Executive Summary

Annuities in a regulatory morass
Uncertainty related to the U.S. Department of Labor’s Conflict of Interest rule, more commonly known as the fiduciary rule, will pressure individual annuity sales and, S&P Global Market Intelligence projects, lead to a 1.2% year-over-year decline in U.S. life, annuity, and accident and health direct premiums and considerations in 2017.

Generational opportunities persist
Demographic trends and the ongoing challenge Americans face in saving for retirement will continue to fuel the expansion of the individual annuity and life businesses over the long term. We project the strength of those trends will become more visible in premium growth once the regulatory uncertainty subsides.

New solutions emerge
Group annuity sales and, in particular, the issuance of contracts related to pension risk transfer transactions will remain a bright spot for the industry and partially offset weakness in certain individual annuity products most impacted by the fiduciary rule. Strong growth in pension buyout sales during the first quarter of 2017 bodes well, but premiums and considerations associated with the business tend to be lumpy, creating uncertainty about the exact timing of the prospective expansion.

Steady life growth
We project that direct life insurance premiums will increase for an eighth consecutive year amid steady demand for — and supply of — a range of products.

No lift from long-term care
Our outlook for growth in accident and health premiums does not assume a boost from private long-term care insurance, a product seen as a way to help address generational concerns about rising costs of long-term care. Carriers continue to pursue rate increases on in-force business, but new sales have dwindled amid profitability concerns that have led numerous participants to exit the market.
Select 2017 U.S. life and health projections by business line

- **Direct premiums written growth (%)**
  - Ordinary life: 2.5%
  - Group life: 1.3%
  - Credit life: 2.2%
  - All lines: 3.3%
  - Ordinary individual annuities: 2.9%
  - Group annuities: 4.5%
  - All annuity lines: 3.9%
  - Life and health total: 6.1%

- **Benefits ratio (%)**
  - Ordinary life: 75.3%
  - Group life: 50.6%
  - Credit life: 53.8%
  - All lines: 73.8%
  - Ordinary individual annuities: 75.3%
  - Group annuities: 75.3%
  - All annuity lines: 74.7%
  - Life and health total: 44.3%

- **Direct commission ratio (%)**
  - Ordinary life: 9.1%
  - Group life: 4.9%
  - Credit life: 8.3%
  - All lines: 7.2%
  - Ordinary individual annuities: 4.9%
  - Group annuities: 5.2%
  - All annuity lines: 5.9%
  - Life and health total: 6.1%