

Actuaries' Club of the Southwest

Market Intelligence & Guaranteed Universal Life Review



Tim Cook

Marketing Intelligence Director/Actuarial

11.6.14

Agenda

- Intro
- Market Intelligence Proposition
- Guaranteed Universal Life



What do you call
a failed Actuary?

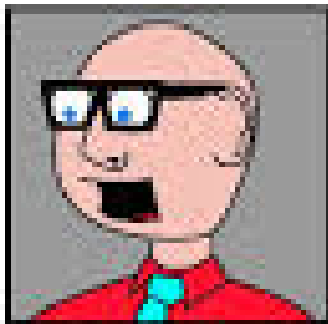




**A Marketing Intelligence
Professional**



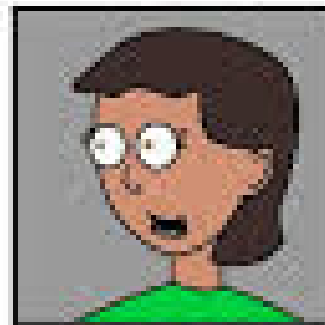
GEEK JOKE #001



Hank Wilson



Fred Thompson



Jane Swanson

You might be a **Insurance Geek** if...

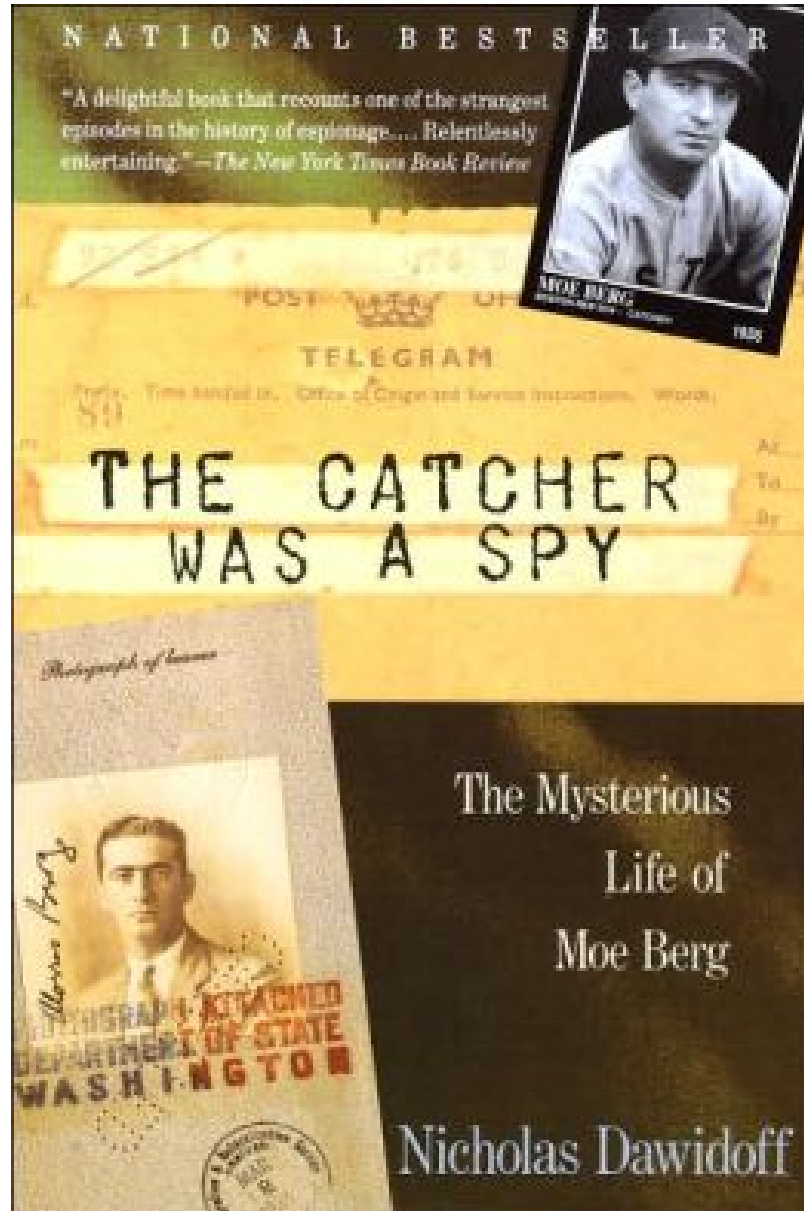
you wear your bluetooth headset in the

company directory photo.



www.thegeek.com





What is the Mission of MI/CI?



