



2024 LIFE  
INSURANCE  
& ANNUITY  
CONFERENCE

**Powering  
Growth**



**Policyholder Lens:  
Discovering Trends in  
Universal Life Products**





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*Consulting Actuary*  
Milliman



**Marianne Purushotham, FSA, MAAA**

*Corporate Vice President, LIMRA*  
*Research Data Services*  
LIMRA and LOMA





# UL Product Trends

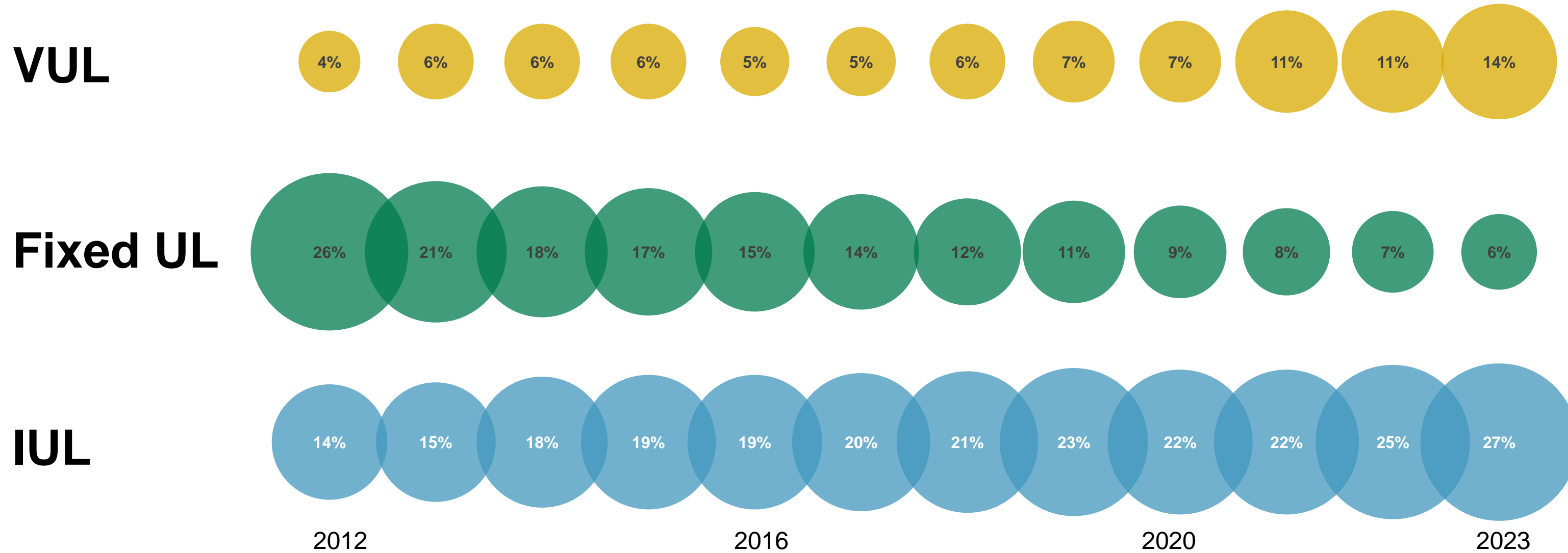


# Sales Overview



# Universal Life (UL) Sales

Annualized Premium Market Share by Product



Source: 2012-2022: U.S. Individual Life Insurance Sales, Industry Estimates (1975 – 2022). LL Global, 2023.  
 U.S. RETAIL INDIVIDUAL LIFE INSURANCE SALES SURVEY - SUMMARY REPORT 4th Quarter 2023. LL Global, 2023.



# Fixed UL

# Fixed UL Trend

- **Decreasing sales volume over the years**  
Credited rates on fixed UL has a long history of decreasing even in the recent rate environment
- **ULSG in Merger and Acquisition (M&A)**  
Jan 2022: Principal and Sixth Street<sup>1</sup>  
May 2023: Lincoln and Fortitude<sup>2</sup>  
July 2023: Prudential and Somerset<sup>3</sup>
- **New product on horizon**  
Combination products started to surface on Fixed UL

1. [Principal Financial Group Inc - Principal Financial Group® Announces Reinsurance Transaction, Increases Share Repurchase Authorization by \\$1.6 Billion](#)  
2. [Lincoln Financial Group Announces \\$28 Billion Reinsurance Transaction With Fortitude Re and Preliminary First Quarter 2023 Results | Lincoln Financial](#)  
3. [Prudential Financial, Inc. - Prudential Financial to Reinsure \\$12.5B Guaranteed Universal Life Block with Somerset Re](#)



IUL





# IUL Trend

- Further illustration restriction from AG49B
- Volatility controlled index no longer favorable to illustrate
- New bonus feature emerging
- Cap on the rise with interest rate increase

# What Carriers Are Doing

- **Carriers' IUL initiatives**

Most companies are focusing on regular product updates instead of reacting to AG49B

Main drivers are competitiveness and rising interest rate

- **Investment Strategy**

Delinking/Splitting portfolio is happening - can have fairness implication

Various approach regarding portfolio management

A shift in investment strategy due to rising interest rate

- **Premium financing**

Most companies have minimum or decreased financing activities

Existing financed policies facing lapse as the rate increases

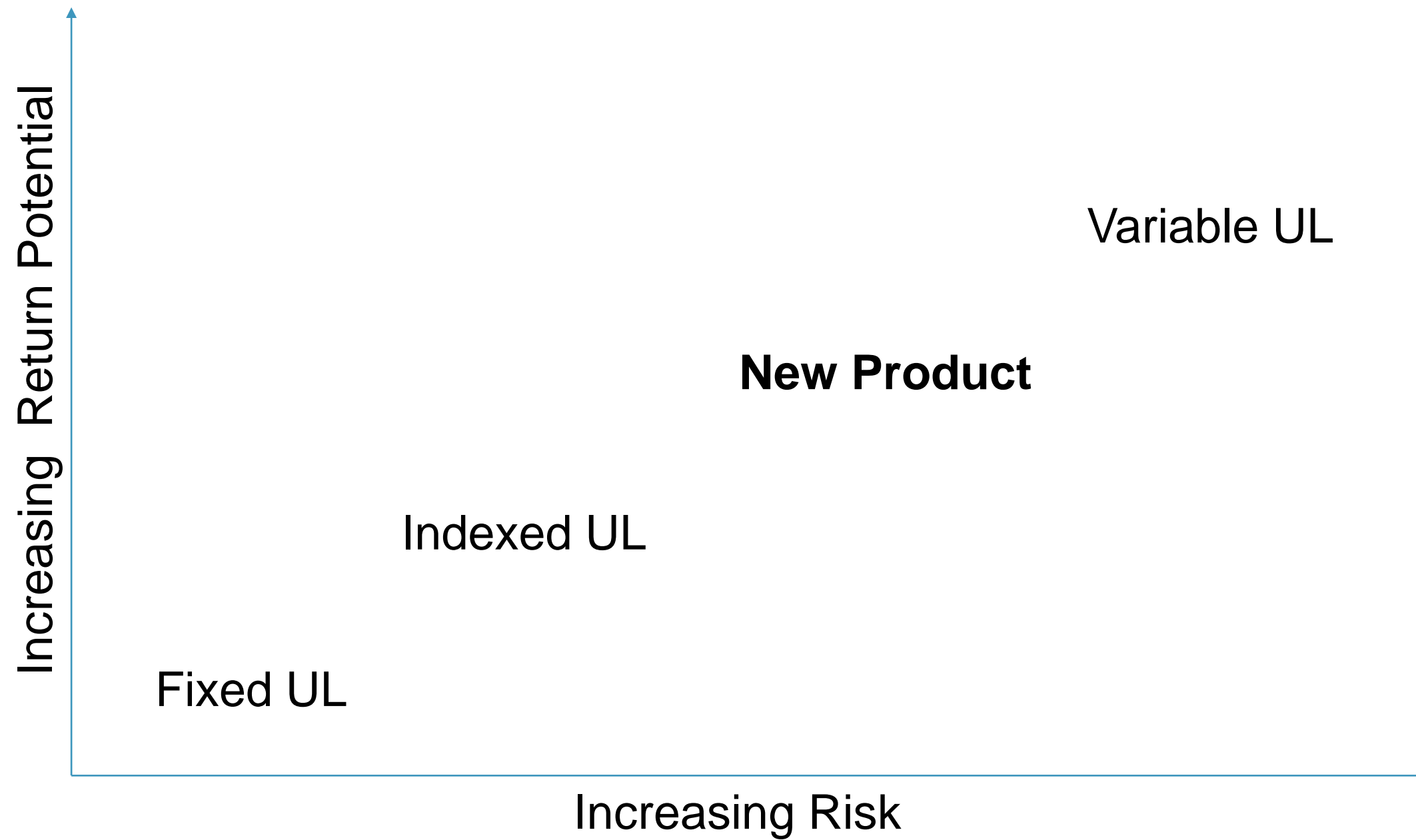
VUL



# VUL Trend

- **Limited sales volume until 2021**  
Recent increase fueled by strong equity market performance
- **New product emerging**  
Less downside protection in exchange for greater upside potential  
Registered IUL or Indexed/Managed VUL?
- **Hedging aspects**  
Traditional VUL does not have hedging unless there is a specific guarantee  
The new products may require hedging similar to an IUL product

# Risk Reward



# Making it “VUL”

- **New product challenges**  
Sophisticated hedging requirement for new market entrants
- **Make it a “VUL”**  
Utilize mutual fund that replicates the buffer design
- **The “VUL” advantage<sup>1</sup>**  
Fund and hedging is performed by the 3<sup>rd</sup> party manager  
Separate account fund can be highly customizable based on risk tolerance  
Special fund that is not available with the traditional hedging approach such as Magnificent 7

<sup>1</sup>: <https://us.milliman.com/en/insight/managed-variable-universal-life>.

# The Managed “VUL” Advantage

	IUL	RIUL	VUL	MVUL
Supplemental ALM / Hedging Program Not Required?			✓	✓
Insulated from Issuer Credit Risk?			✓	✓
Accumulation Potential?	Lowest	Medium	Highest	Variable*
Transparent Daily Market Value?			✓	✓
Daily Liquidity?			✓	✓
Exempt from Model Illustration Regulation and AG-49?		✓	✓	✓
Exposure to Negative Investment Performance?	None	Limited	Full	Limited
Subject to C1 Risk-Based Capital Charges?	✓	✓		

\* MVUL accumulation potential is dependent on its strategy parameters and can be higher or lower than traditional VUL.



# 2015 – 2021 UL Policy Surrender & Lapse Study





# 2015-2021 UL Lapse/Surrender Study

- SOA/LIMRA Experience Studies Pro partnership
- 2015-2021 calendar year NY/KS/NAIC VM-51 submissions
- Anniversary-to-anniversary approach
- Not all companies submitted data for all years requested
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# 2015-2021 UL Lapse/Surrender Study

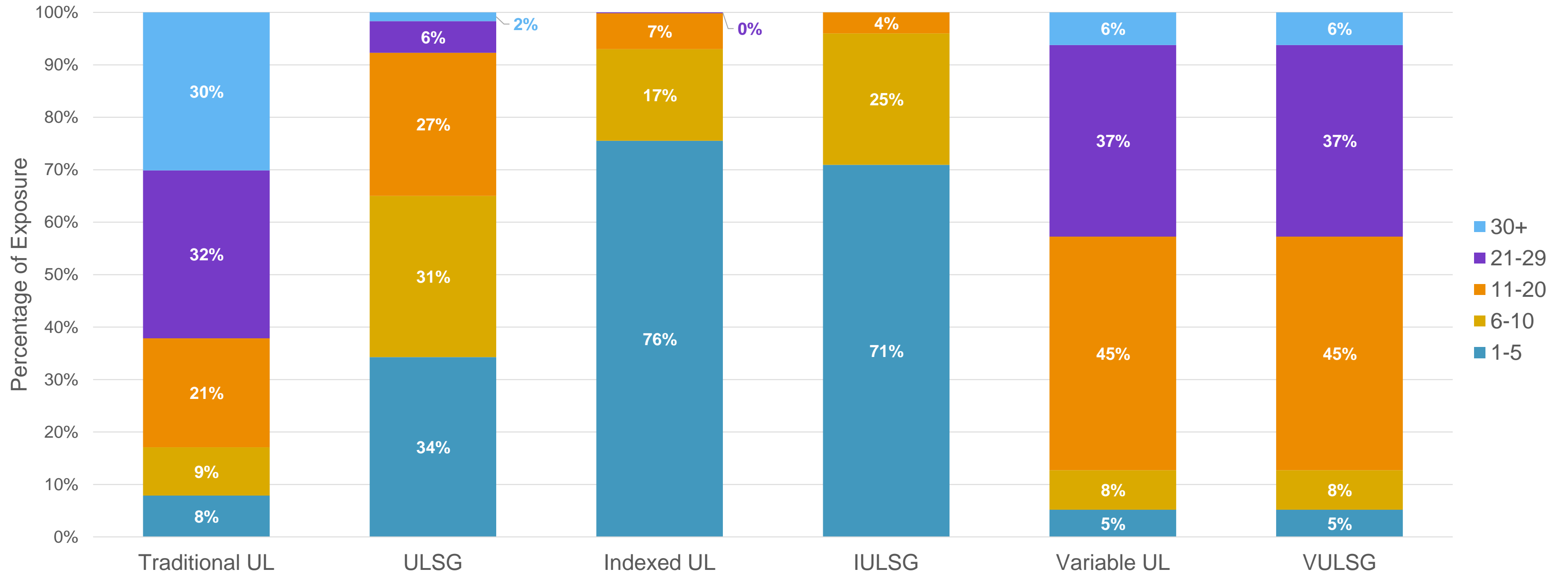
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  - 1.27 million lapses (count) on 33.5 million exposures
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# Exposure by UL Product Type\*

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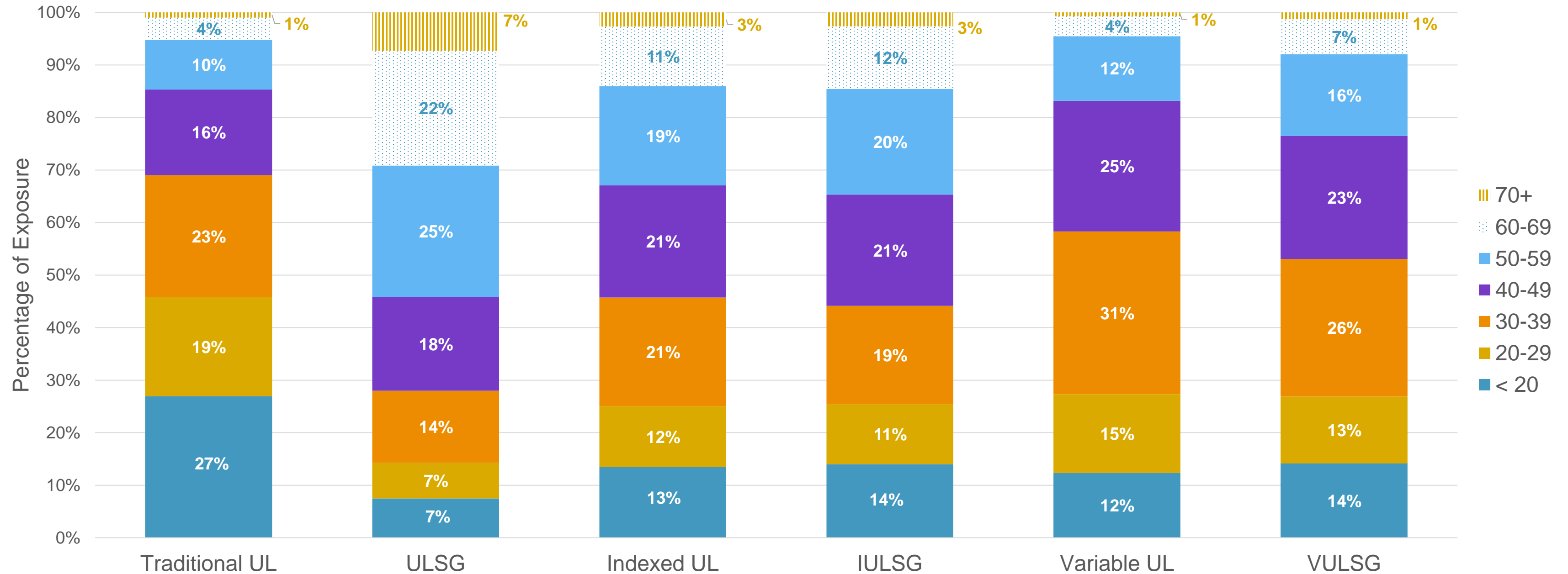
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# Distribution of Policy Year Exposure by Count



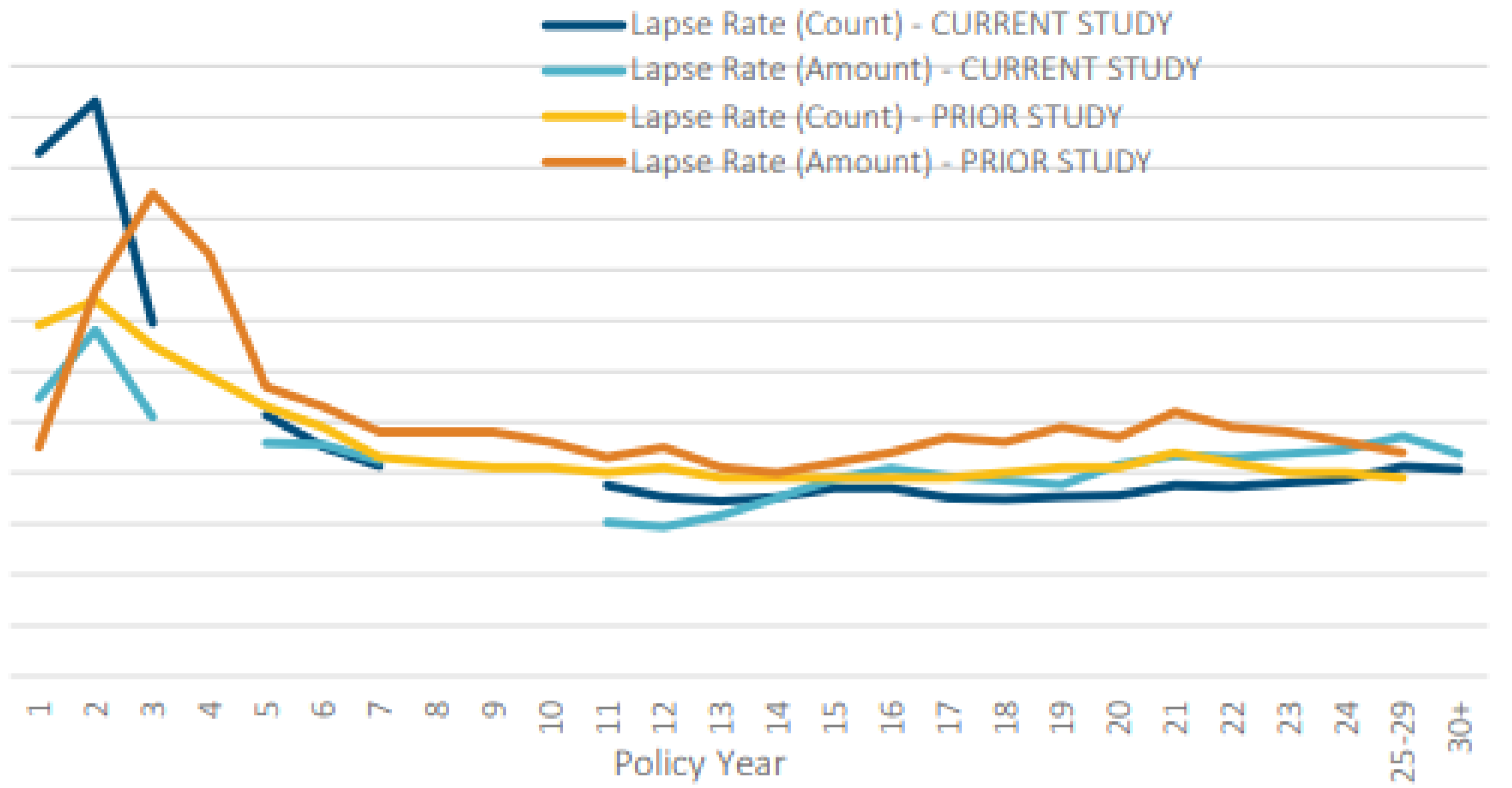
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# Distribution of Issue Age Exposure by Count



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# Traditional UL Lapse Rates by Policy Year



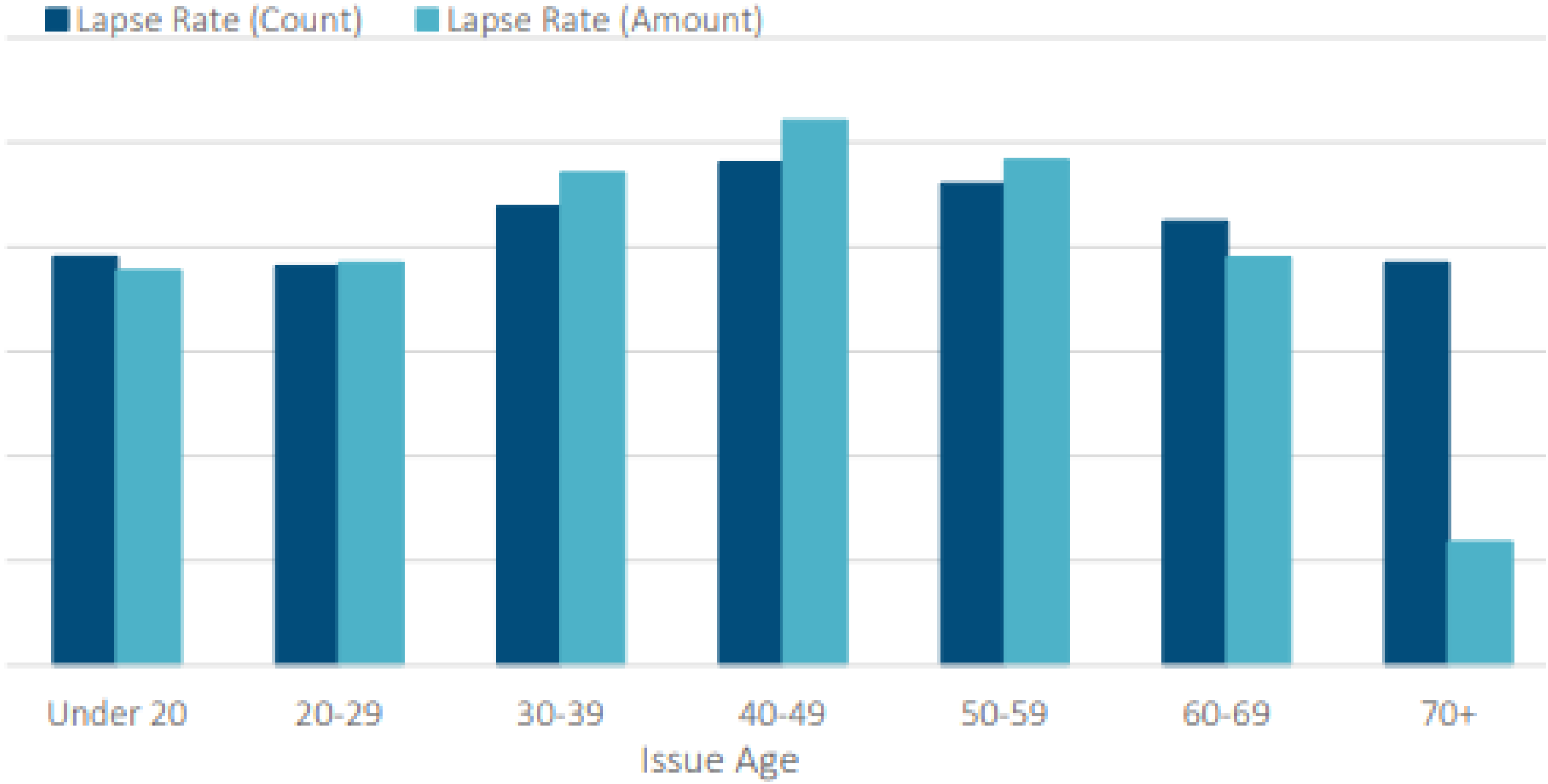
Prior study: 2009 – 2013

Current study lapse rates tend to be lower except very early policy years

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# Traditional UL Lapse Rates by Issue Age Group



