



## U.S. Individual Disability Market Survey

*Summary of 2016 Results*

# CONTENTS

Participating Companies	2
Background	3
Summary of Results	4

General Re Life Corporation is committed to adhering to antitrust laws, and cautions all recipients that this report is intended solely to provide general industry knowledge. Under no circumstances shall it be used as a means for representatives of competing companies, and/or firms, to reach any understanding whatsoever, whether it be about specific pricing of specific products, if particular products should be marketed to the public, or the terms under which products are marketed.

## PARTICIPATING COMPANIES

- Ameritas Life
- Assurity Life
- Berkshire Life
- Federated Life
- Golden Rule
- Illinois Mutual
- MassMutual
- MetLife
- Mutual of Omaha
- Northwestern Mutual
- Ohio National
- Principal Financial Group
- RiverSource Life
- Standard
- State Farm
- Thrivent Financial
- Unum

## BACKGROUND

Gen Re is pleased to report results for its 2016 *U.S. Individual Disability Market Survey*, an industry benchmarking study covering Non-Cancelable (Non-Can), Guaranteed Renewable (GR), Buy-Sell and Guaranteed Standard Issue (GSI) product line results for 2015 and 2016. Seventeen insurance companies participated in the survey representing nearly \$5 billion of in-force premium. Of these companies, 15 offer Non-Can, 16 offer GR and eight offer Buy-Sell. Seven companies reported results for Non-Can GSI and four companies included GR GSI results.

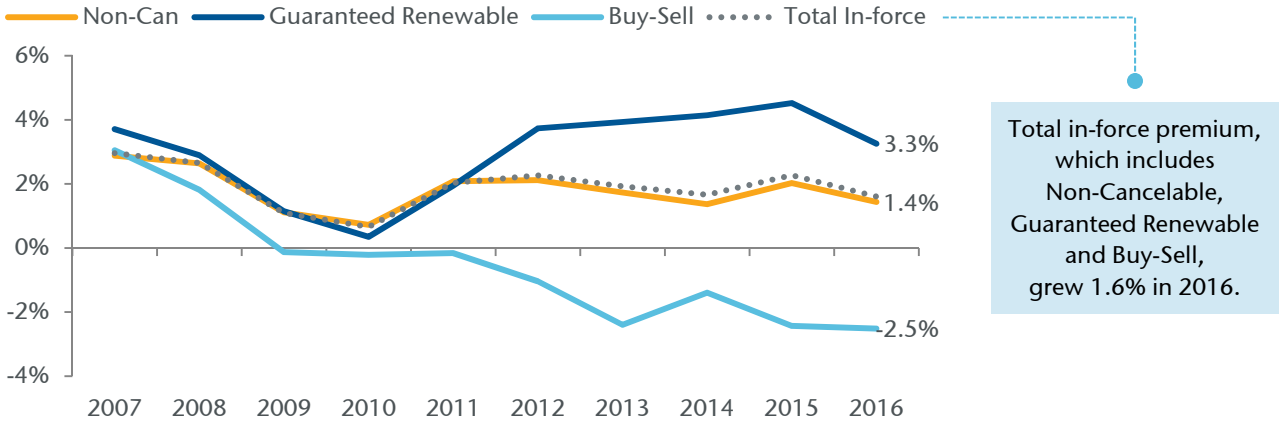
Growth calculations for 2015 to 2016 are based upon those companies providing survey data for both years and include any adjustments made to the 2015 reported data.

