

Contact	Phone
New York	
Jeff Berg	1.212.553.1653
Arthur Fliegelman	
Keith Pieck	
Weigang Bo	
Robert Riegel	

Investors' Public Access to Information in the US Life Insurance Industry

Summary Opinion

Most Life Insurers Do Not Provide Ready Access to All Important Public Information Necessary for Credit Analysis, But Variations In Practice Exist

Moody's believes that ready public access to financial and related information of US life insurers is an important input in assisting investors and others in evaluating the credit fundamentals of these institutions. Much of this information is already considered public information under various regulatory requirements.

Moody's believes that best practices for an insurer dictate that a company should post all of this information on its website, much as it posts its product and marketing literature, however, only a few companies are fully doing this today.

Our recently completed survey of specific financial information located on life insurance company websites found the best practice is followed in only rare instances. While most public companies provided access to annual and quarterly Securities and Exchange Commission (SEC) filings, only approximately 16% (of 45 public companies surveyed) provided access to complete Statutory Annual Statements.

For non-public companies, policyholders and creditors expecting this group to provide more statutory information than public companies given that non-public companies often may not have General Accepted Accounting Principles (GAAP) information publicly available were left disappointed. Of this group of 20 companies, no company provided its complete Statutory Annual Statements.

Although Moody's survey focused on access to information and, therefore, did not make qualitative assessments of the financial information provided, we found the level of detail in the voluntary information varied significantly from company to company. Additionally, Moody's noted that a best practice of providing access to archived financial information for a significant amount of time was not followed by many companies.

Understanding What Financial Information is Prepared

State Statutory Reporting Requirements

Because of the highly regulated nature of the life insurance industry, all US life insurance companies are required to provide a substantial amount of financial information to state regulators that oversee their operations. This financial information is prepared under Statutory Accounting Principles (SAP), which are the accounting practices and procedures developed by the National Association of Insurance Commissioners (NAIC) and adopted by each state through its legislative or rule-making process.

The form of this NAIC mandated financial information is very prescriptive and detailed. This financial information is available in its most exhaustive form on an annual basis. The primary source of statutory basis annual financial information is found in a document referred to as the Statutory Annual Statement (commonly known as the "Stat Blank" or the "Blue Book" due to its required blue cover).

This document includes a balance sheet and income statement, as well as numerous additional schedules and exhibits. Additional detailed data known as Supplemental Exhibits and Schedule Interrogatories includes items such as Management's Discussion and Analysis, Investment Risk Interrogatories, and audited financial statements. This information accompanies the Statutory Annual Statement but is filed as a supplement.

Many of these exhibits contain information Moody's considers highly useful in the financial analysis of a life insurer. Information that highlights investment concentrations or differences between the auditor's report and the filed Annual Statement can be found in the supplemental exhibits while information such as the reinsurer concentrations, risk-based capital levels, or even investment holdings in issuers such as Parmalat can be found in the exhibits to the Annual Statement.

In addition, on a quarterly basis, more summarized financial information is also available in a Statutory Quarterly Statement.

SEC Filing Requirements

Many larger US life insurance companies are subsidiaries of US registered publicly-owned holding companies. For life insurance companies that are considered public companies under the rules of the SEC, annual and quarterly financial information must be prepared under GAAP and filed with the SEC. This annual and quarterly financial information is typically filed on SEC Form 10-K and Form 10-Q, respectively, in compliance with the Securities Exchange Act of 1934 (34 Act). Although not as proscriptive as state statutory reporting, the SEC filed financial information provides a plethora of quantitative and qualitative information critical to robust financial analysis, such as management's discussion and analysis of financial results and information on the sources and uses of cash.

Additionally, somewhat unique to the life insurance industry is that life insurance companies via their sponsorship of variable products (which are typically considered investment contracts in addition to also being considered insurance contracts), must also file financial information with the SEC. This information is filed for the life insurer acting as the variable product sponsor for the contract, and therefore, these filings usually contain different information than that of the holding company contained in its SEC filings, if applicable.

The information found in 34 Act filings may be prepared on either a GAAP or SAP basis, depending upon the financial information available for the insurer. SAP basis financial information is typically used by life insurance companies that are not part of a public holding company. Life insurance companies that are part of public holding companies that are already required to prepare financial statements in conformance with US GAAP for other reasons normally would use GAAP financials for these filings.