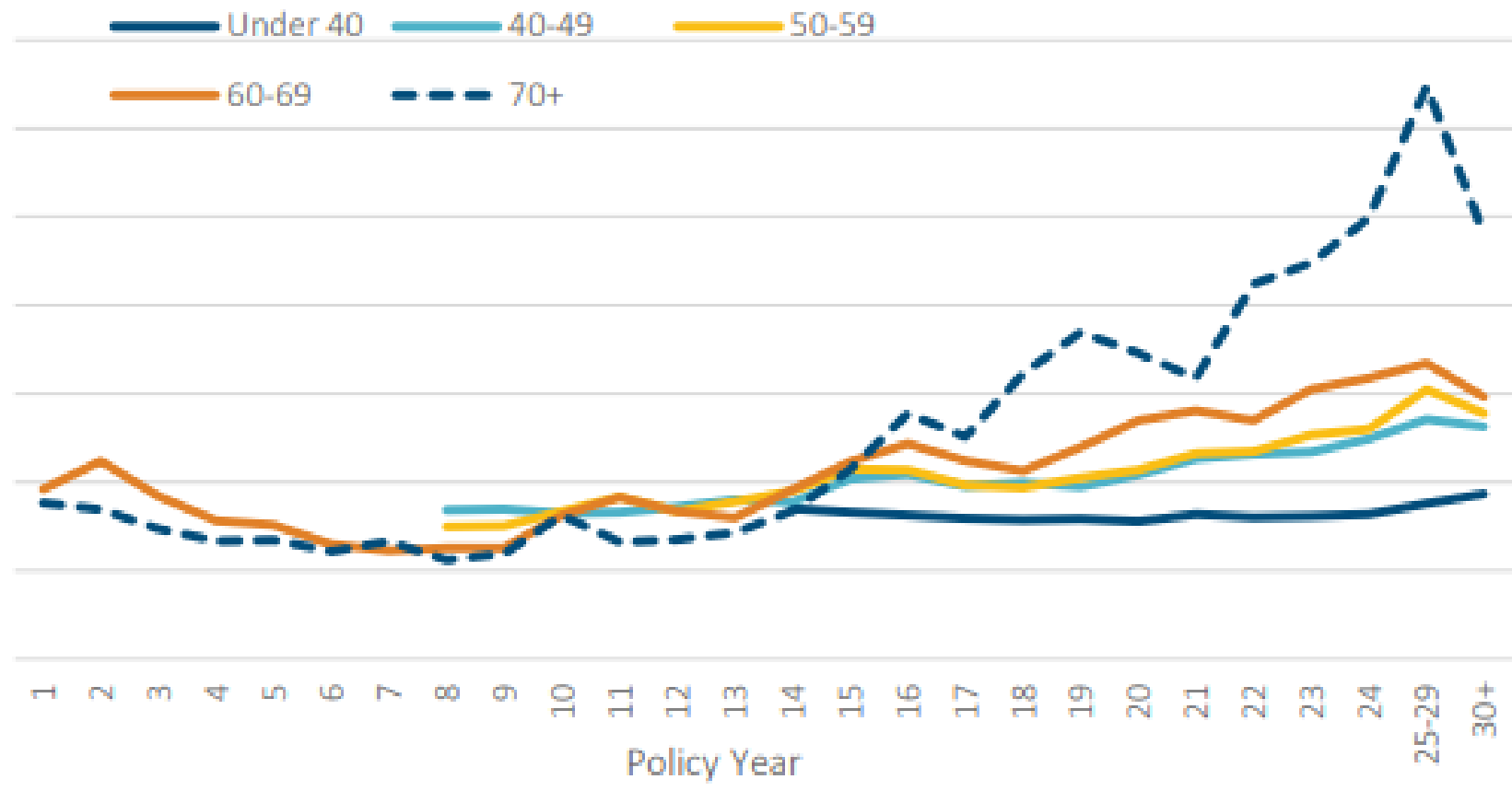
Lapse rate based on count for issue age 70+ more than three times higher than lapse rate based on amount

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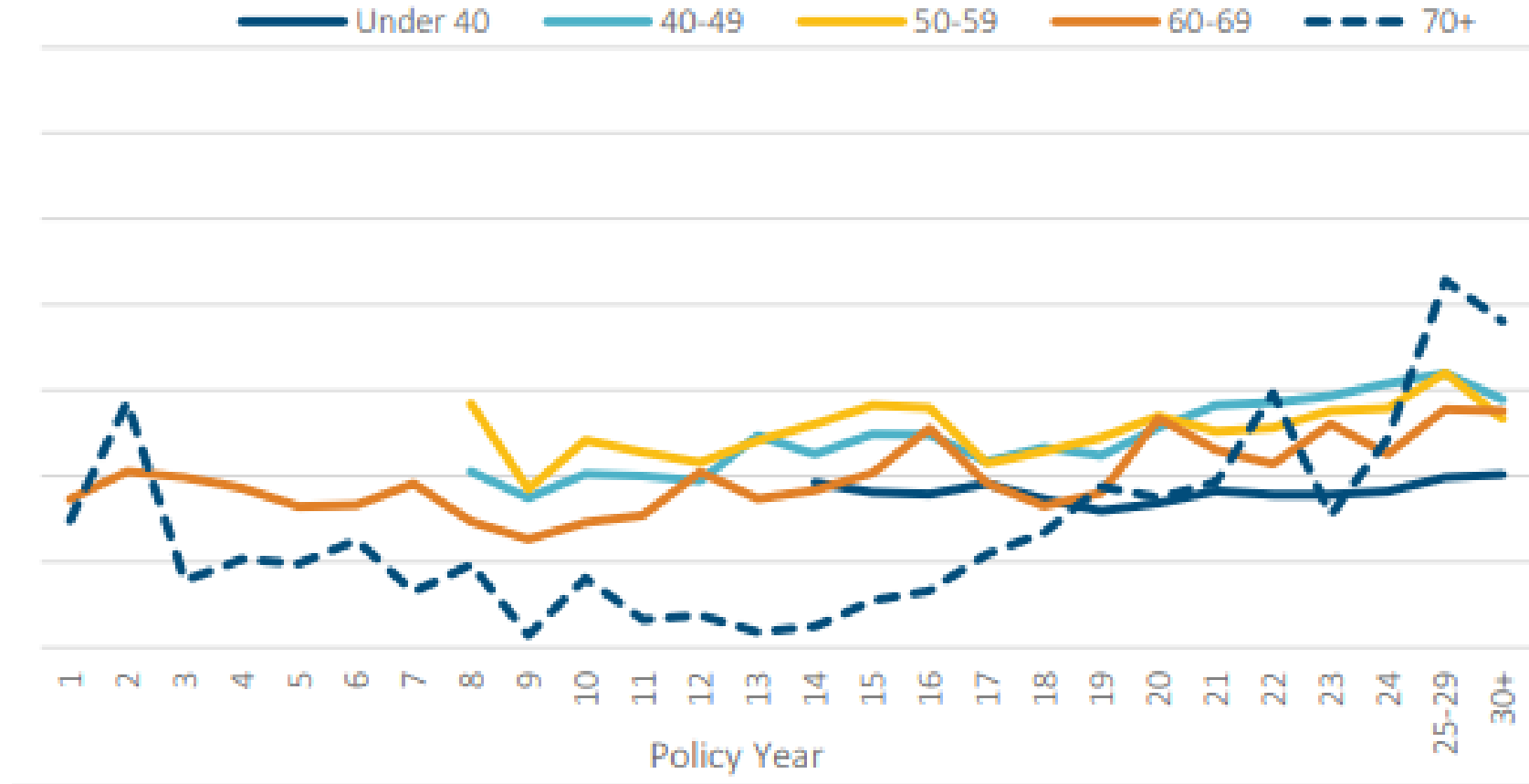
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By count trend: increasing lapse rates as issue age increases

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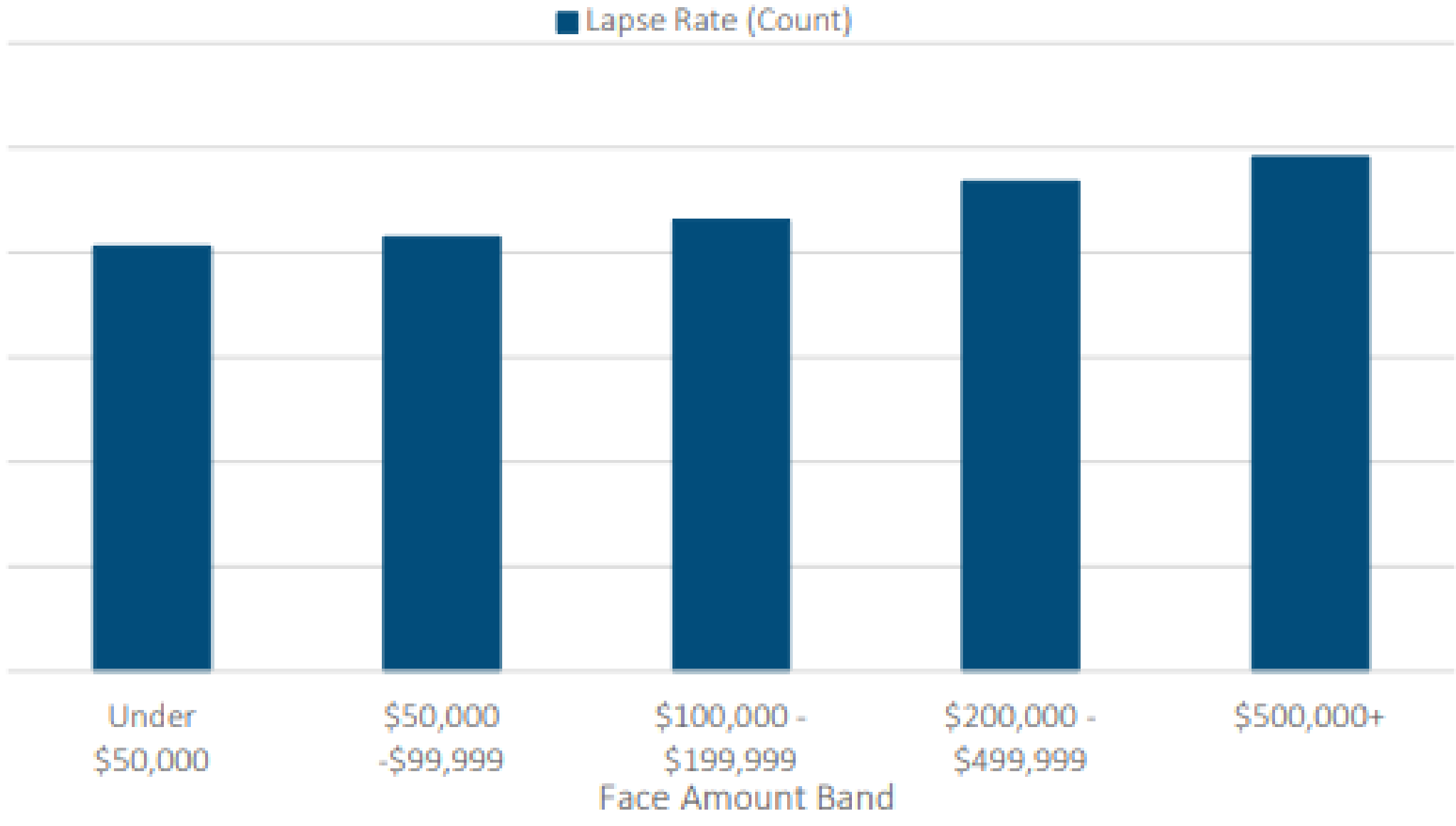
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Very low lapse rates by amount for IA 70+ seen across many policy years





# Traditional UL Lapse Rates by Face Amount Band

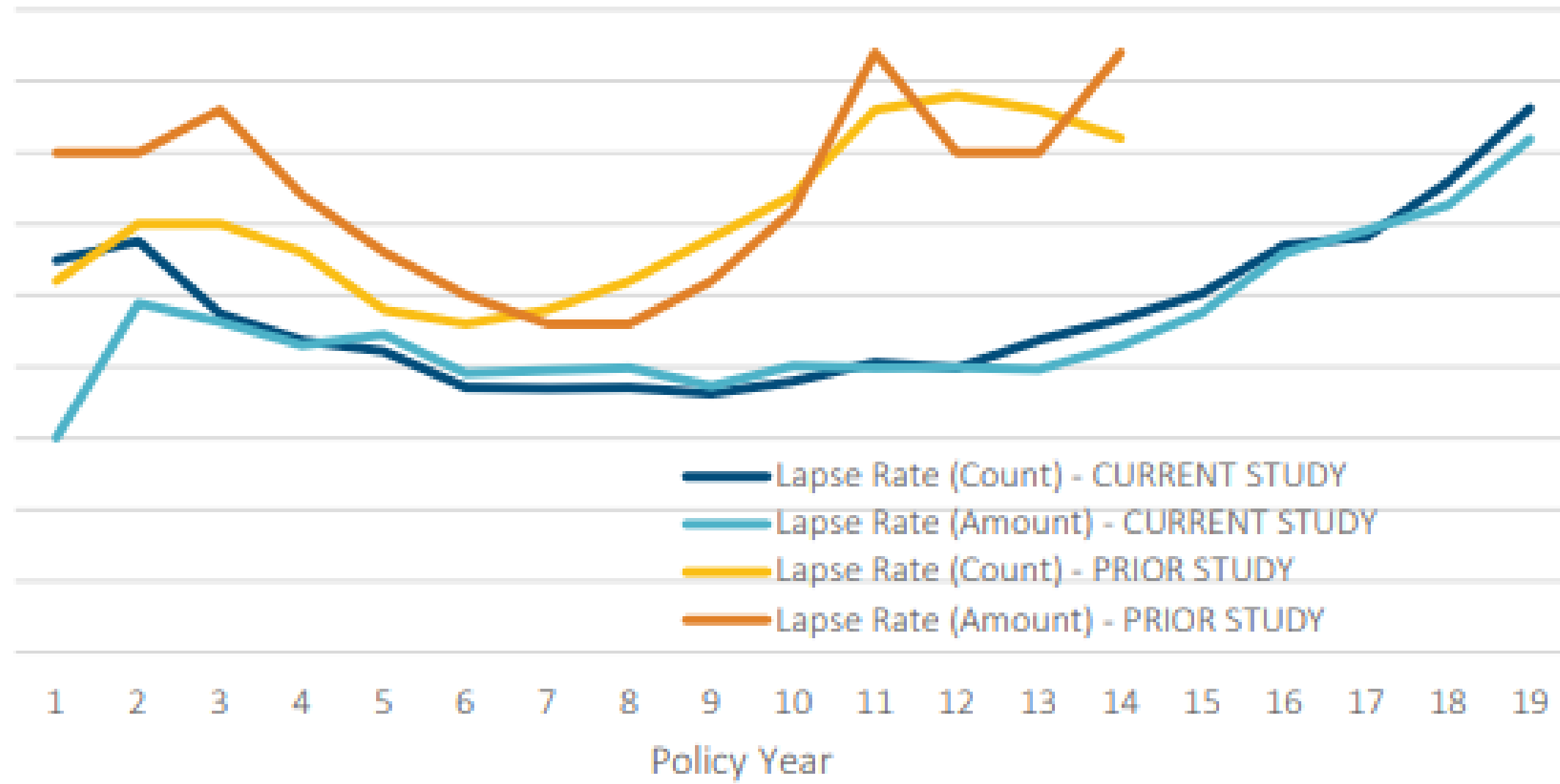


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# ULSG Lapse Rates by Policy Year



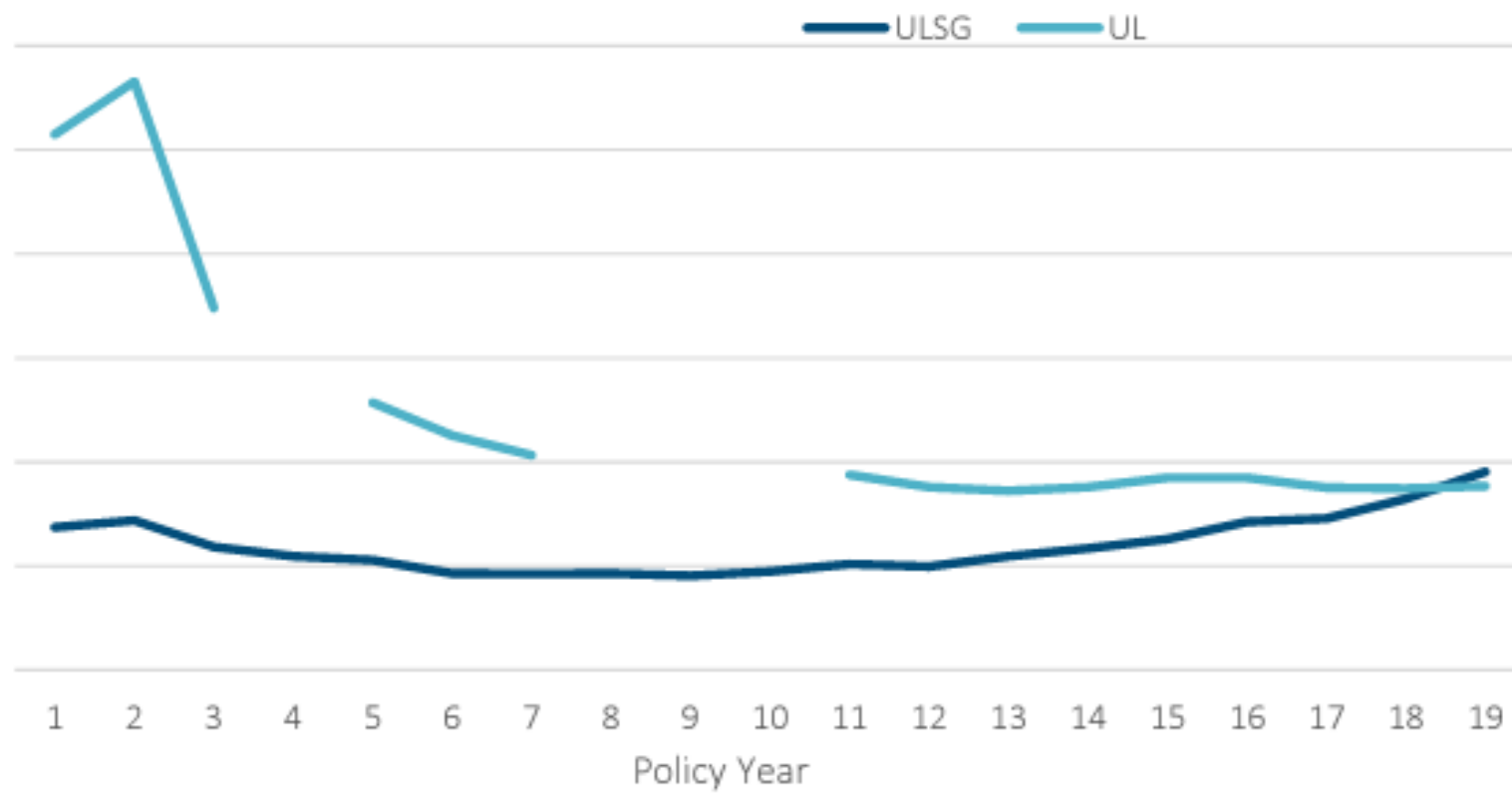
Lapse rates lower than prior study

Lapse rates begin to rise steadily with increasing policy year starting in policy year 14