# SUMMARY OF RESULTS

## Market Growth

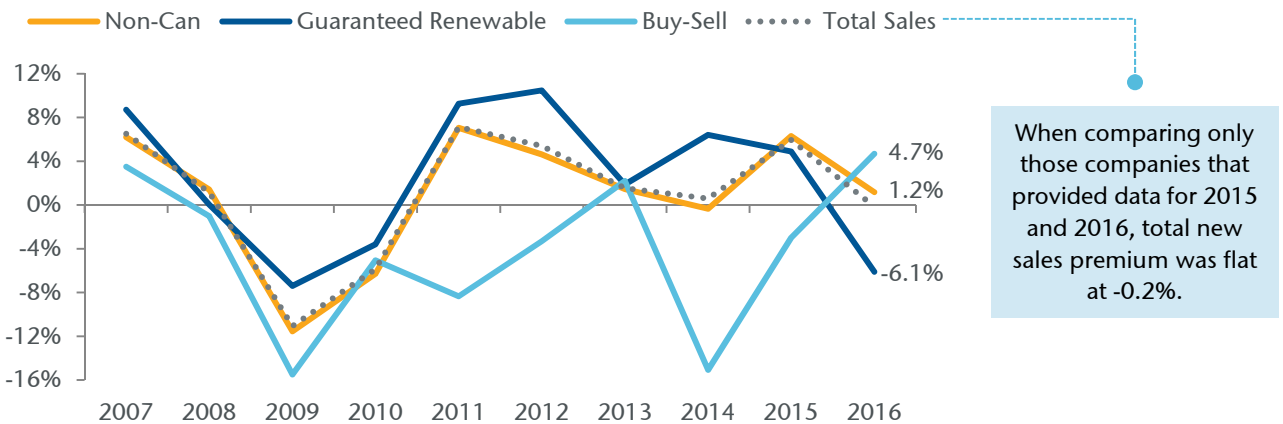
In-force premium increased 1% for Non-Cancelable and 3% for Guaranteed Renewable, while Buy-Sell decreased 3%. (Exhibit A) Non-Can represents 86% of total in-force premium, GR represents 13%, and Buy-Sell accounts for 1%.

Exhibit A. In-force Premium Growth Rates



Non-Can new sales increased 1%, whereas GR fell 6%. Buy-Sell sales premium improved, growing 5%. (Exhibit B)

Exhibit B. Sales Premium Growth Rates



## SUMMARY OF RESULTS

The number of new policies decreased 1% while benefit amounts increased 2% in 2016. (Exhibit C)

Exhibit C. Percentage Change in Policies and Benefit Amounts

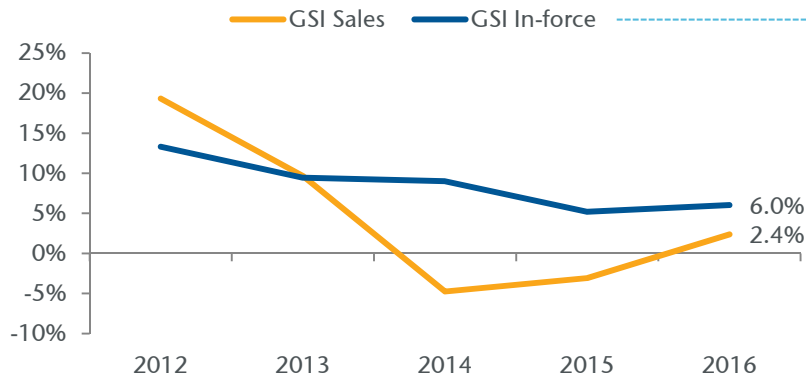
Total Policies			Total Benefit Amount		
Year	In-force	Sales	Year	In-force	Sales
2012	-0.6%	3.1%	2012	2.8%	3.7%
2013	-0.6%	2.5%	2013	2.3%	6.7%
2014	-0.7%	2.7%	2014	1.1%	-10.5%
2015	0.0%	6.3%	2015	1.1%	4.4%
2016	0.0%	-0.8%	2016	1.5%	1.8%

In 2016 the total number of in-force policies stayed at 3.2 million, while in-force benefit amounts were up slightly to almost \$20 billion.

For total GSI (Non-Can and GR combined) \$290.5 million of in-force premium and over 196,400 policies were reported in 2016. Based on companies that reported GSI data for both years, total in-force premium increased 6% over 2015. (Exhibit D) Of the total GSI premium in-force in 2016, employee-paid accounted for 61%; up from 59% last year.

GSI new sales premium grew 2.4%, while the number of policies dropped 5.5%. Non-Can accounted for \$40.8 million of GSI sales premium, while GR accounted for \$1.3 million.

Exhibit D. Guaranteed Standard Issue Premium Growth Rates



Non-Cancelable accounted for 97% and Guaranteed Renewable accounted for only 3% of the total GSI sales and in-force premium.

