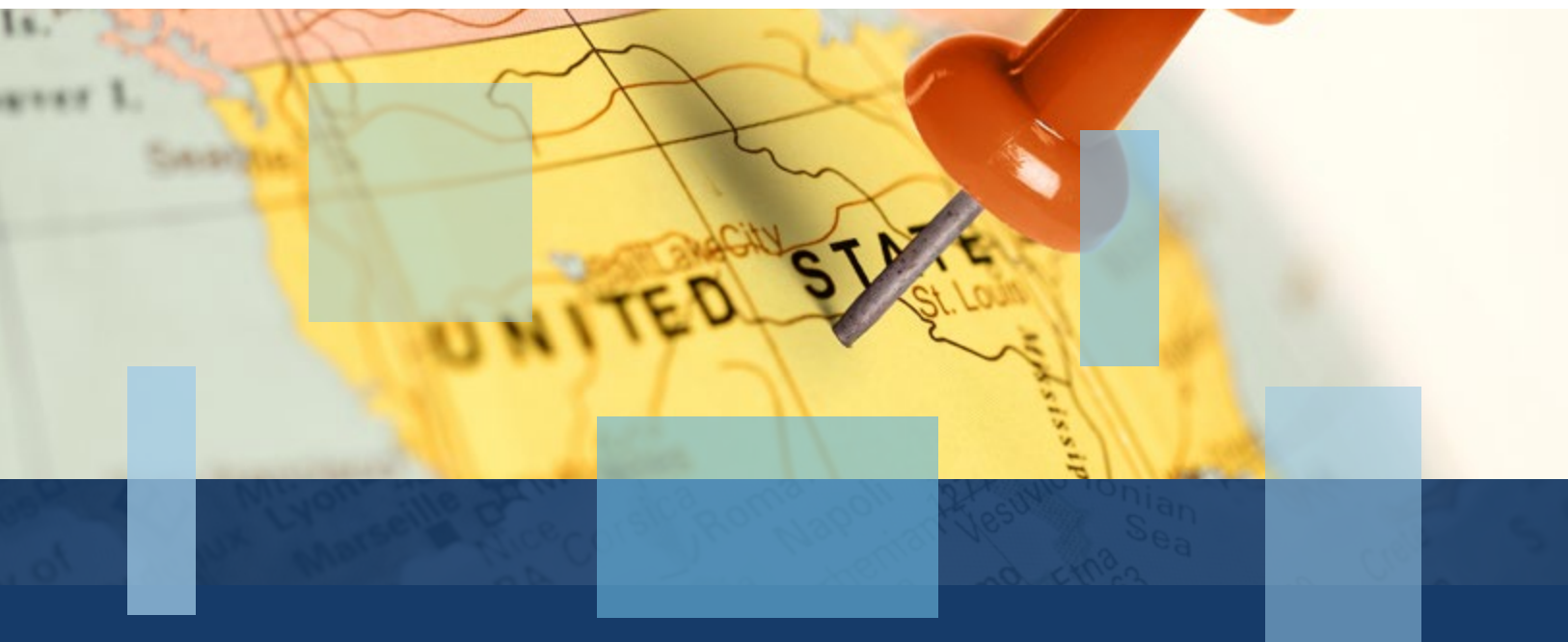


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FINANCIAL
INSIGHTS

International Cooperative and Mutual Insurance Federation



Market InSights 2015 USA

INCLUDING

THE US MARKET SHARE OF MUTUAL INSURANCE COMPANIES
MUTUAL LIFE AND P&C PREMIUM GROWTH BY LINE OF BUSINESS
THE 30 LARGEST MUTUAL LIFE AND P&C INSURERS BY 2015 PREMIUM INCOME

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US MARKET SUMMARY

The US insurance industry reported another year of strong financial performance in 2015. The life and health (hereafter referred to as “life”) and property and casualty (P&C) sectors both recorded an improvement in profitability levels from the previous year. However, prolonged low interest rates continued to have a negative impact on the industry which became more visible in 2015 through stagnating investment income and declining investment yields.

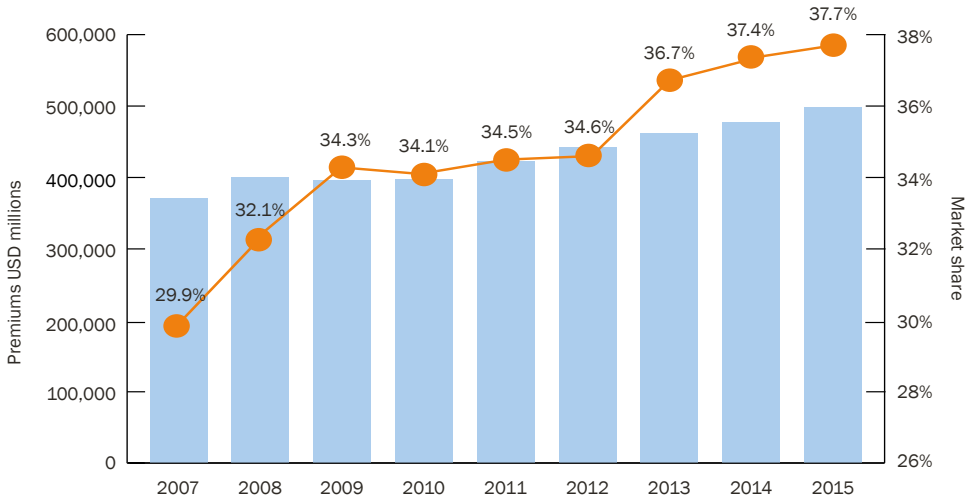
Record aggregate premium levels were achieved by US insurers in 2015, increasing by 3.6% to USD 1.32 trillion from USD 1.27 trillion in the previous year. 2015 was the strongest year of premium growth since 2012, and resulted in an overall premium increase of 6.3% from pre-financial crisis levels¹ (2007: USD 1.24 trillion).