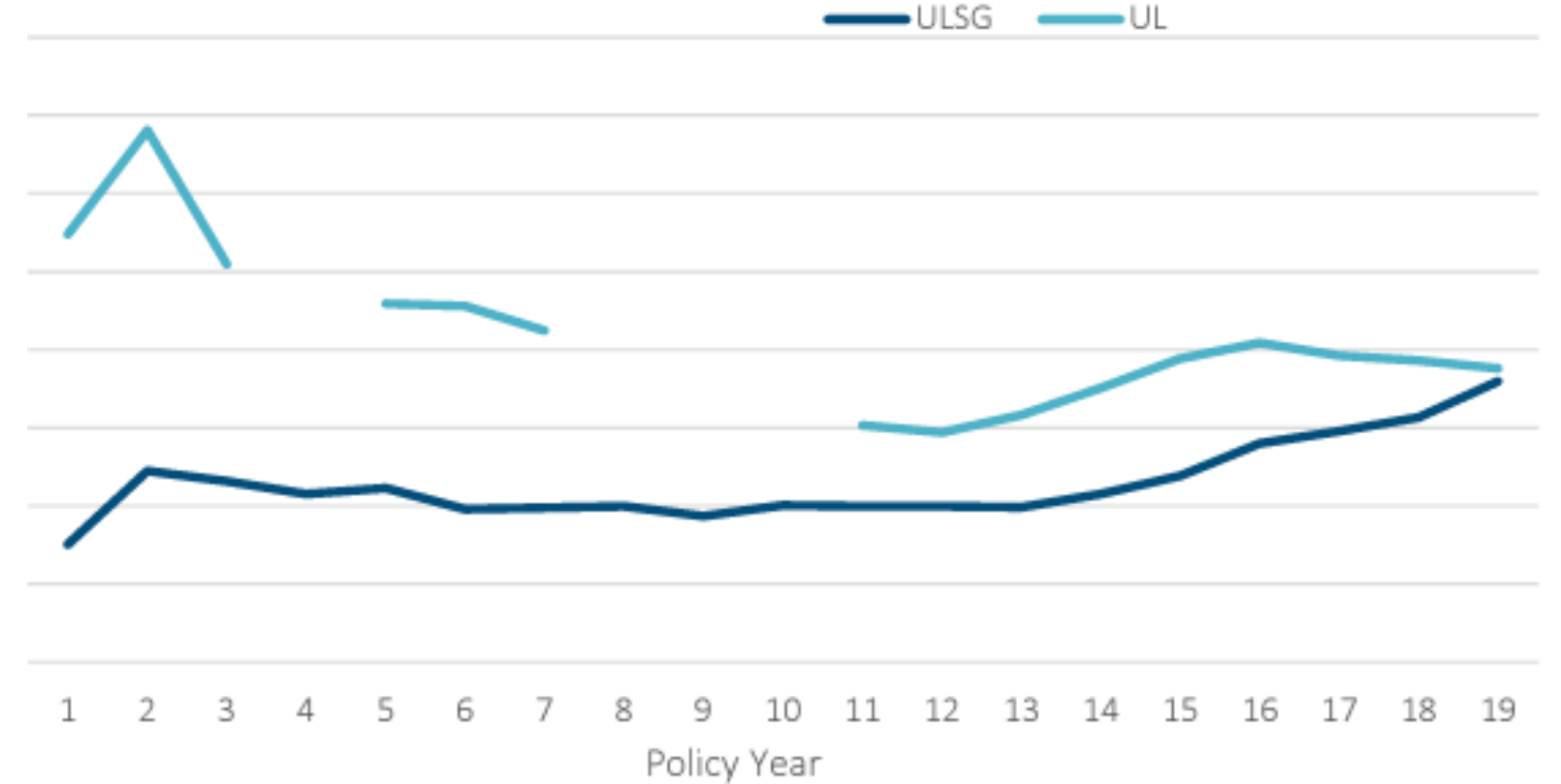


# ULSG and Traditional UL Lapse Rates by Policy Year

Lapse rate based on count

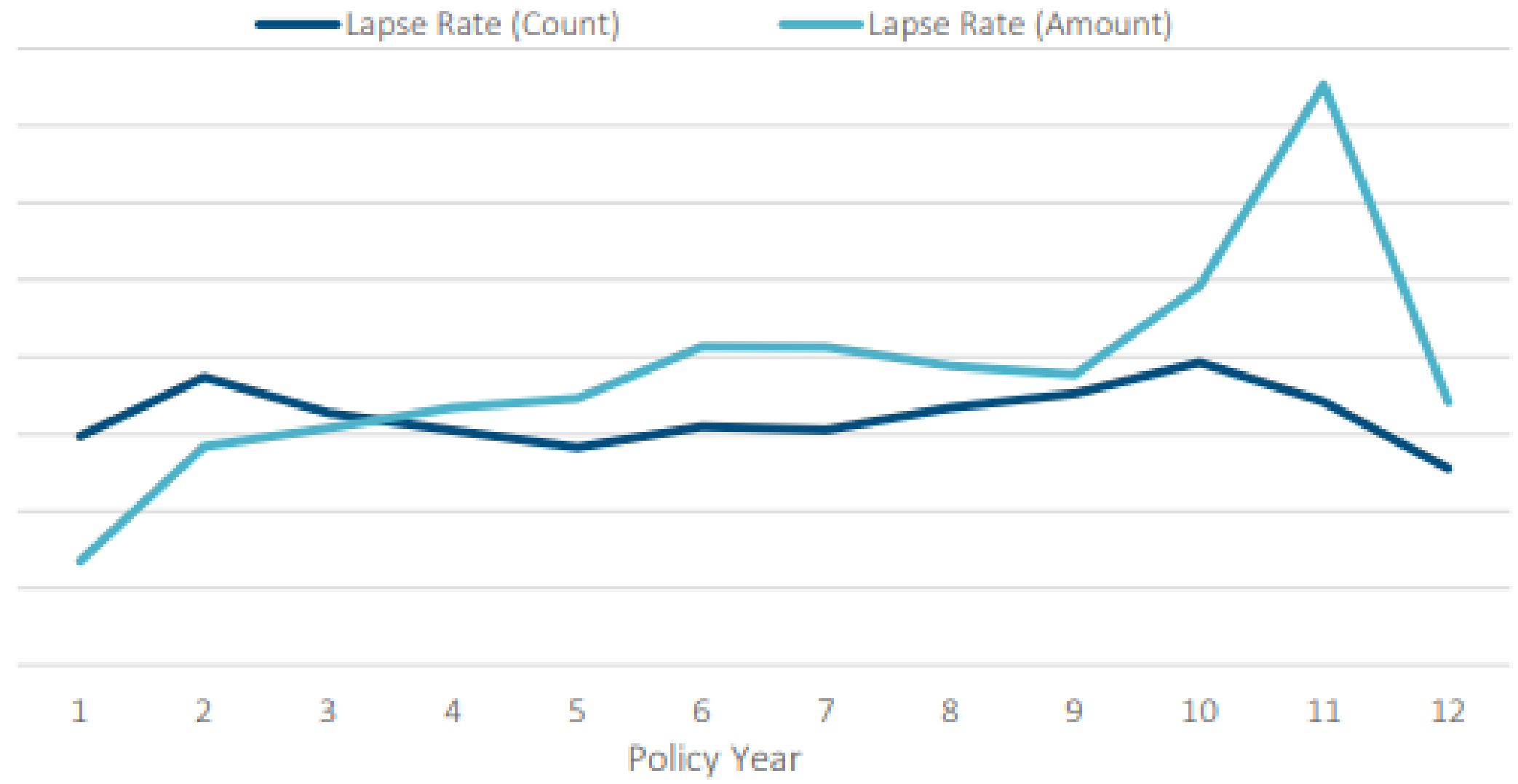


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Lapse rates based on both count and amount were lower for ULSG in almost all policy years

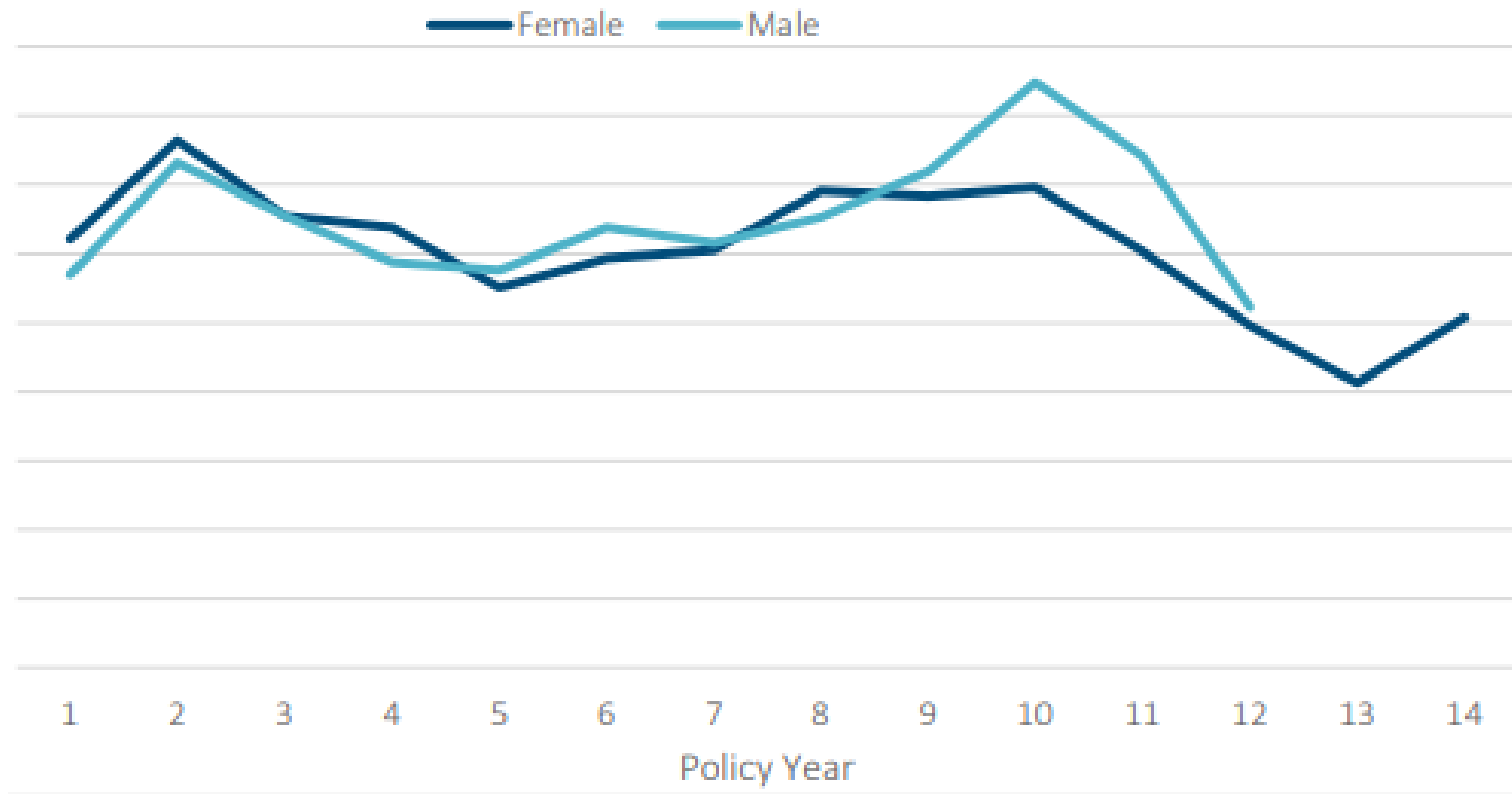
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Last study did not have IUL as a separate product type

Lapse based on count are higher in early policy years and flatter

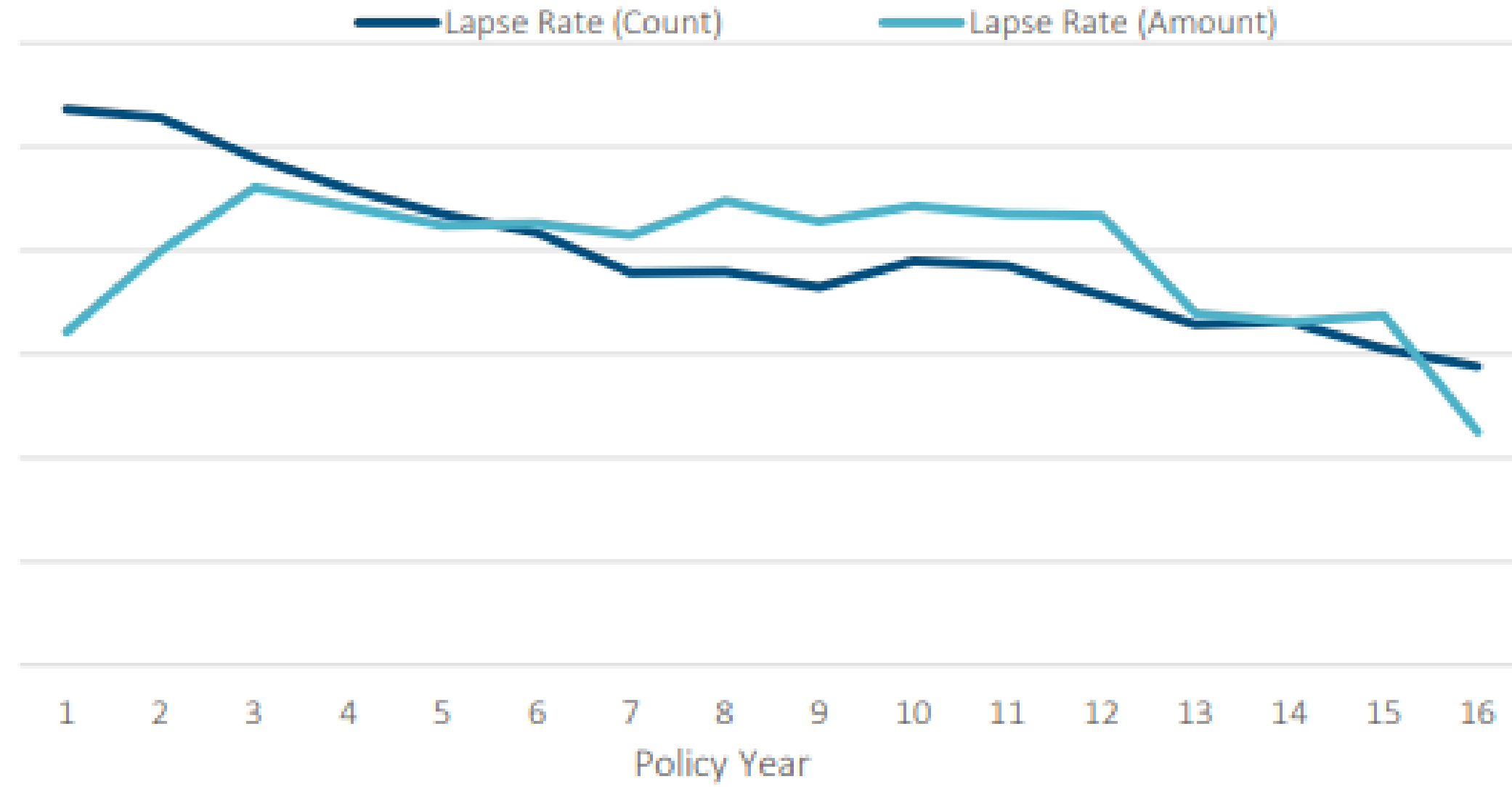
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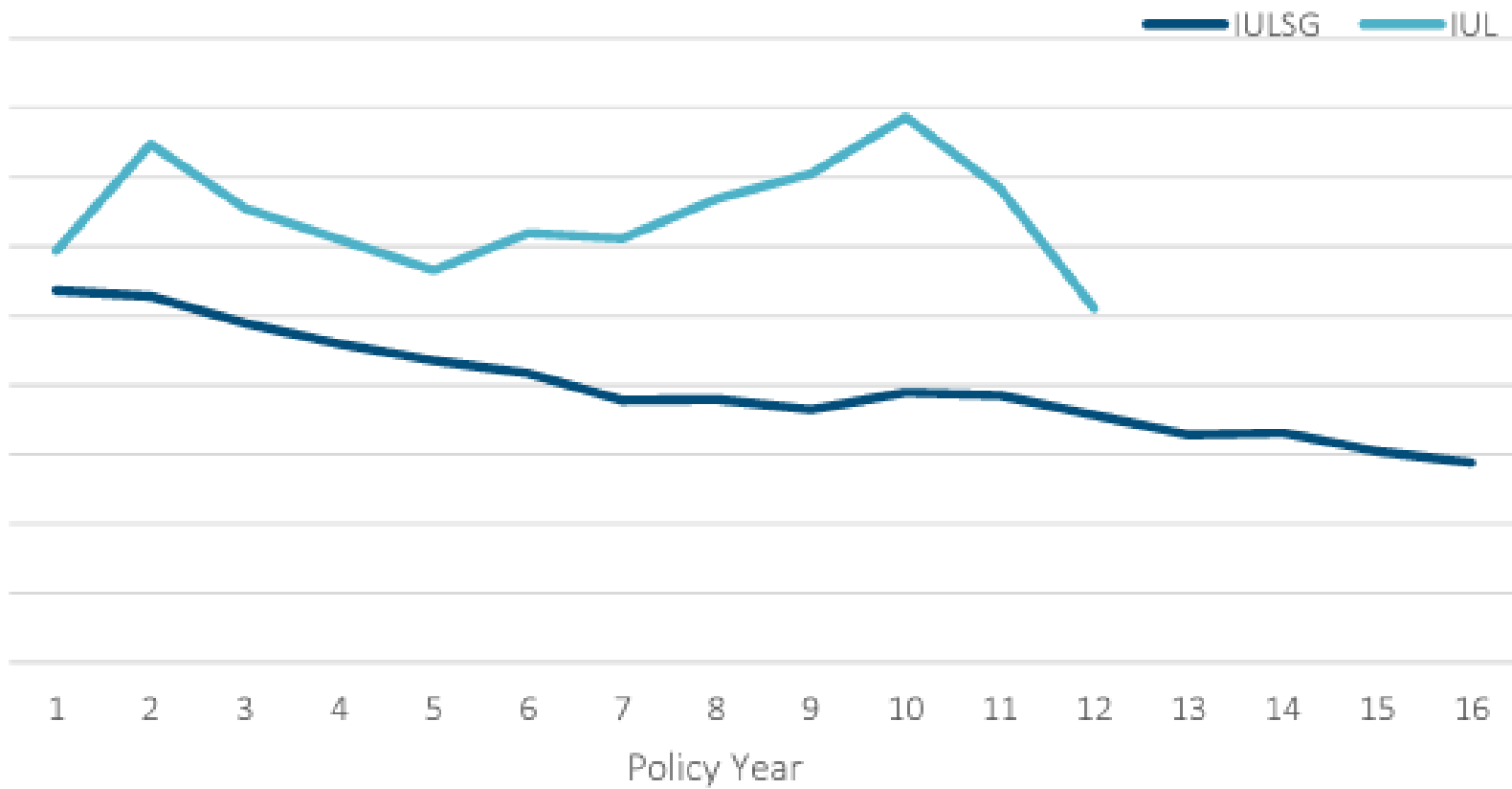


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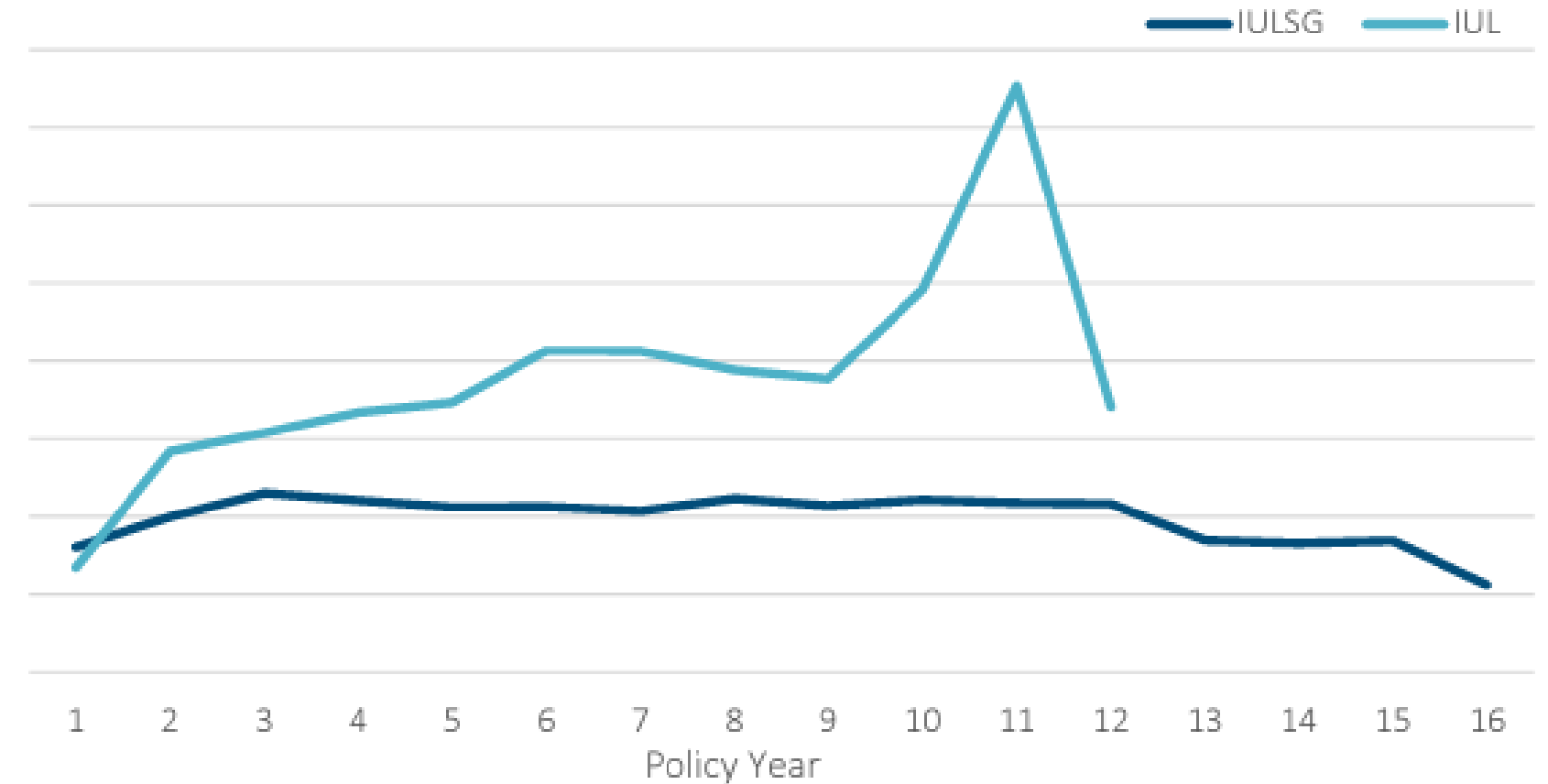
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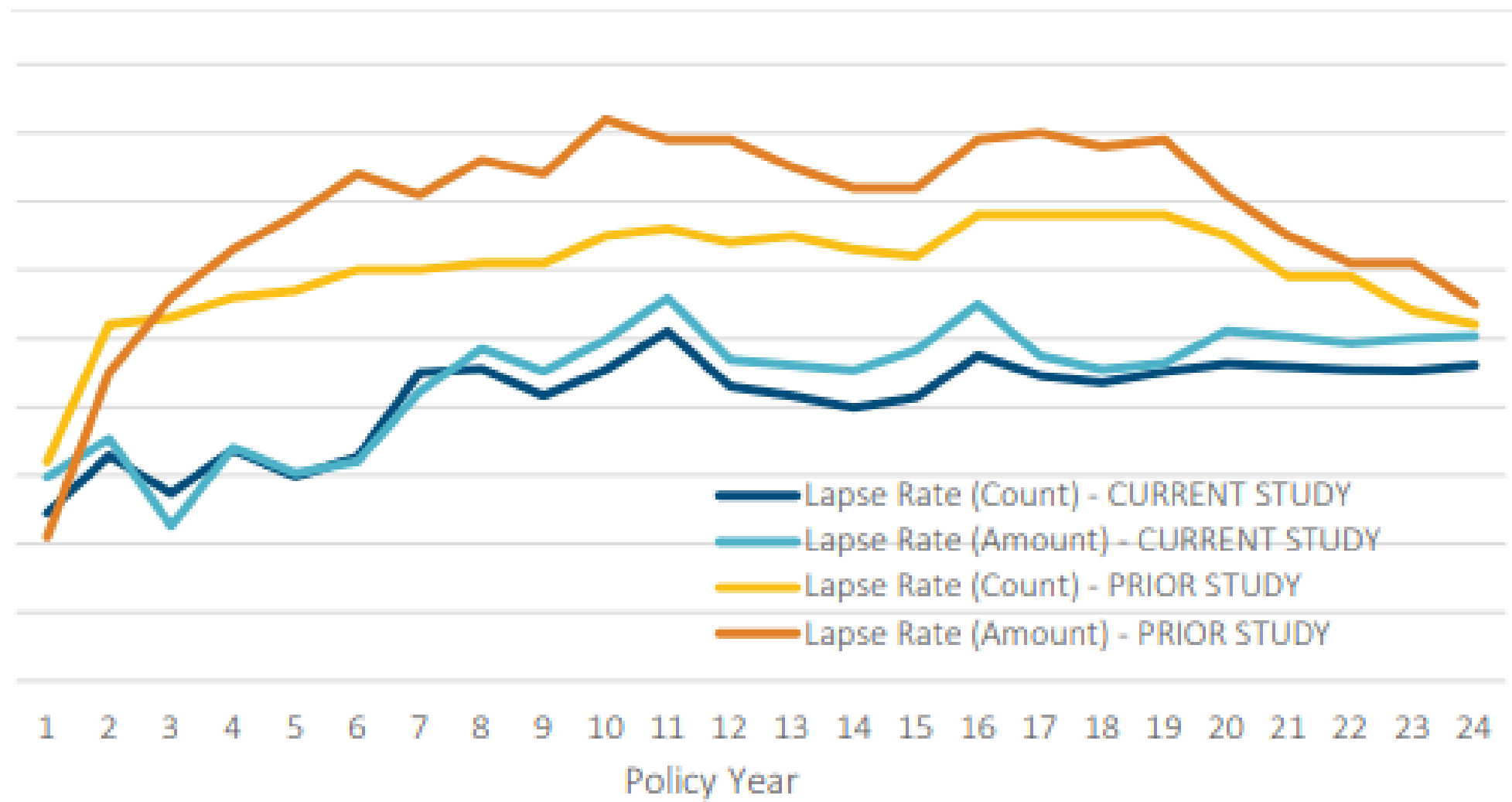
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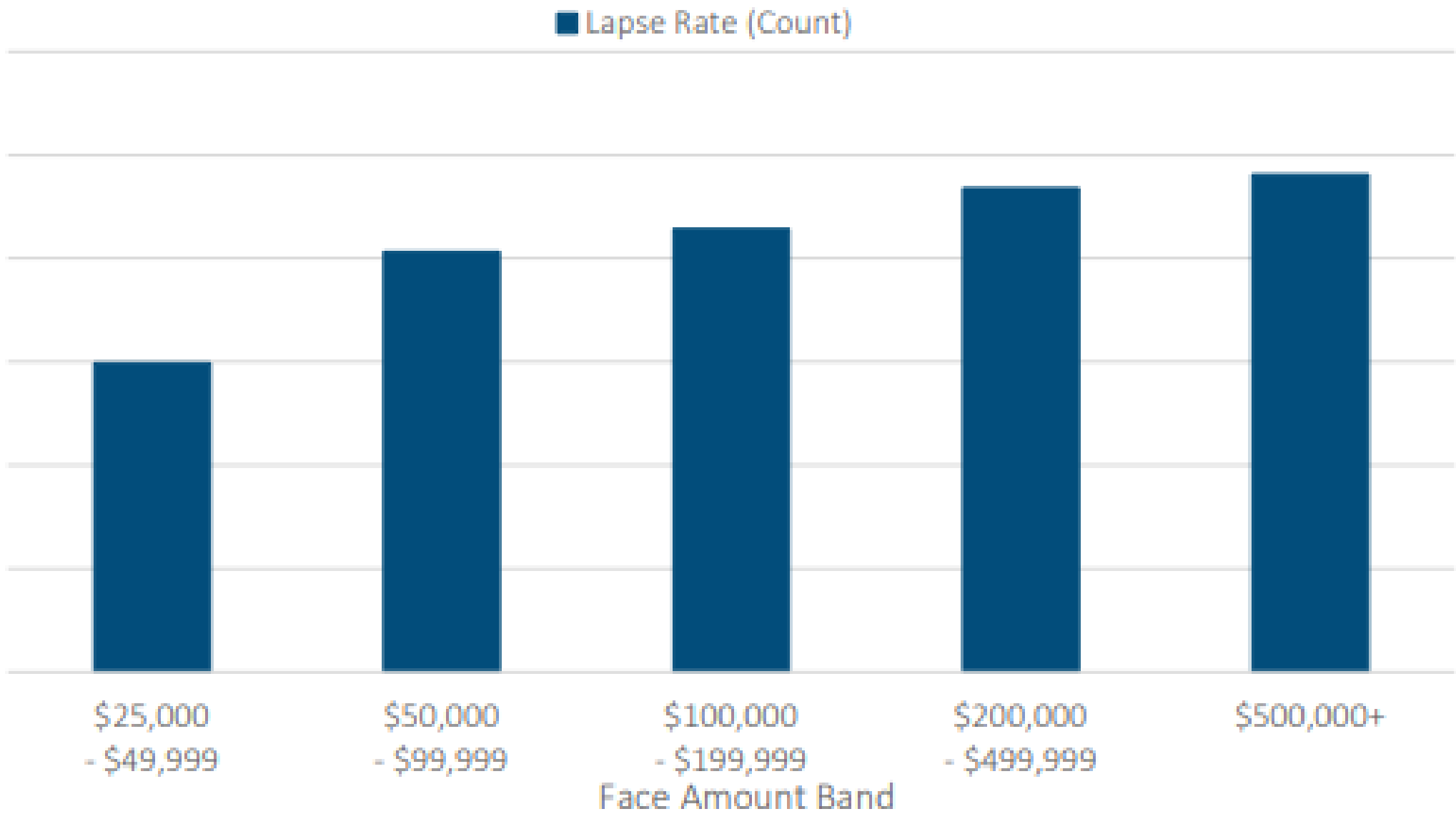