In 2016 both Non-Can in-force and sales premium grew 1%, while policies were flat, declining less than 1%. (Exhibits E and F)

Exhibit E. Non-Cancelable Premium Growth Rates

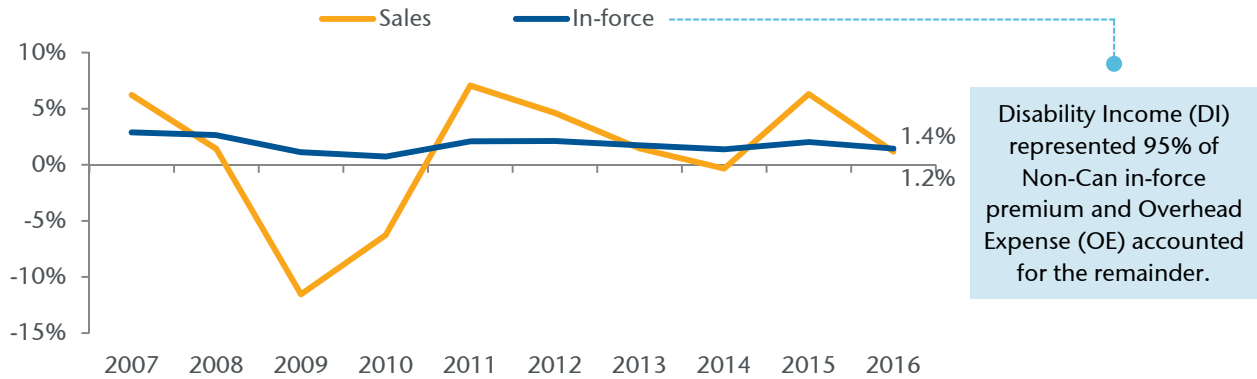
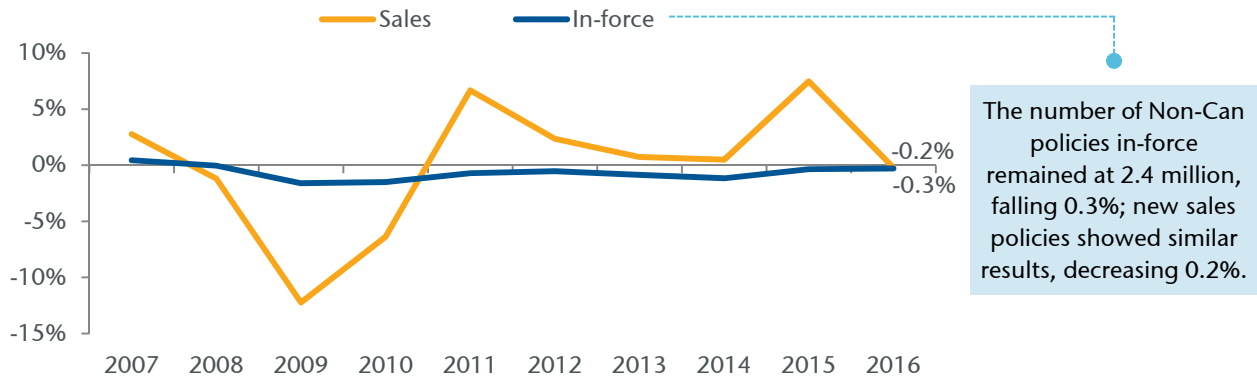


Exhibit F. Non-Cancelable Policy Growth Rates



Medical and 4A occupations accounted for about 90% of Non-Can premium. (Exhibits G and H)

Exhibit G. Non-Can In-force by Occupational Class

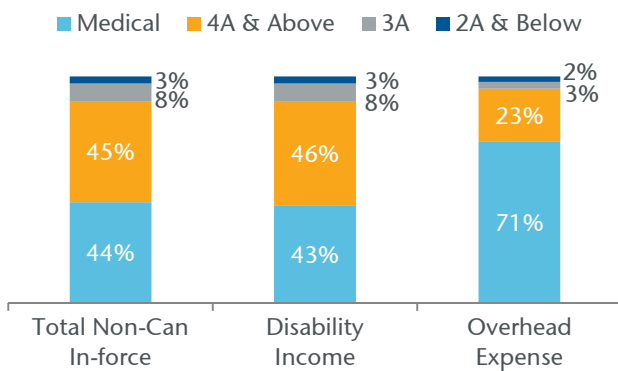
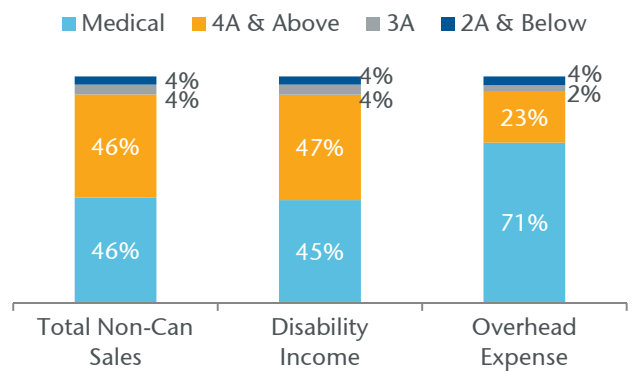