US MUTUAL MARKET SUMMARY

US mutual² insurers collectively wrote a record USD 497 billion in direct written premiums in 2015, representing an increase of 4.5% from 2014 (USD 475 billion). Between 2007 and 2015, premium volumes of the US mutual sector grew by an aggregate of 34.4%.

As a result, mutual insurers experienced a gain in market share of just under eight percentage points, increasing from 29.9% in 2007 to a record high 37.7% in 2015, a proportional growth of more than 26% (see Figure 1).

Figure 1
US mutual premiums and market share



¹ Figures from Swiss Re sigma, World insurance reports from 2008 to 2016.

² Includes mutual insurance companies, fraternal benefit societies (fraternals), reciprocals, non-profits, exchanges, cooperatives and stock insurance companies owned by mutual holding companies. See Figure 3.

The US mutual insurance sector in 2015:

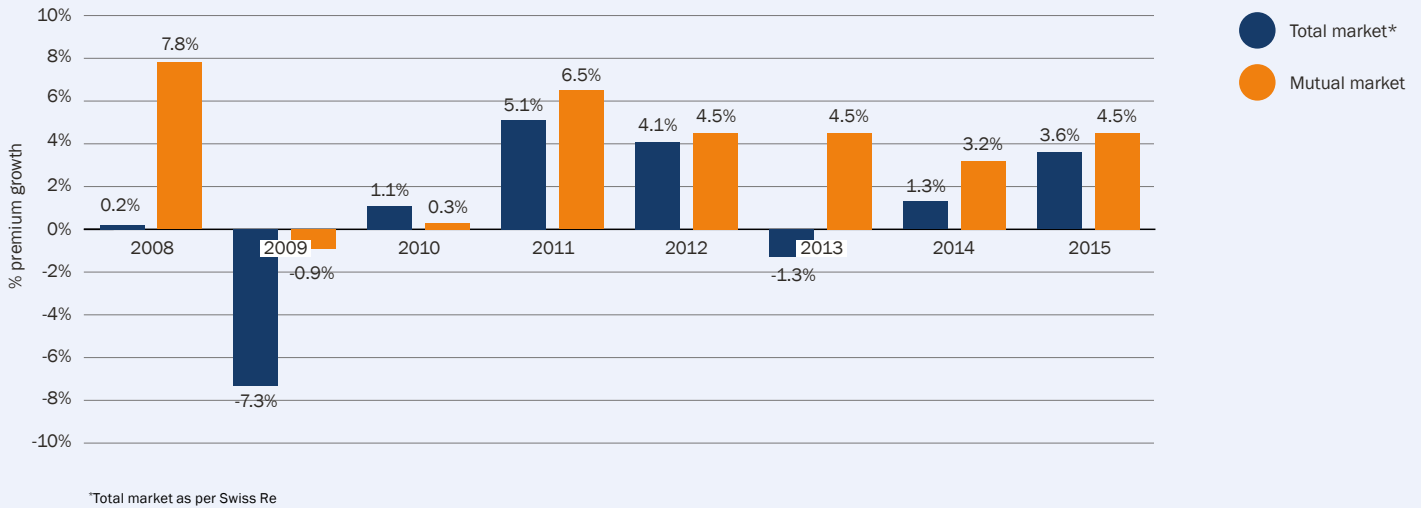
USD 497 billion in direct premium income

37.7% share of total US market

USD 2.7 trillion in calculated assets

Almost **1,800** mutual insurance companies active in the USA

Figure 2
US market and mutual premium growth rates



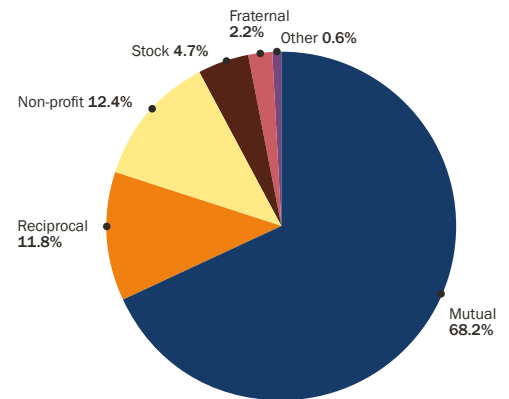
The US mutual sector has seen positive premium development in seven of the previous eight years, with just one year of small premium reduction (2009: -0.9%) since the crisis (see Figure 2).

