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Press Release

Re-pricing by Universal Life Insurers Remains Active as Revealed in Annual Milliman Survey

Seattle – August 21, 2012 – Fourteen of 31 respondents to Milliman's fifth annual comprehensive study of Universal Life (UL) and Indexed Universal Life (IUL) issues reported they re-priced their UL with Secondary Guarantee design in the last 12 months. Nearly all reported that premium rates on the new basis versus the old basis increased. Modifications to secondary guarantee products are anticipated by 15 participants in the next 12 months. Such re-pricing and modifications may be driven by the fact that only nine of the survey respondents met their profit goals in 2010 and through the first nine months of 2011. This percentage is the same as that reported for 2009 in the prior Milliman survey. The primary reason cited for failure to meet profit goals continued to be interest earnings.

The Milliman study, "Universal Life and Indexed Universal Life Issues", explores issues relative to Universal Life with Secondary Guarantees (ULSG), Cash Accumulation UL, Current Assumption UL, and the corresponding indexed UL (IUL) versions.

Since 2009, the ULSG market share gradually increased, as the cash accumulation UL share gradually decreased and the current assumption UL share remained flat. The product mix since 2009 changed significantly for many of the survey participants, but many of the changes were offsetting when considered as part of overall survey results. Ten participants reported movement away from ULSG products, with four of the 10 discontinuing sales of ULSG. Seven participants reported movement to ULSG products, with four of the seven discontinuing other UL products.

The study found that total indexed UL sales and total accumulation IUL sales were higher in the first three quarters of 2011 than in all of 2010. The level of sales reported for both periods was higher than sales reported for the two preceding calendar years by survey participants. The IUL market has recently drawn considerable interest, with more companies entering the market or considering entry. In addition to reporting sales information by UL product type, the survey also breaks down sales information by issue age group within distribution channel and by gender, premium type, and underwriting class.

The report also includes information about UL/IUL sales with chronic illness and long-term care (LTC) riders. Sales data is becoming more available on UL/IUL products with these riders, as more companies begin to offer and track such products. Six survey participants reported total UL sales with chronic illness riders and five reported total IUL sales with chronic illness riders. Eight survey participants reported total UL sales with LTC riders by LTC rider type elected. Similarly, three participants reported IUL sales with LTC riders. Nearly 42% of survey respondents expect to market LTC combination plans within two years and nearly 68% of survey respondents expect to market either an LTC or chronic illness rider in the next two years.

In addition to profitability and sales, the study also includes information relative to product and actuarial issues, such as target surplus, reserves, risk management, underwriting, product design, compensation, pricing, administration, and illustration testing.

A record 31 carriers of Universal Life products participated in this annual survey, indicating the importance of this topic in the marketplace today.

The 366 page “Universal Life and Indexed Universal Life Issues – Detailed Report” is available for purchase by visiting the Milliman website at <http://insight.milliman.com/article.php?cntid=8149> 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

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