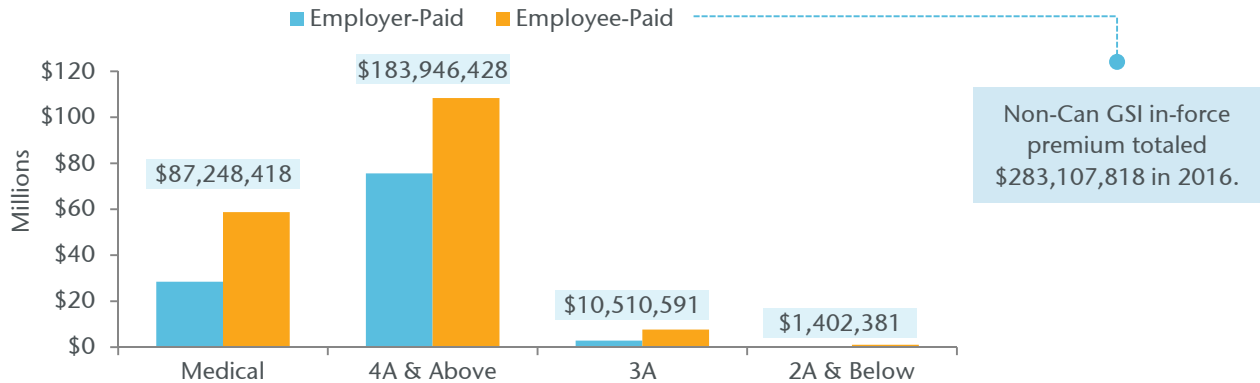
Exhibit H. Non-Can Sales by Occupational Class



### Non-Can Guaranteed Standard Issue

Only seven companies reported Non-Can GSI for 2016. Comparing only those companies that provided data for both years, Non-Can GSI in-force premium grew 6.3% in 2016. Employer-paid represented 38% or \$107.3 million and employee-paid accounted for 62% or \$175.8 million. (Exhibit I)

Exhibit I. Non-Can GSI In-force Premium

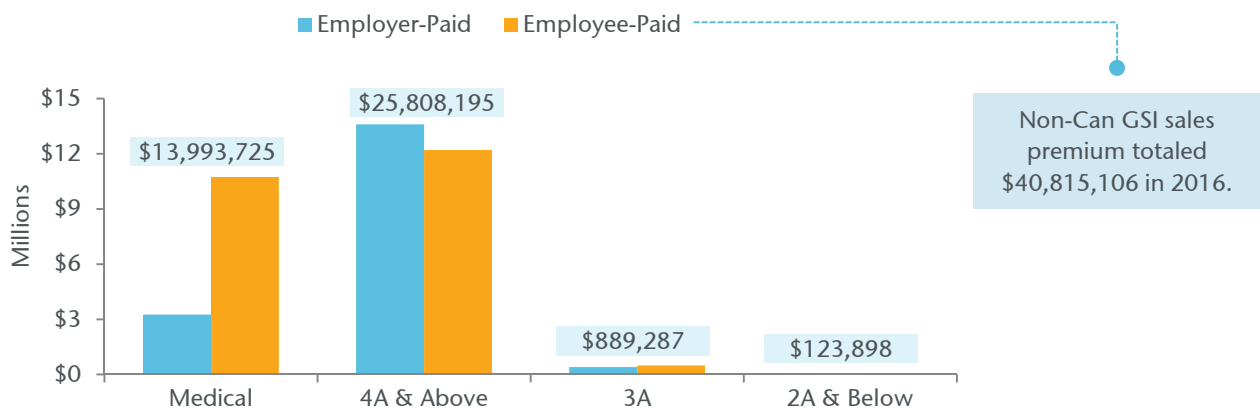


Non-Can GSI sales premium increased 3.2%. Employer-paid accounted for 42% or \$17.3 million and employee-paid represented 58% or \$23.5 million.