The annual premium growth of the mutual market exceeded the total US market in seven of the previous eight years, with year-on-year mutual market share growth since 2010. Mutual insurers collectively registered a compound annual growth rate (CAGR) of 3.8% between 2007 and 2015, three percentage points greater than the CAGR of the total market during this period (+0.8%).

In 2015, there were just under 1,800 mutual insurers active in the US market. In terms of premium income, 68% of total mutual business in 2015 was written by mutual insurance companies (see Figure 3). Non-profit and reciprocal insurers each contributed 12% of total mutual premiums, although their contribution to mutual non-life business was greater at 19% and 18% respectively.

Stock insurance companies with mutual holding or parent companies contributed just under 5% of total mutual premiums (mostly in the life segment) and less than 1% of mutual income was generated by insurance pools, exchanges and cooperative insurers. Fraternal insurers held a 2.2% share of total mutual premiums in 2013, although their contribution to mutual life business was 6%.

Figure 3
Mutual premium income split by insurer type (2015)



MUTUAL LIFE AND PROPERTY & CASUALTY (P&C) BUSINESS

In 2015, the US mutual sector wrote a record USD 184 billion in life insurance (37% of total mutual premiums) and USD 312 billion in P&C insurance (63%). In comparison, the total US market was slightly more evenly split, with 42% of premiums derived from life insurers and 58% from P&C insurers.

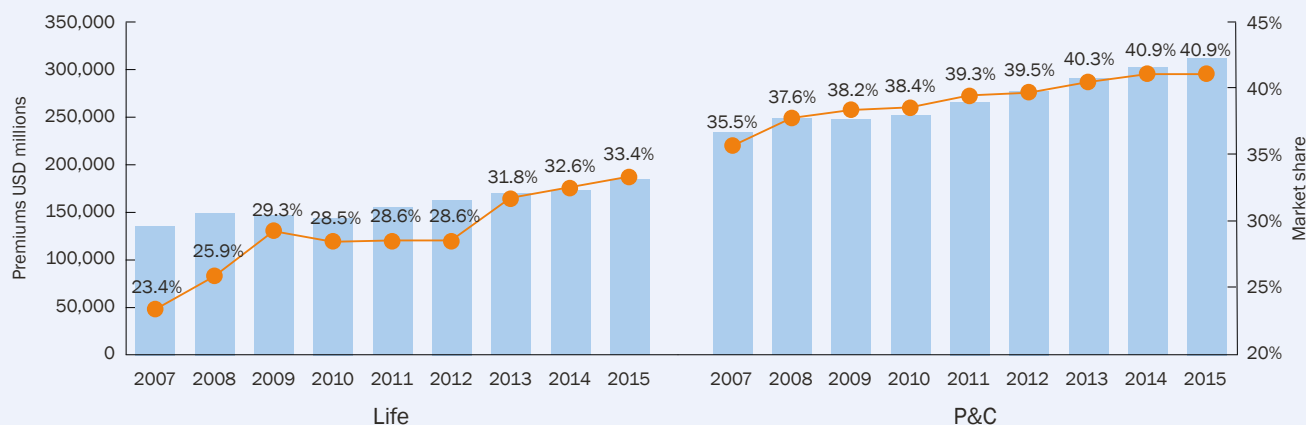
The total US life industry suffered an overall drop of -4.6% in business volumes between 2007 and 2015, despite renewed growth of 4.0% in 2015 (2014: -0.4%). In contrast, US mutual life premiums were 36% greater than pre-crisis (2007) premium volumes. The mutual life sector reported accelerated growth in premium volumes in 2015, improving to 6.6% from 1.9% in 2014. Since 2007, the mutual life sector recorded a CAGR of 3.9%, compared to a total market CAGR of -0.6%.

As a result, mutual life insurers have impressively gained a further 10 percentage points of the total US life market since 2007 (see Figure 4), as mutual market share grew from 23.4% to over a third of the market for the first time in 2015 (33.4%).

In terms of P&C business, premiums of the total industry grew by 3.3% in 2015, the sixth successive year of positive premium growth, accumulating to an overall growth of 16% since 2007. Mutual premium growth in 2015 (+3.3%) matched the growth of total P&C industry, however, growth of the mutual sector had outperformed the total market year-on-year since 2007. This resulted in an aggregate growth of 34% over the eight year period and a CAGR of 3.7% (compared to 1.9% CAGR in the total market).

Mutual insurers held a higher proportion of the total P&C market than of the life market. Mutual market share of P&C insurers grew year-on-year between 2007 and 2015, rising from 35.5% in 2007 to 40.9% in 2015, a gain of more than five percentage points.

Figure 4
Mutual life and P&C premiums and market share



LIFE

Life insurance products accounted for just under 40% of mutuals' total life business in 2015 (see Figure 5), which was a much higher proportion compared to the total market (27.8%). Ordinary life business contributed 34.0% of total mutual business (compared to just 20.3% for the total market) and group life policies made up around 5% of both the mutual and total US life market. Mutual insurers represented 44.7% of the total US life premiums in ordinary life business and 26.5% in group life business in 2015, both increasing their market share from the previous year (43.4% and 24.6% respectively).

