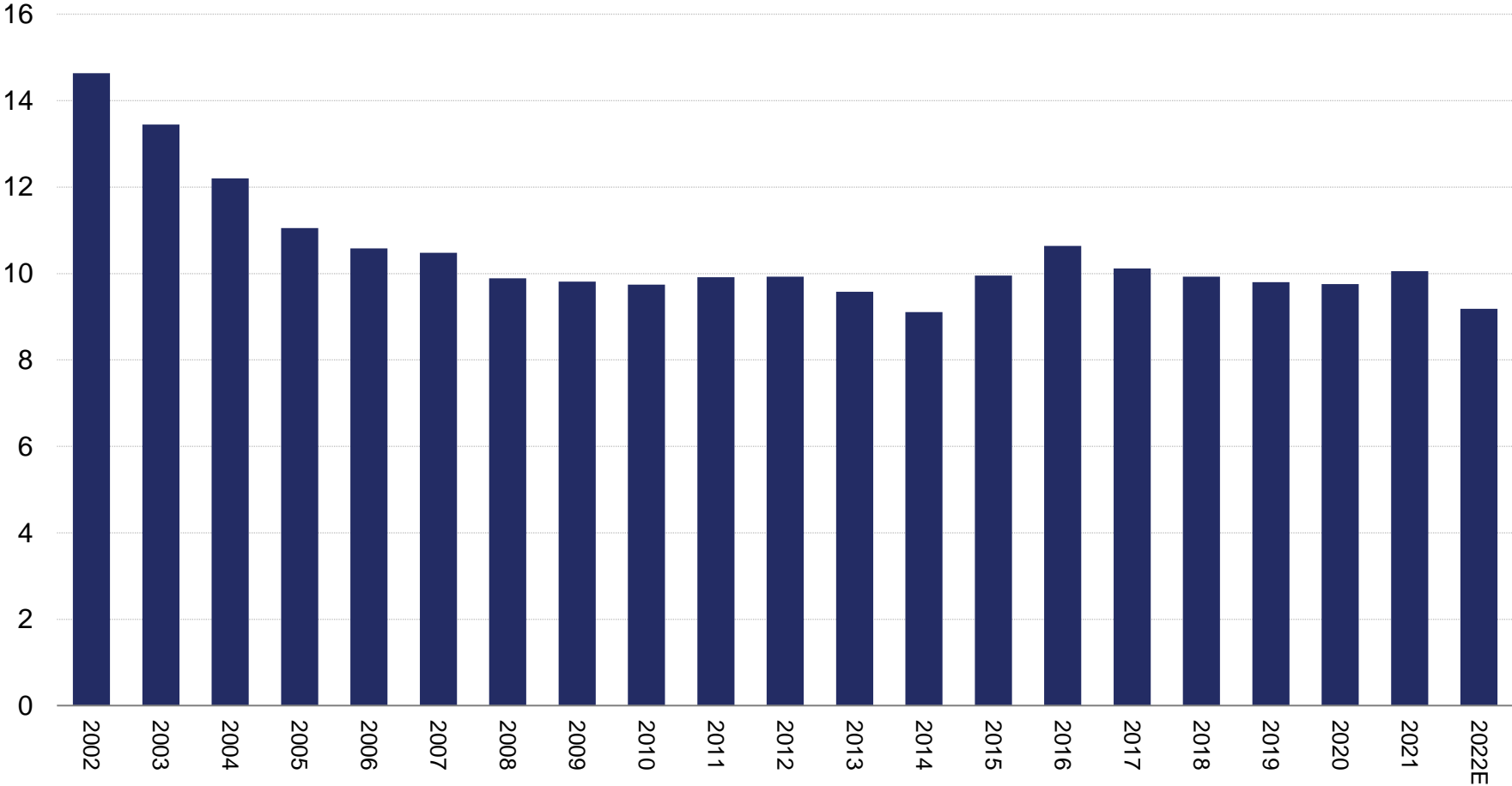
Prepared by Conning, Inc. Sources: ©2023 S&P Global Market Intelligence LLC and U.S. Department of the Treasury (2023)



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Tepid Interest in Life Insurance?

Number of Policies Issued Per Year, Individual Life Insurance  
*in millions*



Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC.

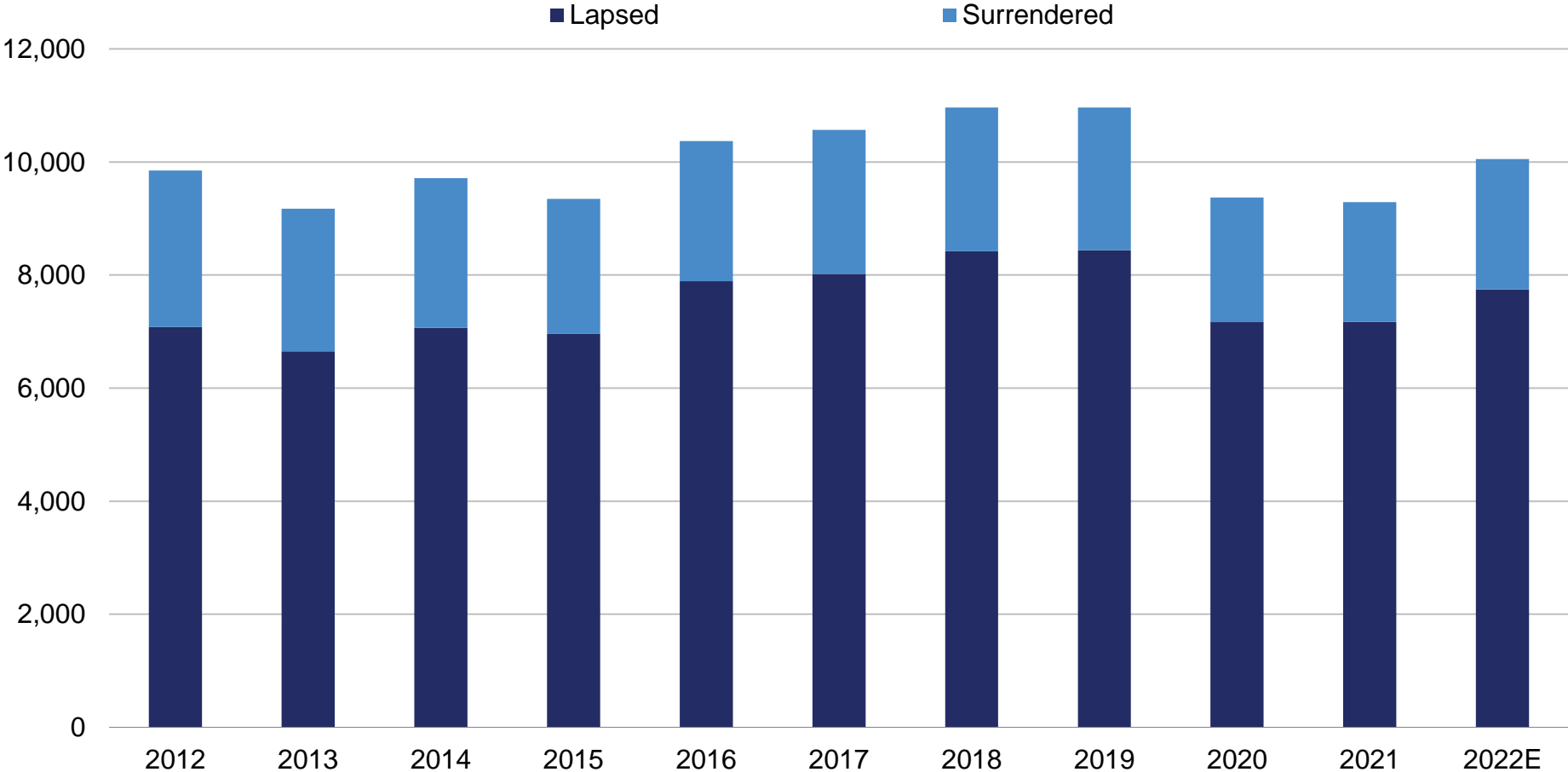


© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Looming Increase in Lapses and Surrenders?