New GSI policies decreased 4.7%. Employer-paid policies fell 7.5%, and employee-paid policies fell 2.1%.

On average, the Medical occupational class accounted for 34% or \$14 million of Non-Can GSI new sales premium, up from 26% in 2015. Employee-paid accounted for 77% or \$10.7 million of the Medical sales premium. (Exhibit J)

Exhibit J. Non-Can GSI Sales Premium





In 2016 Guaranteed Renewable in-force premium increased 3.3% to nearly \$626.5 million. GR sales fell 6.1% to \$64.9 million. (Exhibit K)

Exhibit K. Guaranteed Renewable Premium Growth Rates

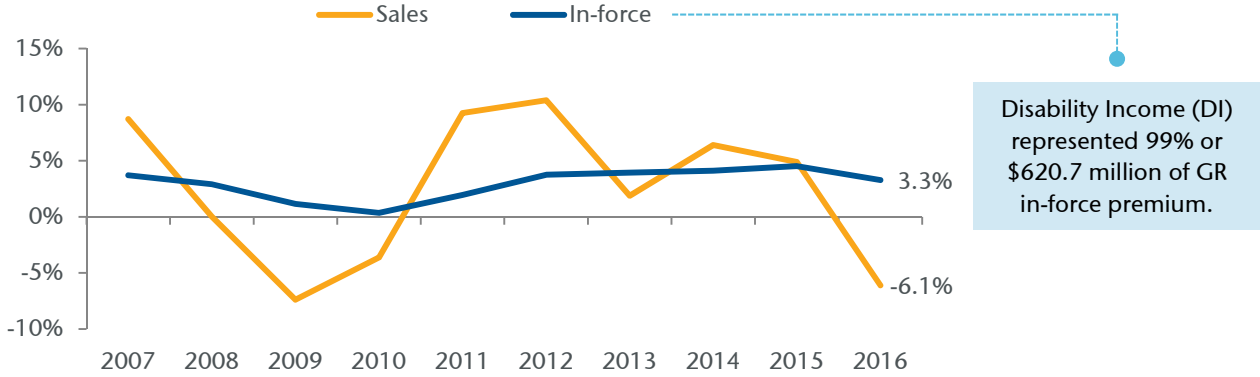
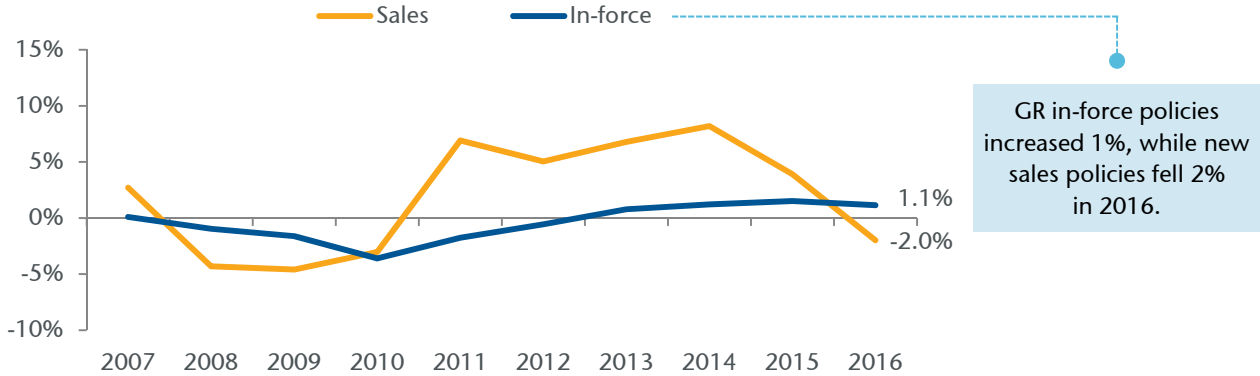