Just under a half (49.6%) of mutual life premiums were made up of annuity business. This was comprised of both individual policies (30.5%) and group policies (19.1%) and represented a similar proportion to the total US life market. The market share for mutual insurers in annuity products was lower than in life insurance products: 26.3% of all individual annuities and just under 28% of group annuities in the US market in 2015 were written by mutual life insurers (up from 25.7% and 25.9% respectively in 2014).

Accident and health (A&H) was a smaller line of business for the aggregate mutual life sector and represented 11% of the sector's total life premiums in 2015. In comparison, A&H premiums contributed to a quarter of total life premiums in the whole of the US life industry.

In terms of premium growth, the mutual sector outperformed the total US life market in all six product lines in 2015 (see Figure 6). Group business saw the strongest growth for mutual insurers and underpinned the overall improved growth from the previous year. Mutual group life premiums grew by 18.6% in 2015 compared to a market average increase of 10% and mutual group annuity business rose by 13.1% compared to 6.1% in the total market. The renewed growth in mutuals' group annuity sales follows negative growth in 2014 (-0.4%) and 2013 (-7.6%).

In individual lines of life business, mutual growth in ordinary life premiums improved to 5.5% in 2015 from 3.8% in the previous year, while the market average remained moderate (2015: +2.5%; 2014: +2.2%). Growth of individual annuities also improved for mutual insurers, increasing at a faster aggregate rate of 3.4% in 2015 (from 0.2% in 2014). The situation was reversed in the total market, as growth deteriorated to 0.9% in 2015 from 3.4% in the previous year.

Growth in A&H premiums for mutuals was modest in 2015 (+3.2%) compared to other lines of business, but remained higher than the total market average (+1.8%). Other life products, which included industrial and credit life insurance policies, were the only mutual business lines to experience a fall in premium revenues in 2015 (-1.5%), although this decline was not as severe as the total market (-4.8%).

Figure 5
Mutual life premiums by line of business (2015)

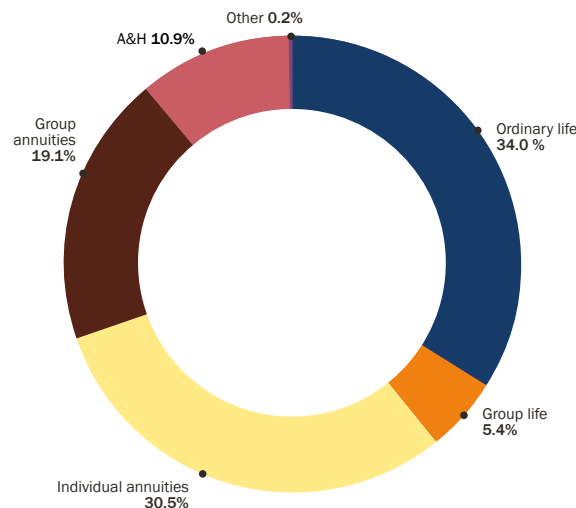
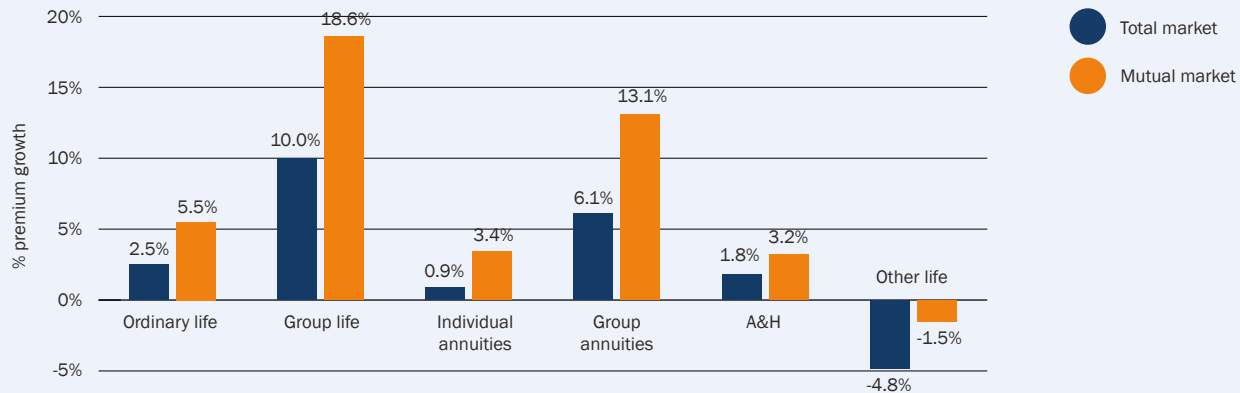


Figure 6**Total market and mutual life premium growth by line of business (2014-2015)**

The 30 largest mutual life insurers (ranked by direct written premiums) collectively wrote USD 174 billion in premium revenue in 2015, representing 95% of total mutual life business (see Figure 7). Six mutuals were amongst the 20 largest insurers in the US life market and three (**New York Life**, **MassMutual Financial** and **Northwestern Mutual**) were ranked among the largest 15.