## Lapsed and Surrendered Policies

*in thousands*



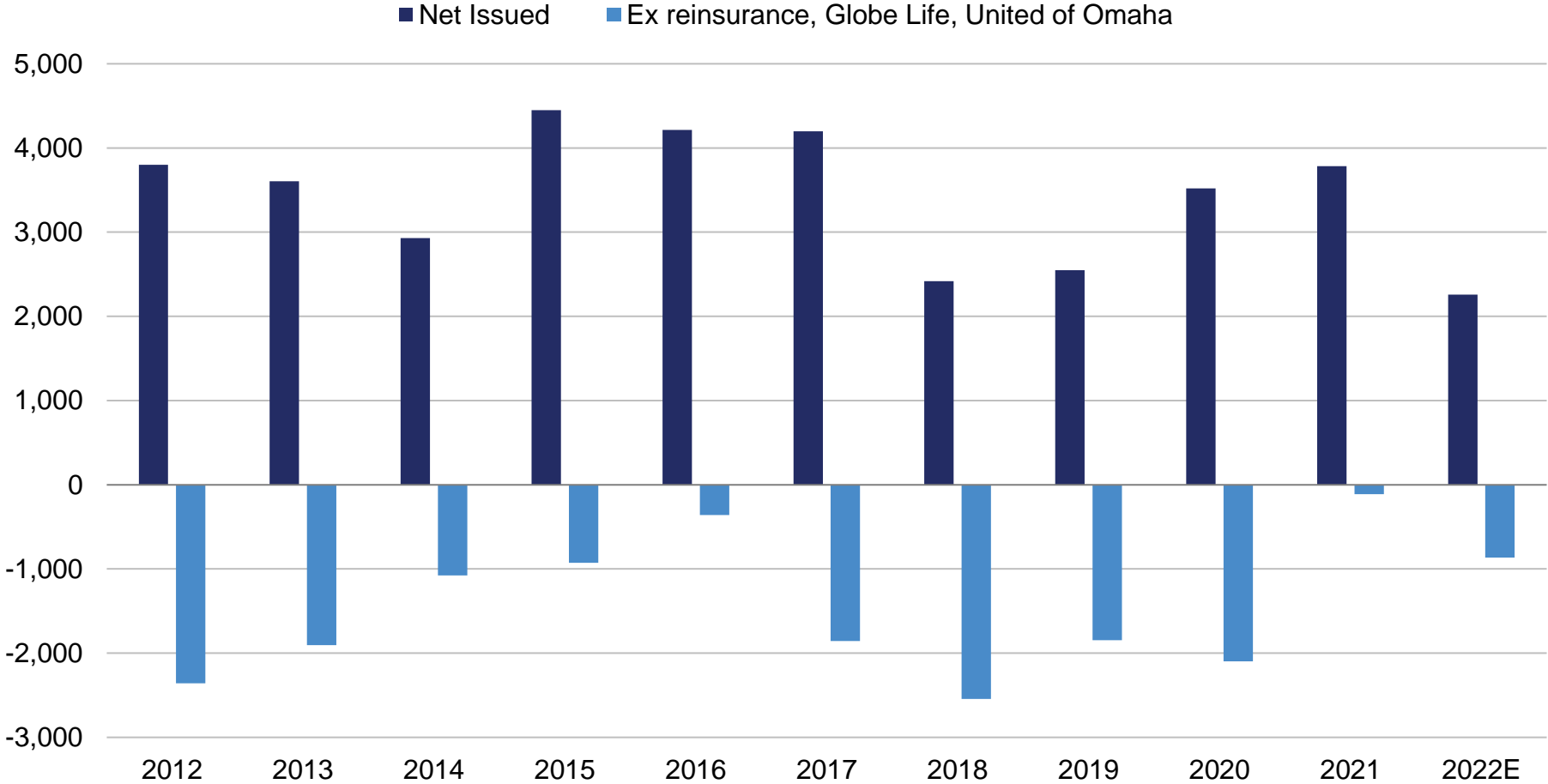
Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Net Policies Issued

## Net Policy Counts *in thousands*



Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

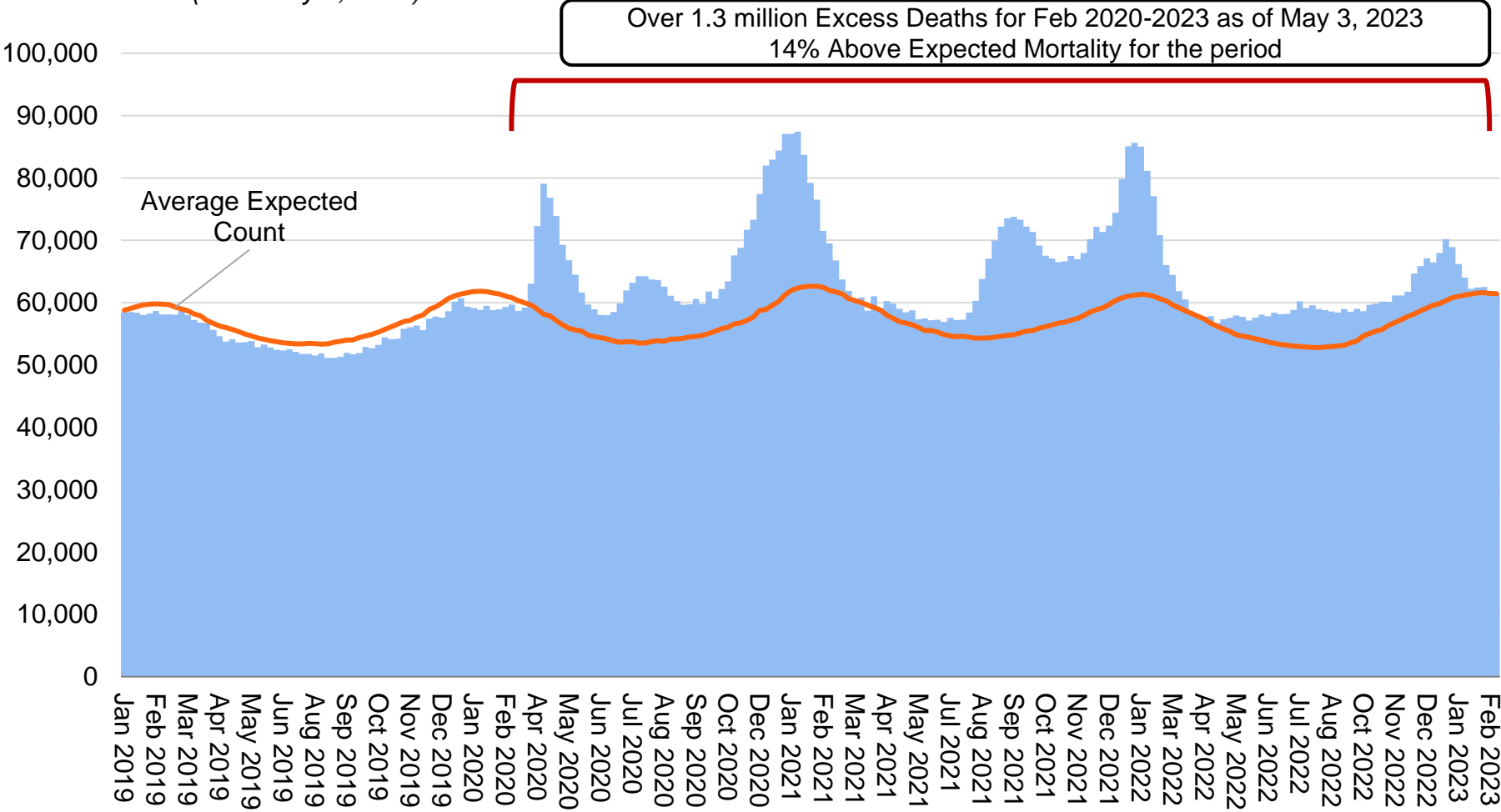
---

# MORTALITY

# Excess Mortality Challenges Life Insurers

## Weekly Number of Deaths, U.S.

2019-Feb 2023 (as of May 3, 2023)



