The U.S. individual life market posted positive growth in 2014. According to LIMRA’s recent sales survey, annualized premiums for 2014 inched up 1%, exceeding $13 billion. 2014 marked the fourth highest sales results recorded by LIMRA (see Figure 1), and is $1 billion shy of the all-time sales high of pre-recession 2007. The industry has continued to improve since the beginning of the financial crisis and many life insurers are pursuing their own unique strategies to navigate this dynamically changing market environment.

Sales Trend Observations from the Last 15 Years

LIMRA's long-term product sales trend survey illustrates a significantly different pattern between pre- and post-financial crisis (see Figure 2, next page).

From 2000–2008 UL grew from 18% to 41%, driving overall life sales growth. Whole life and term were almost flat at 23% each.

After the crisis hit, product mix shifted:

- Traditional UL’s share declined but IUL sales helped compensate for the drop
- Whole life’s share jumped and continues to grow steadily, reaching 35% in 2014, the largest share that the product has held since 1997
- Meanwhile, term life slipped slightly in its share of new sales, from 23% to 21%.

Whole life has now replaced term as the most-sold individual life product in terms of policy count (50% vs. term’s 37% in 2014).

Trends since 2008 suggest more buyers of lower face amount policies chose whole life over term, while buyers of higher face amount policies were attracted to IUL’s option to participate in financial market performance with downside protection. Producers and carriers supported this trend.

What Is Driving These Trends?

The largest drivers for the current life sales growth are IUL and whole life. Other products suffered sales declines due to ongoing low interest rates and higher reserve requirements,
leading carriers to re-price, modify product features, and even exit some markets.

What separates IUL and whole life from those low-performing products? Three major factors played key roles: product features, consumer sentiment and marketing effectiveness. Unlike other products, IUL benefits from the low interest rate environment as it attracts consumers seeking products with higher possible returns. IUL offers a favorable combination of potentially higher returns and certain degree of security from downside risk, appealing to the current consumer sentiment. Marketing is also a key element. Many carriers have launched big branding campaigns and new websites for IUL in recent years, often resulting in robust sales growth. Whole life's growth, on the other hand, appears to be driven by consumers’ post-crisis preference for long-term guarantees, strong new-agent recruiting (particularly by mutual companies) and increased marketing campaigns.

What Are Near-Term Prospects and Emerging Trends?

How long will this sales trend likely continue? At least for the next four years, according to LIMRA². They base this prediction on the assumption that steady growth in the indexed market will continue. However, it may not be feasible as many strategists are skeptical of a fourth straight year of double-digit equity gains in 2015. If the market declines significantly as some analysts suggest, it could potentially cause a shift away from IUL, as VUL experienced in the early 2000s. It is true that IUL’s success largely depends on how equity markets move. But equally important is how well life insurance companies identify these emerging trends and respond to them, as they demonstrated in their marketing efforts with IUL and whole life.

It is noteworthy that growth-driver characteristics of whole life and IUL are like opposite sides of the same coin: IUL sales thrive during periods of positive equity-market sentiment, while whole life benefits from consumers’ concern over market uncertainty. Still, they are the two main engines for today’s life sales growth. A balanced mix of reasonable investment returns and sense of security are where these products intersect. Life insurers must continue to proactively monitor the market and changing consumer needs, and adjust product mix and marketing strategies accordingly.

Figure 1 – U.S. Individual Life Annualized Premium (2000-2014)

2014 sales have almost reached pre-recession levels. (Source: LIMRA International)

Whole life sales have almost matched UL sales. (Source: LIMRA International)

Figure 2 – Market Share by Product (2000-2014)


2 Individual Life Sales Forecast, Fourth Quarter 2014. LIMRA International.