Other Information Sources

Public companies may also provide investors with additional financial information such as Annual Reports for Shareholders, annual and quarterly press releases announcing earnings, typically with a financial supplement, and by hosting conference calls to discuss earnings releases.

Non-public companies, while less likely to focus on earnings releases and conference calls, may still issue Annual Reports for Policyholders in an effort to disseminate financial information to interested parties.

SEC Regulation FD, which became effective in October 2000, required "fair disclosure" of important company information equally to all market participants. Moody's believes that Regulation FD has had a very salutary effect regarding the availability of public information for publicly held companies since its effective date and that this regulation is directly responsible for now common practices such as webcasting analyst calls and company presentations. Many of these practices were uncommon prior to the adoption of Regulation FD.

Information Available in the Public Domain

SEC Filings Are Readily Available For Free ...

All financial information filed with the SEC and much of the information filed with state regulators is considered public information. In Moody's view, such public information should also be readily accessible to investors, creditors, and other interested parties.

For companies filing electronically with the SEC, the SEC maintains a no-cost website (www.sec.gov) where an individual can freely access and review all filings of the company during the last several years. However, filings on the SEC site, although complete, may be difficult to review due to the format language in which it is filed. Several third party vendors offer for a fee enhanced versions of the filings, which have been converted into several different popular

and more user friendly formats such as Microsoft Word documents, Adobe Acrobat PDF file, etc. in addition to adding extensive search capabilities.

... But Insurance Regulatory Filings Are Difficult to Access and Costly

As distinguished from the free and ready access to SEC filings, access to state regulatory filings is a very different story. The NAIC maintains a website (www.naic.org) where consumers are permitted to access a few select pages from the Statutory Annual Statement for a particular company. Access is limited to only consumers because the NAIC does not permit the information obtained to be used for commercial purposes. Those wanting more complete and easy electronic access to available statutory filings must generally purchase the information from the NAIC. Other parties such as the Insurance Accounting & Systems Association or Thomson Financial also sell electronic access and have or are developing application technologies to provide more analysis of the raw data.

What Information Companies Make Readily Available

Public Demand for Data Exists

Anecdotally, Moody's analysts receive many questions about how people can get access to supposedly public information and we also get actual requests for this public information. We occasionally hear from investors that their requests to companies to provide information, particularly statutory filings, go unanswered, despite the public status of this information. Most of these requests, we believe, are due to the fact that so much of this information is inaccessible to investors unless they either exert much effort or spend money to obtain access.

Moody's believes that the greatest ease of access occurs when companies post this information directly on their websites, much as they do their other company literature. Moody's believes without access to appropriate financial information, the ability to undertake fundamental credit analysis is significantly limited. Given the low cost of making this information available on a company's website, a company is not restricted by cost from doing this. It is a willingness to support corporate transparency, not cost, that drives a company's decision to make this information available on their website.

Moody's believes that the benefits that wide public access to company financial information for investors far outweighs the modest cost of maintaining this data on the website.

SEC Filed Data is Generally Available for Public Companies ...

This special comment's appendices illustrate that most life insurance companies provide only limited free public access to all their financial reporting on their websites. The nature of these limitations is especially apparent in reviewing available statutory reporting. Moody's found that most public company life insurance groups rated by us provide access to SEC filed, GAAP-based financial reports.

... But Their Statutory Data is Very Limited

For this same group of public companies, only approximately 16% provided access to complete Statutory Annual Statements. However, many companies provided some select statutory information on their websites, although the amount of information was generally limited.

Moody's also found that statutory quarterly filings and the supplemental exhibits to the Statutory Annual Statement were posted significantly less often than the Statutory Annual Statement. Of all companies surveyed, only 9% posted their statutory quarterly filings and none posted a complete set of supplemental exhibits to the Statutory Annual Statement. Only four companies--Allstate Life, Allmerica, Principal, and Consec, provided both the Statutory Annual Statements and the statutory quarterly filings.

Non-Public Companies Data Availability is Even Worse

For the non-public life insurance groups that Moody's rates the information available on company websites is typically even more limited. One might expect this group to provide additional statutory information given that they often may not have publicly available GAAP information. However, this expectation was not met. While almost two-thirds of the companies posted their Annual Report to Policyholders, we found that no company posted its complete US Statutory Annual Statements on its website.