Prepared by Conning, Inc. Source: *Morbidity and Mortality Weekly Report*, Centers for Disease Control & Prevention, U.S. Department of Health & Human Services (2023)

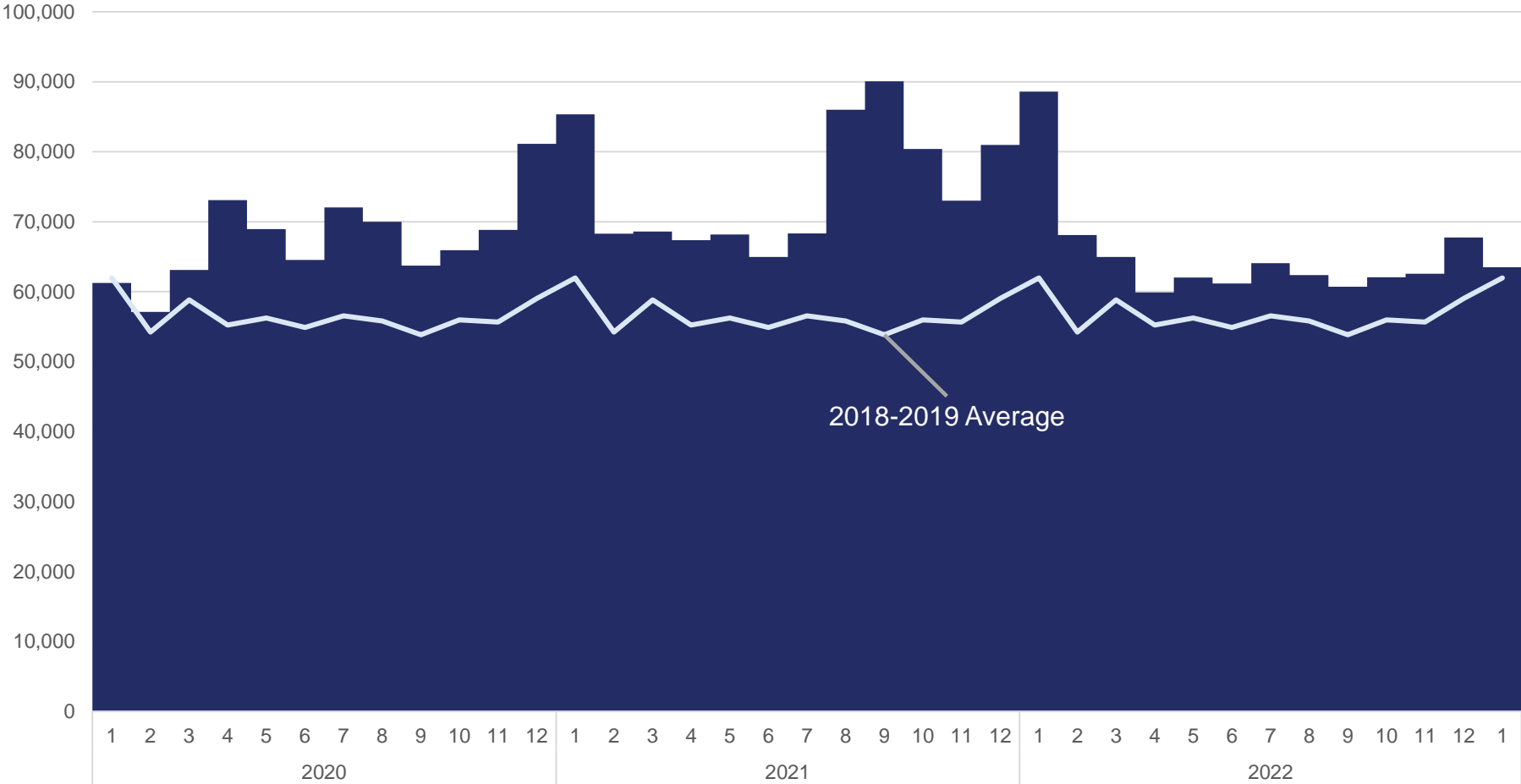




# Pandemic Mortality Effects Reduced in 2022 for Working-Age Adults

## U.S. Monthly Deaths for Ages 25-64

Data as of 2 April 2023



Prepared by Conning, Inc. Source: Centers for Disease Control and Prevention, U.S. Department of Health and Human Services (2023)

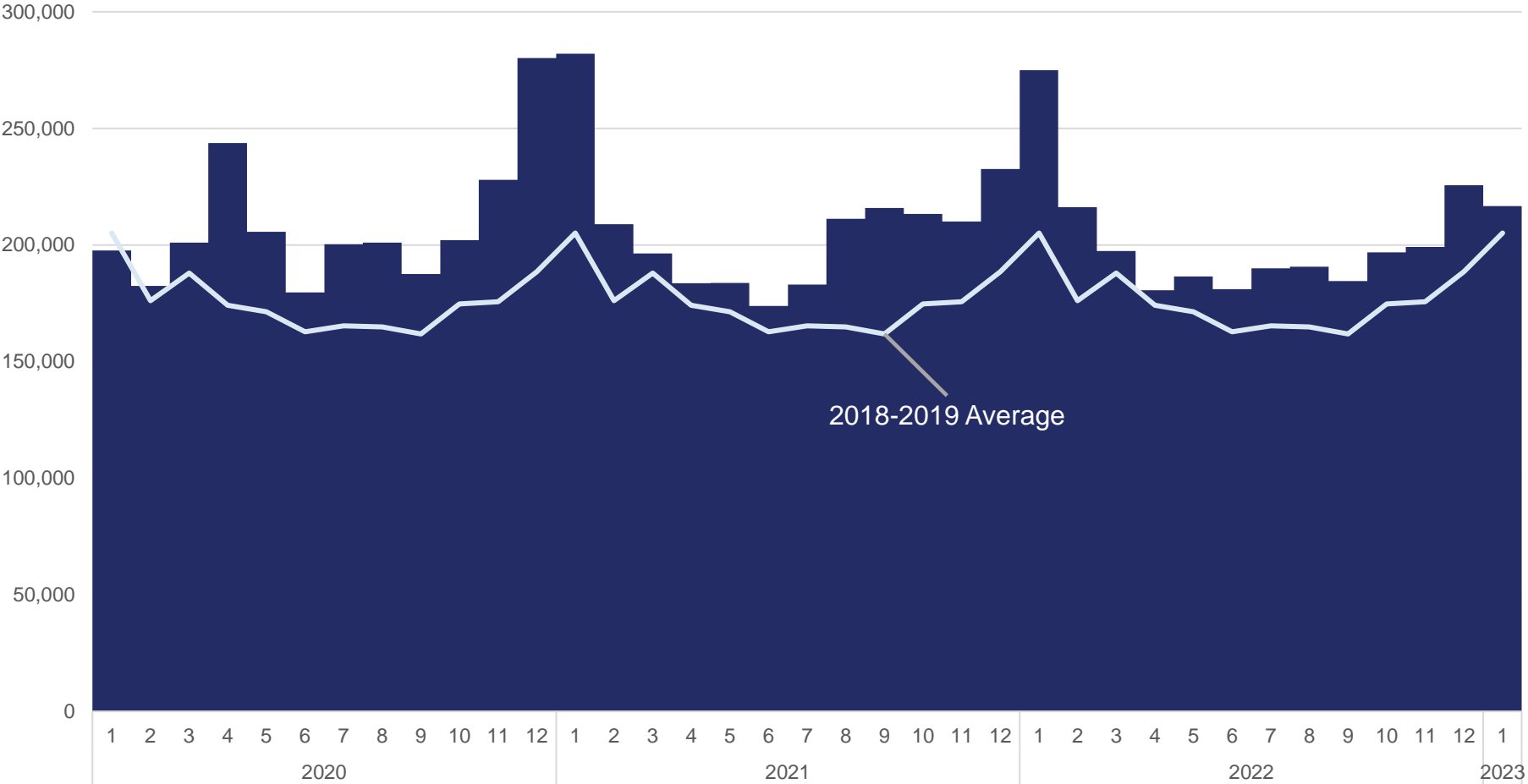


© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Pandemic Mortality Effects Reduced in 2022 for Seniors, Too

