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FOR IMMEDIATE RELEASE

Press Release

Milliman survey reveals 25 out of 28 companies use or plan to use accelerated underwriting in term life insurance

SEATTLE – FEBRUARY 13, 2020 – Milliman, Inc., a premier global consulting and actuarial firm, recently released the results of its biennial broad-based survey on term life insurance. The survey captured historical data for key industry competitors as well as company perspectives on a range of issues pertaining to these products into the future. The Term Life Insurance Issues report is based on a survey of 28 term insurance companies. It includes detailed information on underwriting trends and other product and actuarial issues such as sales, profit measures, target surplus, reserves, risk management, product design, compensation, and pricing.

Key findings of the study include:

- Term sales were fairly stable over the survey period (calendar years 2015 to 2018), with 20-year level premium term sales at 41% to 42%, followed by 10-year at 23% to 25%, 30-year at 14% to 15%, 15-year around 11% to 12%, and yearly renewable term at about 5%.
- The predominant profit measure relative to the pricing of new term products is an after-tax, after-capital statutory return on investment/internal rate of return (ROI/IRR). The average ROI/IRR target for term products reported by survey participants was 9.8%.
- Of the 26 survey participants planning to implement principle-based reserves (PBR), 14 intend to implement PBR in calendar year 2020. The other 12 participants implemented PBR in calendar years 2019 or prior. Also, 23 of the 28 survey participants implemented the 2017 Commissioner's Standard Ordinary (CSO) mortality table in calendar year 2019 or prior. Four will implement the 2017 CSO in calendar year 2020. For one participant implementation is taking place in both periods.
- In both 2017 and 2018, the percentage of new term business that participants ceded to reinsurers ranged from 1% to 100%, with an average of 44%. The median was 45% in 2017 and 38% in 2018.
- Currently, 20 of the 28 survey participants use accelerated underwriting programs for term life insurance, with an additional five participants planning to implement such programs.
- The use of predictive modeling in the life insurance industry continues to increase. Fifteen survey participants use predictive analytics in the accelerated underwriting algorithms. Six participants reported using predictive analytics in underwriting of term products under other underwriting approaches (i.e., other than accelerated underwriting).

"Similar to the past several years, carriers continue to deal with the implementation of PBR, the 2017 CSO, accelerated underwriting programs, and predictive models," says Sue Saip, consultant in Milliman's Chicago office. "The implications of these significant changes are yet to be seen fully, and monitoring of results will be important in the years to come."



The 146 page “Term life insurance issues – Detailed Report” is available for purchase by visiting the Milliman website at <https://www.milliman.com/insight/2019-Term-life-insurance-issues> or by calling Gina Ritchie at (312) 499-5605. Participating companies receive a complimentary copy of the detailed report, as well as individual company responses reported on an anonymous basis.

About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit www.milliman.com.

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