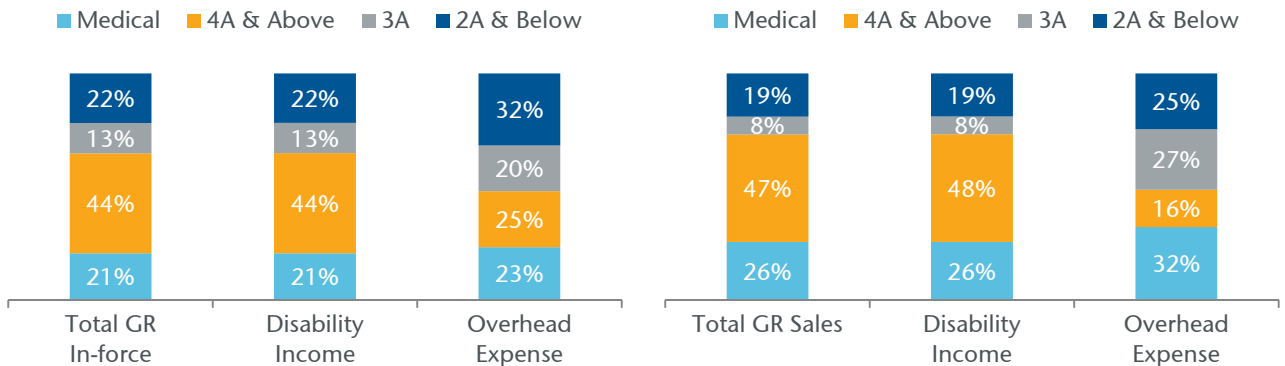
Exhibit L. Guaranteed Renewable Policy Growth Rates



On average, the Medical occupational class accounted for 26% of GR new sales premium. (Exhibit N)

Exhibit M. GR In-force by Occupational Class

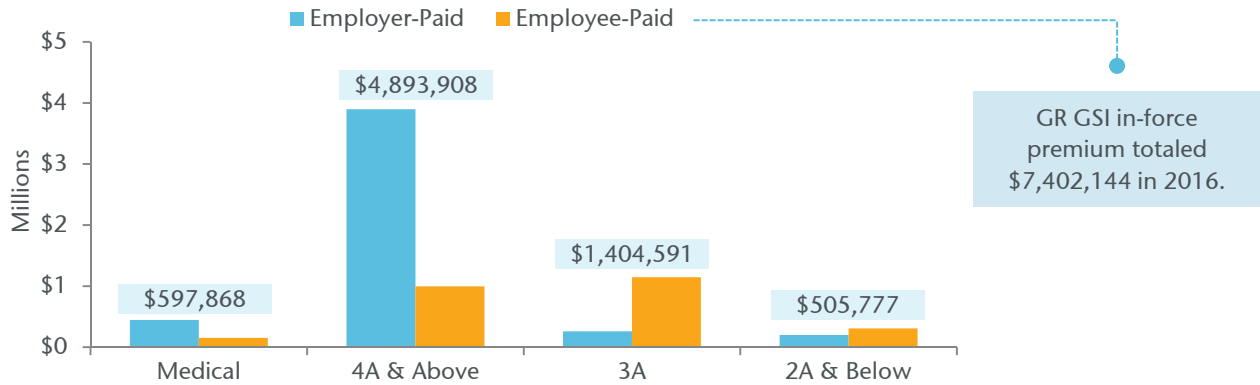
Exhibit N. GR Sales by Occupational Class



### GR Guaranteed Standard Issue

For the four companies that reported Guaranteed Standard Issue, GR GSI in-force premium fell 3.5% to \$7.4 million. Employer-paid represented 65% or \$4.8 million, and employee-paid accounted for 35% or \$2.6 million. (Exhibit O) In-force policies fell 16.9% in 2016.