Marketing Competitive Intelligence units can't do it all...

- Focus on your most important competitors**
- Stick to your core competencies - providing insights**
- Leverage internal knowledge**
- Know how you are measured**

MI Value Proposition



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MI Partnerships



- ❑ Actuarial/Product Development: Benchmarking, Pricing Enhancements & Product Design, Support to Idea recommendations on product features and design
- ❑ IWs/Relationship Specialists: Point of Sale Activities, Roundtables, Product Training
- ❑ Underwriting: Comparisons, Case Studies, Processes
- ❑ Bridge to Advanced Sales
- ❑ Marketing: Producer/Consumer Interviews, Industry Surveys, Literature/Producer Approved, Market Assessment, Market Share Reports

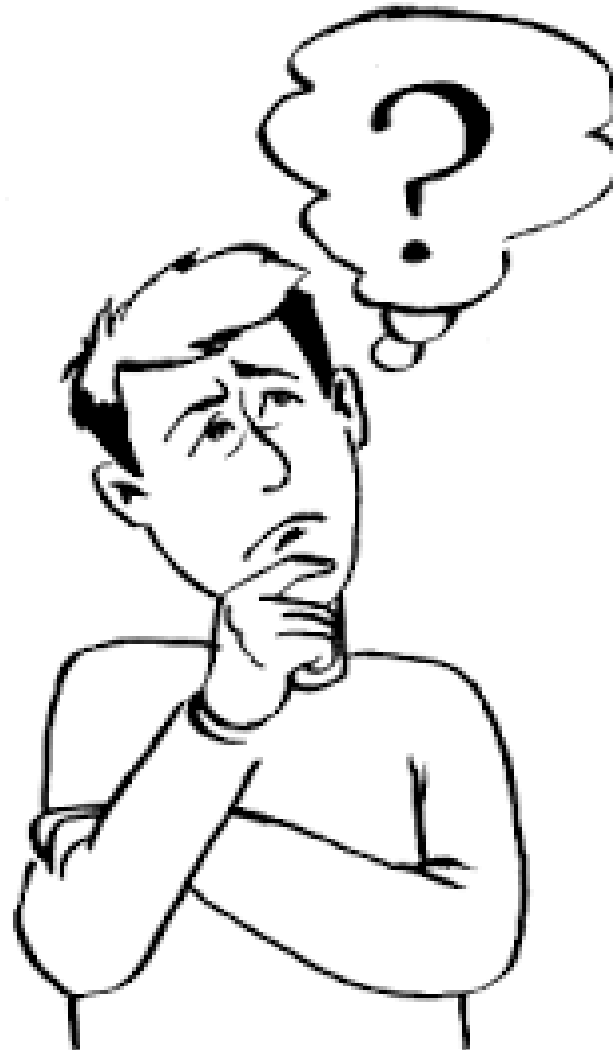
Unique Value LISSSG...



