

OLIVER WYMAN 2025 LIFE INDUSTRY STUDY

Study development, key highlights, and trends

June 2025

A business of Marsh McLennan

OLIVER WYMAN 2025 LIFE INDUSTRY STUDY

- 1** Motivation
- 2** What is VM-51?
- 3** Study process
- 4** Key insights
- 5** Demo



1

MOTIVATION



ACCESS TO HIGH QUALITY DATA FROM A TRUSTED SOURCE IS REQUIRED TO NAVIGATE INCREASING UNCERTAINTY

Industry study need/benefits

- | | | |
|-----------|------------------------------------|---|
| 01 | Focus on assumptions | Increased frequency of assumption unlocking and advent of principles-based approaches have highlighted the financial impact of assumptions and increased stakeholder scrutiny of assumptions |
| 02 | Increased uncertainty | Focus on assumptions comes at a time of elevated uncertainty and volatility in mortality (COVID-19 and excess deaths), policyholder behavior (ULSG), and economic conditions (changes in interest rates) |
| 03 | Benefit of industry studies | Aggregating industry experience increases credibility and illuminates key risk areas where an individual company's data is typically thin (e.g., older ages, high face amounts) and provides benchmarks against peers |

Key advantages

- | | | |
|-----------|---------------------------------|--|
| 04 | Leveraged process | The study uses VM-51 submission data required by regulators (readily available on the shelf) |
| 05 | Insights and data access | The study includes an interactive dashboard that helps participants visualize their own experience as well as benchmark against industry peers |
| 06 | Timely delivery | Report and dashboard delivered within 6 months of data submission; faster access to industry insights when needed compared to traditional industry studies |
| 07 | Comprehensive | The study covers key decrements: mortality, lapse/surrender, premium cessation and key life products: ULSG, term, whole life, VULSG, UL, VUL, etc. |
| 08 | Customization options | The study provides options for insights on any data attributes that are not already included with the current VM-51 submission, kick-starting your experience study and assumption development efforts |

2

WHAT IS VM-51?

BREAKDOWN OF EXPERIENCE REPORTING REQUIREMENTS (VM-50) AND EXPERIENCE REPORTING FORMATS (VM-51)

What are VM-50 and VM-51?

- VM-50 details annual experience **reporting requirements**
- VM-51 details **formatting** of experience data submissions

Why do we need experience reporting requirements?

- Consistent formatting streamlines creation and updating of **industry assumptions/tables**
- Larger amounts of experience lead to **higher credibility** for industry studies

Who's required to submit data?

- Companies with **>\$50M** direct individual life premium
- Affiliates with less than \$10 million in direct individual life premium may be excluded¹
- Currently, guidelines only exist for mortality experience for individual life products²

What are the data format requirements?

- Data for mortality will be compiled on a **calendar year basis**
- Data should include policies issued as **standard, substandard, or within a preferred class structure**
- **All converted policies** should be included
- **All terminations** should be included (i.e., both death and non-death)
- Detailed data format requirements including column names, descriptions, and required formats can be found in Appendix 4 of **VM-51**

When are annual data submissions due?

Initial submissions	Submission corrections
SEP 30 of the reporting year ³	FEB 28 of the following year

What is this data used for?

- The Experience Reporting Agent will produce an aggregate report of all collected experience data
 - This report will be provided to the SOA or other actuarial professional organizations
- State regulators will be given access to licensed companies' experience data

1. Provided the premium for the rest of the affiliate group remains above \$50 million. The NAIC encourages groups to take advantage of this exclusion

2. The NAIC has stated that additional guidelines ("statistical plans") will be added to VM-51 when ready for implementation.