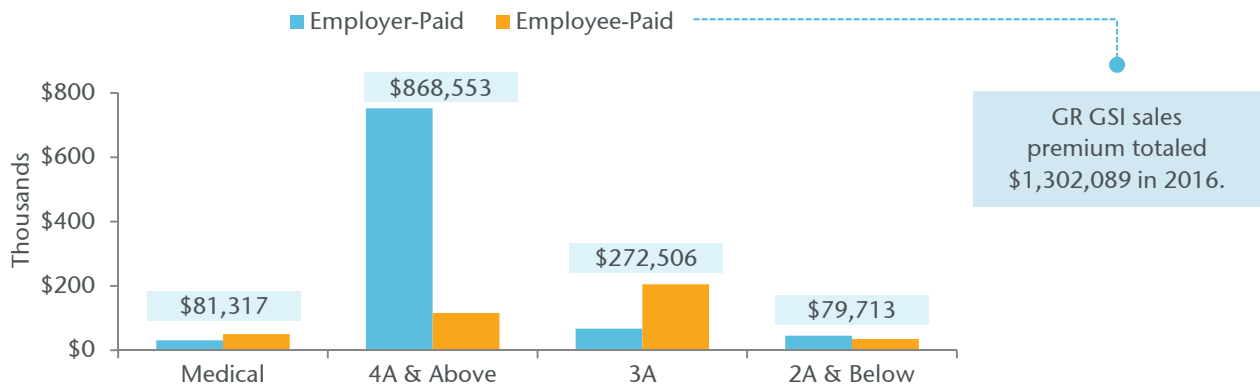
Exhibit O. GR GSI In-force Premium



Sales for GR GSI struggled in 2016; new sales premium decreased nearly 19%, and policies decreased 16%.

On average, the Medical occupational class accounted for 6% or \$81,317 of GR GSI new sales premium. Employee-paid accounted for 62% of the Medical sales premium, up from 48% in 2015. (Exhibit P)

Exhibit P. GR GSI Sales Premium



For the eighth consecutive year, Buy-Sell in-force premium declined, falling 2.5% to \$66.4 million. On a positive note, sales premium grew 4.7%. (Exhibit Q)

Exhibit Q. Buy-Sell Premium Growth Rates

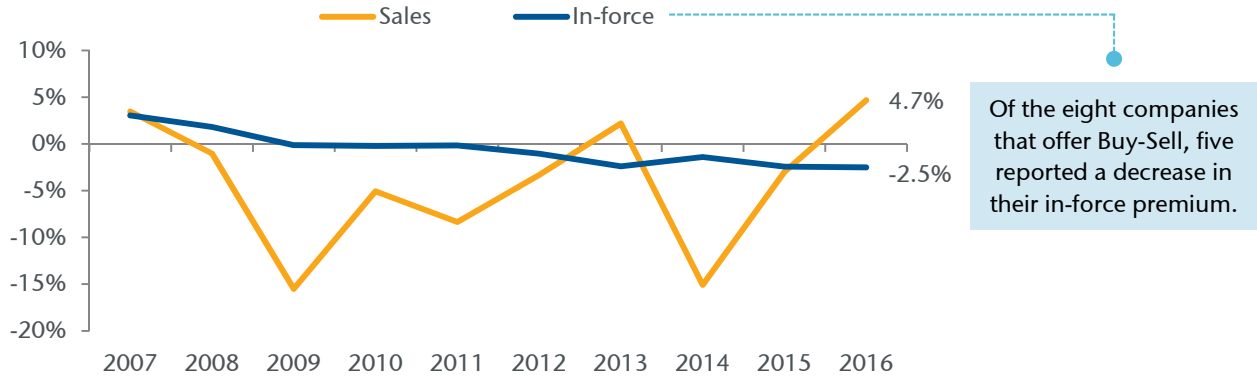
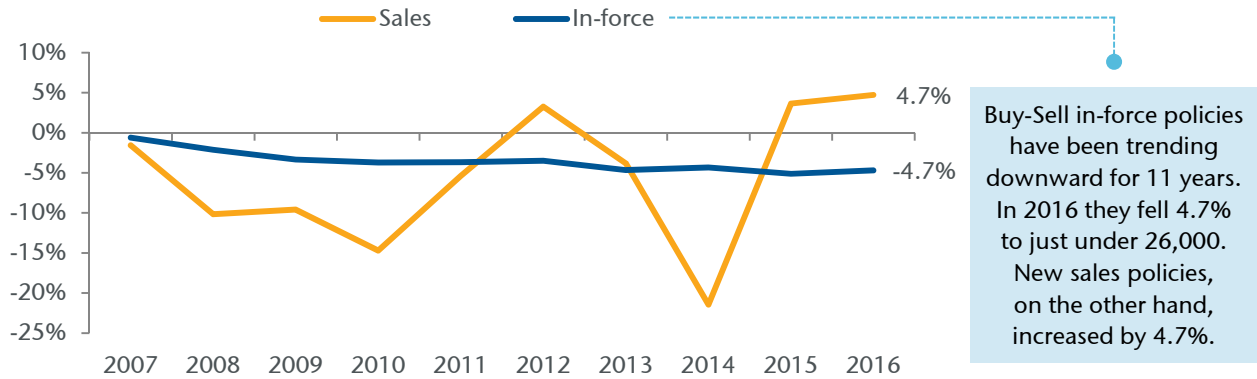