Spies like Us

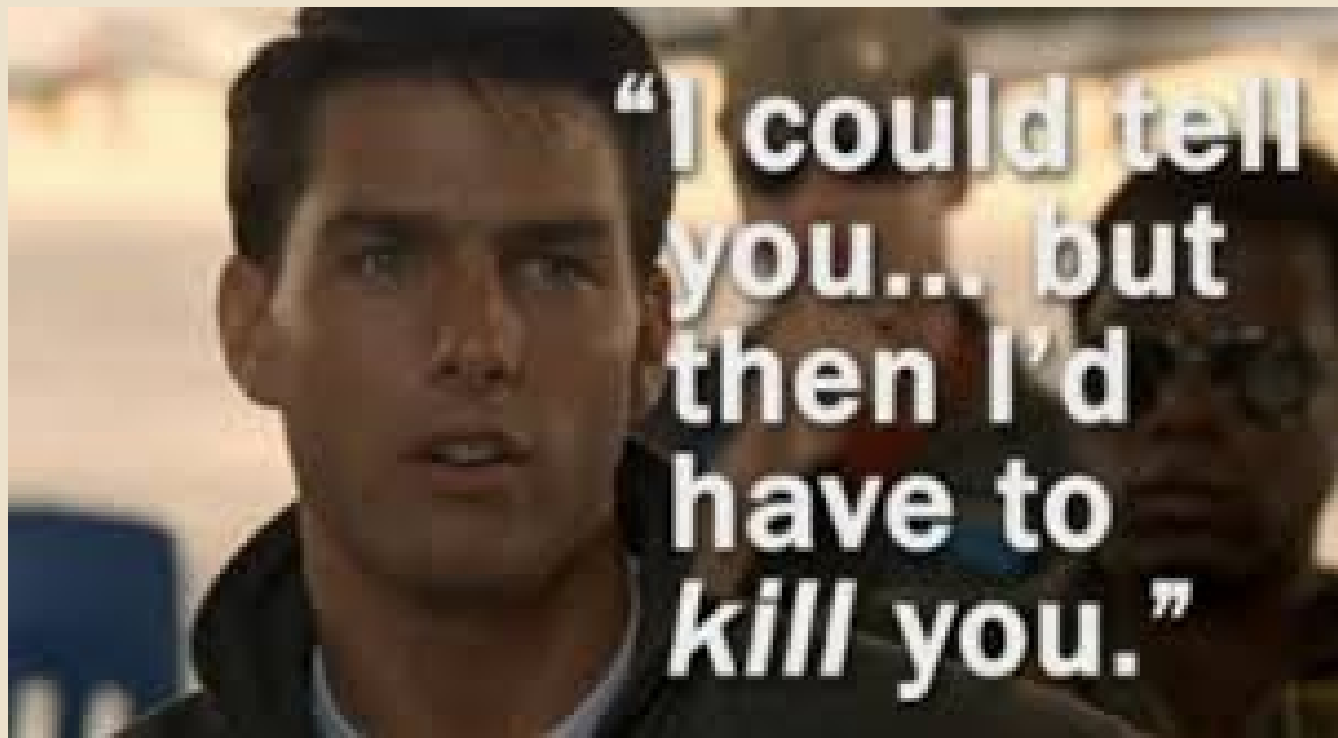
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Sources



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Some Pay to Play, Others Earned





What is Guaranteed UL?

- Often abbreviated as GUL, UL-G, GDBUL, NLG or SGUL
- Sold for the guaranteed death benefit.
- It's not about the cash
- Premium minimums must be met **and on time!!!**
- Coverage protection guarantee: will still pay out a death benefit even if the accumulated cash value decreases or zeroes

LIMRA Definitions



- **Death Benefit Guarantee:** A universal life product developed specifically for the death benefit guarantee market that features long-term (lifetime or near lifetime) no-lapse guarantees either through a rider or as part of the base policy.
- **Cash Accumulation:** A universal life product developed specifically for the accumulation-oriented market where cash accumulation and efficient distribution are the primary concerns of the buyer. Within this category are products that allow for high-early-cash-value accumulation, typically through the election of an accelerated cash value rider.
- **Current Assumption, Combination and Other:** Current assumption products are defined as those that offer the lowest cost death benefit coverage without guarantees. A combination product would include those offered by companies who use the same product in death benefit, current assumption and cash accumulation sales situations