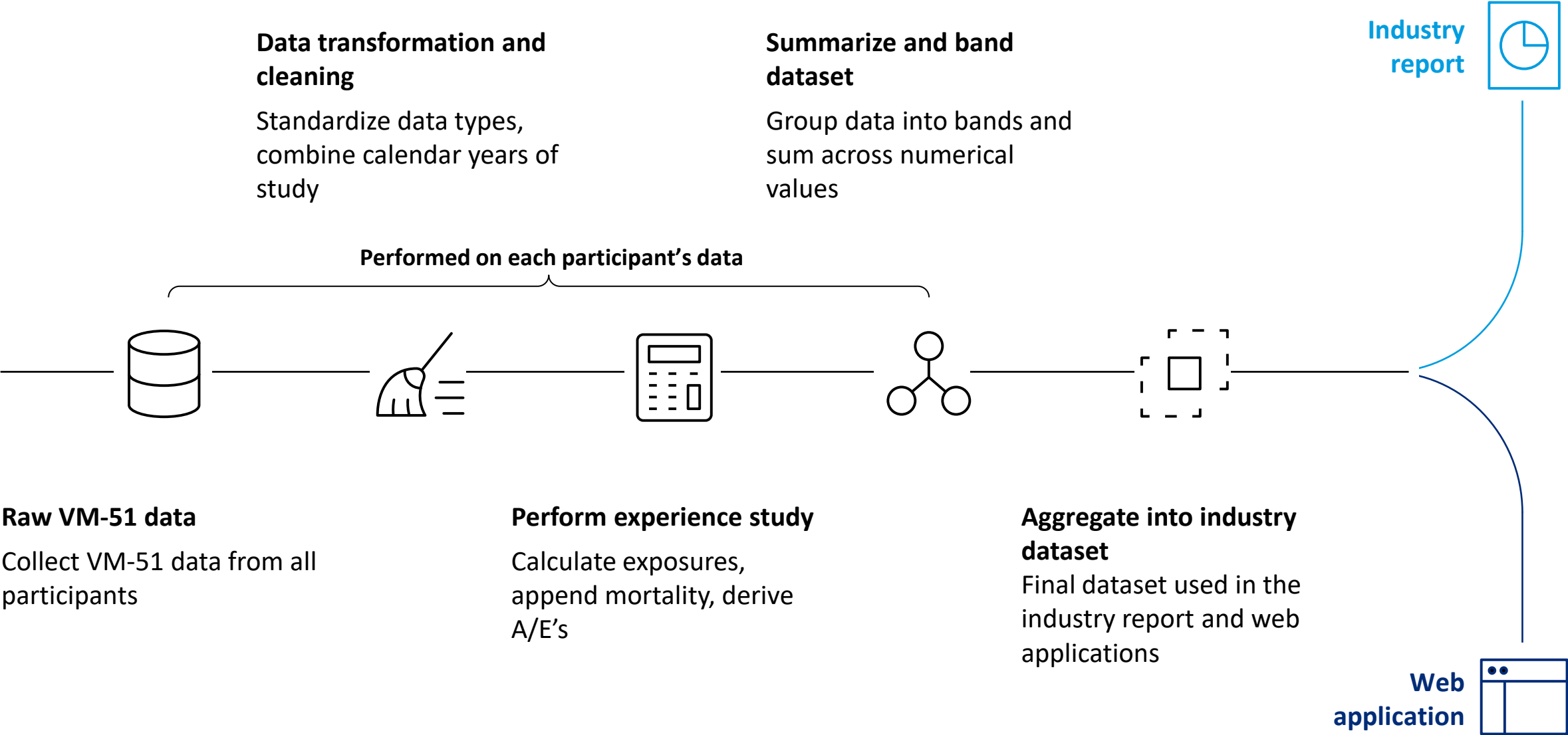
3. The reporting year refers to the calendar year that companies are submitting data. Data submitted in a reporting year should be data inforce or issued in the year prior (e.g., data submitted in 2024 should include all data from 2023)

© Oliver Wyman

3

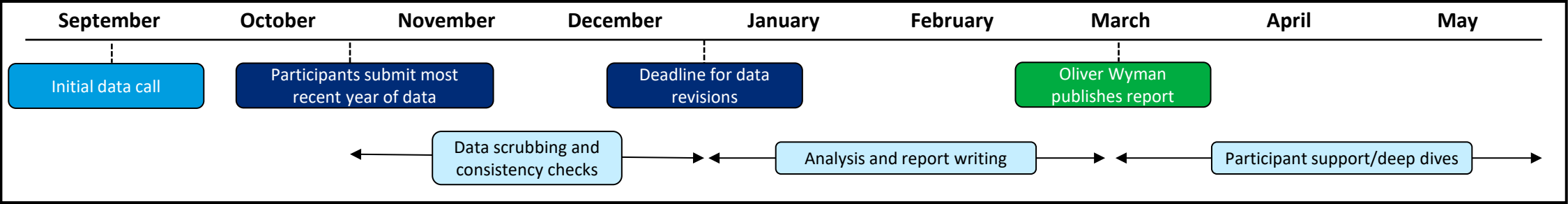
STUDY PROCESS

STUDY PROCESS



STUDY TIMELINE AND APPROACH

Timeline and milestones



Data collection

- New study participants will provide their **2018-2024** VM-51 submissions while returning participants will only need to provide their 2024 calendar year of experience.
- If VM-51 submissions are not readily available, Oliver Wyman will accept data in a similar format to VM-51 as long as a minimum number of required fields are provided



Data file	Minimum required fields	
VM-51 data ¹ – 47 fields	<ul style="list-style-type: none">• Company and direct writing company ID• Calendar year• Policy number• Issue state• Gender• Age basis• Issue age• Issue date	<ul style="list-style-type: none">• VM-51 underwriting class information• Underwriting requirements• Substandard indicator• VM-51 plan• Inforce indicator and termination cause• Termination date• Face amount• Premium mode

¹ See <https://content.naic.org/sites/default/files/inline-files/2022%20VM-51.pdf> for full VM-51 data requirements

4

KEY INSIGHTS

STUDY SUMMARY BY POLICY COUNT: 2025 UPDATE

Oliver Wyman refreshed our industry experience study of life insurance products with data through 2023
The results of the study are summarized in this report and a web application with anonymized data is available

STUDY YEAR	NUMBER OF PARTICIPANTS	EXPOSURES ¹	DEATHS	LAPSES	SURRENDERS	PREMIUM CESSATIONS ²
2018	21	32,327,723	400,510	690,183	514,021	-
2019	21	31,762,457	389,058	765,071	511,036	40,541
2020	21	31,218,366	433,616	625,975	432,797	43,304
2021	21	30,417,515	422,558	647,717	400,265	47,772
2022	21	30,151,785	396,151	727,364	398,325	52,138
2023	20	28,344,354	353,770	680,376	398,800	-