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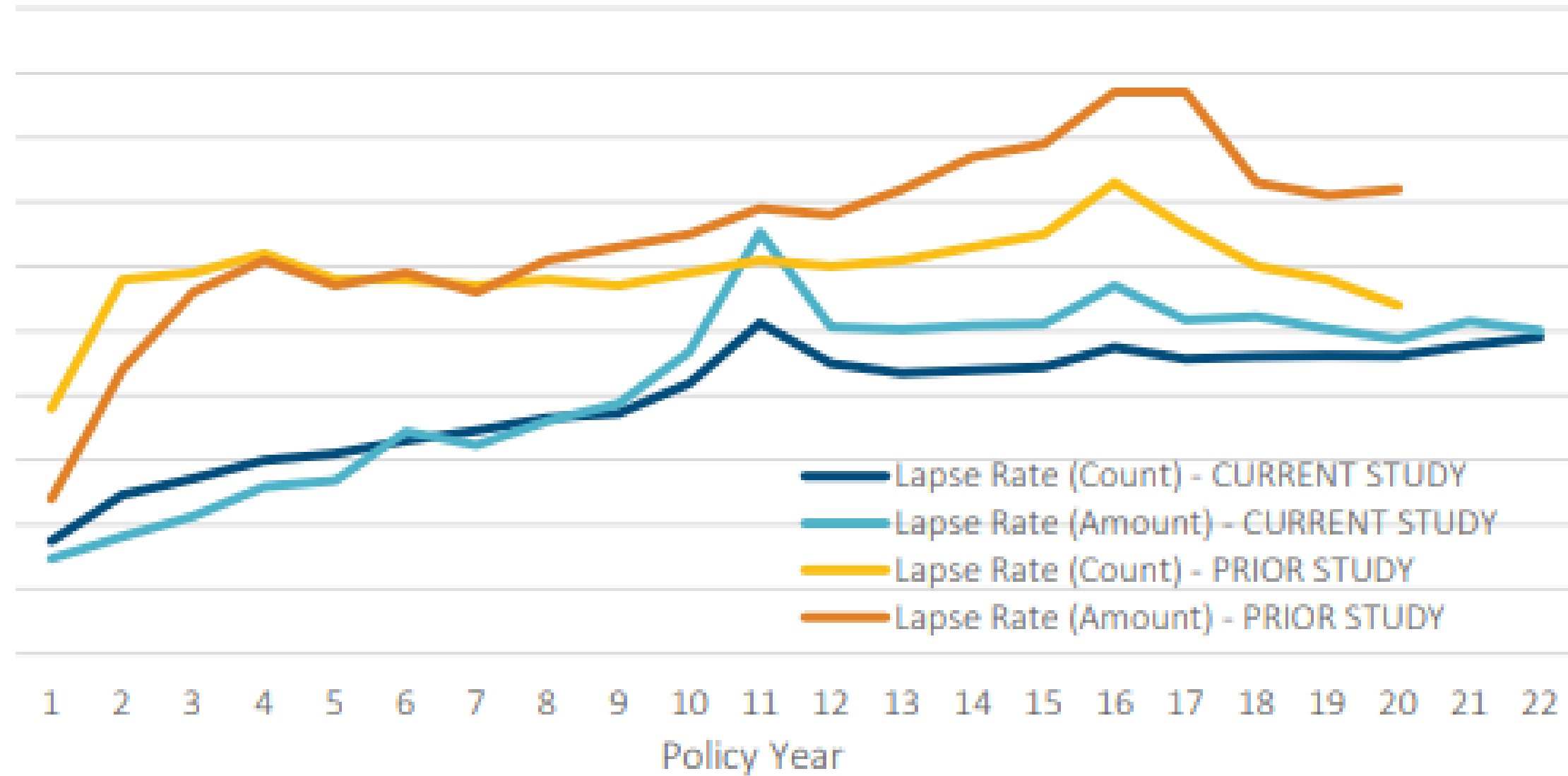


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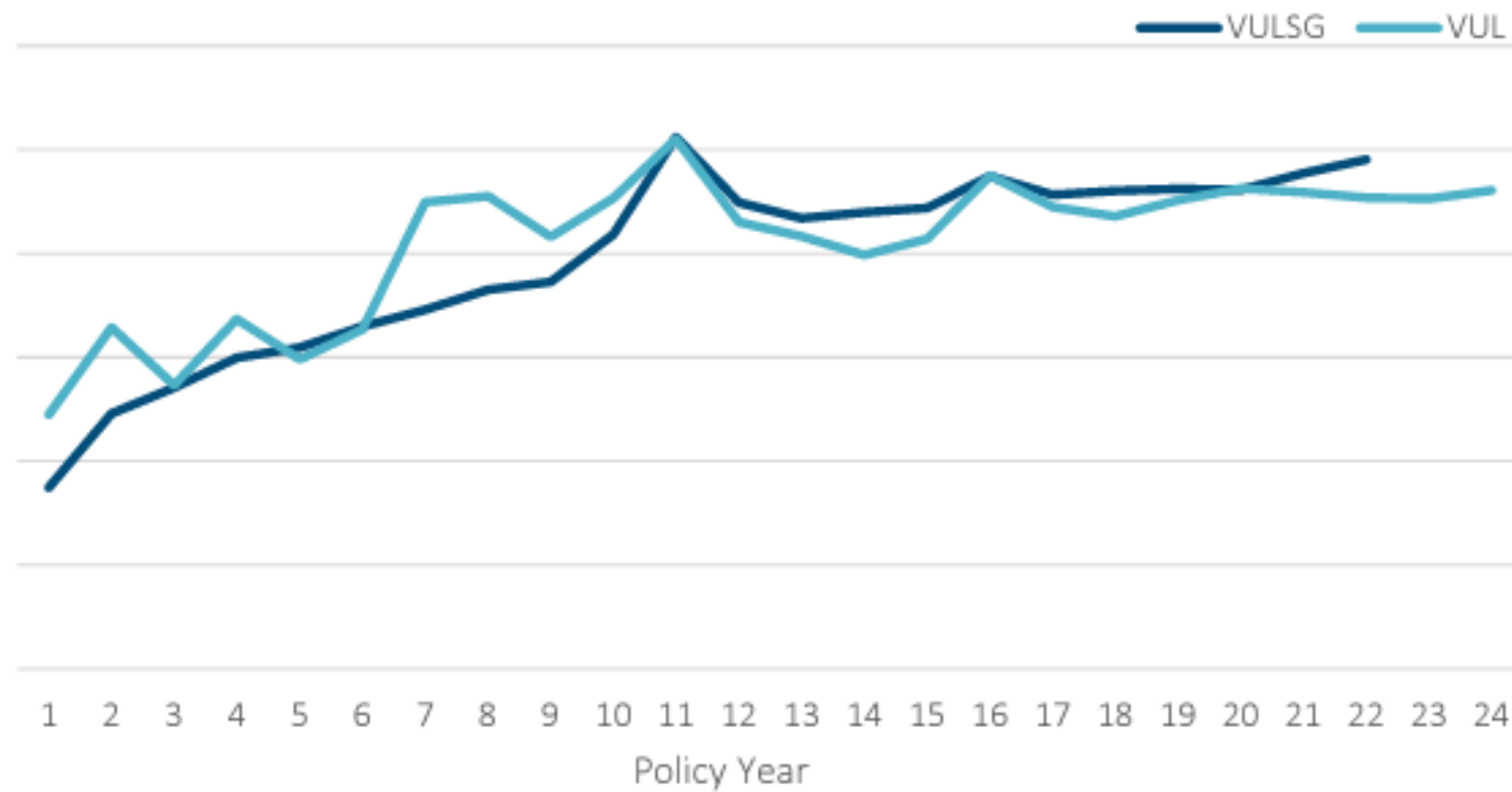
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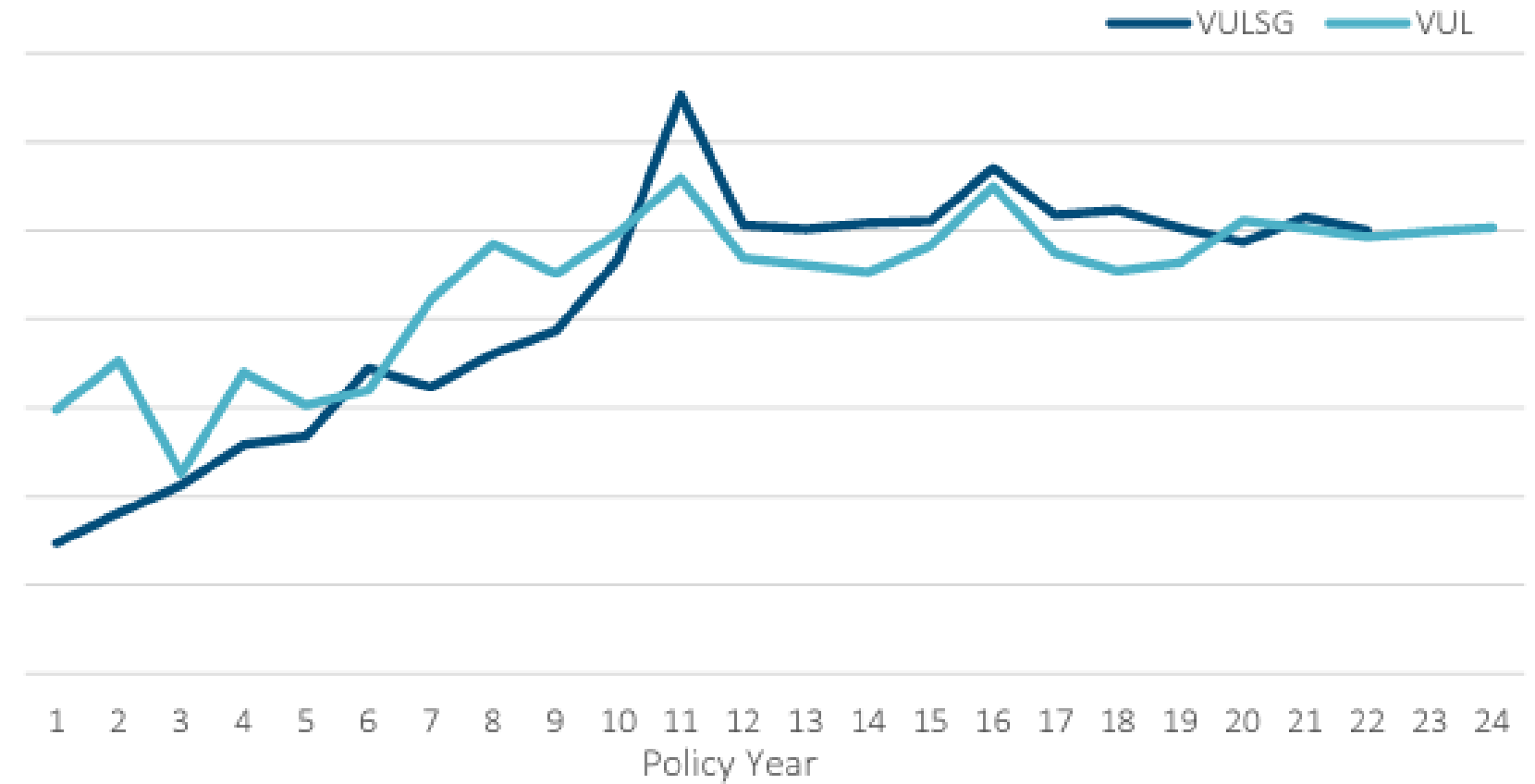
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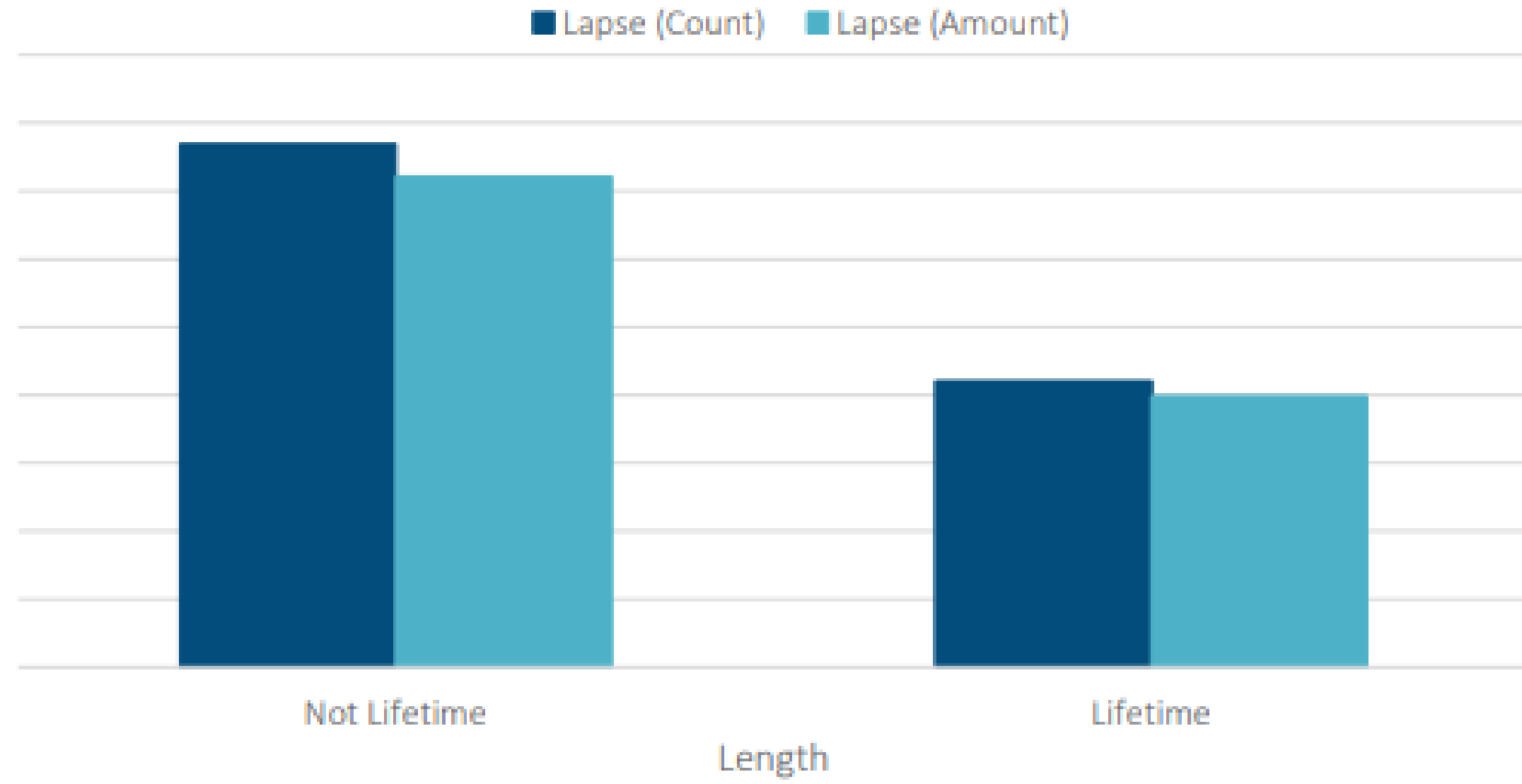
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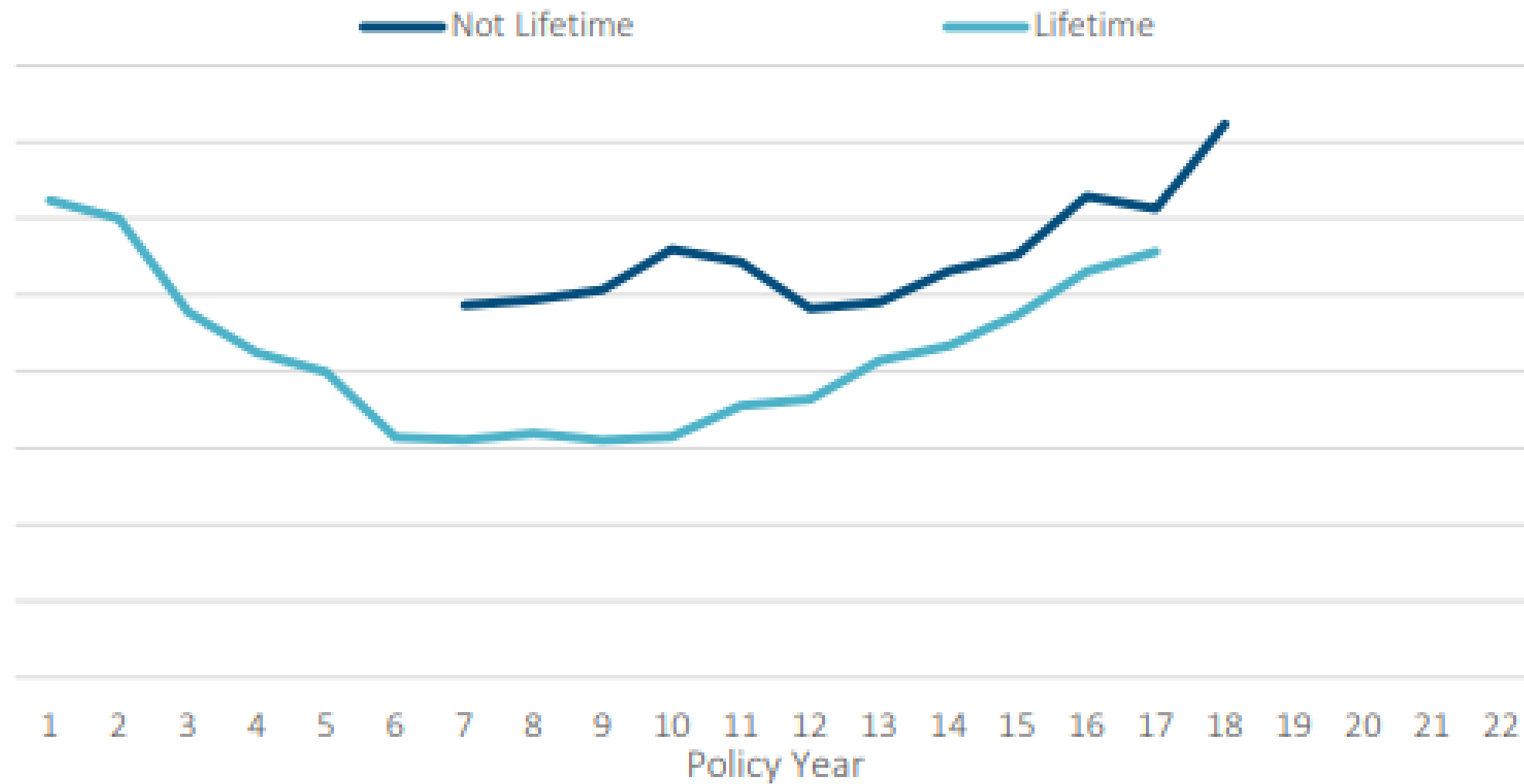
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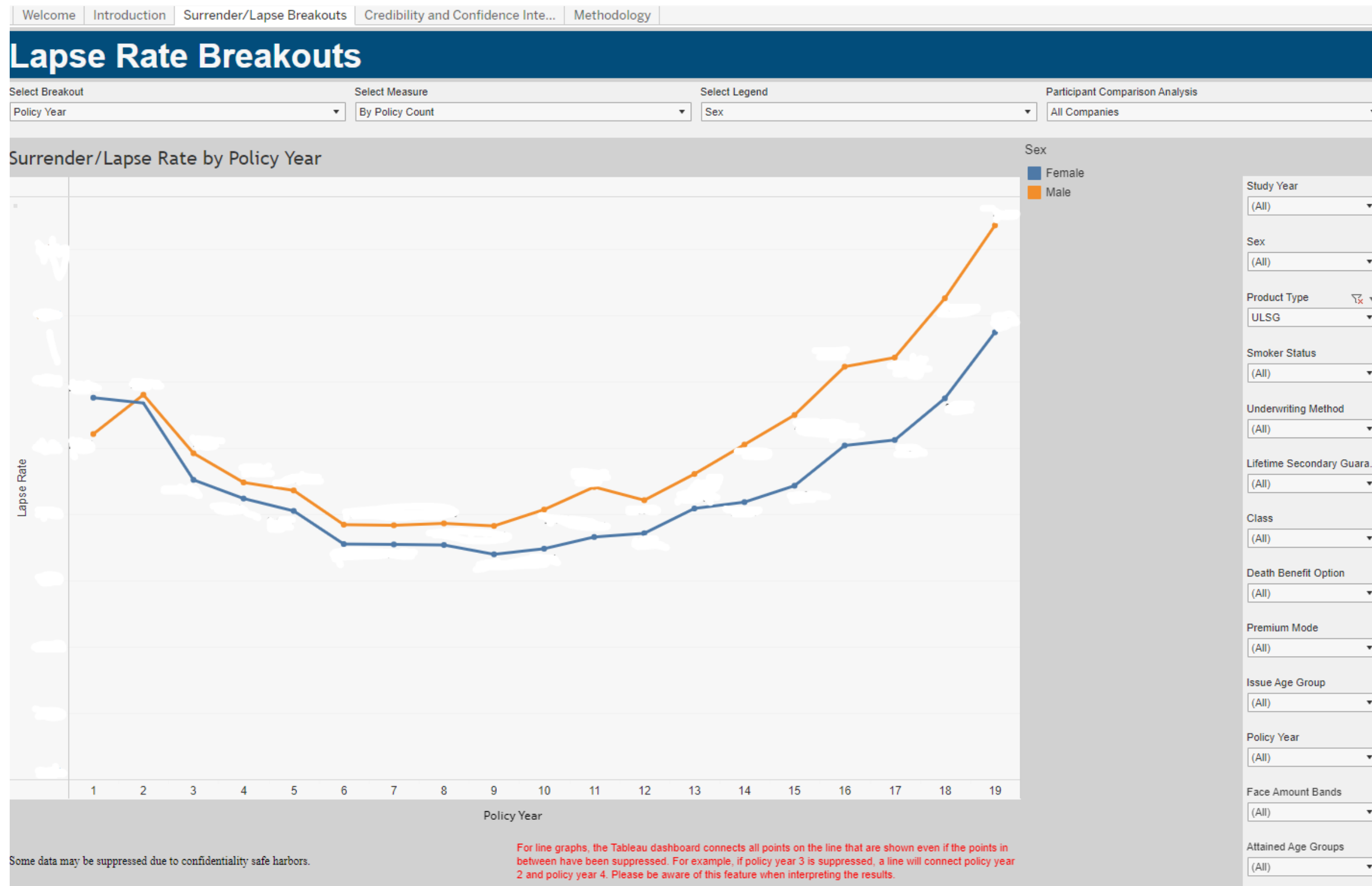
ULSG lapse rates based on count