Have to look at other products



	GUL	Current Assumption UL	Index UL	Whole Life
Pros	Least expensive lifetime guarantee age 120+, with dial down capabilities to 90, 95, 100, 105, 110	Less expensive than IUL Flexible to changing circumstances Lower COI charges than IUL	Less expensive than Whole Life Flexible to changing circumstances	Since it builds on top of guaranteed cash value, par whole life has highest potential for cash value accumulation Flexible to changing circumstances; good to start for children, in 20's, 30's or upper income
Cons	Missed premium payments shorten duration or amount of guarantee and may lapse policy Little to no cash value accumulation	If underfunded and/or poor interest credited can lapse without additional premium	If underfunded and or performs poorly can lapse without additional premium Higher COI charges than UL Periodic review is advisable More complex More choices to make than other UL's	Much more expensive than UL or IUL

Target Consumer



Risk Averse consumers

- Primary concern death benefit protection that is permanent
- Older than typical term sale Ages 45+
- Looking to purchase last life insurance policy
- Dial-down to age 100-105, age 90-95 for health challenged

Appeals to Consumer Who...



- Desire a guaranteed death benefit for their beneficiaries
- May have fluctuating income considerations, but still want life insurance coverage
- Seek flexible and affordable options with their life insurance coverage
- Can maintain a minimum, premium target
- Are concerned about transferring wealth
- Are charitably inclined

What about the Agent



Producer looking for simplistic sale (Term for Life)

- Resistance to selling more complicated products
- Many younger advisors have only sold this solution
- Ease scrutiny that exists with these products