Figures in the table are shown by policy count
¹Exposures vary by decrement but are similar in magnitude between deaths, lapses, and surrenders. Premium cessation exposures are between 3-4 million exposure years
²Premium cessations are determined with at least 2 years of premium stoppage
³50% of total life insurance death benefits paid in 2022 according to ALIRT insurance research https://www.qbslife.com/media/29819/alirt_research_mortality_in_2022_for_the_us_life_insurance_industry.pdf

INDUSTRY OVERVIEW: MORTALITY

Actual-to-expected (“A/E”) 2015 VBT decreased across products in aggregate from 2022 to 2023 as mortality experience trended toward pre-COVID levels where aggregate A/E was 83.4% compared to 82.7% in 2023

PRODUCT	AGGREGATE	OLDER AGE (80+)	HIGH FACE AMOUNT (1M+)	PREFERRED CLASS	SMOKER CLASS
Universal life with secondary guarantee (“ULSG”)	▼ 6.8%	▼ 6.1%	▼ 1.6%	▼ 5.8%	▼ 10.0%
Universal life (“UL”)	▼ 8.9%	▼ 6.4%	▼ 2.0%	▼ 7.4%	▼ 5.9%
Term life (“Term”)	▼ 8.8%	▼ 10.4%	▼ 5.8%	▼ 6.5%	▼ 10.2%
Whole life	▼ 7.0%	▼ 5.5%	▲ 3.7%	▼ 6.6%	▼ 8.1%

Limited credibility when comparing calendar years

Smoker class experienced one of the largest decreases in A/Es

A/Es are based on 2015 VBT mortality tables (non-relative risk)

INDUSTRY OVERVIEW: LAPSE/SURRENDER

Surrender and lapse rates marginally increased from 2022 to 2023 with term lapses and GUL surrenders returning to pre-COVID levels. UL and whole life surrender rates have decreased, but are still above their pre-COVID averages

PRODUCT	AGGREGATE	ULTIMATE RATE ¹	HIGH FACE AMOUNT (1M+)	ISSUE AGE <50
Guaranteed universal life ² ("GUL")	▲ 0.3%	▲ 0.5%	▲ 0.3%	▲ 0.4%
Universal life ("UL")	▲ 0.3%	▲ 0.2%	▲ 0.5%	▲ 0.1%
Term life ("Term")	▲ 0.2%	▼ 0.3% ³	▲ 0.3%	▲ 0.1%
Whole life	▲ 0.2%	▲ 0.3%	▲ 0.6%	▲ 0.2%

Ultimate lapse rate for term policies is the only **decreasing** rate

1M+ sized policies for UL and whole life observe the largest **increase** in surrender rates

All rates are amount-based
¹Ultimate rates are derived from durations 20+
²GUL is a subset of ULSG that have secondary guarantees for the life of the policy; GUL experience is identified from a manually selected peer group of companies
³Experience limited to term products with coverage years 1-15

INDUSTRY OVERVIEW: PREMIUM CESSATION

Early-duration cessation rates decreased from 2021 to 2022¹ across most cohorts; ultimate rates increased between years

PRODUCT	AGGREGATE	ULTIMATE RATE ²	HIGH FACE AMOUNT (1M+)	JOINT LIFE
Universal life with secondary guarantee ("ULSG")	▼ 0.6%	▲ 1.0%	▼ 1.4%	▼ 0.9%
Variable universal life with secondary guarantee ("VULSG")	▼ 0.8%	▲ 0.0%	▼ 2.4%	▼ 0.2%
All products ³	▼ 0.7%	▲ 0.8%	▼ 1.5%	▼ 0.5%

