

Best's News Service via Bestwire - January 21, 2015 10:27 AM

MIB Group: For US Life Insurance Applications, 2014 Marked Return of 60 and Older Crowds

BRAINTREE, Mass. - Applications for individually underwritten life insurance in the United States dipped 0.6% in 2014 from 2013, according to the MIB Life Index. By age group, last year marked the 60 and older crowd's return to positive territory — which fell 1.2% in 2013, levels not seen since mid-2007, according to MIB Group Inc. At year-end 2014, the U.S. life insurance industry was down 2.4% below its previous low in 2010.

Age groups showed a mixed, yet improved picture, according to MIB Group.

For 2014, ages 44 and younger were down 1.5% and ages 45 to 59 also were down, at 0.8%. But applications by people 60 and older rose 2.8% from 2013. "The ages 60 and older segment of the life market is traditionally strong from a high net worth, estate-planning perspective," David Aronson, director of marketing and communications for MIB Group, told Best's News Service. "Strong commissions and an aging sales force are some of the drivers here," Aronson said in emailed comments.

The largest monthly decline in 2014 was in January, with the composite down 7.9%, with all age groups gradually improving over subsequent months. The year 2013 "was challenging across every age demographic and we are pleased to see traditional strongholds return in 2014," Aronson said.

November and December showed the largest increases across all ages, with the 60 and older in positive territory for the past nine consecutive months. Overall, first-quarter 2014 declines of 5.4% from the same period in 2013 moderated over the second and third quarter, with the fourth quarter showing the most significant growth — up 2.6%, according to MIB Group. By month, November's activity was unusually strong, up 10.6% from October. But December declined 8.3% from November — the largest decrease on record for this time period.



"After sluggish sales activity in the beginning of 2014, we saw increasing levels of momentum for the majority of the year and we are hopeful these favorable trends continue into 2015, despite a less-than-inspiring economy," Lee Oliphant, chief executive officer of MIB Group, said in a statement.

MIB Group said the index is the life insurance industry's timeliest measure of application activity in the United States. It's based on the number of searches that underwriters at its life member companies perform on its checking service database. Because most individually underwritten life premium dollars in North America include an MIB search as a routine underwriting requirement, the index provides a reasonable means to estimate new business.

In 2013, after three straight years of growth, total U.S. sales of individual life insurance, based on new annualized premium, were flat, according to Limra. Total sales grew 6% in 2012 but it will take "a few more years" to return to the annualized premium sales peak set in 2007 because the sales drops in 2008 and 2009 "were some of the largest ever recorded," a senior research analyst, insurance research with Limra, previously said. Year-to-date through the third quarter of 2014, premium fell 1% as policy count declined 3%, according to Limra.

Doug French, managing principal in Ernst & Young's Actuarial Advisory Services practice, recently wrote the prospects for retail life insurers look grim. One of the key findings in a report by Ernst & Young is that product simplification is critical. To reduce complexity, companies need to avoid a features "arms race" and create a value proposition that benefits both customers and their own bottom lines, French wrote.

(By Fran Matso Lysiak, senior associate editor, BestWeek: fran.lysiak@ambest.com)

BN-NJ-1-21-2015 1027 ET #