GDB Leaderboard

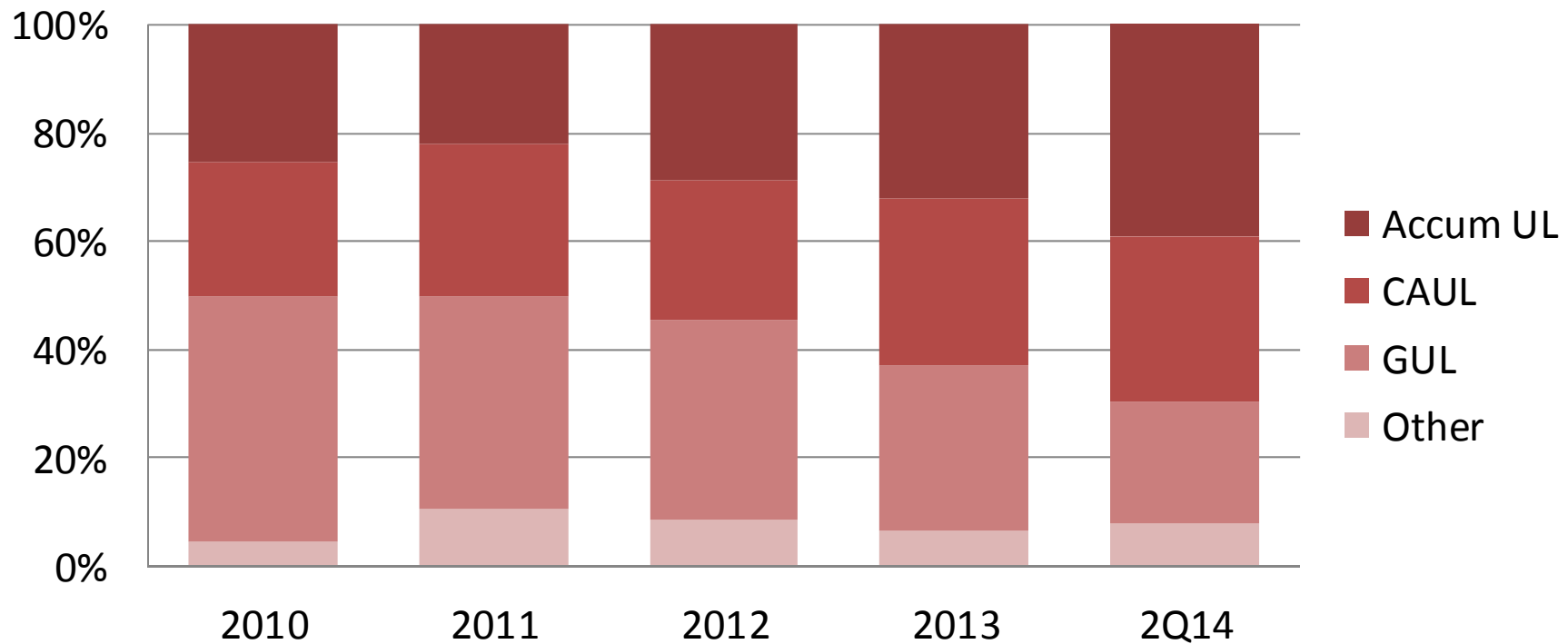


2Q14 Rank	4Q13 Rank	2Q13 Rank	Carrier	2Q14YTD ANN PREM. (000)	Market Share	2Q13YTD ANN PREM. (000)	% Growth
1	1	1	Prudential Financial	64,015	17%	190,347	-66%
2	3	5	Nationwide Life	41,697	11%	39,624	5%
3	2	4	Lincoln National	37,035	10%	46,328	-20%
4	9	10	Transamerica	36,351	9%	21,668	68%
5	7	8	NACOLAH	29,067	7%	25,212	15%
6	8	9	AIG	27,748	7%	24,372	14%
7	4	3	Principal Life	14,618	4%	50,426	-71%
8	6	6	Penn Mutual	13,143	3%	35,908	-63%
9	11	7	Protective Life	12,221	3%	32,577	-62%
10	12	11	Mutual of Omaha	11,875	3%	15,760	-25%
			Top 10	287,768	74%	482,221	-40%
			All Others	100,059	26%	189,899	-47%
			Industry	387,827		672,120	-42%

Larger in the Past



Market Share by UL Product Type

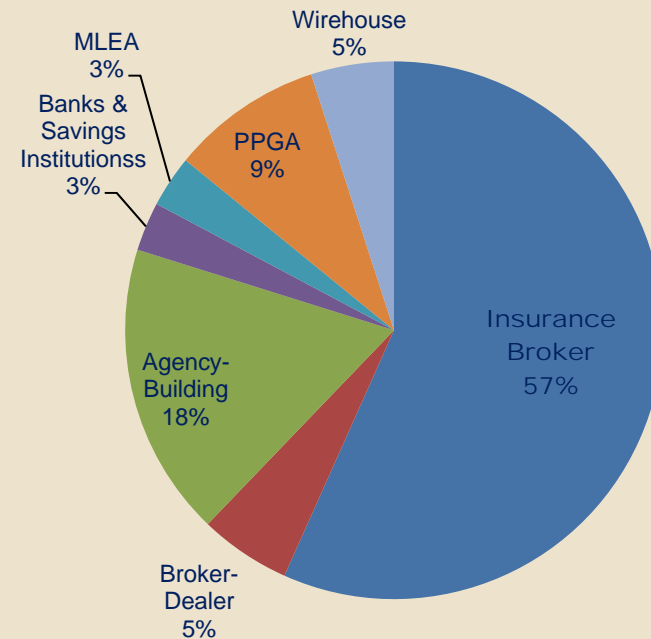


Important to BGA's



	2013 Industry Average Face Amount
Insurance Broker	\$611,461
MLEA	\$184,893
Home Service	N/A
Broker-Dealer	\$447,419
Financial Planners	\$886,455
Agency-Building	\$245,279
Banks & Savings	\$458,614
Direct	\$142,369
Other	\$278,123
PPGA	\$513,854
Wirehouse	\$772,215
Worksite	N/A
Total Distribution	\$435,358

2013 GUL Ann Premium by Distribution



GUL Policy Distribution



	Industry Count	Industry Ann Prem
Under A18	2.7%	0.2%
A18-24	2.6%	0.2%
A25-34	6.2%	1.5%
A35-44	10.0%	6.5%
A45-54	21.6%	18.9%
A55-64	32.8%	34.8%
A65-69	13.7%	17.3%
A70-79	9.5%	17.3%
A80+	0.9%	3.2%

	LIMRA Policy Count *
Under \$15,000	1%
\$15,000-\$49,999	8%
\$50,000-\$249,999	53%
\$250,000-\$499,999	18%
\$500,000-\$999,999	12%
\$1,000,000-\$3,499,999	8%
\$3,500,000 and Over	1%