Relative difference begins to decrease in policy year 12

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# Interactive Tableau Dashboard



## Breakouts Tab:

- View count or amount lapse rates
- Ability to change the x-axis
- Select Legend (view results within a variable)
- Using up to 13 experience factor filters

## Credibility Tab:

- 90% confidence interval around the count or amount lapse rate
- Credibility of given lapse rate

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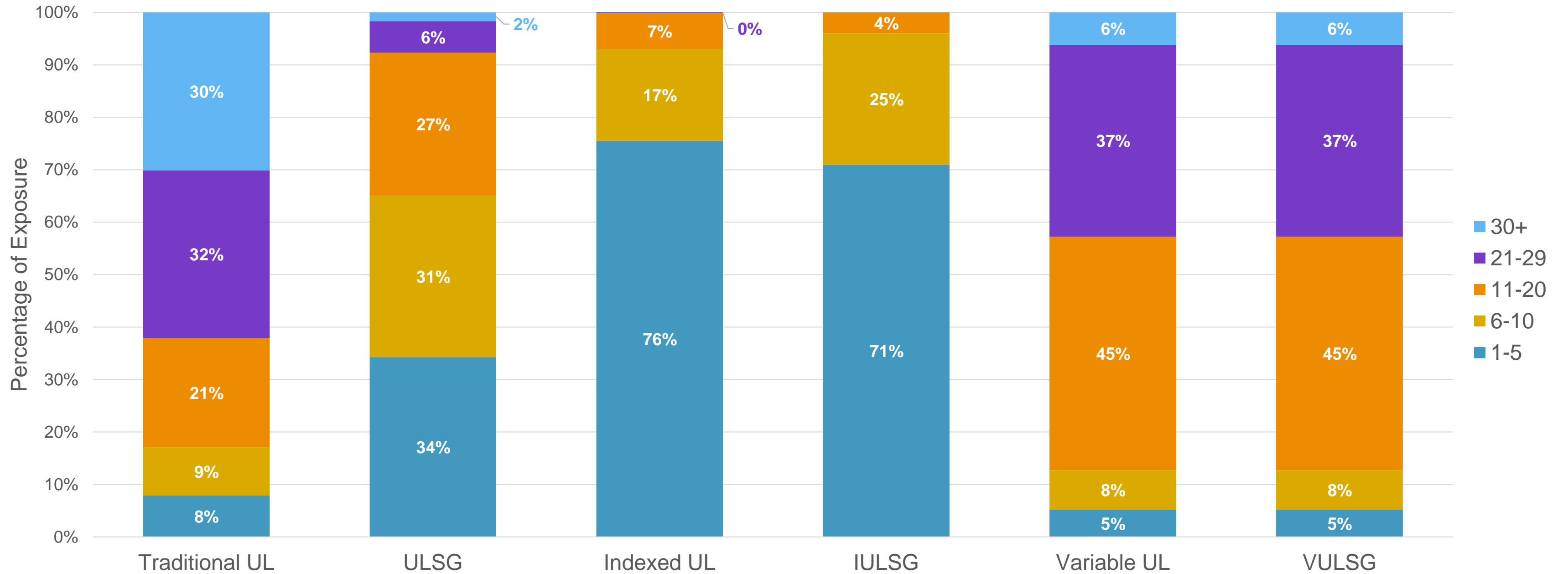


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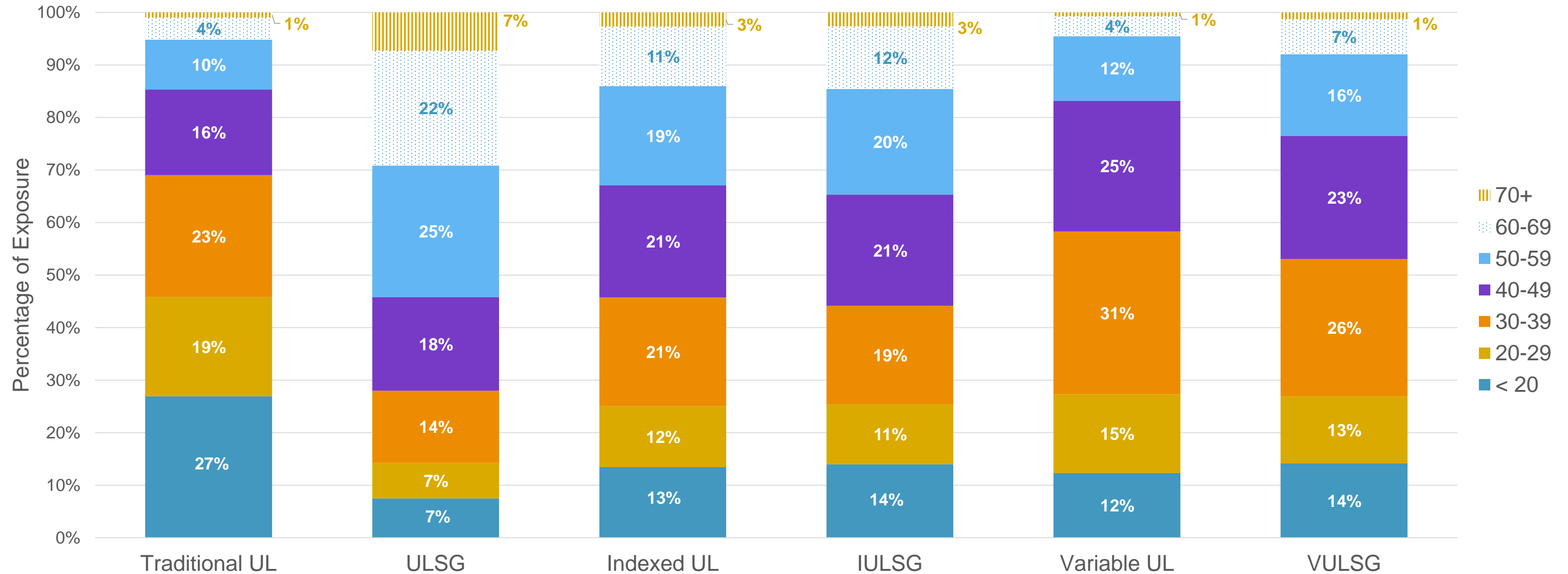
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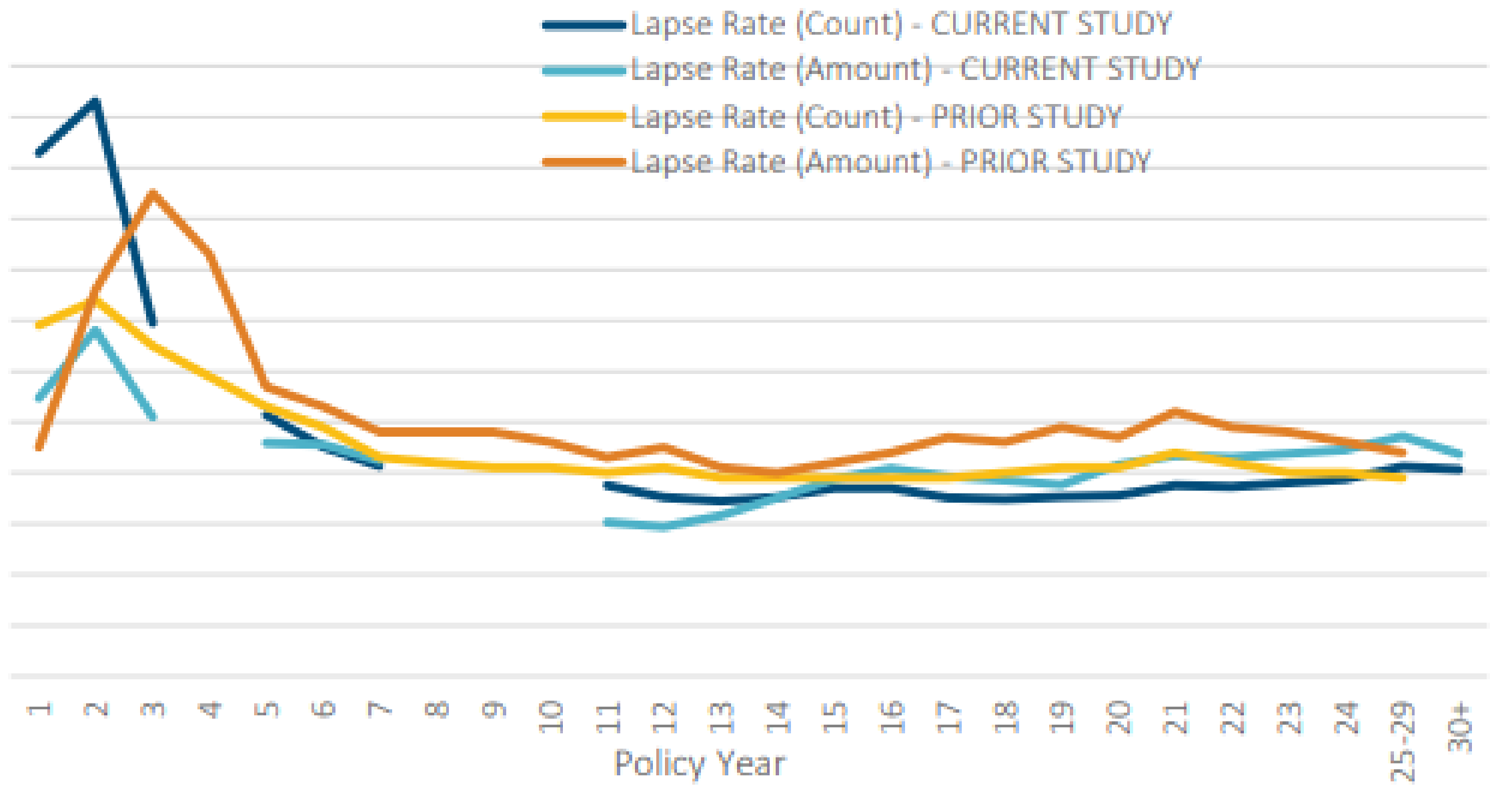
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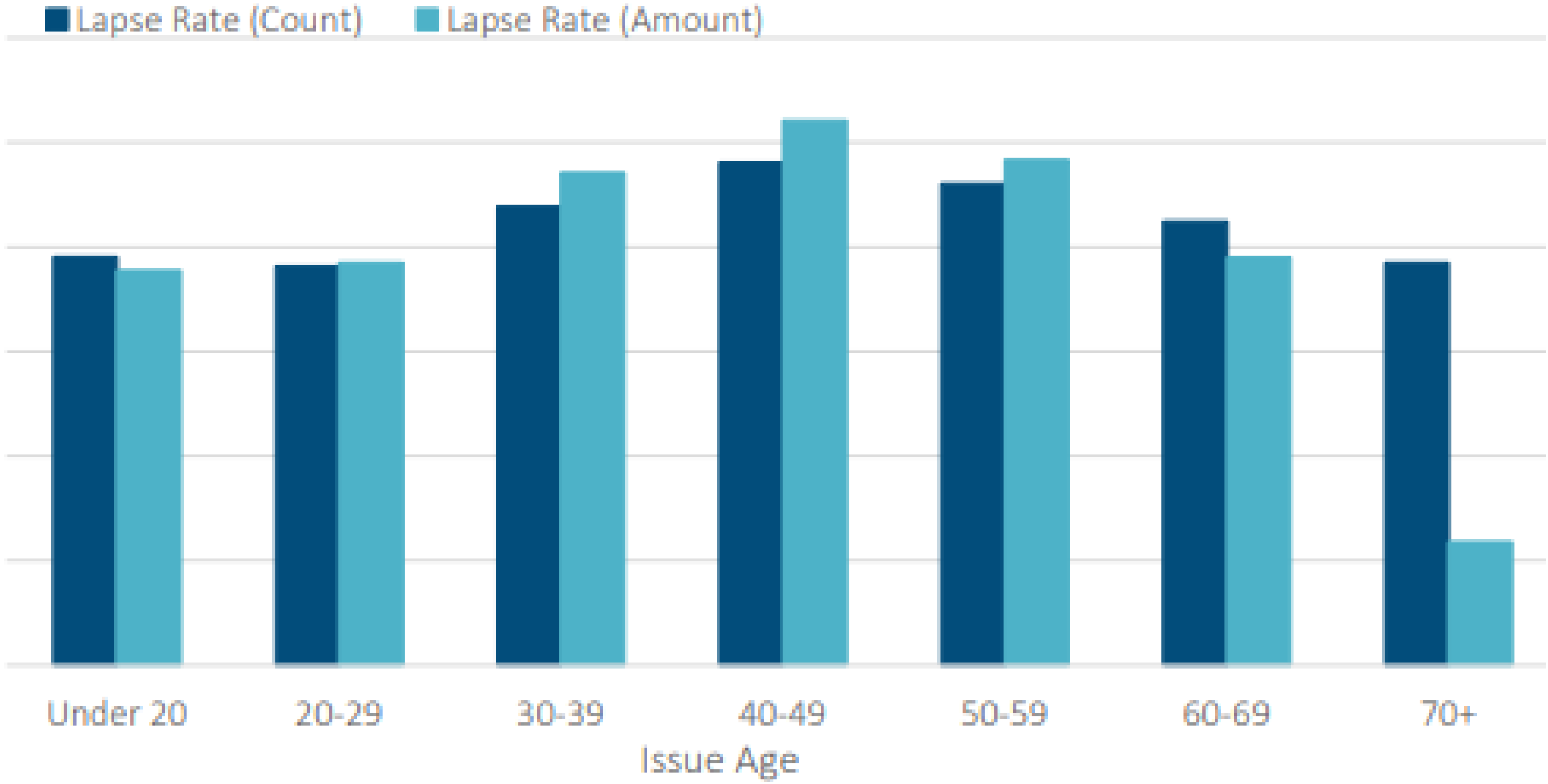
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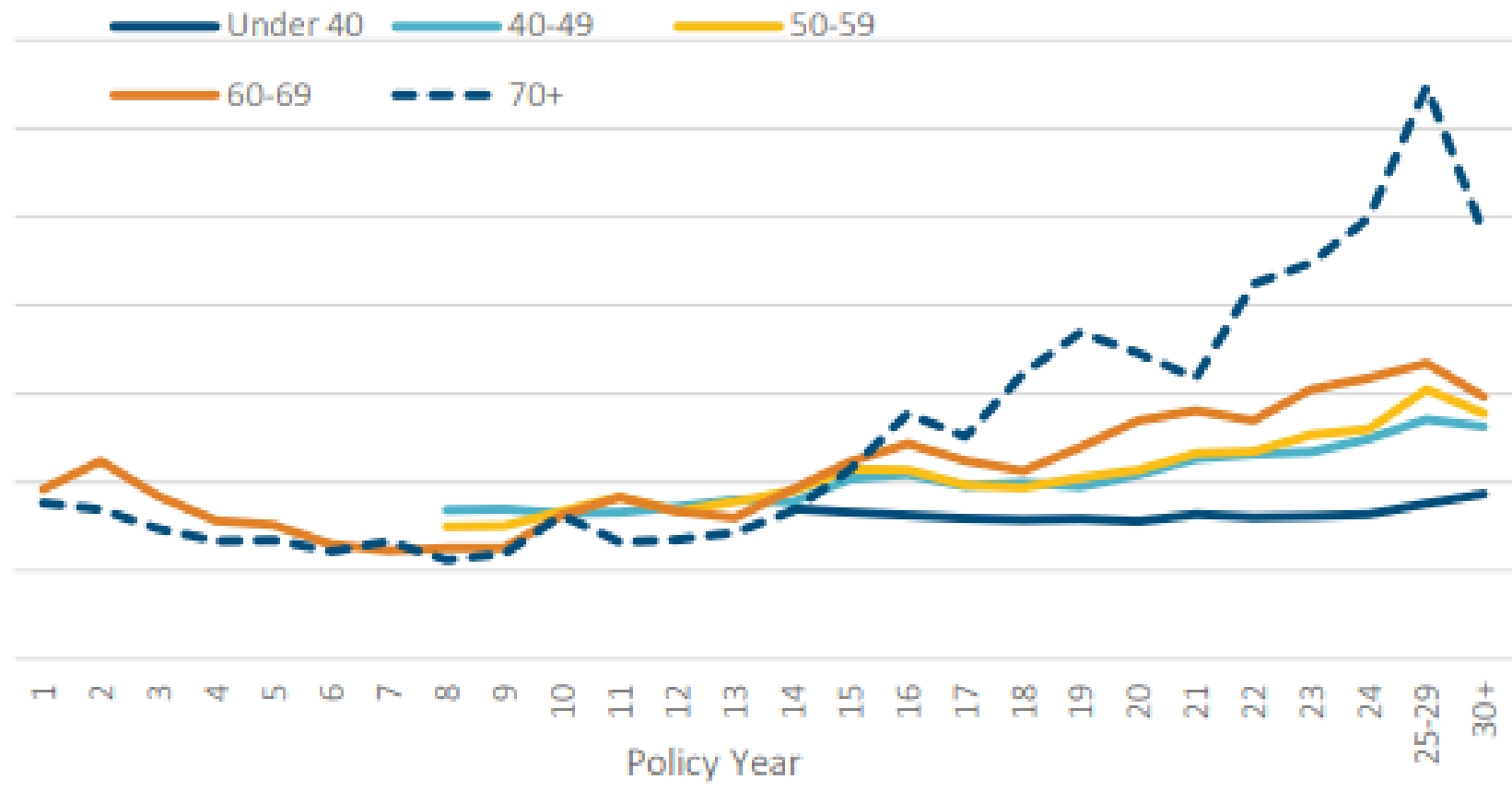
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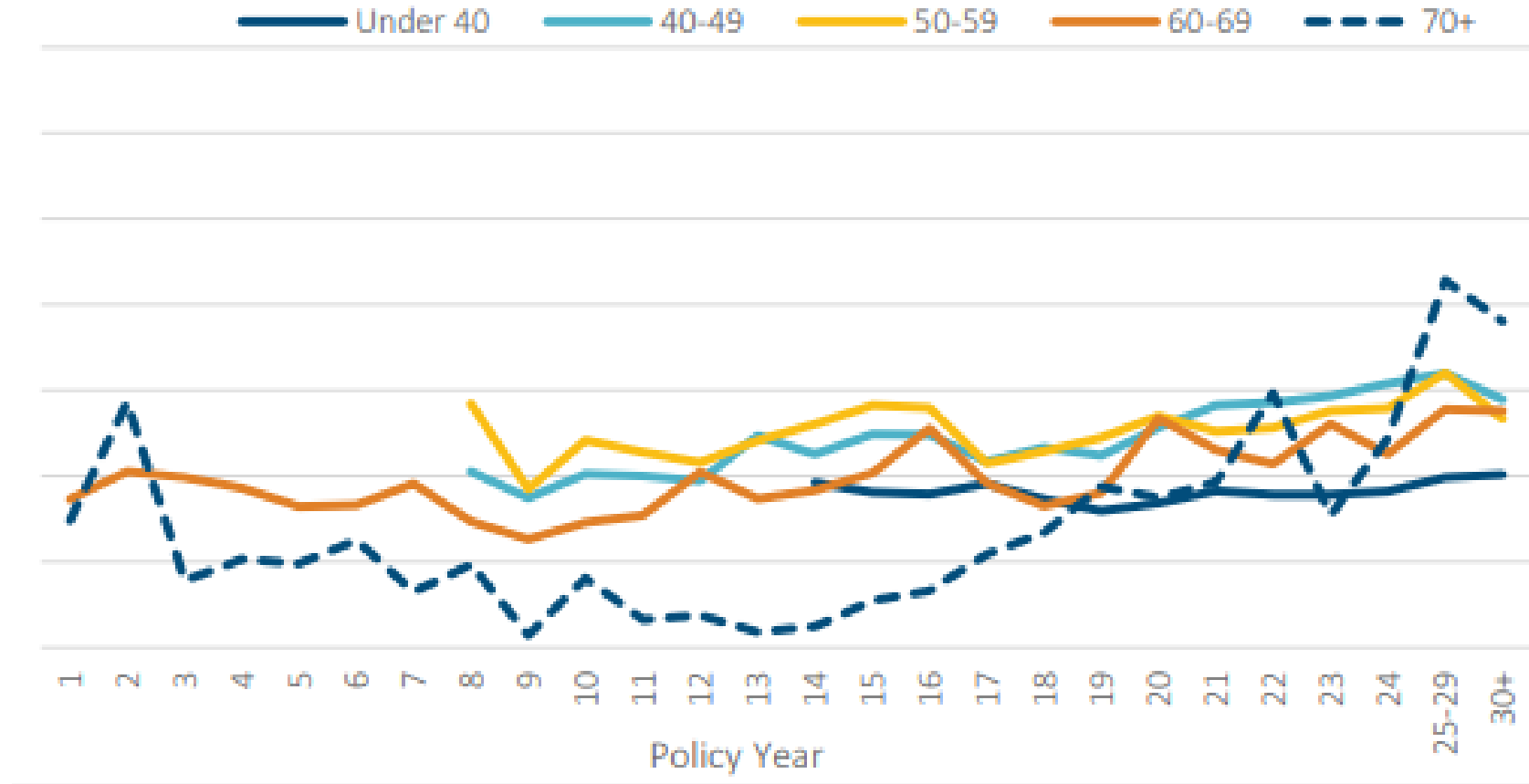
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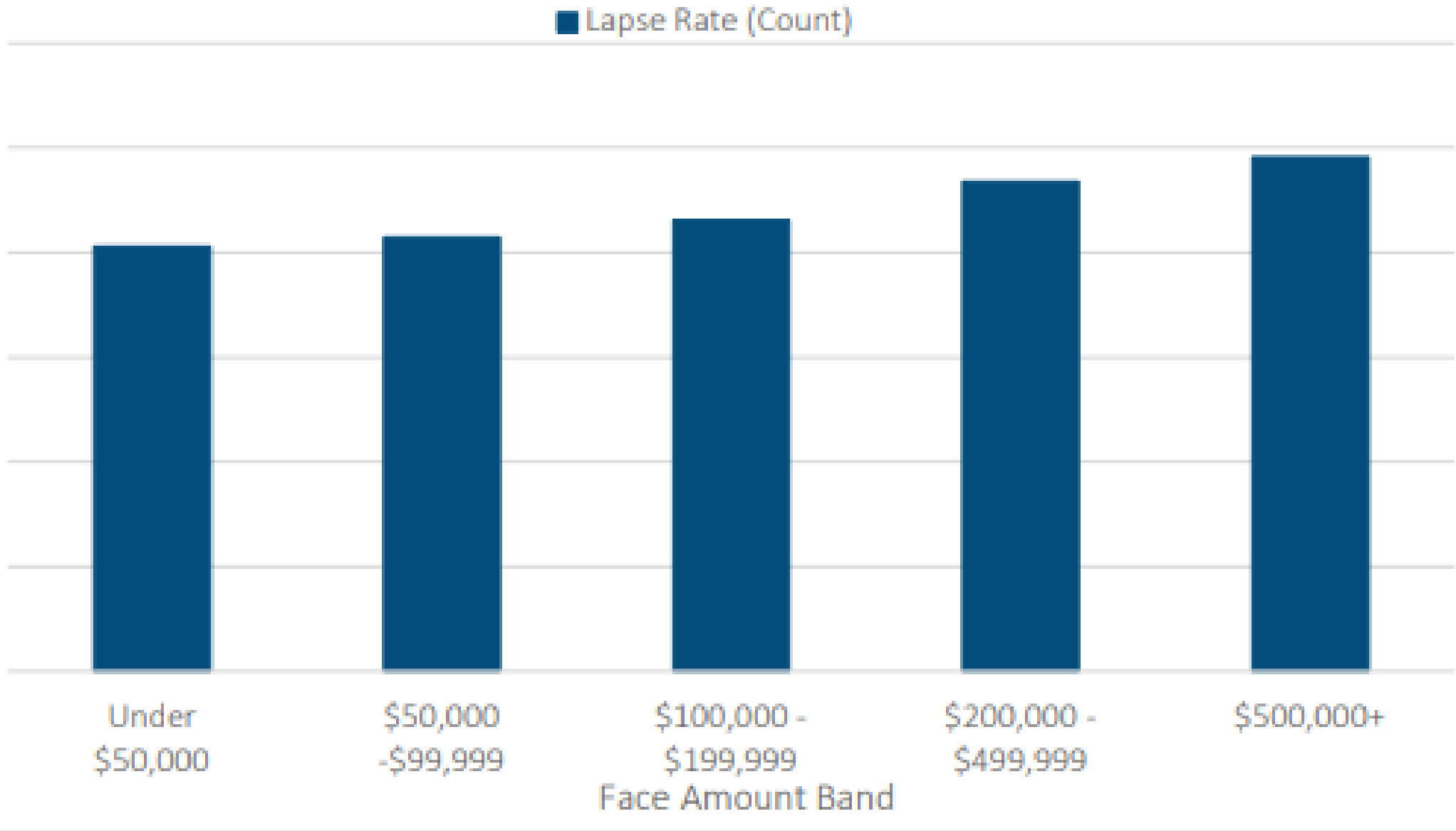


