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FOR IMMEDIATE RELEASE

Press Release

Annual Milliman survey reveals increasing pricing and implementation activity of UL/IUL products as end of transition period for PBR and 2017 CSO nears

SEATTLE – JULY 10, 2019 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the results of its annual comprehensive study of universal life (UL) and indexed universal life (IUL) issues. The 12th annual Milliman study, “Universal Life and Indexed Universal Life Issues”, focuses on current topics relative to:

- Universal life with secondary guarantees (ULSG)
- Cash accumulation UL
- Current assumption UL
- Indexed universal life with secondary guarantees (IULSG)
- Cash accumulation IUL
- Current assumption IUL

Again this year, survey participants reported on their organization’s implementation timing for principle-based reserves (PBR) and the 2017 Commissioner’s Standard Ordinary (CSO) mortality table.

“The end of the three-year transition period for PBR and the 2017 CSO implementation has caused a flurry of activity among UL/IUL carriers,” says Sue Saip, consulting actuary and co-author of the annual study. “Survey results indicate that some carriers are behind the curve, just now focusing on implementing these regulatory issues for reserve purposes, but not yet tackling their implementation for pricing purposes”.

This year’s report found that 50% or more of survey participants plan to implement PBR in 2020 for all UL product types and for IULSG. For cash accumulation IUL, 50% plan to implement PBR in 2019 and 33% in 2020. For current assumption IUL, 44% plan to implement PBR in 2019 and 22% in 2020. Implementation of PBR was allowed as early as Jan. 1, 2017, subject to a three-year transition period. This was also true for implementation of the new valuation mortality table, the 2017 CSO mortality table. The average issue year to implement the 2017 CSO (as reported by survey participants) is 2019 for all UL/IUL products. Ten of the 29 survey participants reported the same year for implementation of both PBR and the 2017 CSO.

The number of survey participants that have modeled PBR-type reserves on existing UL/IUL products increased 38% relative to the number reported in the prior UL/IUL survey, dated June 2018. Eighteen of the 29 survey participants have performed such modeling for at least one UL/IUL product. The two most common products on which PBR-type reserves have been modeled are ULSG and cash accumulation IUL.

In addition to reserve information, the survey also indicates that the popularity of accelerated underwriting with UL/IUL products is growing. For YTD 9/30/18, the distribution of UL sales by underwriting approach



was 17.8% simplified issue, 2.9% accelerated underwriting, and 79.3% full underwriting. For IUL sales during YTD 9/30/18, the distribution was 1.6% simplified issue, 24.6% accelerated underwriting, and 73.7% fully underwriting. The percentage of IUL business subject to accelerated underwriting is much larger than that reported on UL business. The difference may be attributed to the greater level of new IUL product development in recent years, relative to new UL product development. IUL writers are likely including new underwriting approaches, such as accelerated underwriting, in the development process.

The 346-page “Universal Life and Indexed Universal Life Issues – Detailed Report” also includes detailed information on product and actuarial issues, such as sales, profit measures, target surplus, reserves, risk management, underwriting, product design, compensation, pricing, and illustrations. It is available for purchase by visiting the Milliman website at <http://www.milliman.com/insight/2019/Universal-life-and-indexed-universal-life-issues--2018/2019-survey/> 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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