Moody's also observed that the non-public companies' websites were more difficult to navigate than the public companies. We believe this problem is due to the lack of equity stockholders and analysts that typically demand significantly greater financial information from companies than do policyholders.

In spite of this “excuse,” Moody’s believes that the information we sought in the survey was the bare minimum and we found that many non-public companies failed to provide critical financial information to policyholders and to creditors.

How the Analysis was Done

Moody’s analysts considered the sources of financial information that we regularly use and determined that the following public financial information, listed below, was most important to the credit analysis process.

Public Financial Information	Public Company	Nonpublic Company
Annual financial reporting with the SEC ¹	Yes	Not surveyed ²
Quarterly financial reporting with the SEC ³	Yes	Not surveyed
Annual Report to Shareholders/Policyholders	Yes	Yes
Earnings releases	Yes	Not surveyed
Statistical Supplement to Annual and Quarterly Earnings releases or Annual and Quarterly reports	Yes	Not surveyed
Transcripts of analysts earnings conference calls	Yes	Not surveyed
Statutory Annual Statements	Yes	Yes
Supplements and Exhibits to the Statutory Annual Statements ⁴	Yes	Yes
Statutory Quarterly Statement	Yes	Yes

1. Annual financial reporting with the SEC primarily considers the holding company’s filing financial statements on a GAAP basis on Form 10-K. For foreign public companies, Moody’s considered the Form 20-F or home country equivalent to be similar to the Form 10-K. Filings by other than the holding company with the SEC on a GAAP or SAP basis on Form 10-K or other forms were not surveyed, although in some cases, these filings do exist. As previously noted, this information is typically filed in connection with variable product offerings.

2. Companies may file financial information with the SEC in connection with a variable product offering. Moody’s did not specifically survey for this information as it is not readily evident from a review of the websites which entities this is applicable to.

3. Quarterly financial reporting with the SEC primarily considers the Holding Company’s filing financial statements on a GAAP basis on Form 10-Q. For foreign public companies, Moody’s considered the Form 6-K or home country equivalent to be similar to the Form 10-Q. Filings with the SEC by other than the holding company on a GAAP or SAP basis on Form 10-K or other forms were not surveyed, although in some cases, these filings do exist. As previously noted, this information is typically filed in connection with variable product offerings.

4. Supplements and exhibits to the Statutory Annual Statement include over a dozen filings with regulators such as the Statutory Management Discussion and Analysis, the Investment Risk Interrogatories and the Audited Financial Statements.

We divided the list between public and non-public companies because public companies are required to have more robust reporting requirements from the SEC and also from the equity analyst community. A number of the public companies are large financial institutions, which include life insurance companies. In those cases, we utilized, where appropriate, the parent organization’s website in addition to the life insurance company website.

Moody’s examined the websites for these companies during late January and early February, 2004 and recorded the data that we found. To meet Moody’s definition of readily available, the financial information must be either located on the issuer’s website or the website needed to provide a direct link to this information on a third-party website. In addition, the information needed to be available for user access at no cost.

Appendix 1 summarizes which financial information listed above was provided by public companies rated by Moody’s. Appendix 2 summarizes which public financial information listed above was provided by non-public companies rated by Moody’s. Appendix 3 lists the companies included in the survey.

Analysis Caveats

In compiling the results of our survey, several assumptions and caveats were made in order to summarize the data and reach a conclusion when websites provided some, but not all, data included in a particular financial information data set. Those assumptions and caveats are as follows:

1. **The intent of this survey was to evaluate the accessibility, not the quality, of public financial information.** Before information can be used in evaluating the creditworthiness of an insurer, the information must be first accessible, which is the objective of this survey. Moody’s Financial Reporting Assessments are one way we evaluate the quality of public reporting, but those assessments are not directly correlated to this survey. In our review to determine whether the information was provided, we noted that the detail of information varied significantly from company to company.
2. **Moody’s evaluation of the accessibility of insurer’s reported regulatory filings focused solely on filings required by state insurance regulators.** We did not determine whether the group had foreign operations and the filing requirements and accessibility of this information for non-US operations in foreign jurisdictions.

3. *We did not penalize organizations that only posted information for a limited amount of time.* Some companies chose to post financial information to their websites for a limited amount of time, while others created a substantial archive of financial information. While we believe a complete archive is a best practice, for scoring the survey this difference was ignored.
4. *We gave no partial credits.* Many companies posted bits and pieces of the information we surveyed for, particularly in the area of statutory information. But in order to “score” our survey results, we only considered complete information as meeting our needs.