* LIMRA Count based on total UL sales for 2012

AG38 – Higher GUL Premiums



Company	Level Pay	Age 105	Age100	1035	10 Pay	Single	Target
Company A	3%	5%	3%	8%	-1%	11%	6%
Company B	9%	9%	9%	18%	10%	24%	0%
Company C	20%	28%	28%	-6%	-1%	2%	0%
Company D	9%	8%	9%	25%	5%	28%	9%
Company E	6%	6%	5%	13%	28%	41%	10%
Company F	7%	7%	7%	13%	-1%	9%	3%
Company G	-3%	-1%	-1%	0%	1%	8%	0%
Company H	6%	6%	6%	9%	-1%	8%	5%
Company I	13%	12%	12%	22%	19%	20%	13%
Company J	1%	1%	2%	2%	5%	5%	0%
Company K	5%	5%	5%	11%	11%	18%	0%
Company L	7%	5%	0%	18%	28%	52%	10%
Company M	0.3%	0.4%	0.4%	2%	2%	6%	0%
Company N	13%	13%	11%	19%	13%	22%	15%
Industry Average	7%	7%	7%	11%	9%	17%	5%

4 carriers left or sold prior to or after AG38

Not All Doom and Gloom



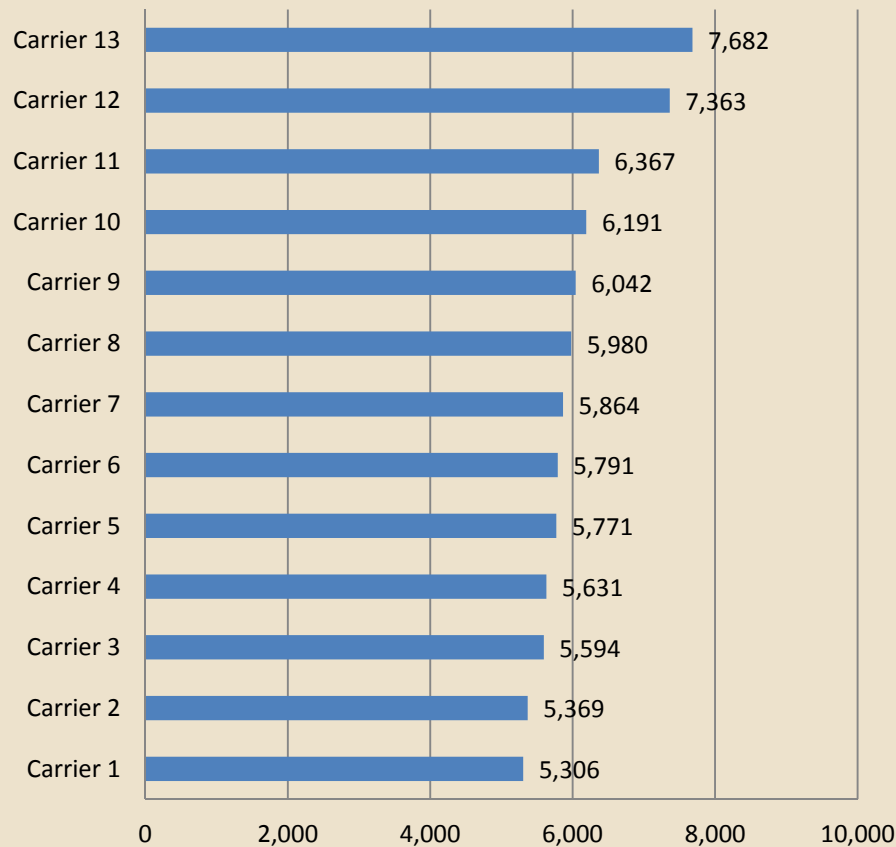
Carrier	Date	Summary
Carrier 3	Oct 2014	Decreased across the board
Carrier 2	Sep 2014	Decreased full pays, increased single pays
Carrier 6	Sep 2014	Decreased full pays, increased single pays
Carrier 1	Aug 2014	Decreased full pays, more on Single pays
Carrier 5	Apr 2014	Decreased full pays, increased short pays
Carrier 4	Feb 2014	Decreases across the board
Carrier 2	Jan 2014	Decreases across the board
Carrier 3	Nov 2013	Decreases full pays, increased short pays
Carrier 1	Oct 2013	Increases, with decreases at 10 Pays
Carrier 2	Sep 2013	Increased premiums across the board
Carrier 1	Jul 2013	Increased premiums across the board

Most re-prices prior to last two mentioned below followed pattern of increases following pattern of AG 38 movement.

