



U.S. Individual Disability Market Survey

Summary of 2017 Results

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PARTICIPATING COMPANIES

- Ameritas Life
- Assurity Life
- Federated Life
- Guardian Life
- Illinois Mutual
- MassMutual
- 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 2017 *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 2016 and 2017. Fifteen insurance companies participated in the survey representing \$4.7 billion of in-force premium. Of these companies, 14 offer Non-Can, 13 offer GR and seven offer Buy-Sell. Seven companies reported results for Non-Can GSI and four companies included GR GSI results.

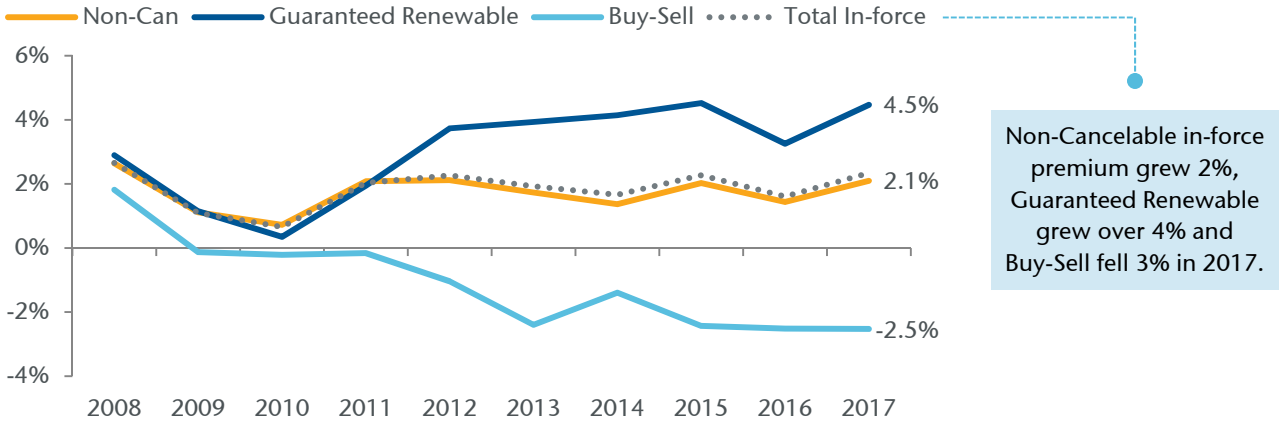
Growth calculations for 2016 to 2017 are based upon those companies providing survey data for both years and include any adjustments made to the 2016 reported data.

SUMMARY OF RESULTS

Market Growth – In-force Business

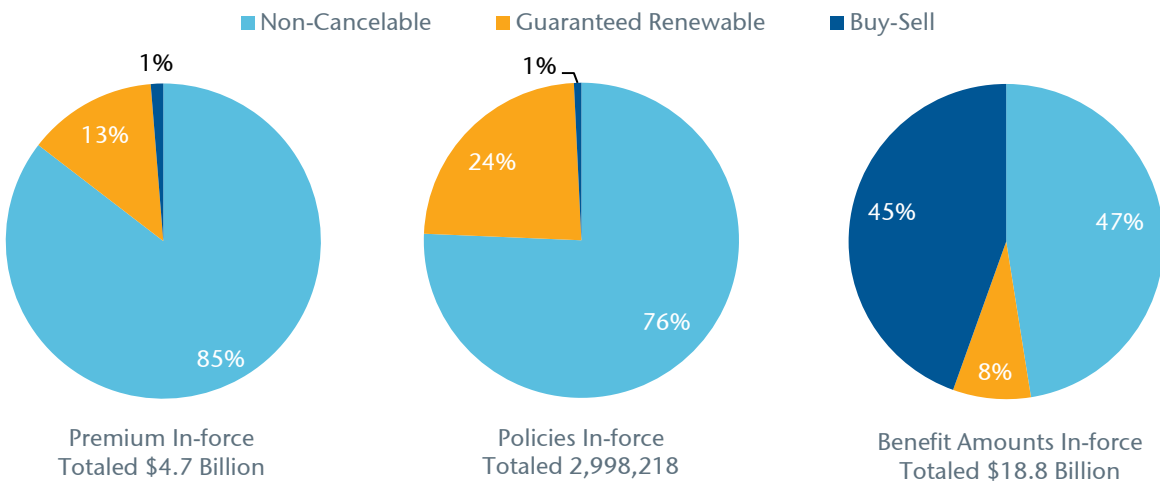
Total in-force premium (Non-Cancelable, Guaranteed Renewable and Buy-Sell combined) grew 2.3% in 2017. Both Non-Can and GR results improved compared to last year, while Buy-Sell results were negative for the ninth consecutive year. (Exhibit A)

Exhibit A. In-force Premium Growth Rates



Participants reported a combined total of three million policies with nearly \$4.7 billion of in-force premium. Non-Can accounted for \$4 billion or 85% of total in-force business. (Exhibit B)