Related Research

Financial Reporting Assessment

[The Life Insurance Industry, December 2003 \(# 80070\)](#)

Industry Outlook

[US Life Insurance, January 2004 \(# 80468\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Related Websites

U.S. Securities and Exchange Commission

www.sec.gov

National Association of Insurance Commissioners

www.naic.org

MOODY'S has provided links or references to third party World Wide Websites or URLs ("Links or References") solely for your convenience in locating related information and services. The websites reached through these Links or References have not necessarily been reviewed by MOODY'S, and are maintained by a third party over which MOODY'S exercises no control. Accordingly, MOODY'S expressly disclaims any responsibility or liability for the content, the accuracy of the information, and/or quality of products or services provided by or advertised on any third party web site accessed via a Link or Reference. Moreover, a Link or Reference does not imply an endorsement of any third party, any website, or the products or services provided by any third party.

Appendix 1

Public Financial Reporting of Public Companies		Percentage represents percent of rated groups which included financial information on respective websites						
Public Companies	Annual financial information filed with the SEC (10-K or 20-F) or home country equivalent	Quarterly financial information filed with the SEC (10-Q) or home country equivalent	Annual Reports to Shareholders	Statistical supplements for annual and quarterly reporting	Earning Press Release (annual and quarterly)	Written transcripts or audio file of analyst conference calls available for some period after call	Supplemental Exhibits and Schedule Interrogatories separately filed from the US Statutory Annual Statements	US Statutory Quarterly Statements
US Public Holding Companies 34 rated groups surveyed	100%	100%	94%	88%	100%	88%	21%	12%
US operations of a Foreign Public Company which files Financial Information with the SEC or home country equivalent 11 rated groups surveyed	82%	73%	100%	100%	100%	100%	0%	0%

Appendix 2

Public Financial Reporting of Non-Public Companies		Percentage represents percent of rated groups which included financial information on respective websites	
Non-Public Companies	Annual Reports to Policyholders	US Statutory Annual Statements	Supplemental Exhibits and Schedule Interrogatories separately filed from the US Statutory Annual Statements
20 rated groups surveyed	70%	0%	0%

Appendix 3

List of Rated Group Surveyed

AEGON USA Inc Group	Metropolitan Life Group
AFLAC Ins Group	Midland National Group
Allianz Ins Group	Minnesota Life Group
Allmerica Financial Group	MONY Group
Allstate Life Ins Group	Mutual of Omaha Group
American Intern'l Group	National Life Group
American United Life Ins Grp	Nationwide Life Group
Americo Ins Cos.	New York Life Group
Ameritas Group	Northwestern Mutual Group
AmerUs Group	Ohio National Life Group
Assurant Group	Pacific Life Group
Business Mens Assurance (as part of Royal Bank of Canada)	Pan American Life Group
CNA Life Ins Group	Penn Mutual Group
Combined Ins of America Grp (as part of Aon)	Phoenix Life Group
Conseco Group	Presidential Life Group
Delphi Financial Group	Principal Life
Equitable Life / AXA Group	Protective Life Group
F & G Life Group (as part of Old Mutual)	Prudential of America
Farmers New World (as part of Zurich Financial Services)	SAFECO Insurance Group
GEFA Ins Group	Scottish Re Group
Great American Life Group	Security Benefit Group
Great West Life Group	Stancorp Financial Group
Guardian Life Group	State Farm Life Group
Hartford Life Group	Sun Life (US)/Clarica Ins Group
Horace Mann Life Group	TIAA Group
IDS Group (as part of American Express)	Torchmark Group
ING America Group	Travelers Ins Group (as part of Citigroup)
Jackson National Group (as part of Prudential UK)	Unitrin Group
Jefferson Pilot Life Group	UNUMProvident Ins Group
John Hancock Life Group	USAA Life Group
Lincoln National Group	Western & Southern Group
Manulife US	Zurich Life Ins Grp (as included within Bank One Corp.)
Mass Mutual Group	

To order reprints of this report (100 copies minimum), please call 1.212.553.1658.
Report Number: 81351

Author

Jeffrey Berg

Production Specialist

Ida Chan

© Copyright 2004, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved. **ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.** All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. **NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.** Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling. MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to \$1,800,000.