Exhibit R. Buy-Sell Policy Growth Rates



## IN OUR VIEW

Some noteworthy changes occurred in the Individual Disability (ID) market over the past year. MetLife discontinued new sales of fully underwritten business effective September 1, 2016 (although they continue to sell GSI business) and Country Financial discontinued sales of ID as of January 1, 2017. On the flip side, 2016 saw new product introductions from Berkshire/Guardian and Northwestern Mutual.

Despite some of those changes, the Individual Disability market ended 2016 on a positive note, with in-force premium growing 1.6% to nearly \$5 billion. And when comparing only those companies that provided sales data for both years (MetLife reported only in-force data and Country did not participate), sales premium remained flat, decreasing 0.2% to \$368.5 million.

Results varied by product. Non-Cancelable new sales and in-force increased 1%, whereas Guaranteed Renewable new sales declined 6% and in-force grew 3%. For the GSI market, both new sales and in-force premium increased, 2.4% and 6%, respectively. Lastly, the Buy-Sell market continued to struggle as 2016 marked the eight consecutive year that in-force declined, and at -2.5% it is the largest decline on record. The good news is that new Buy-Sell sales increased nearly 5% (when comparing only those companies that reported new sales for both years).

As in past surveys, we asked companies to comment on their actual results versus planned. In 2016, 50% of the companies reported that new sales were below plan. However, the majority of participants (81%) reported actual claims experience performed as expected or better than plan.

We also asked responding companies what they thought the greatest opportunity would be for new sales in 2017. Traditional ID clients was the highest ranked response. In fact, seven companies ranked this segment higher than millennials.

To end, 2016 was a changing year for the Individual Disability market. With MetLife exiting the fully underwritten space, some viewed this as a negative and another challenge for an industry struggling to move to the next level. On the contrary, Gen Re regards this as an opportunity for other carriers to fill the void and grow their business. With new product introductions in 2016 and early 2017, and positive earnings for most carriers, Gen Re continues to be bullish on this product.

## ABOUT GEN RE

Gen Re, a Berkshire Hathaway Company, is one of the leading life/health and property/casualty reinsurers in the world. Our North American life and health reinsurance company, General Re Life Corporation, has superior financial strength ratings among life and health reinsurers. Gen Re delivers customized reinsurance programs and risk management solutions for the Life, Medicare Supplement, Critical Illness and Disability markets. Through our research, we also offer valuable information and insights. For more information, visit [www.genre.com](http://www.genre.com).

Gen Re offers tailor-made reinsurance programs and risk management solutions for the following lines of business:

Critical Illness

Group Life and AD&D

Individual Life

Individual Disability Income

Medicare Supplement

**A++ (Superior) from A.M. Best | AA+ from Standard & Poor's**

**GEN RE RESEARCH CENTER**

9 Donald B. Dean Drive  
South Portland, ME 04106  
Tel. 207 347 4600

*The difference is...the quality of the promise.*

---



[genre.com](http://genre.com) | [Blog: genre.com/perspective](http://genre.com/perspective) | [Twitter: @Gen\\_Re](https://twitter.com/Gen_Re)

*Gen Re has produced this comprehensive report for the exclusive use of the participating companies. No part may be shared with other organizations, redistributed, reproduced or reprinted in whole or in part without Gen Re's written permission. The information contained in this report has been gathered from participating companies. Gen Re takes great care to check and verify the data provided, but makes no representation as to the accuracy of information submitted by participating companies.*

© 2017 General Re Life Corporation. No portion of this publication may be reproduced without permission.