Collective premium growth of the 30 largest mutual life insurers improved to 6.8% in 2015 from 2.1% in 2014. A total of 24 of the 30 largest mutuals in 2015 recorded positive premium growth from the previous year and six posted double-digit growth figures.

Western & Southern Financial and **MassMutual Financial** saw the most impressive premium growth in 2015, driven by a significant increase in annuity premiums. Western & Southern experienced a 62% increase in group business, although overall growth in 2015 of 19.6% was underpinned by a 32.5% growth in individual annuities, which accounted for over 60% of the mutual's aggregate life portfolio. Growth of MassMutual in 2015 (+19.1%) was spearheaded by a recovery in group annuity business, increasing by 40.4% after a decline of 19.1% in 2014.

Group policies were also the main contributor to growth for some of the other fastest-growing mutual life insurers in 2015. Wisconsin-based mutual insurer **Sentry Insurance** posted a 19% increase and Indiana-based mutual holding company **OneAmerica** saw a 15% growth in group annuities business, which resulted in an overall premium increase of 18.3% and 12.0% respectively. **Penn Mutual** grew by 10.3% in 2015, which reversed a premium drop of 3.6% in the previous year, due to a significant improvement in group life insurance growth (up 31.2% from -16.0% in 2014).

Figure 7

The 30 largest mutual life insurers in 2015

Mutual rank	US rank*	Company	Structure	Direct written premiums (USD millions)			% growth 2014-2015
				2015	2014	2013	
1	4	New York Life	Mutual	27,122	26,321	23,789	+3.0%
2	11	MassMutual Financial	Mutual	21,243	17,839	19,791	+19.1%
3	13	Northwestern Mutual	Mutual	18,498	17,707	17,334	+4.5%
4	16	Nationwide	Mutual	15,760	13,384	12,778	+17.7%
5	18	TIAA Group	Stock	12,804	12,001	13,194	+6.7%
6	20	Guardian Life	Mutual	9,553	9,030	8,642	+5.8%
7	21	Pacific Life	Mutual	9,429	9,768	10,088	-3.5%
8	27	Securian Financial Group	Mutual	6,988	6,396	5,970	+9.3%
9	31	Mutual of Omaha	Mutual	5,990	5,677	5,319	+5.5%
10	33	Thrivent Financial	Fraternal	5,757	5,637	5,430	+2.1%
11	34	State Farm	Mutual	5,457	5,223	4,961	+4.5%
12	37	OneAmerica	Stock	4,306	3,846	3,664	+12.0%
13	44	Ohio National Life	Mutual	3,298	3,551	3,490	-7.1%
14	46	Western & Southern Financial	Mutual	2,947	2,464	2,450	+19.6%
15	47	Cuna Mutual	Mutual	2,891	2,842	2,410	+1.7%
16	48	Liberty Mutual Insurance	Mutual	2,606	2,510	2,186	+3.8%
17	50	Ameritas Life	Mutual	2,436	2,434	2,363	+0.1%
18	55	USAA Group	Reciprocal	2,122	2,068	2,317	+2.6%
19	56	National Life	Mutual	2,087	2,092	1,841	-0.2%
20	57	Penn Mutual	Mutual	2,047	1,855	1,924	+10.3%
21	58	Mutual of America Life Insurance	Mutual	2,044	1,965	1,773	+4.0%
22	61	Blue Cross and Blue Shield of Kansas	Mutual	1,897	1,841	1,736	+3.0%
23	70	Knights of Columbus	Fraternal	1,174	1,193	1,146	-1.6%
24	71	Modern Woodmen of America	Fraternal	1,085	1,094	1,075	-0.9%
25	75	Farmers Insurance Group	Reciprocal	975	936	923	+4.1%
26	77	NGL Insurance	Mutual	927	854	770	+8.5%
27	81	Woodmen of the World Life Society	Fraternal	804	778	737	+3.3%
28	82	Fidelity Security Life Insurance	Other	782	758	706	+3.1%
29	84	HM Life Insurance	Non-profit	758	792	791	-4.3%
30	88	Sentry Insurance	Mutual	691	584	527	+18.3%

*US rank as per A.M. Best data

PROPERTY AND CASUALTY (P&C)

Automobile and property insurance continued to be the most dominant lines of mutual non-life business in 2015 (see Figure 8). Just under a half (46.7%) of mutual premiums came from automobile policies in 2015 and a further 34.8% came from property (and fire) lines. The mutual sector had a much higher concentration of auto and property business than the total US market: over 81% of total mutual premiums were written in these two lines compared to 68% in the total market. In terms of market share, the mutual sector accounted for just over 50% of total auto and property insurance sales in 2015.

Just under 8% of mutuals' premium income was derived from workers' compensation insurance, with a further 6% from liability insurance products (comprised of 1.6% in medical professional liability and 4.5% in other liability lines). The remaining 5% of the mutual P&C market was written in marine, aviation and transport (MAT), other accident and health (A&H), and other miscellaneous lines of business such as surety, fidelity and boiler and machinery insurance.