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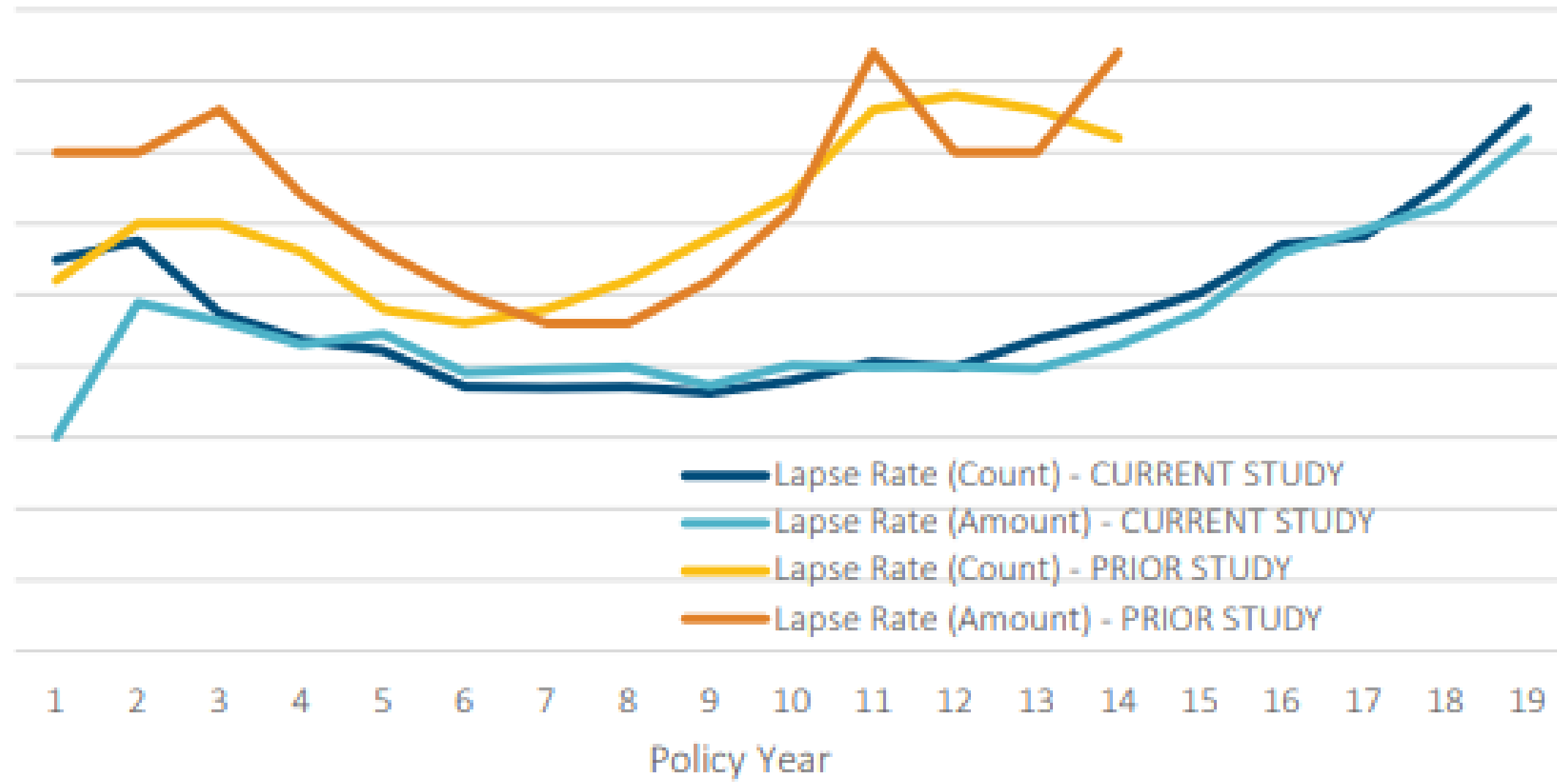


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Lapse rates lower than prior study

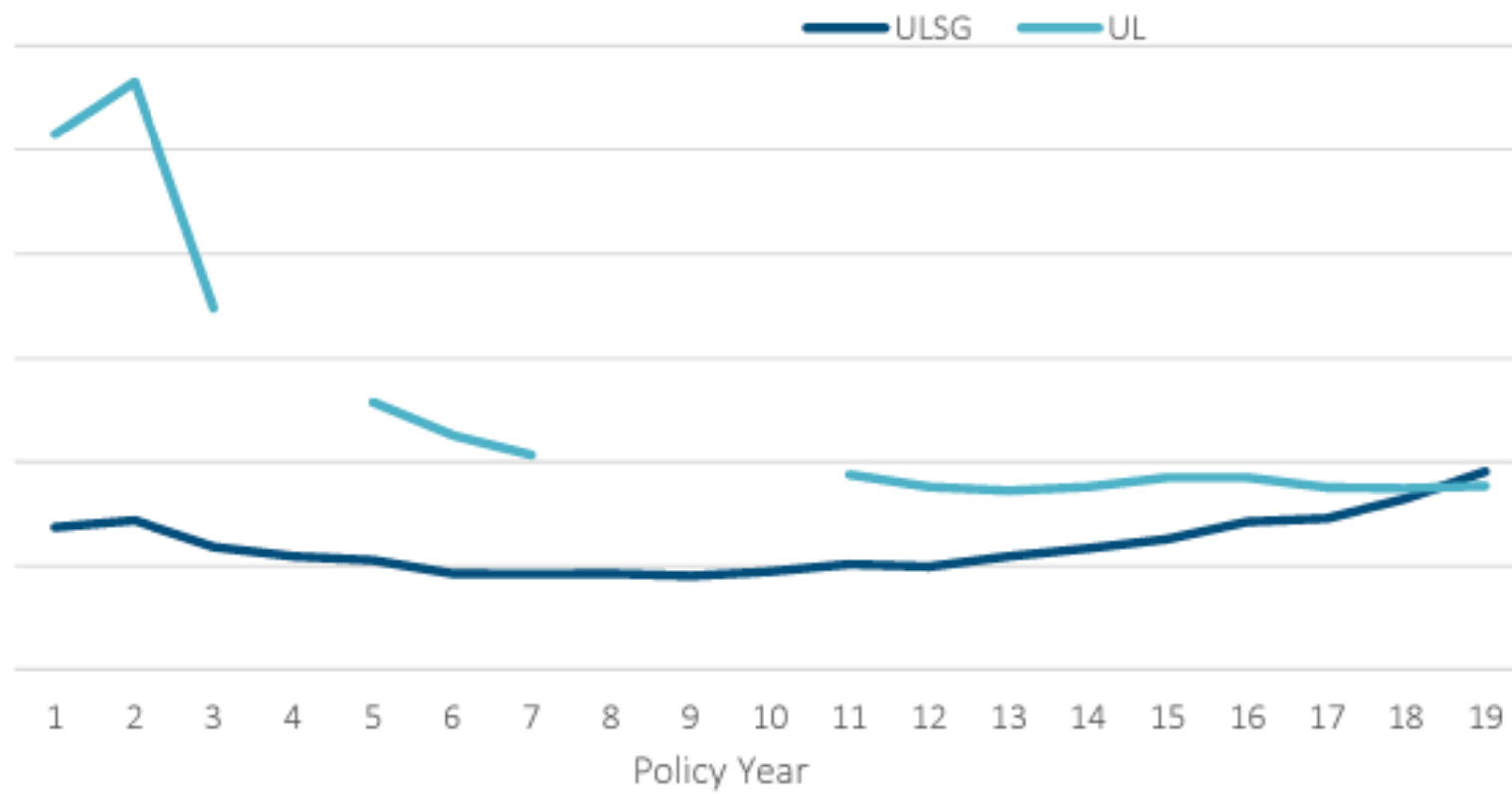
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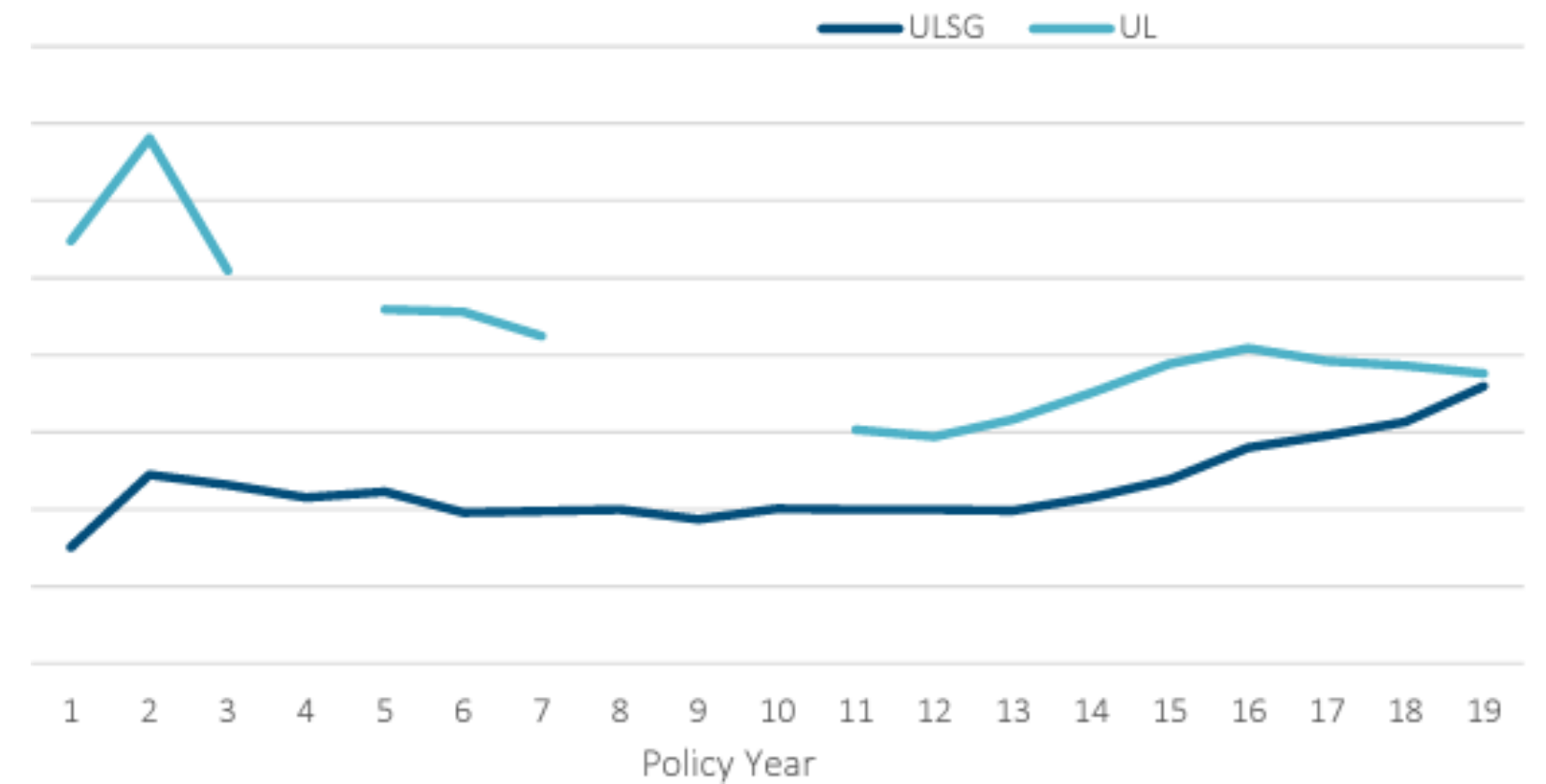


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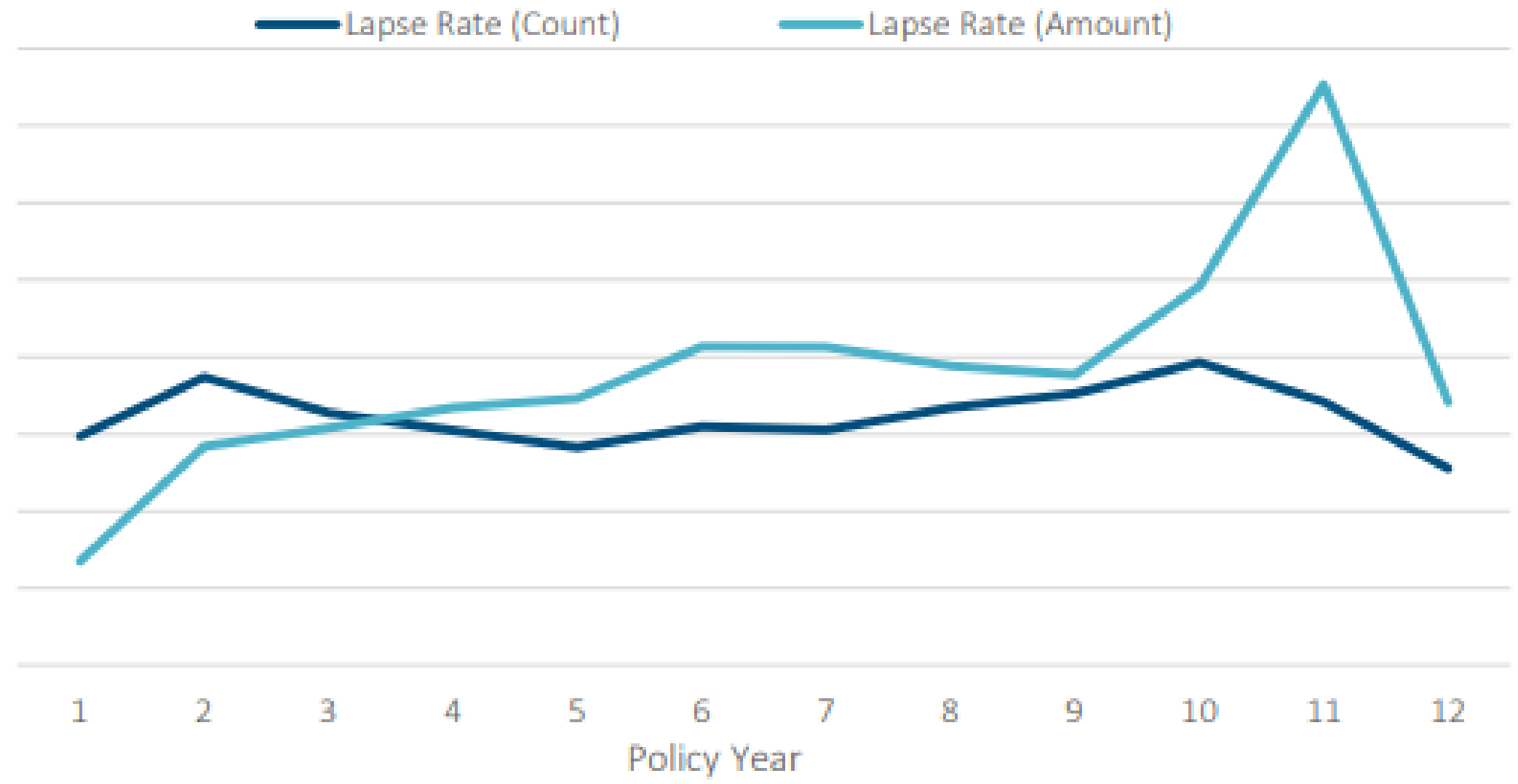
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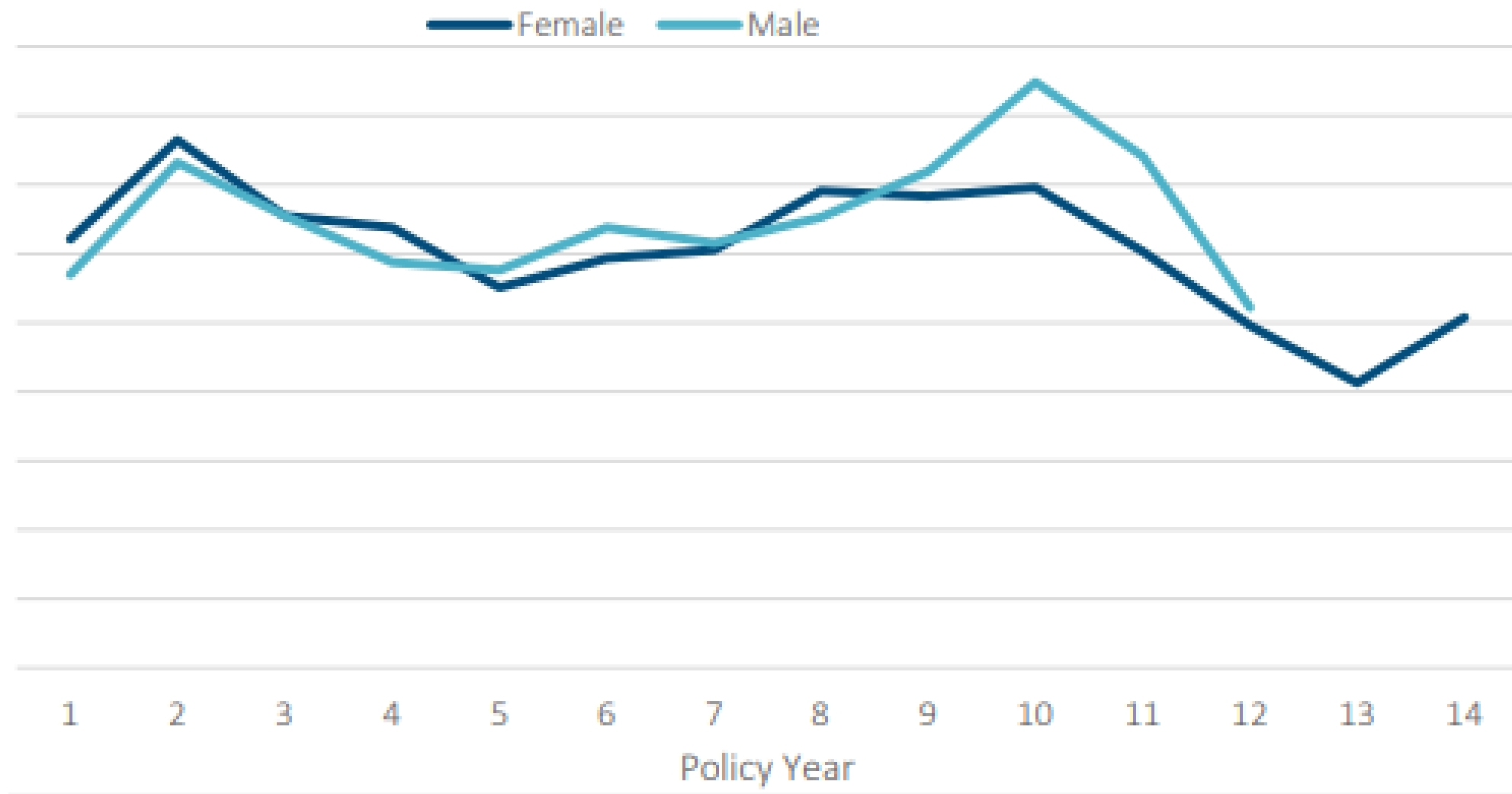
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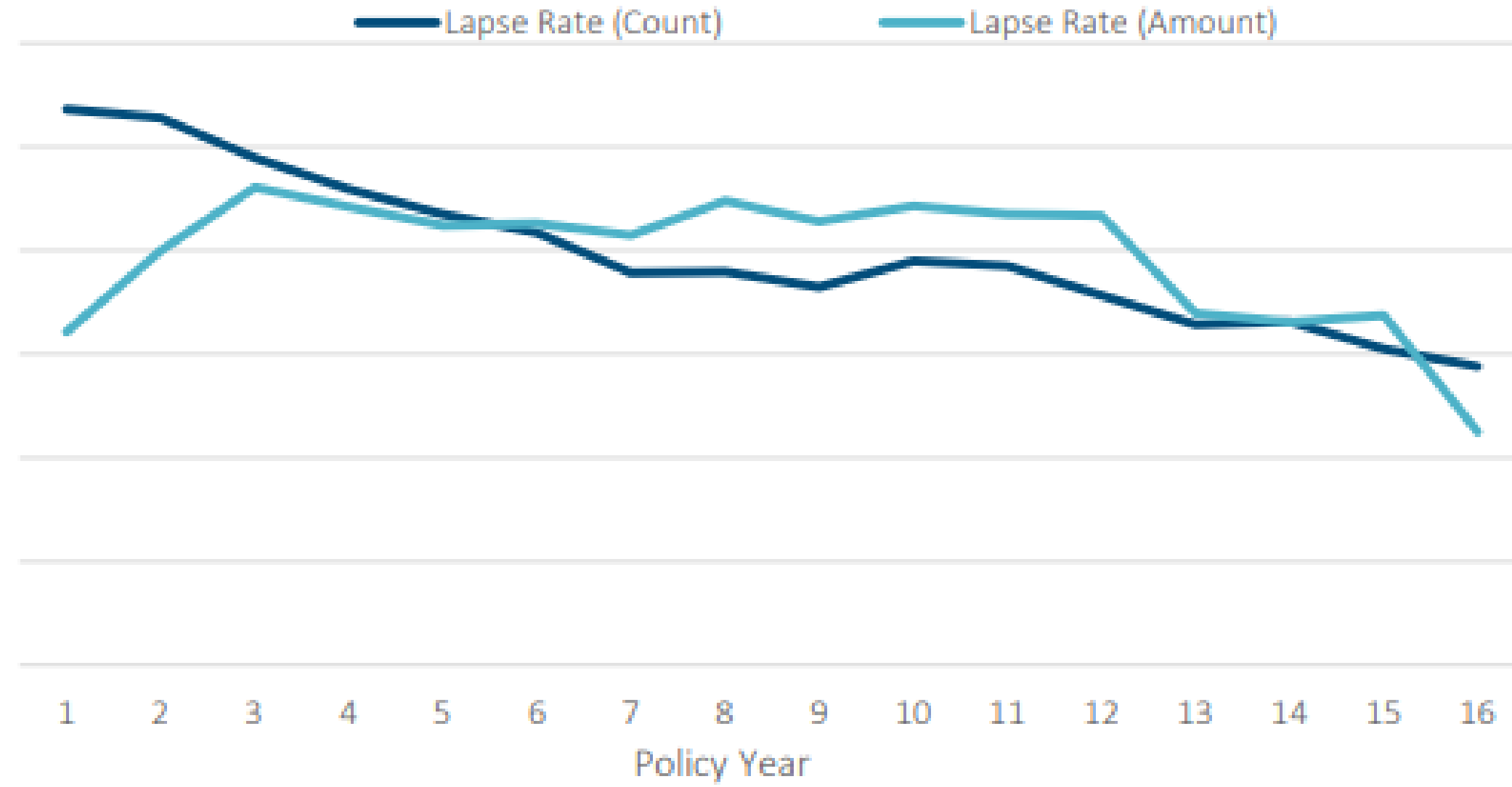
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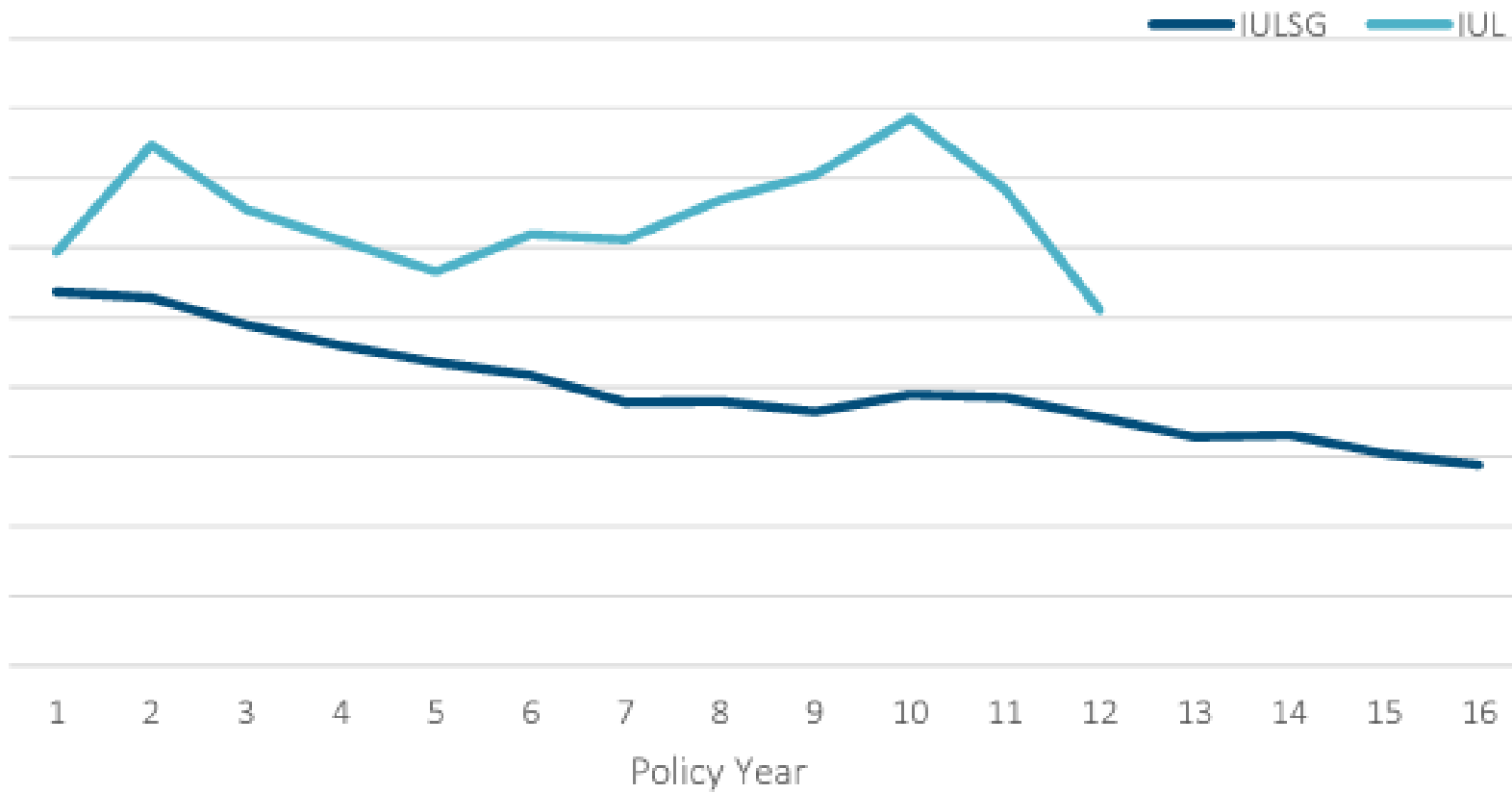