Ultimate rates observe the only **increase**, driven by ULSG products

1M+ sized policies experienced the largest **decrease**

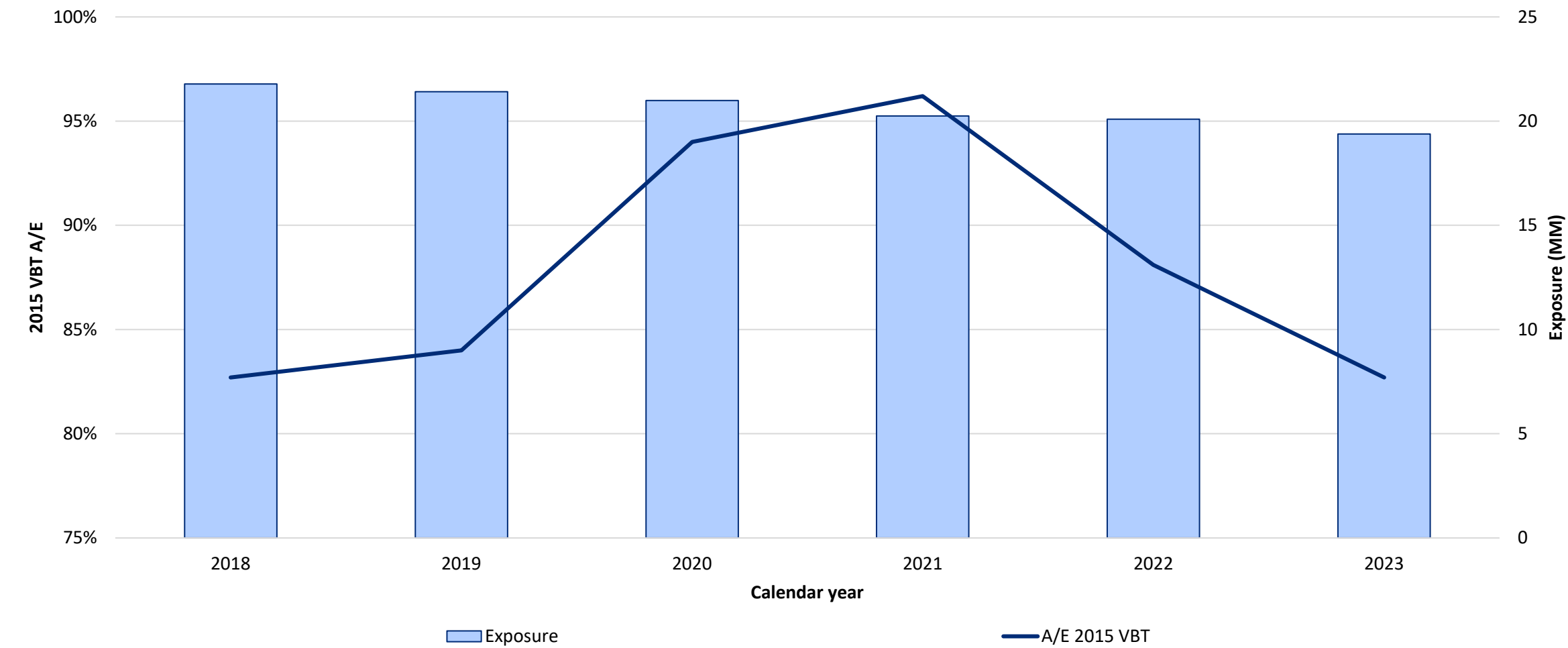
Cessation rates are amount-based and single life only
¹Cessation rates are only calculated for 2019-2022
²Ultimate cessation rate is derived from durations 20+
³Experience limited to ULSG and VULSG products as detailed in VM-51

4.1

MORTALITY

MORTALITY TRENDS: SINGLE LIFE BY CALENDAR YEAR

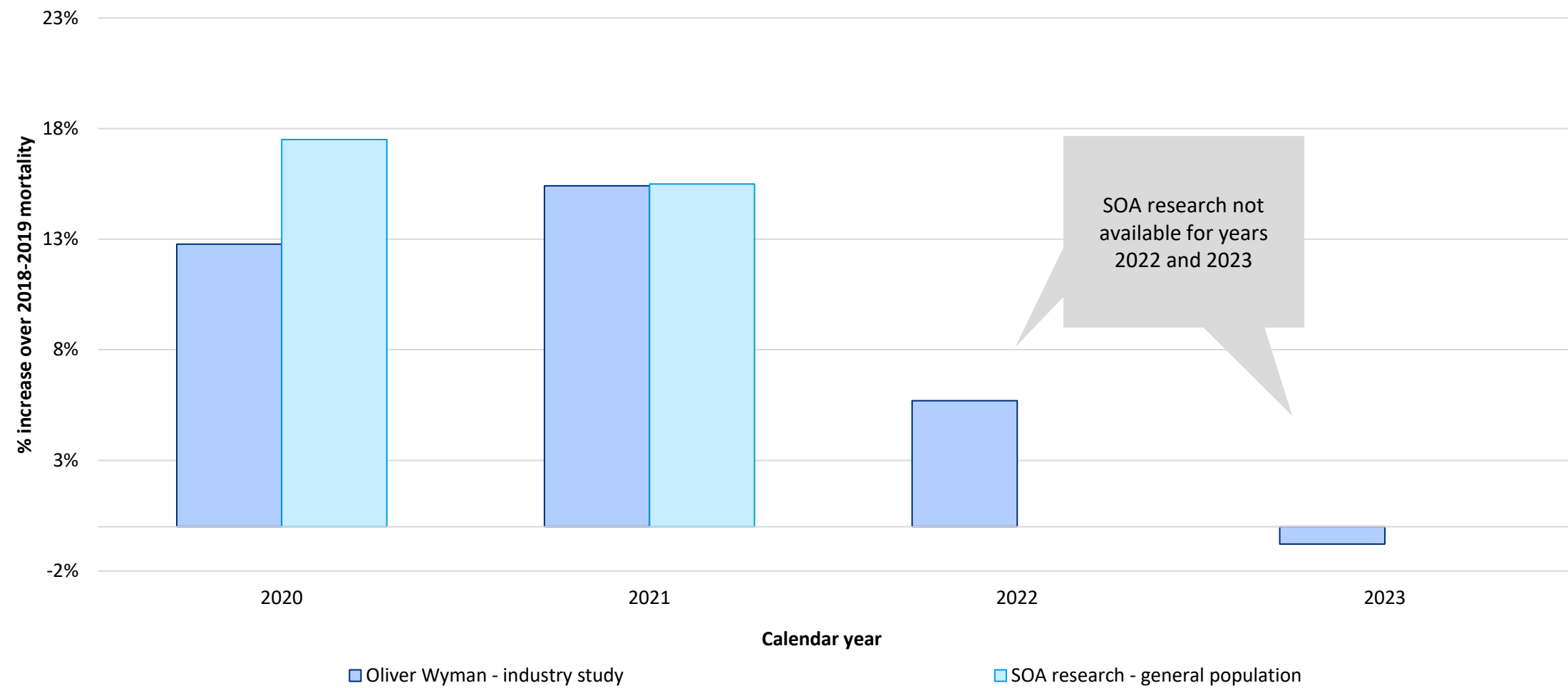
2015 VBT A/E's in 2023 have returned to pre-COVID ranges in aggregate