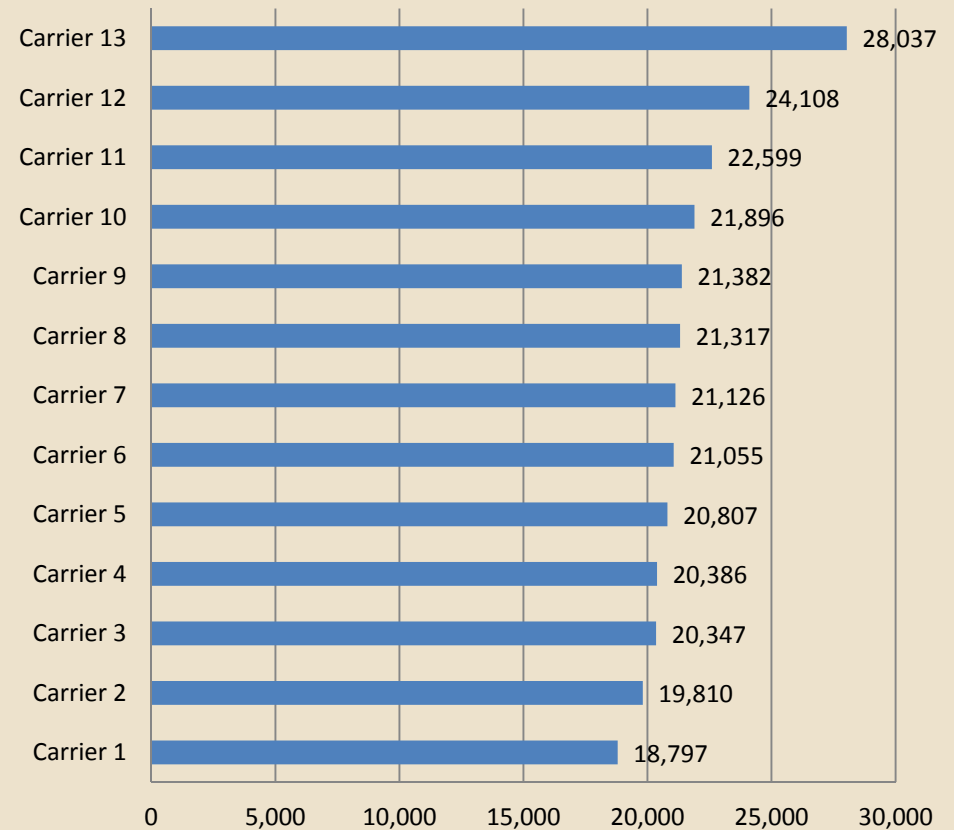
Commodity Type Pricing



**Male, 55, Preferred Best, Full Pay,
\$500,000 Death Benefit @ 105**



**Male, 65, Preferred, Full Pay,
\$1,000,000 Death Benefit @ 100**



Carriers' Value Propositions



Feature	Number of Carriers	Top 10 Market Share
Low pricing full pays down to age 100	8	6
Chronic Illness/LTC	7	6
Underwriting	5	4
ROP	3	3
Death Benefit Installment	3	3
Cash Value Current	2	2
Cash Value Guaranteed	2	1
Longevity	1	1

15 Carriers considered.

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Life After AG38?



- Carriers that held their pricing... garnering majority of market share
- Shift from Lifetime GDB to IUL or CAUL with limited guarantees or life expectancy
- Some have left the pure GUL product type, creating an opportunity gap?
- Focus on the methodical pay
- **Late/Early Premium Forgiveness**