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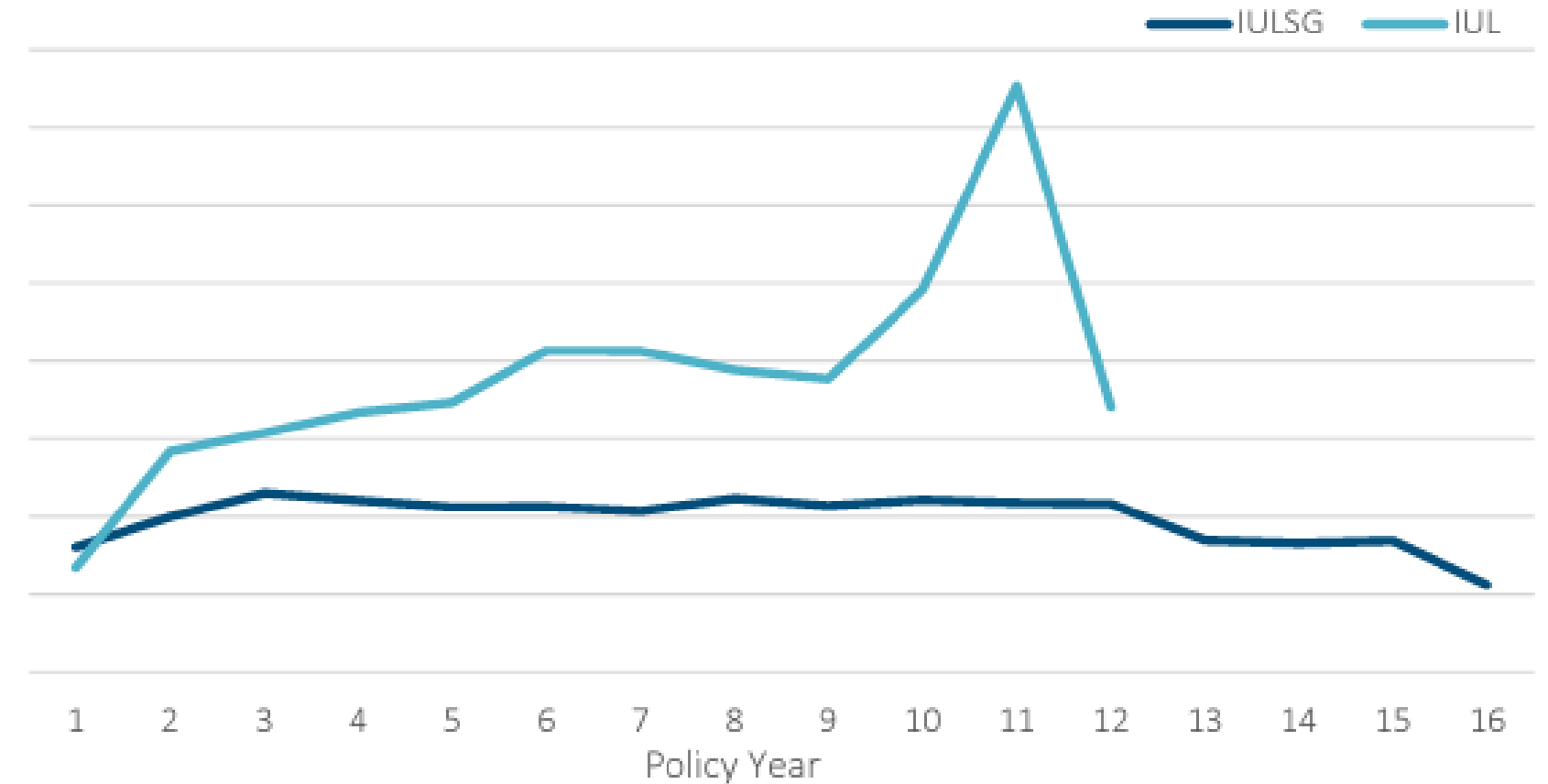
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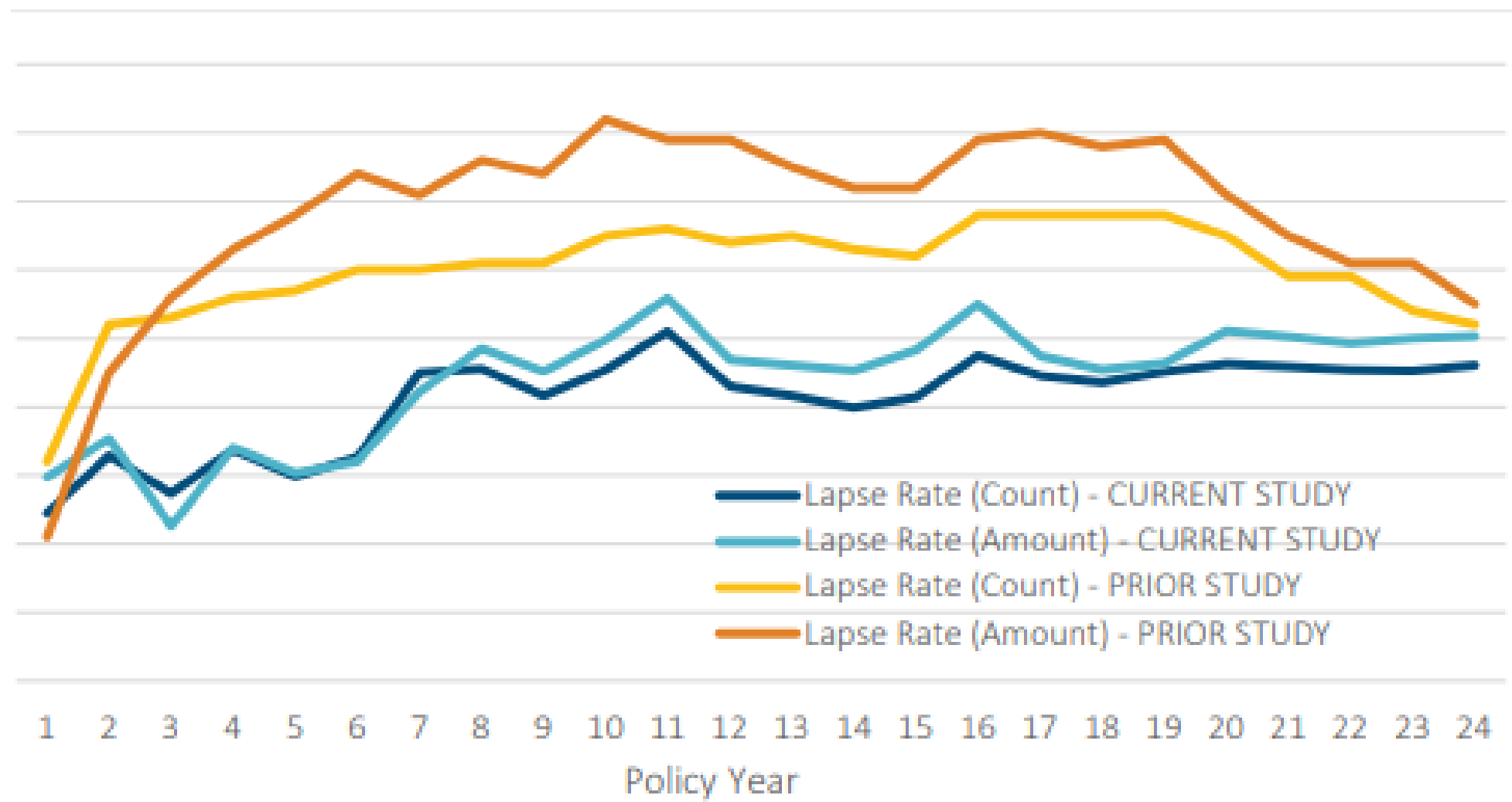
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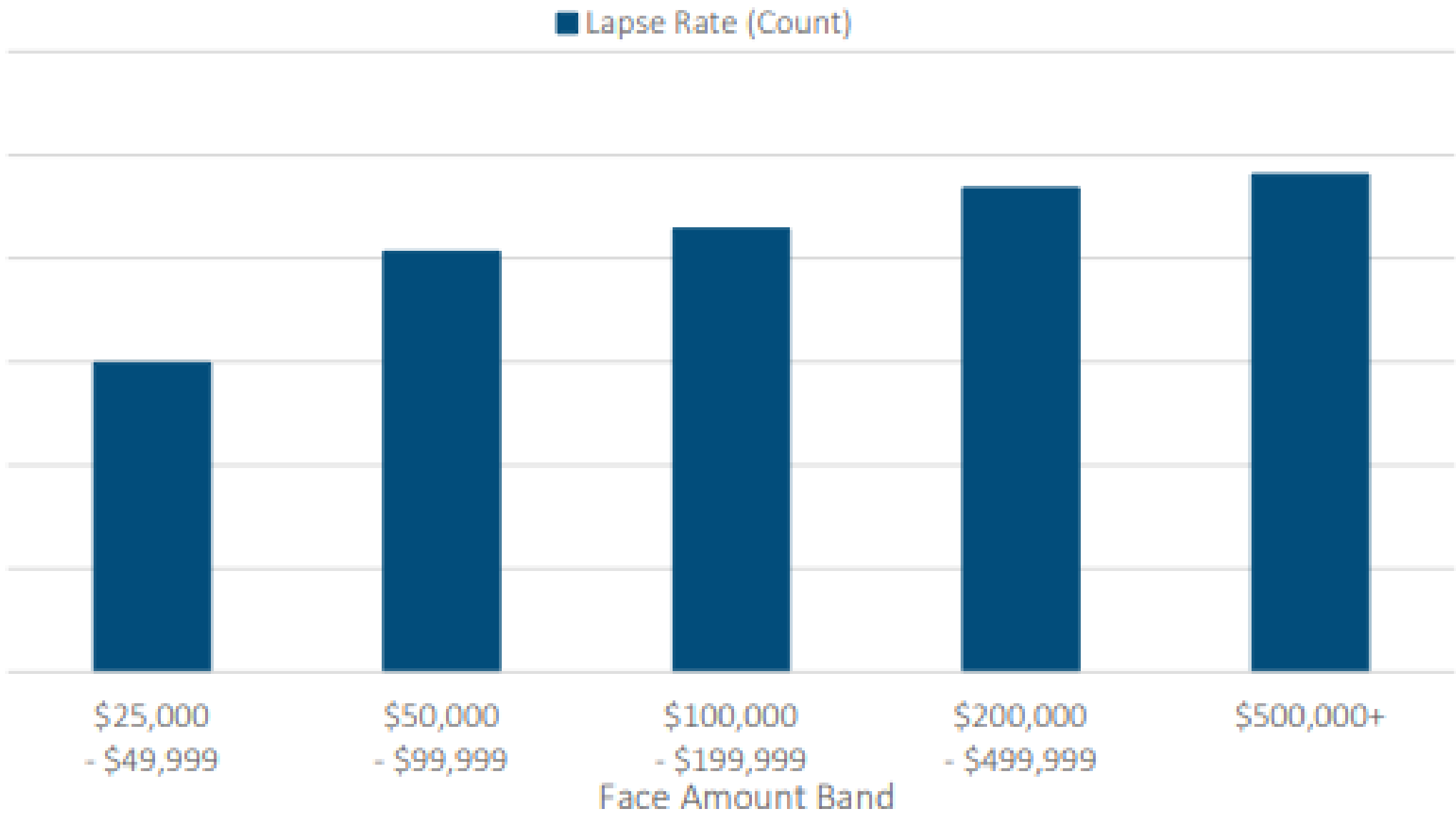
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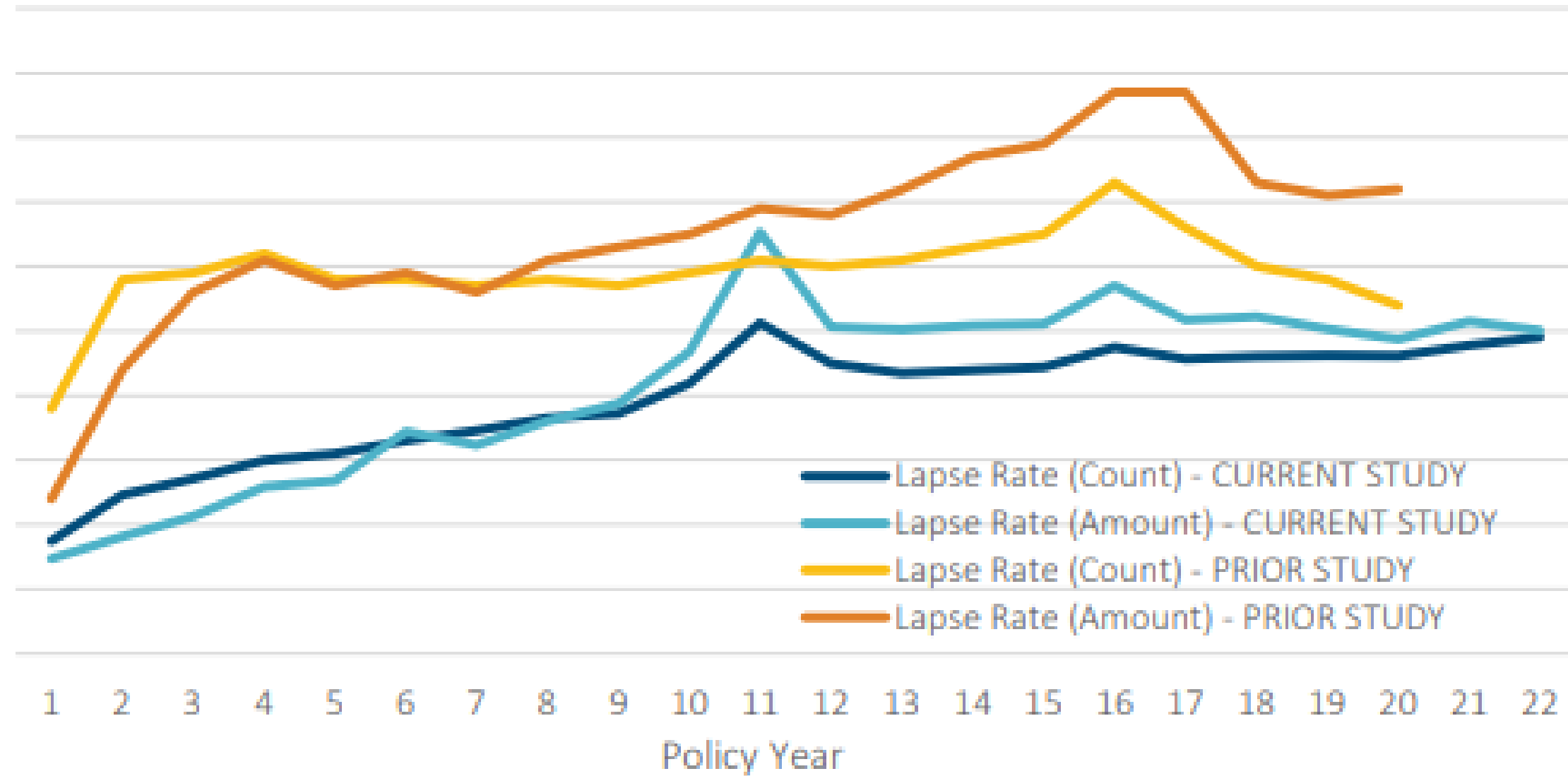