## U.S. Monthly Deaths for Ages 65+

Data as of 2 April 2023



Prepared by Conning, Inc. Source: Centers for Disease Control and Prevention, U.S. Department of Health and Human Services (2023)

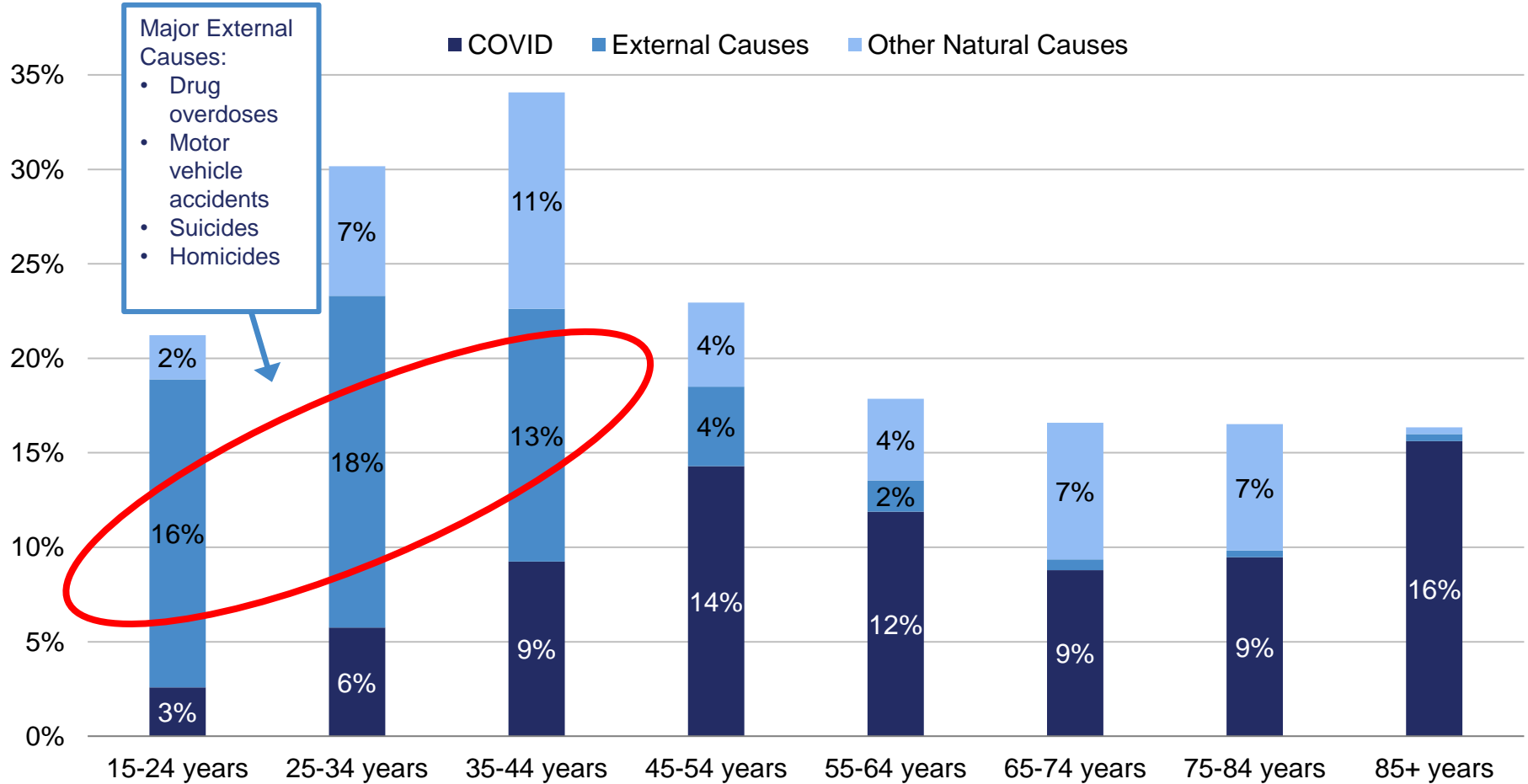


© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Excess Mortality Not All From COVID

## Percentage Change in U.S. Average Death Rate by Age Group, Attributed to Major Cause

2018-2019 vs. 2020-2022, Provisional, as of April 2, 2023



Prepared by Conning, Inc. Source: Centers for Disease Control & Prevention, U.S. Department of Health and Human Services (2023)