Filters: Single life, not substandard, no conversions, not in post-level term, issue age > 20
A/E's are on an amount basis; exposures are on a count basis

MORTALITY TRENDS: % INCREASE OVER PRE-COVID MORTALITY BY CALENDAR YEAR

2023 experience exhibits **lower mortality** than pre-COVID levels



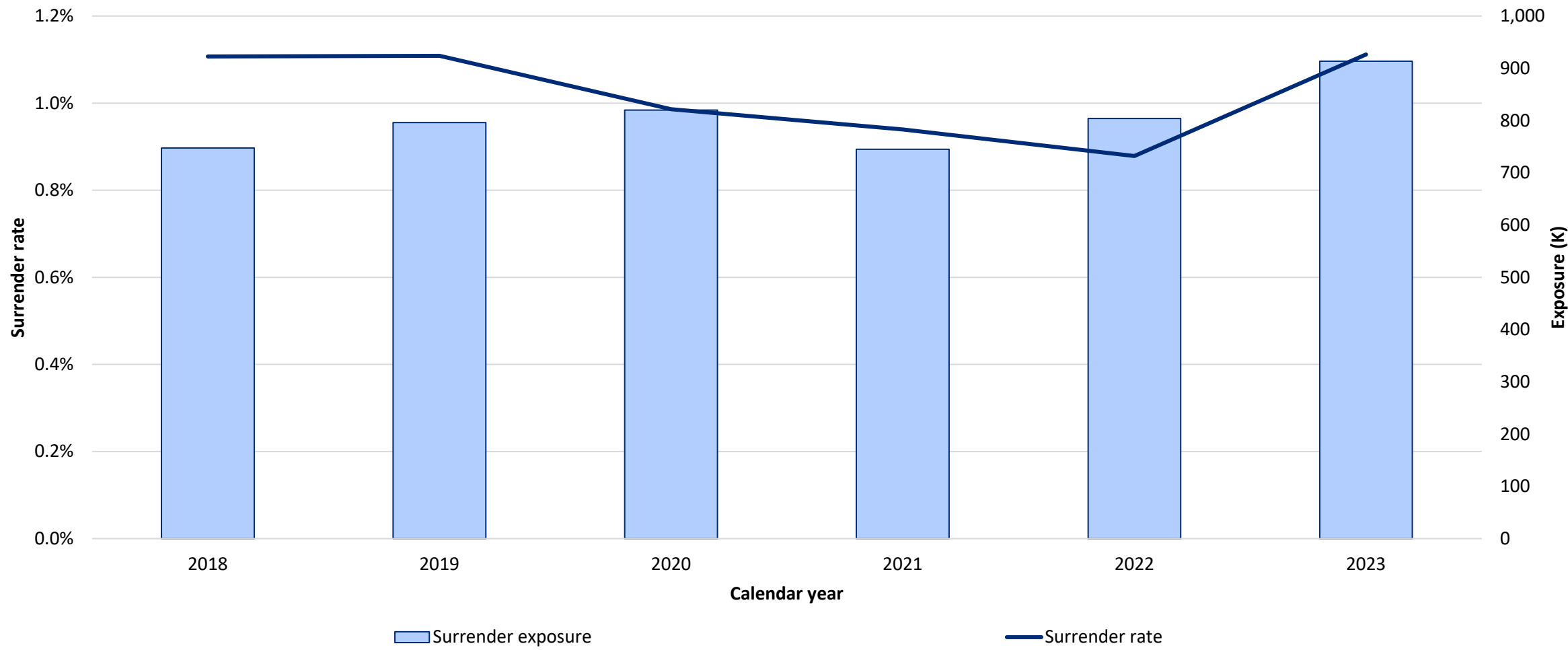
Filters: Single life, not substandard, no conversions, not in post-level term, issue age > 20
A/E's are on an amount basis
SOA research sourced from: <https://www.soa.org/4a55a7/globalassets/assets/files/resources/research-report/2022/excess-death-us.pdf>