In a contrast to the life sector, growth of mutual premiums in major lines of non-life business in 2015 was weaker than the market average (see Figure 9). In the auto market, mutual premiums continued to grow in 2015 (+3.6%), but at a slower pace than the total market (+5.1%).

In property business, mutual growth in 2015 (+0.7%) was modest compared to the previous year (2014: +2.9%). Growth in the total market also eased in this period (1.1% compared to 3.2%), although it remained stronger than the mutual sector for the second successive year. In personal property (homeowners) business, growth of the mutual sector slowed to 2.0% from 3.9% in 2014. Mutual growth in commercial property lines also weakened (3.1% compared to 5.7% in 2014), although it remained ahead of the total market in 2015 (+1.2%).

Mutual premium growth of workers' compensation insurance in 2015 was modest (+1.7%) in comparison

with 2014 (+5.2%) and 2013 (+6.4%). The total market also experienced a slowdown in 2015, although growth rates remained robust (4.0% vs 5.5% in 2014).

Medical professional liability business written by mutual insurers declined for the third year running in 2015 (-7.0%), and at a sharper rate than previous years (2014: -3.2%; 2013: -2.8%). Premiums in the total market also remained under pressure, reporting negative premium development of -2.8% in 2015, slightly worse than the previous year (2014: -1.3%). Growth rates in other liability lines remained positive in both the mutual market and total market in 2015, although were slower than the previous year.

In the MAT (marine, aviation and transport) sector, mutual growth improved from 1.8% in 2014 to 3.6% in 2015. However, this was also below total market growth in 2015 of 5.6% (2014: +6.6%). A&H mutual premiums reversed a decline of 8% in 2014 and recorded a positive premium increase of 3.5% in 2015. Mutuals also posted an improvement in growth in other miscellaneous P&C product lines, increasing by 7.7% in 2015 (2014: +1.2%) compared to a 4.2% market expansion.

Figure 8
Mutual P&C premiums by line of business (2015)

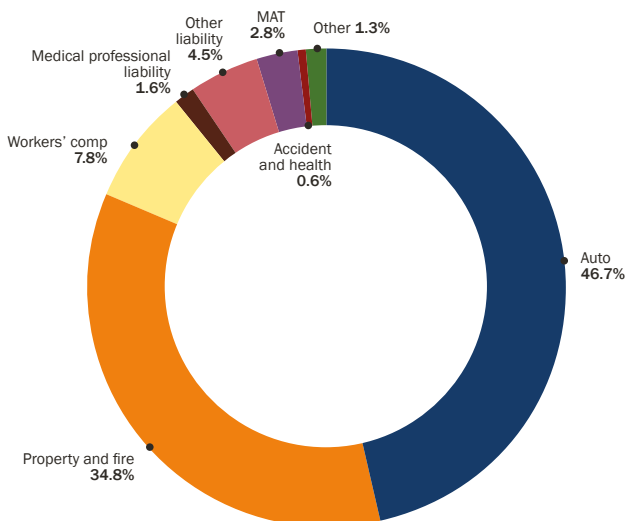
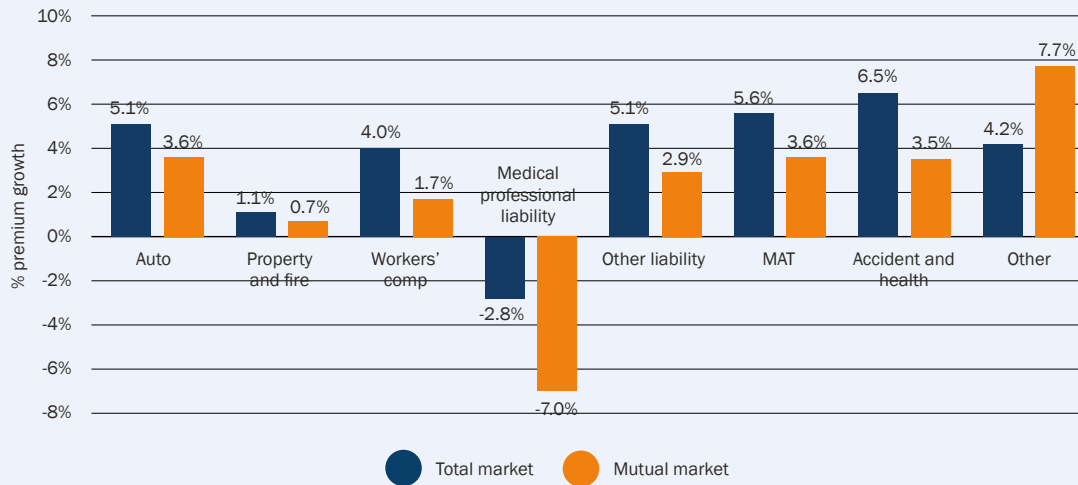


Figure 9

Total market and mutual P&C premium growth by line of business (2014-2015)



The 30 largest P&C mutual insurers in the US (see Figure 10) wrote USD 205 billion in insurance premium in 2015, the second year that aggregate premium volumes topped USD 200 billion. **State Farm** and **Liberty Mutual** were again ranked as the largest P&C mutual insurers in 2015, and were ranked as the first and fourth largest P&C insurers in the total US market respectively (Liberty Mutual had dropped from the second largest in 2014). **Farmers Insurance** and **Nationwide** were ranked among the ten largest insurers in the US market. A total of eight mutual insurers were in the top 20 of US P&C insurers.