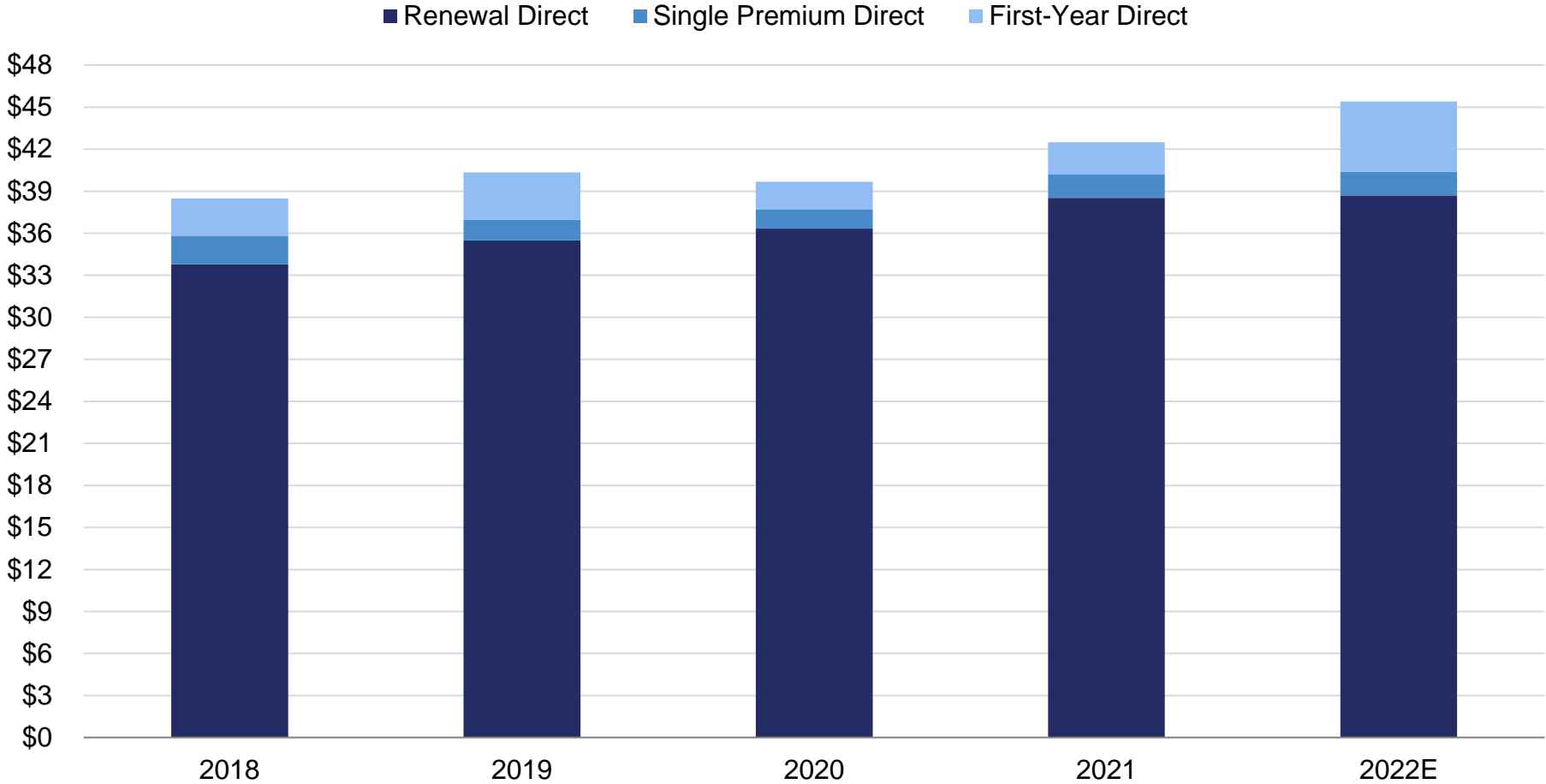
---

## GROUP LIFE: FINANCIAL RESULTS

# Group Life Direct Premium Grew 7% in 2022

## Group Life Industry Direct Premium

\$ in billions



Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Top 10 Group Life Insurers Have 76% Market Share

## Group Life Direct Premium Top 10 Companies

\$ in millions

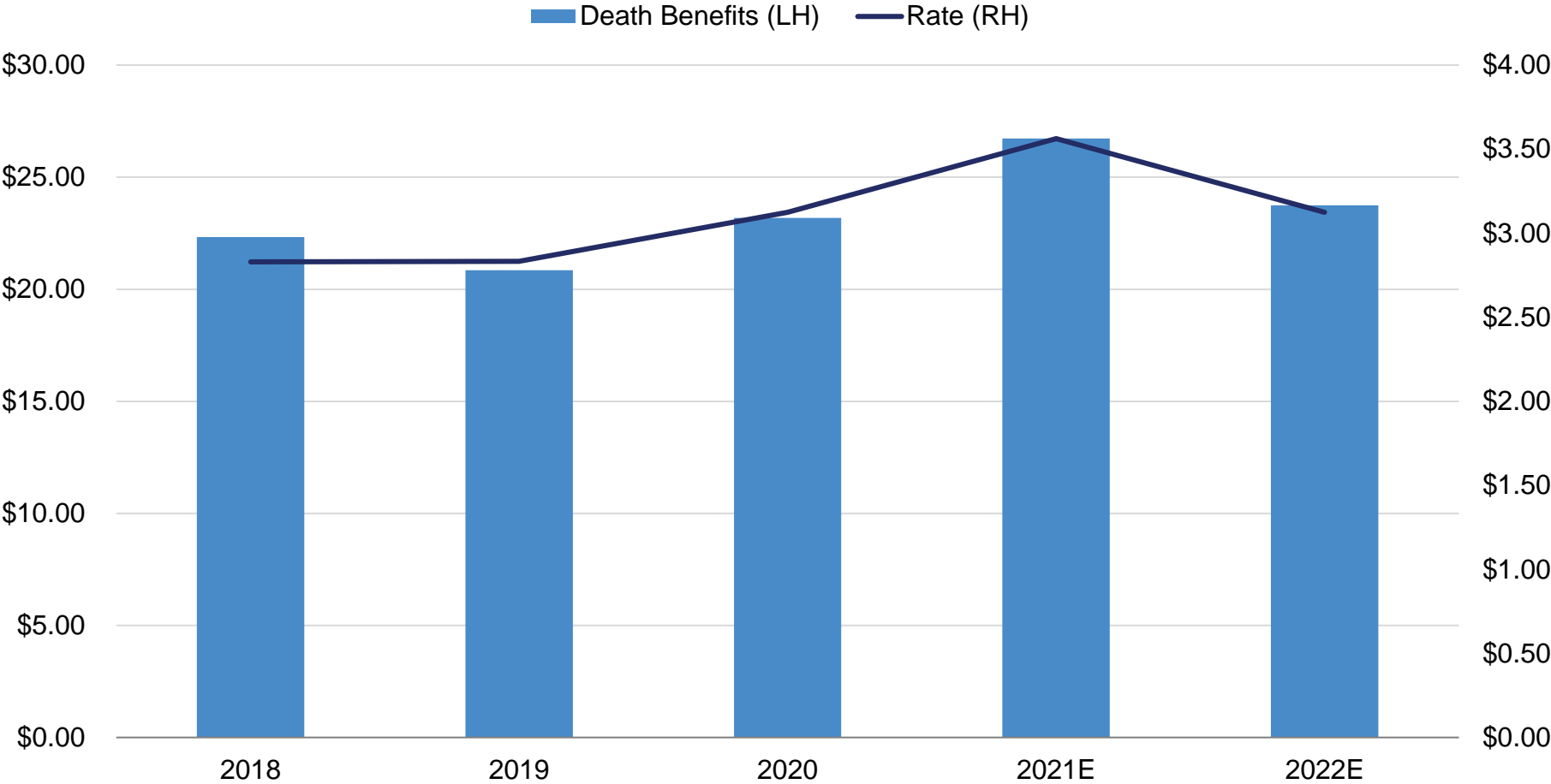
Company/Group	2022E Direct	2022E Net Premium	2022E/2018 CAGR	2022E Market Share	2018 Market Share
Metropolitan	\$12,543	\$8,388	7.1%	29.9%	23.9%
Prudential of America	5,137	2,329	4.0%	12.2%	11.0%
New York Life	3,608	4,215	15.8%	8.6%	5.0%
Securian (Minnesota Life)	2,689	1,093	2.6%	6.4%	6.1%
The Hartford	2,097	287	11.8%	5.0%	3.4%
Unum	1,721	661	3.2%	4.1%	3.8%
Lincoln National	1,454	722	3.1%	3.5%	3.2%
StanCorp Financial Group (Meiji Yasuda Life)	1,089	194	4.6%	2.6%	2.3%
Nationwide	939	908	(9.5%)	2.2%	3.5%
Sun Life Financial Inc	715	654	4.4%	1.7%	1.5%
<b>Top 10 Total</b>	<b>\$31,991</b>	<b>\$19,450</b>	<b>5.9%</b>	<b>76.2%</b>	<b>63.7%</b>
<b>Total Industry</b>					

Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC

# Group Life Death Benefits Decreased 11% in 2022

## Group Life Death Benefits and Endowments

\$ in billions, rate per \$1,000 of net in-force



Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC

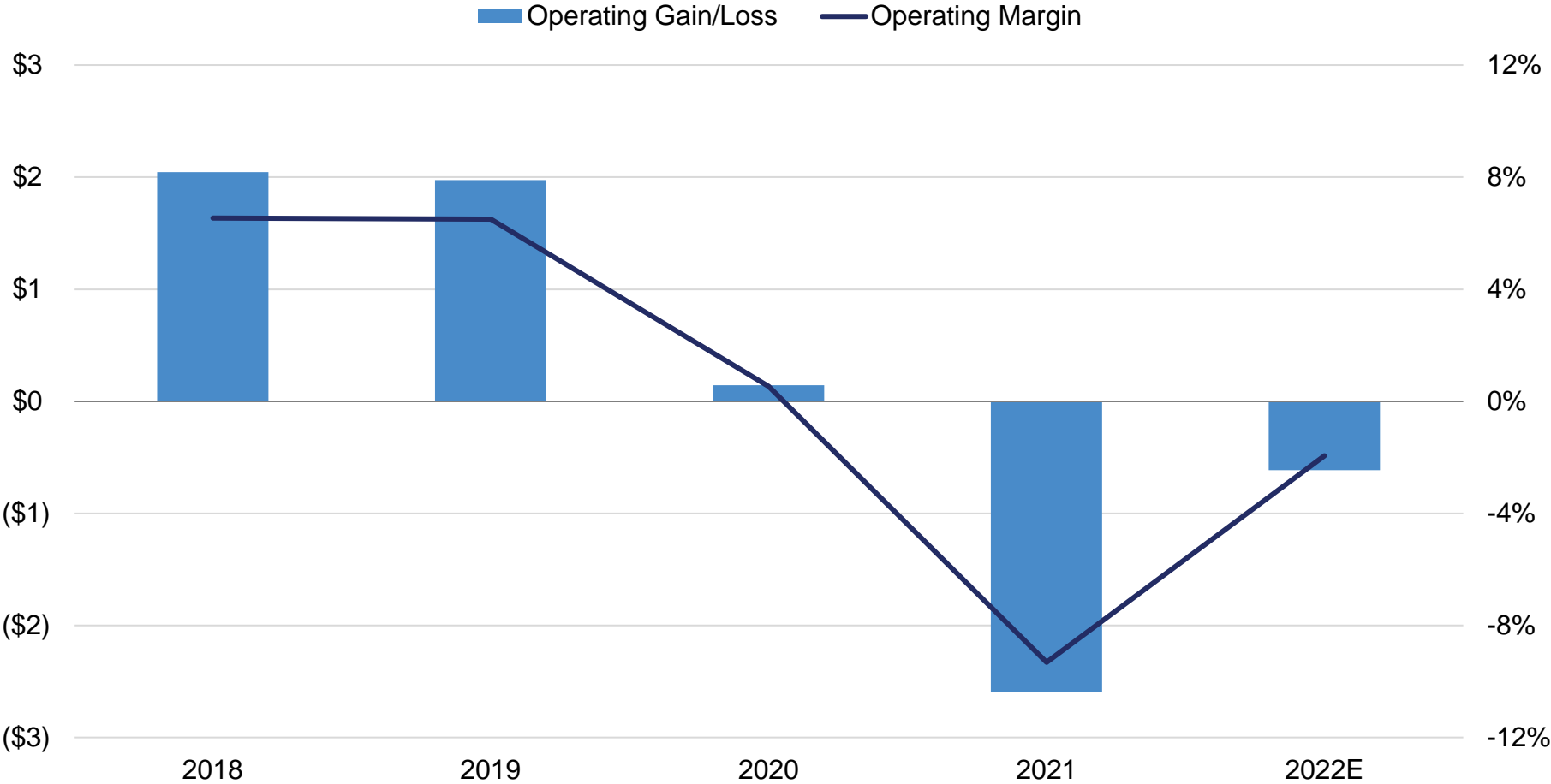


© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Group Life Operating Results Recovered Somewhat in 2022

## Group Life Growth and Profitability

\$ in billions



Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.