4.2

LAPSE/SURRENDER

SURRENDER TRENDS: GUL

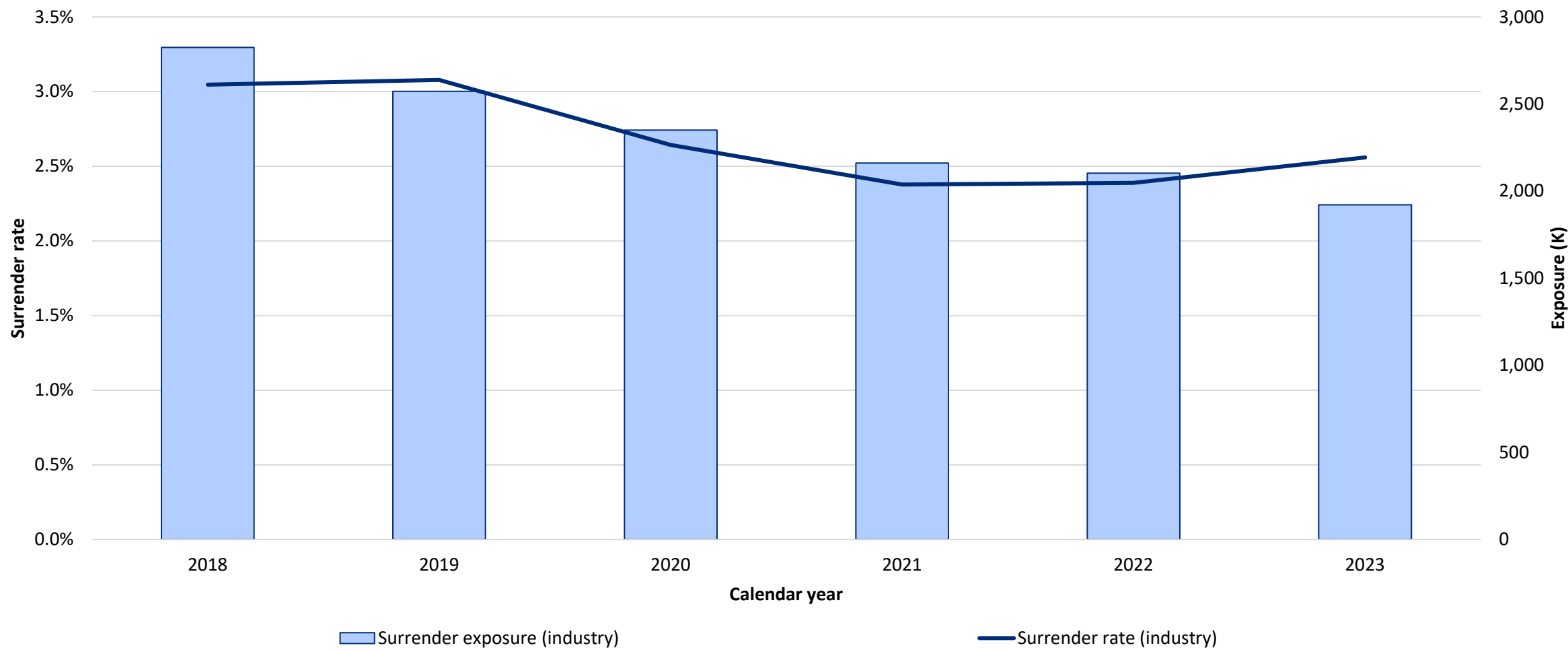
Single life surrender rates in 2023 have surged back to pre-COVID levels



Filters: Single life, GUL peer group, product type ULSG
Surrender rates are shown on a count basis

SURRENDER TRENDS: UL

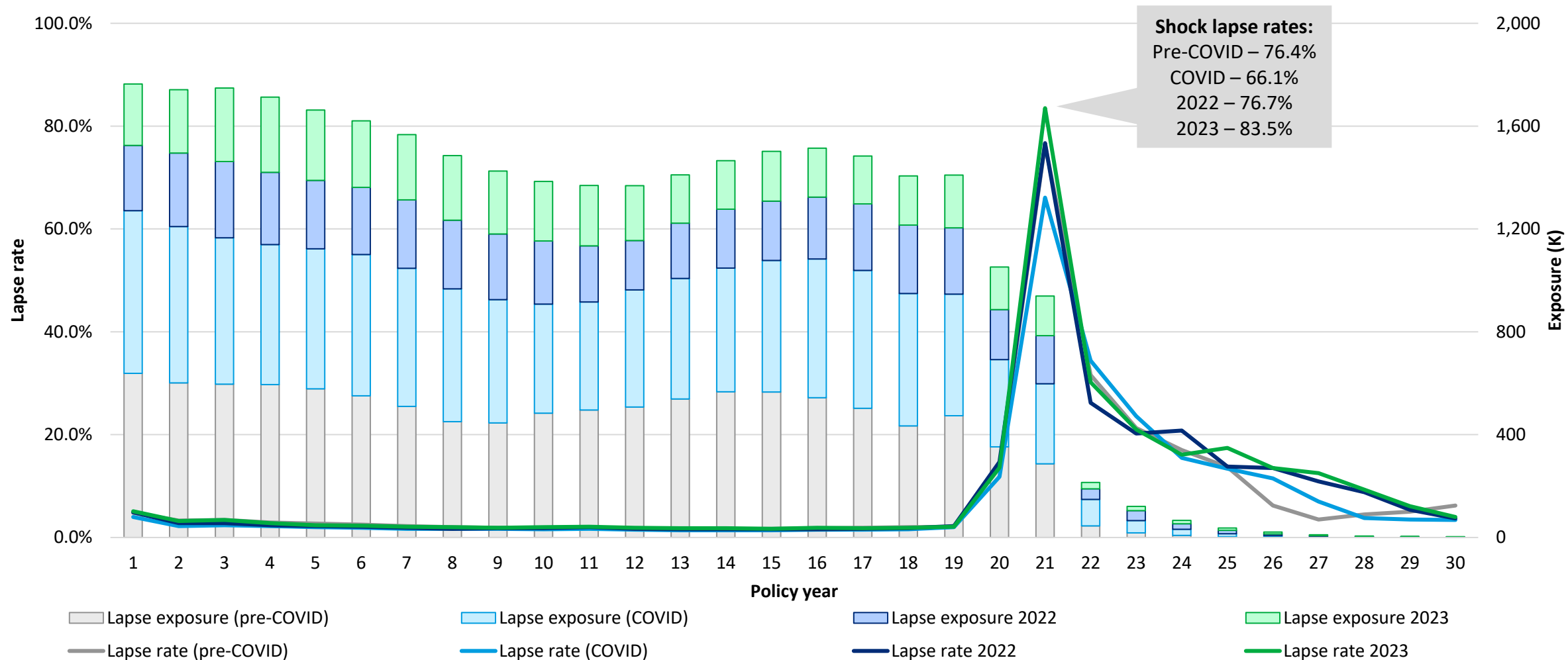
Single life surrender rates in 2023 continue to recover from COVID impacts but are still below pre-COVID levels