Among the 30 largest mutuals, 83% (25 mutuals) posted positive premium growth figures from 2014, one less than in the previous year's ranking of the largest P&C mutuals. Only one mutual insurer (**Federated Mutual**) recorded a premium increase of more than 10% in 2015 (compared to three in 2014 and six in 2013). Minnesota-based Federated Mutual reached record premium levels in 2015 following double-digit growth in its largest lines product lines: group A&H business grew by 14.9% and workers' comp increased by 12.2%. Combined, both lines account for just under half of the insurer's non-life business.

Two reciprocal insurers, **USAA Group** and **Erie Insurance** both posted a second year strong growth in premium income in 2015 (6.8% and 7.3% respectively). Wisconsin-based **West Bend Mutual** grew by an aggregate of 17% over the two-year period since 2013 and entered the largest P&C mutual ranking for the first time in 2015.

Figure 10

The 30 largest mutual P&C insurers in 2015

Mutual Rank	US rank*	Company	Structure	Direct written premiums (USD millions)			% growth 2014-2015
				2015	2014	2013	
1	1	State Farm	Mutual	59,362	58,509	55,994	+1.5%
2	4	Liberty Mutual Insurance	Mutual	29,848	29,365	28,906	+1.6%
3	8	Nationwide	Mutual	19,578	18,936	18,080	+3.4%
4	10	Farmers Insurance Group	Reciprocal	19,051	18,612	18,284	+2.4%
5	11	USAA Group	Reciprocal	16,745	15,678	14,562	+6.8%
6	15	American Family Insurance	Mutual	7,243	6,851	6,609	+5.7%
7	17	Auto-Owners Insurance	Mutual	6,082	5,896	5,620	+3.1%
8	19	Erie Insurance	Reciprocal	5,914	5,514	5,076	+7.3%
9	31	FM Global	Mutual	3,423	3,442	3,578	-0.6%
10	32	CSAA Insurance	Reciprocal	3,280	3,081	2,837	+6.5%
11	33	Auto Club Enterprises	Reciprocal	3,188	3,028	2,907	+5.3%
12	35	MAPFRE North America ¹	Stock	2,571	2,388	2,315	+7.7%
13	39	New York State Insurance Fund	Mutual	2,437	2,374	2,283	+2.7%
14	41	COUNTRY Financial	Mutual	2,276	2,353	2,349	-3.3%
15	43	Auto Club Group	Reciprocal	2,172	2,105	2,098	+3.2%
16	45	State Auto Insurance	Mutual	2,073	2,062	1,995	+0.6%
17	46	Sentry Insurance	Mutual	2,004	1,979	1,991	+1.2%
18	47	Amica Mutual	Mutual	1,973	1,874	1,793	+5.3%
19	50	State Compensation Insurance Fund	Mutual	1,640	1,530	1,113	+7.2%
20	52	EMC Insurance Companies	Mutual	1,581	1,517	1,417	+4.2%
21	57	Shelter Insurance	Mutual	1,470	1,415	1,349	+3.9%
22	59	Federated Mutual	Mutual	1,434	1,288	1,187	+11.4%
23	63	ACUITY	Mutual	1,330	1,243	1,124	+7.0%
24	66	Citizens Property Insurance Corp	Other	1,268	2,084	2,762	-39.2%
25	68	Grange Mutual Casualty Pool	Mutual	1,266	1,264	1,191	+0.1%
26	n/a	AEGIS ²	Mutual	1,251	1,348	1,280	-7.3%
27	71	Tennessee Farmers Insurance	Mutual	1,190	1,162	1,136	+2.5%
28	74	Alfa Insurance	Mutual	1,138	1,119	1,097	+1.6%
29	78	Texas Mutual	Mutual	1,087	1,141	1,031	-4.7%
30	80	West Bend Mutual	Mutual	1,057	985	901	+7.3%

*US rank as per A.M. Best data

¹ US subsidiary of a foreign mutual² Registered in Bermuda

ASSETS OF THE MUTUAL SECTOR

The US mutual insurance sector held assets worth a record USD 2.74 trillion in 2015 (see Figure 11), a 3.3% increase from the previous year (2014: USD 2.65 trillion). In total, asset values in 2015 were 45% greater than pre-crisis levels (2007: USD 1.89 trillion). Over 70% of mutual insurers' assets were from the life sector, valued at just under USD 2 trillion (USD 1.96 trillion), representing a growth of 4.1% from 2014 levels (USD 1.88 trillion). In the mutual P&C sector, admitted assets increased by 1.6% from the previous year, rising to USD 783 billion in 2015 from USD 771 billion in 2014.