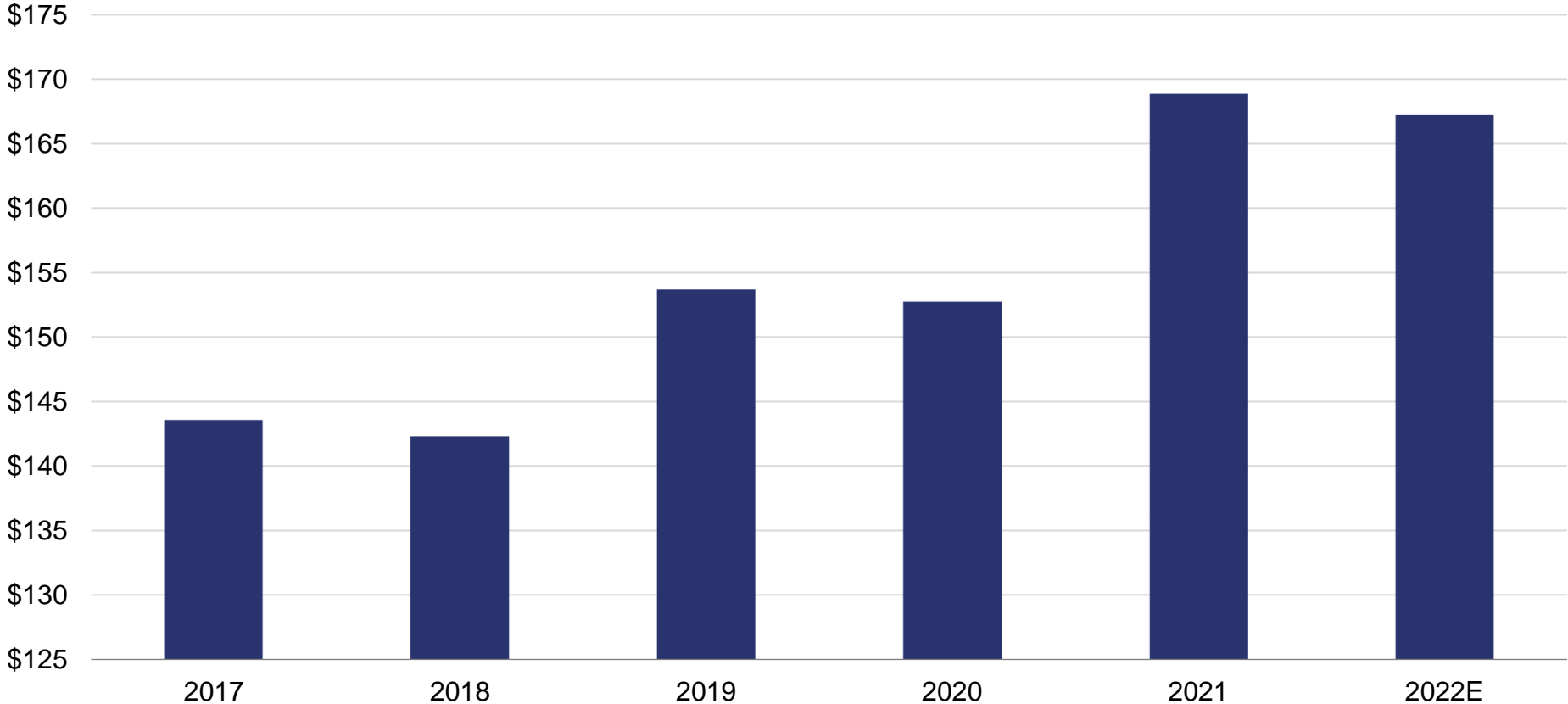
---

# INDIVIDUAL LIFE: FINANCIAL RESULTS

# Individual Life Direct Premiums Still Highly Elevated

## Individual Life Direct Premiums

*\$ in billions*



Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC

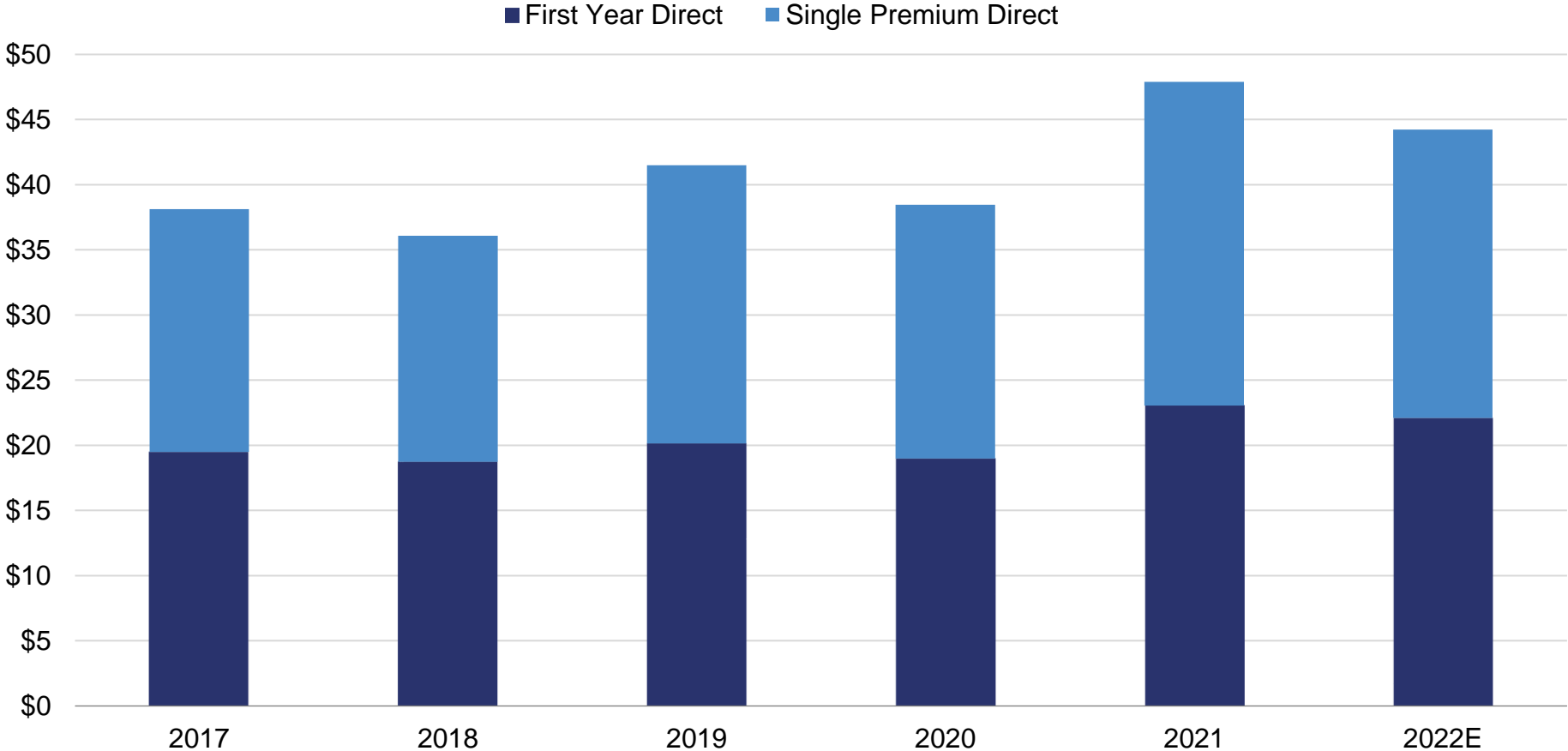


© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Individual Life Sales Decreased 8% in 2022, Still High

## Individual Life Sales

\$ in billions



Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Top 10 Individual Life Insurers Have 50% Market Share

## Individual Life Direct Premium Top 10 Companies

\$ in millions

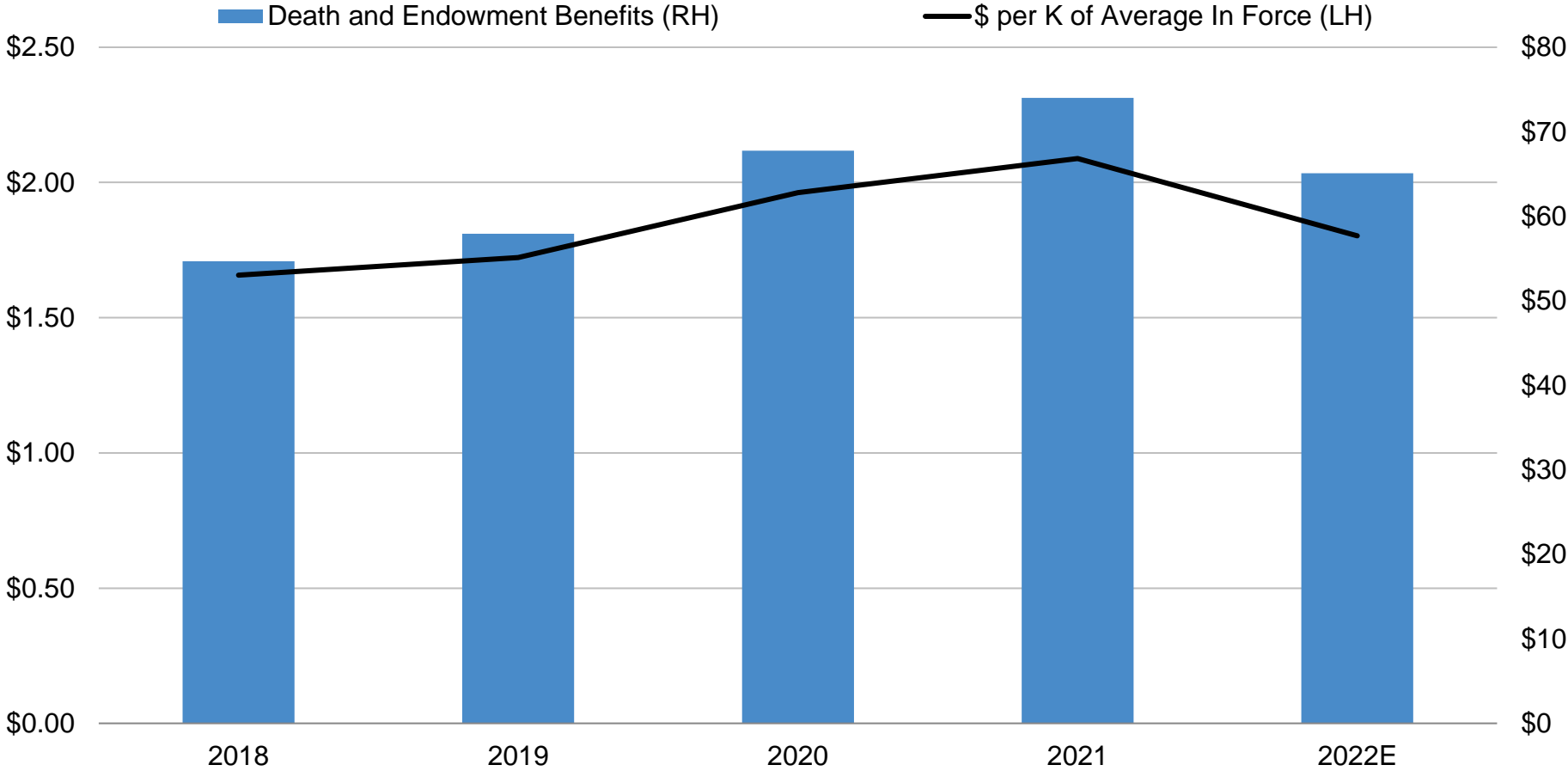
Company/Group	2022E Direct Premium	2022E Net Premium	2022E/2018 CAGR	2022E Market Share	2018 Market Share
<b>Northwestern Mutual</b>	\$18,706	\$17,711	6.8%	11.2%	10.1%
<b>Mass Mutual</b>	11,287	9,873	10.2%	6.7%	5.4%
<b>New York Life</b>	11,195	10,446	3.6%	6.7%	6.8%
<b>Prudential of America</b>	8,108	6,427	1.9%	4.8%	5.3%
<b>Lincoln National</b>	7,028	4,265	(1.7%)	4.2%	5.3%
<b>State Farm</b>	5,751	5,743	4.2%	3.4%	3.4%
<b>Guardian Life</b>	5,310	5,063	5.0%	3.2%	3.1%
<b>John Hancock</b>	5,098	2,935	0.6%	3.0%	3.5%
<b>Pacific Life</b>	4,776	4,170	5.9%	2.9%	2.7%
<b>Aegon</b>	4,546	8,576	(0.1%)	2.7%	3.2%
<b>Top 10 Total</b>	<b>\$81,804</b>	<b>\$75,210</b>	<b>4.2%</b>	<b>48.9%</b>	<b>48.8%</b>
<b>Industry Total</b>	<b>\$167,232</b>	<b>\$135,134</b>	<b>4.1%</b>		

Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC

# Death Benefits Decreased 12% in 2022 as Mortality Decreases

## Individual Life Death and Endowment Benefits

\$ in billions



Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC

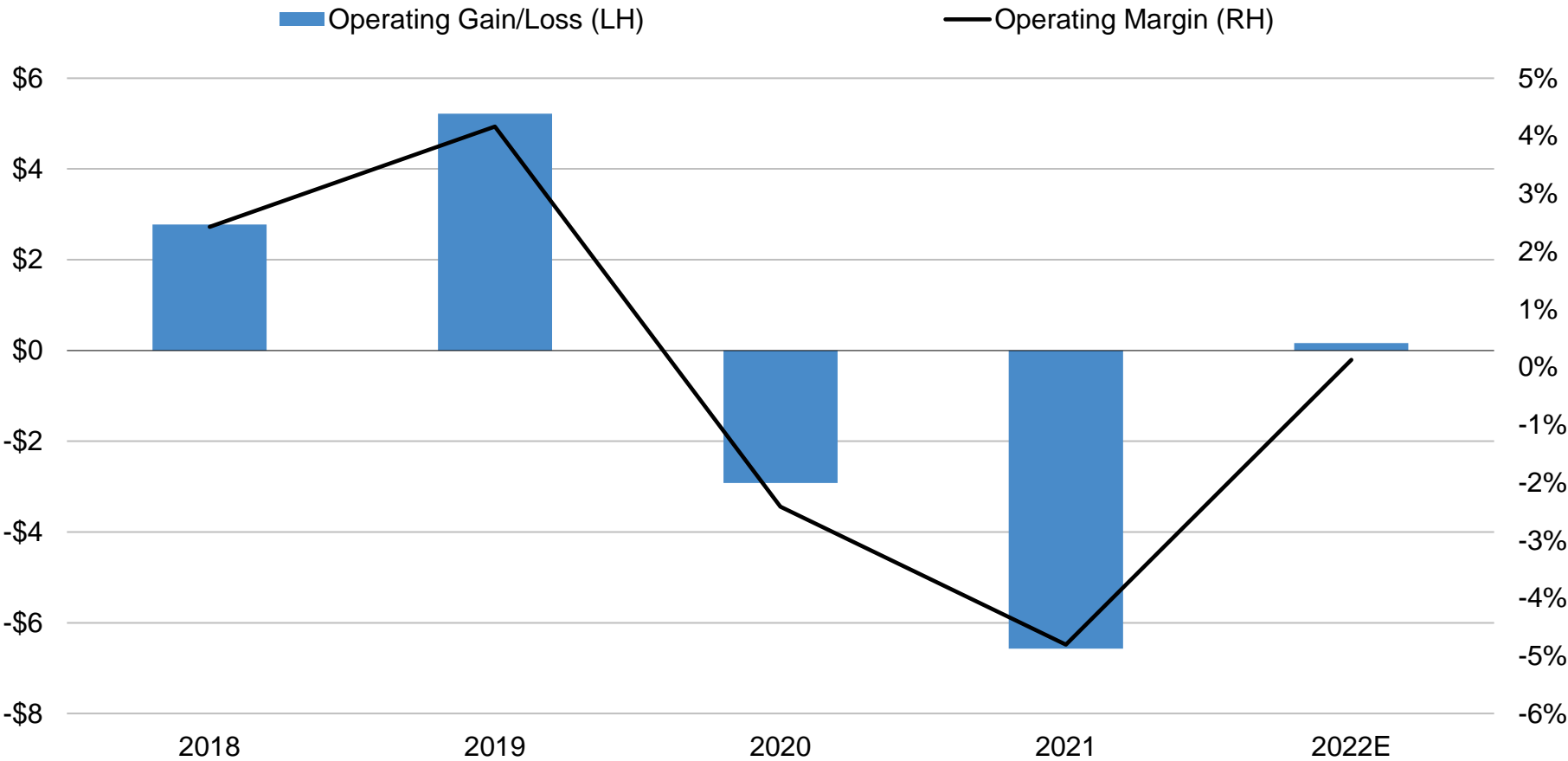


© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

# Individual Life Profitability Broke Even in 2022

## Individual Life Profitability

\$ in billions, Operating margin as % of net premium



Prepared by Conning, Inc. Source: ©2023 S&P Global Market Intelligence LLC



© 2023 Conning, Inc. This research publication is copyrighted with all rights reserved. No part of this research publication may be reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning.

## About Conning

Conning ([www.conning.com](http://www.conning.com)) is a leading investment management firm with a long history of serving the insurance industry. Conning supports institutional investors, including insurers and pension plans, with investment solutions, risk modeling software, and industry research. Founded in 1912, Conning has investment centers in Asia, Europe and North America.

## Insurance Research

Conning publishes over 100 unique insurance industry research reports annually, including its Insurance Segment Reports with periodic line-of-business reviews; its Forecast & Analysis service, which offers a forward look at the industry; the Focus Series which offers a concise analysis of strategic issues, and its well-known Strategic Study series offering an in-depth view of key products and trends and issues of critical industry importance. All are available for individual or enterprise-wide subscription through our web-based insurance research portal Conning Library (<https://library.conning.com>). In addition to its published research, Conning offers proprietary research and consulting focused on the insurance industry.

For more information on our insurance research services, please call 888-707-1177 or visit [www.conning.com/insurance-research](http://www.conning.com/insurance-research).

*This document has been prepared for and distributed exclusively to specific clients and prospects of Conning. No part of this document may be distributed, reproduced, transcribed, transmitted, stored in an electronic retrieval system or translated into any language in any form by any means without the prior written permission of Conning. Statements and information in this document were compiled from sources that we consider to be reliable or are expressions of our opinion. This document is not intended to be complete, and we do not guarantee its accuracy. The information in this document is not intended to be nor should it be used as investment advice. Conning does not make any warranties, express or implied, in this document. In no event shall Conning be liable for damages of any kind arising out of the use of this document or the information contained within it. Conning, Inc., Goodwin Capital Advisers, Inc., Conning Investment Products, Inc., a FINRA-registered broker-dealer, Conning Asset Management Limited, Conning Asia Pacific Limited, Octagon Credit Investors, LLC, and Global Evolution Holding ApS and its group of companies are all direct or indirect subsidiaries of Conning Holdings Limited (collectively, "Conning"), which is one of the family of companies owned by Cathay Financial Holding Co., Ltd., a Taiwan-based company.*

*The names of certain companies, products, and product brands, and the logos and images related thereto, are trademarks of their third-party owners. They are used herein for illustrative and informational purposes only. Nothing herein implies sponsorship or endorsement of those companies or products by Conning, or an endorsement by such trademark owners of Conning or its products and services.*

*This Conning presentation uses data sourced from Copyright 2023, S&P Capital IQ Pro. Reproduction of any information, data or material, including ratings (“Content”) in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers (“Content Providers”) do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold such investment or security, does not address the suitability of an investment or security and should not be relied on as investment advice. Credit ratings are statements of opinions and are not statements of fact.*

*The use of Centers for Disease Control and Prevention (the” CDC”) materials does not imply the CDC, Department of Health and Human Services, or the U.S. Government endorsement or recommendation of Conning or its products or services. The CDC materials are available on the CDC website for no charge.*