Filters: Single life, product type UL and VUL (including IUL and VL), policy year 1-30
Surrender rates are shown on a count basis

LAPSE TRENDS: TERM (T-20)

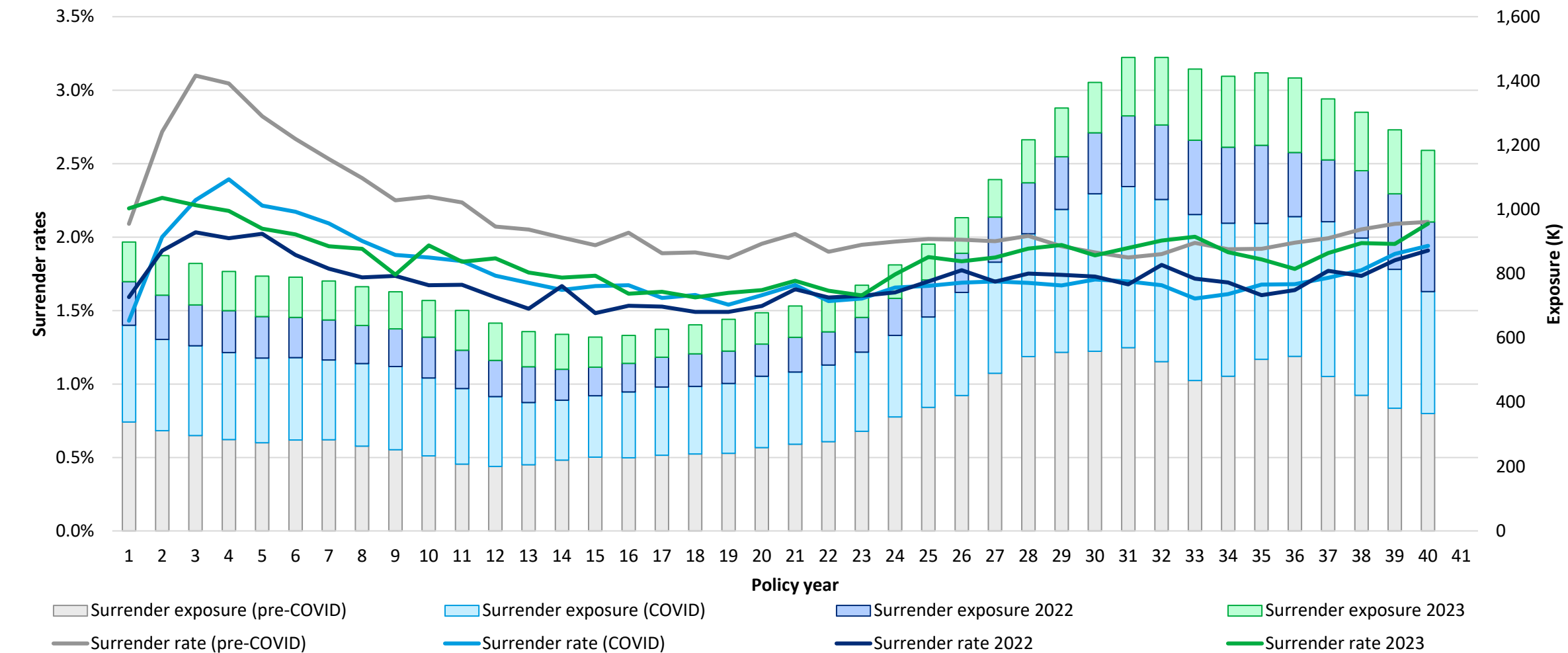
Term lapse rates in 2023 are higher than in 2022 at early durations and at shock year 21