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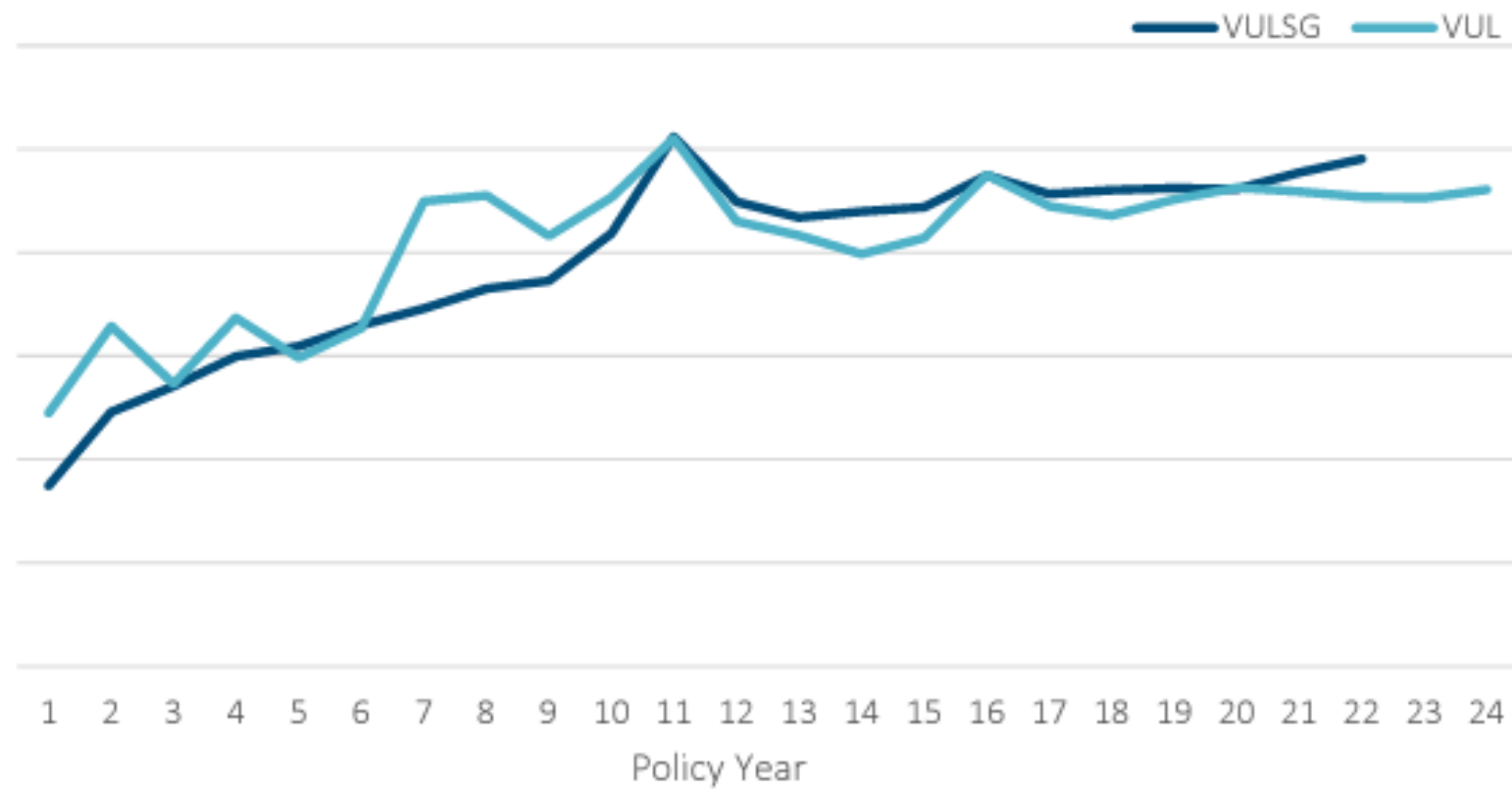
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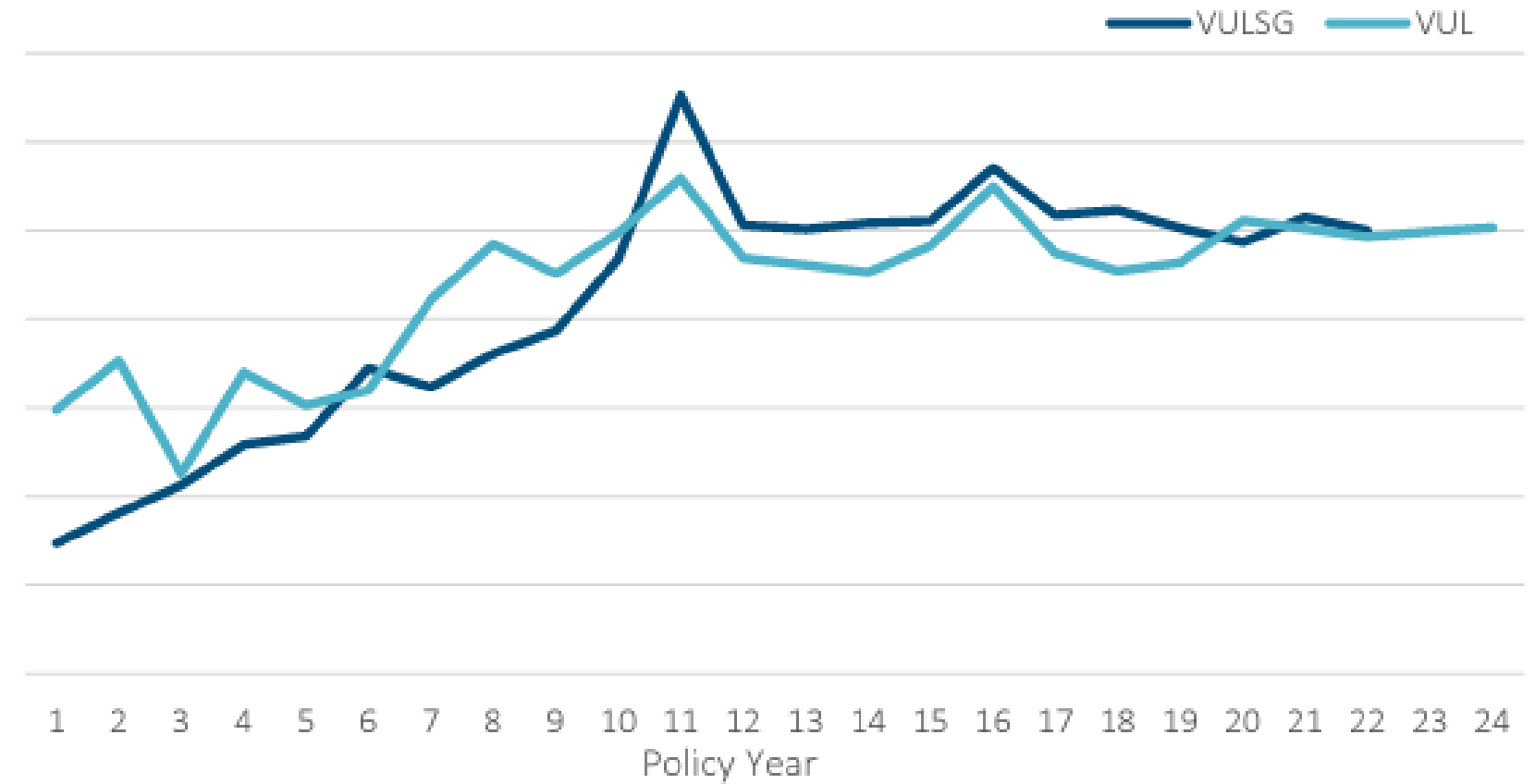


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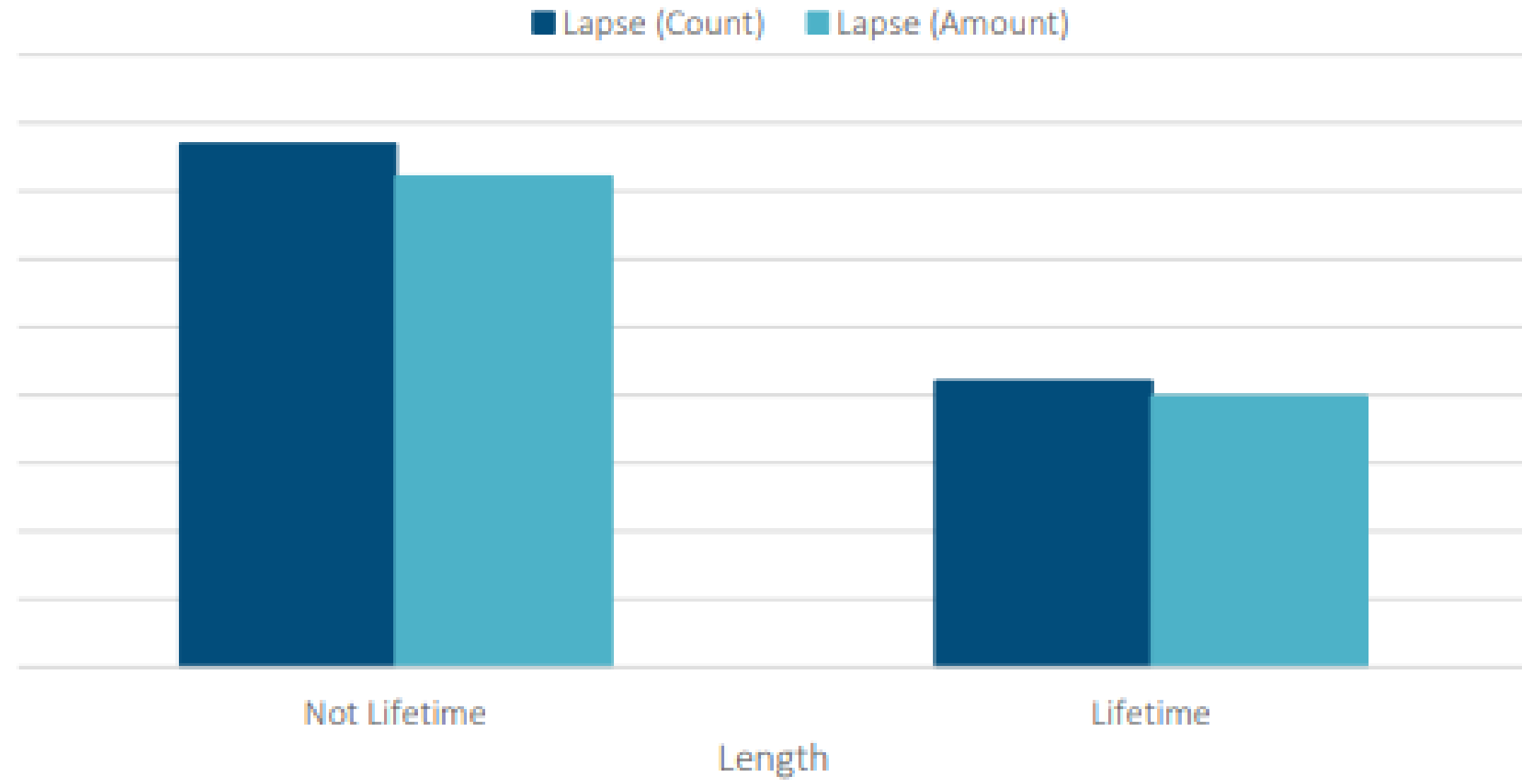
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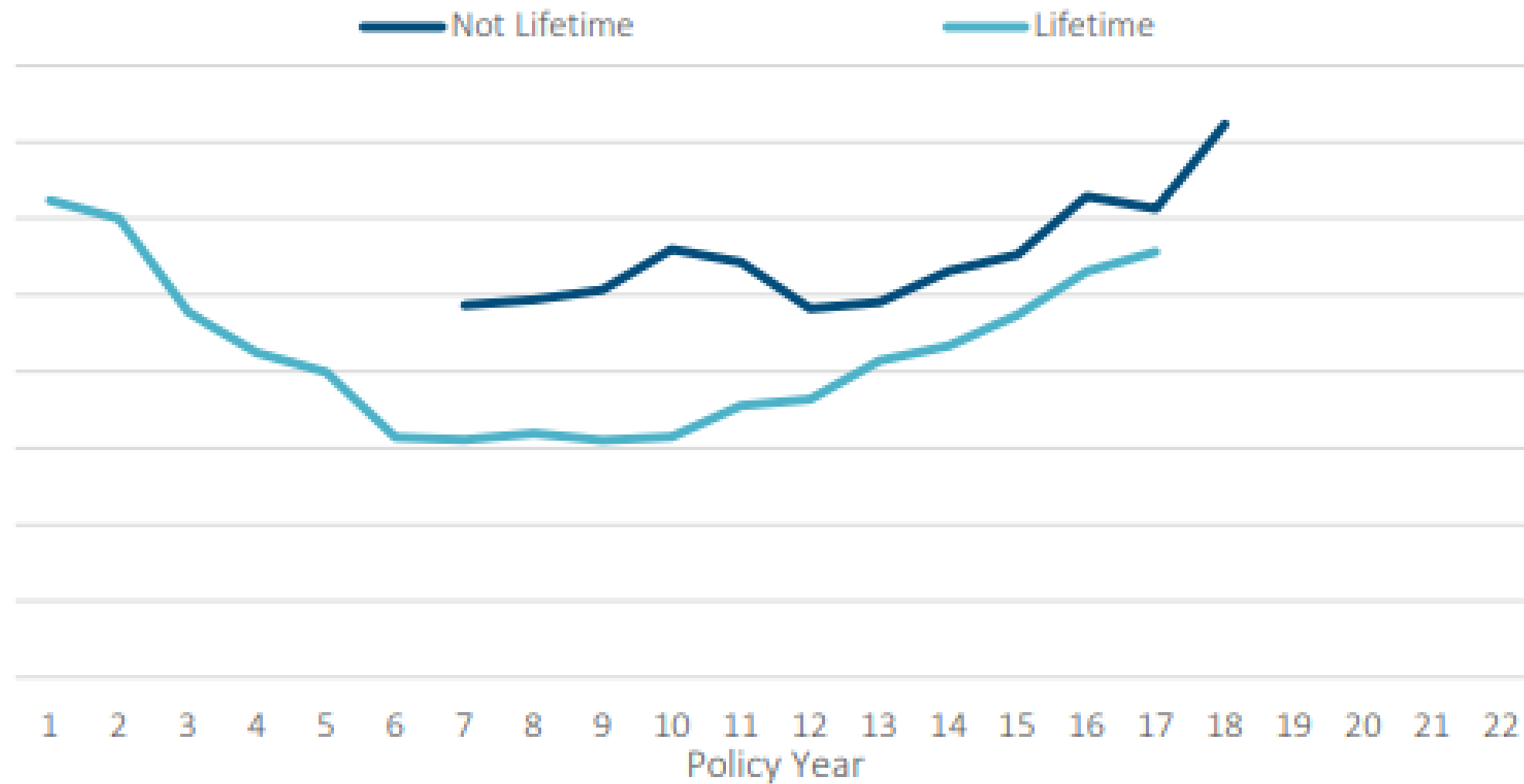
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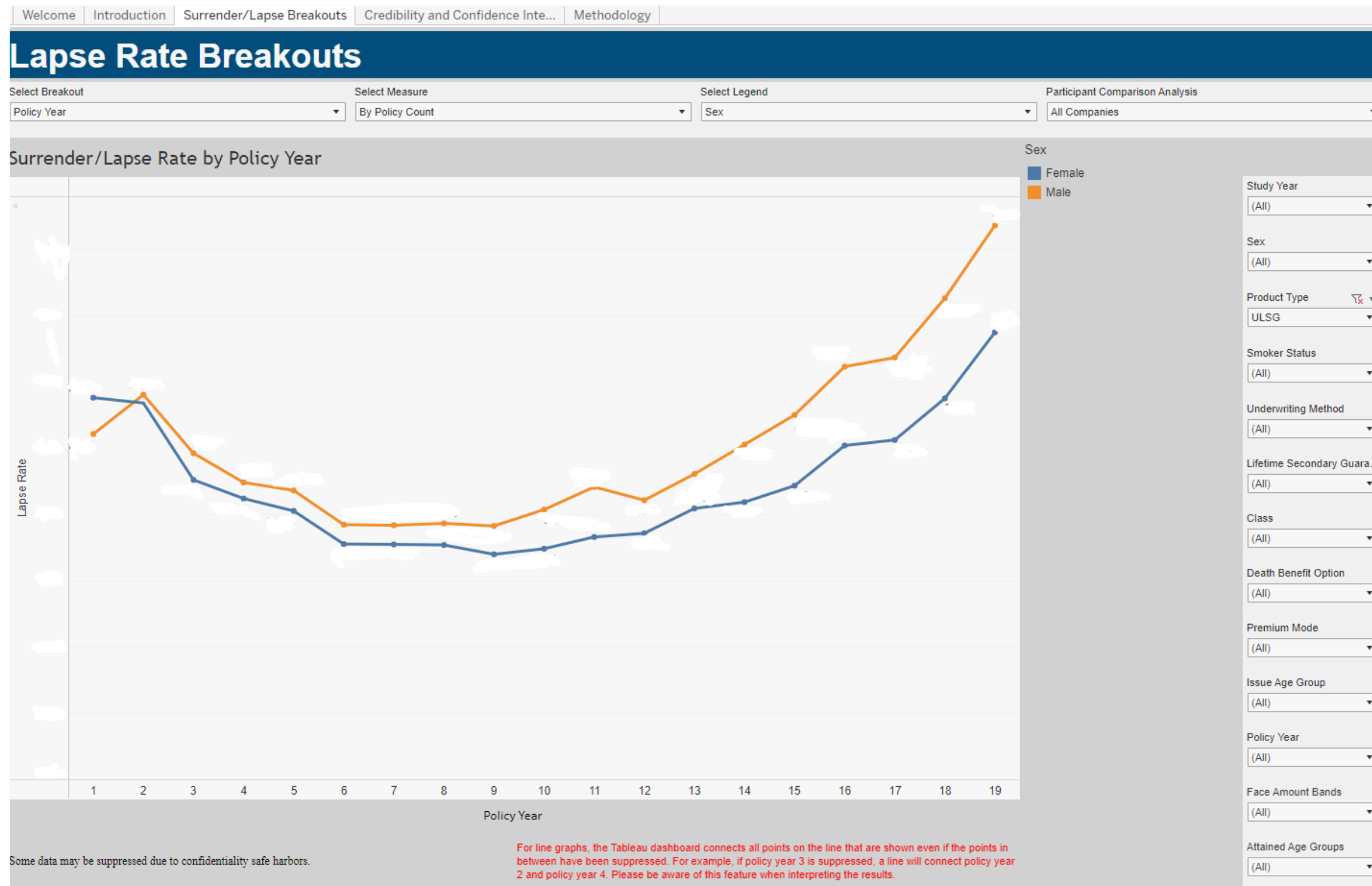
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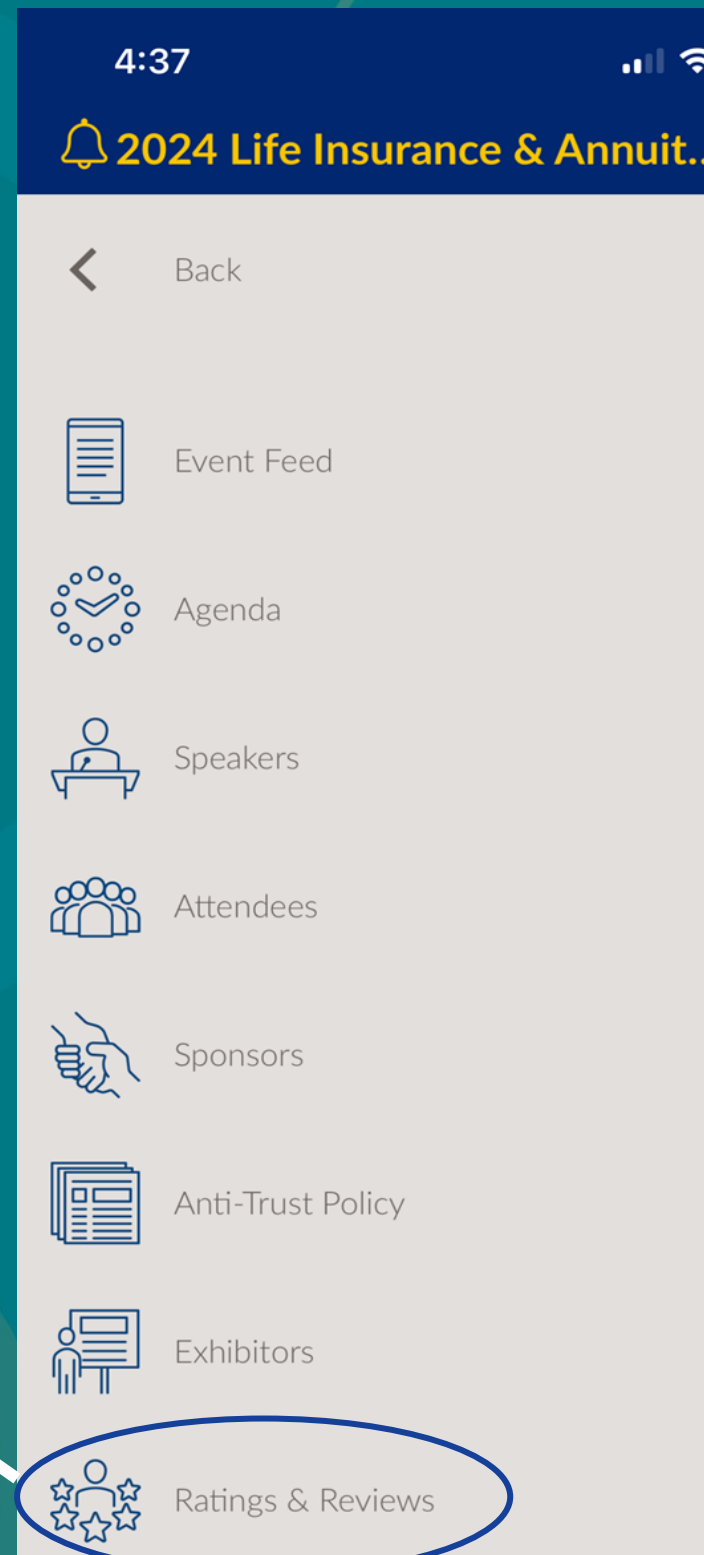
- View count or amount lapse rates
- Ability to change the x-axis
- Select Legend (view results within a variable)
- Using up to 13 experience factor filters

## **Credibility Tab:**

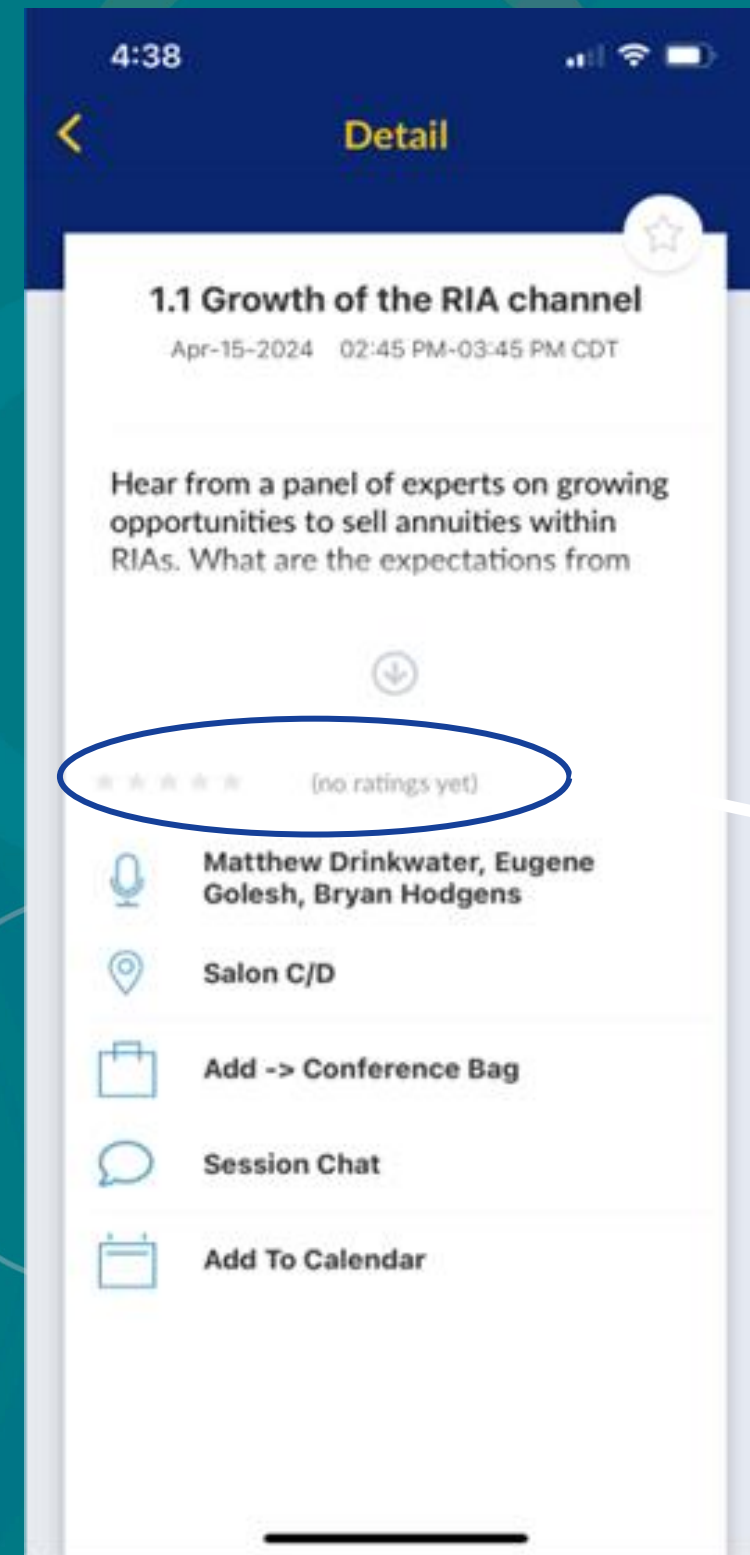
- 90% confidence interval around the count or amount lapse rate
- Credibility of given lapse rate

# Please Provide Your Feedback on the Conference App

## OPTION 1



## OPTION 2



# Thank You