The 15 largest mutual insurers in terms of total assets (see Figure 12) collectively held more than USD 2 trillion in assets for the first time in 2015. This represented just under three-quarters of the sector's total in 2015. New York Life (USD 288 billion), the largest mutual insurer ranked by premium income, replaced TIAA Group (USD 281 billion) as the largest mutual in terms of admitted assets in 2015. Three other mutual insurers (Northwestern Mutual, State Farm and MassMutual) held total assets in excess of USD 200 billion in 2015. In terms of asset growth, 14 of the 15 largest mutual insurers in 2015 posted a positive growth in asset values from the previous year.

Figure 11
Total assets of US mutual insurers

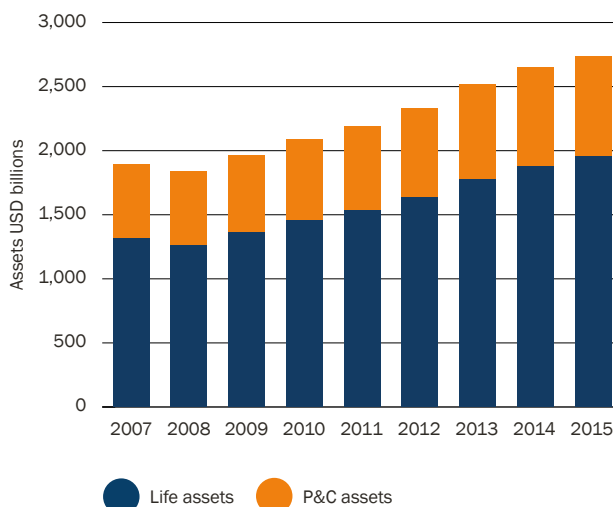
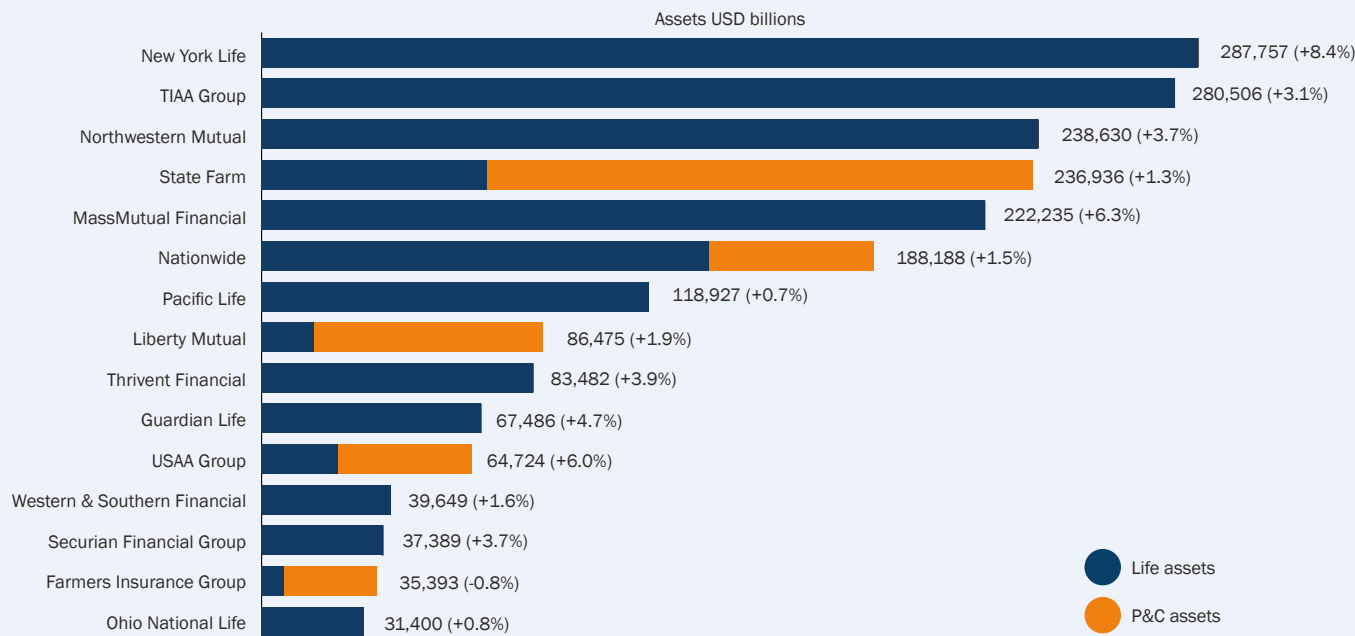


Figure 12
The 15 largest mutual insurers by total assets (2015)



Numbers in brackets show % change in total assets 2014-2015

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Market InSights: USA 2015

The research team at ICMIF:

Project Manager: Ben Telfer

Editing: Faye Lageu

Report Design: Nick Easton

Published February 2017

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ICMIF

Denzell House

Dunham Road

Bowdon

Cheshire WA14 4QE

United Kingdom

www.icmif.org

Telephone: +44 161 929 5090

Fax: +44 161 929 5163

Shaun Tarbuck, Chief Executive

shaun@icmif.org

ICMIF/Americas

1775 Eye Street NW

8th Floor

Washington, DC 20006-2402

USA

www.icmifamericas.org

Telephone: +1 202 442-2305

Fax: +1 202 318-0753

Ed Potter: Executive Director

epotter@icmifamericas.org

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