Filters: Single life, product type term only (including PLT), coverage years 20, policy years 1-30
Lapse rates are shown on a count basis

SURRENDER TRENDS: WHOLE LIFE

Whole life product surrenders are higher in 2023 than in 2022 for nearly all durations



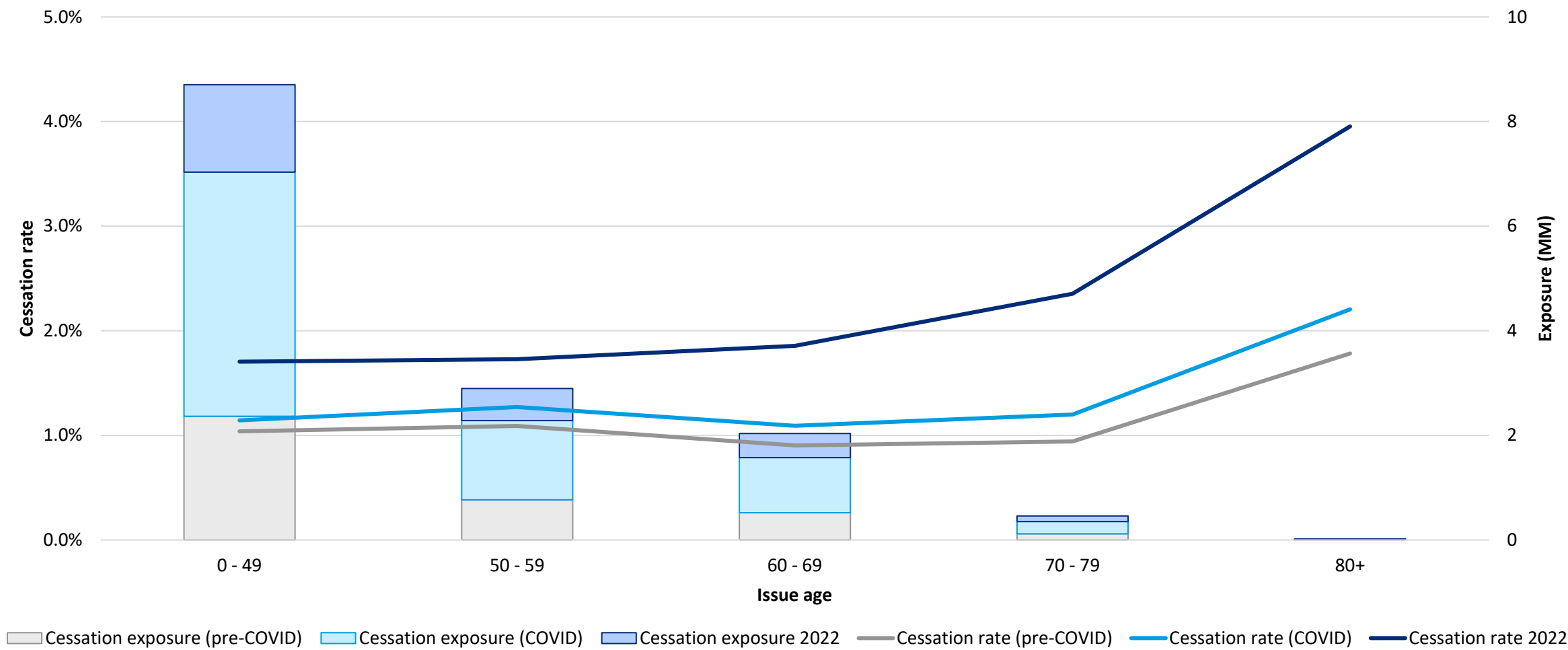
Filters: Single life, product type whole life only, policy years 1-40
Surrender rates are shown on a count basis

4.3

PREMIUM CESSATION

PREMIUM CESSATION TRENDS: ULSG/VULSG

Premium cessation rates increased across all issue age bands with the largest increases at older ages



Filters: Single life
Cessation rates are shown on a count basis

LIVE **DEMO**



Q&A



QUALIFICATIONS, ASSUMPTIONS, AND LIMITING CONDITIONS

This report is for the exclusive use of the Oliver Wyman client named herein. This report is not intended for general circulation or publication, nor is it to be reproduced, quoted, or distributed for any purpose without the prior written permission of Oliver Wyman. There are no third-party beneficiaries with respect to this report, and Oliver Wyman does not accept any liability to any third party.

Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been independently verified, unless otherwise expressly indicated. Public information and industry and statistical data are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information. The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. Oliver Wyman accepts no responsibility for actual results or future events.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report. No obligation is assumed to revise this report to reflect changes, events, or conditions, which occur subsequent to the date hereof.

All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the client. This report does not represent investment advice nor does it provide an opinion regarding the fairness of any transaction to any and all parties. In addition, this report does not represent legal, medical, accounting, safety, or other specialized advice. For any such advice, Oliver Wyman recommends seeking and obtaining advice from a qualified professional.