Exhibit B. 2017 In-force Business by Product



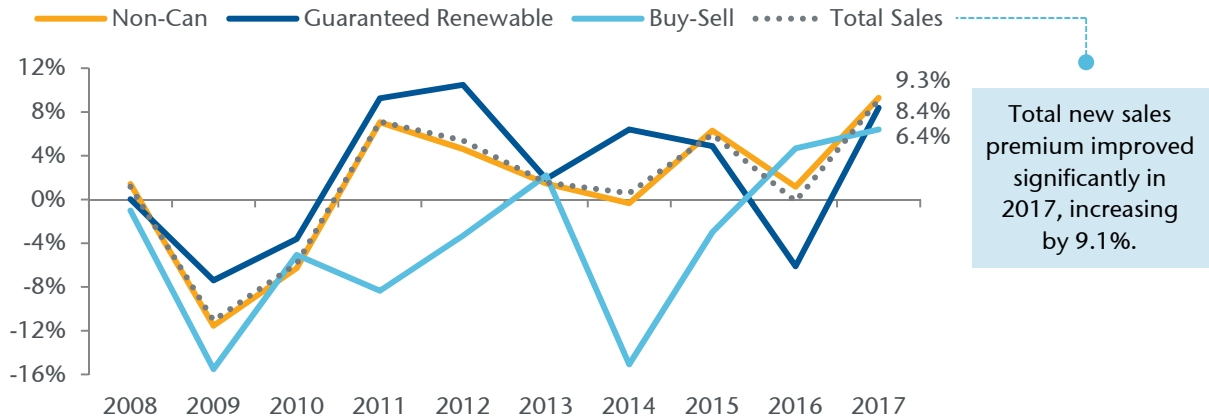
Note: Exhibits may not total 100% due to rounding.

SUMMARY OF RESULTS

Market Growth – New Business

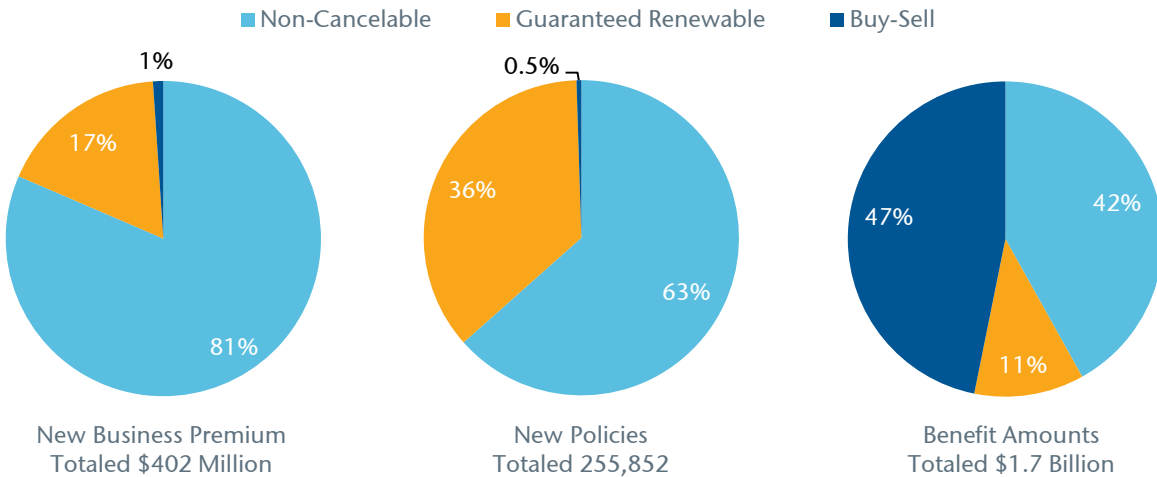
Sales premium growth for all three products was strong. Non-Can increased 9%, GR grew 8% and Buy-Sell sales premium grew 6%. (Exhibit C)

Exhibit C. Sales Premium Growth Rates



Participants reported nearly 256,000 new policies and over \$1.7 billion in benefit amounts for 2017. (Exhibit D)

Exhibit D. 2017 New Business by Product



Note: Exhibits may not total 100% due to rounding.

Exhibit E. Percentage Change in Policies and Benefit Amounts

Total Policies			Total Benefit Amount		
Year	In-force	Sales	Year	In-force	Sales
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%
2017	0.8%	9.6%	2017	1.7%	13.0%

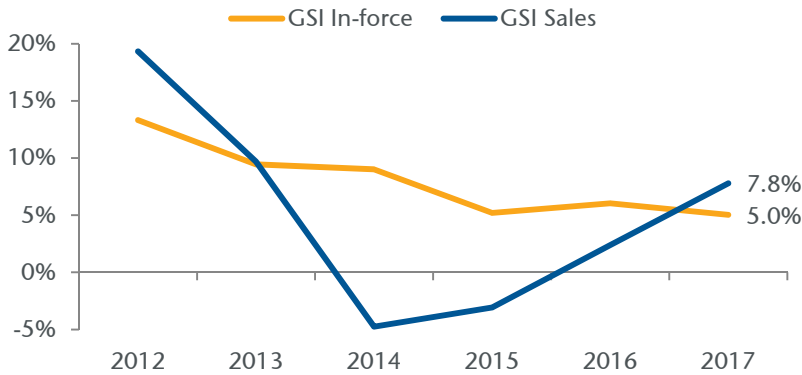
The number of new policies and benefit amounts increased 10% and 13%, respectively, while in-force results for both remained level.

SUMMARY OF RESULTS

Market Growth – GSI Business

For companies that reported GSI data for both years, total in-force premium (Non-Can and GR combined) increased 5% over 2016. (Exhibit F)

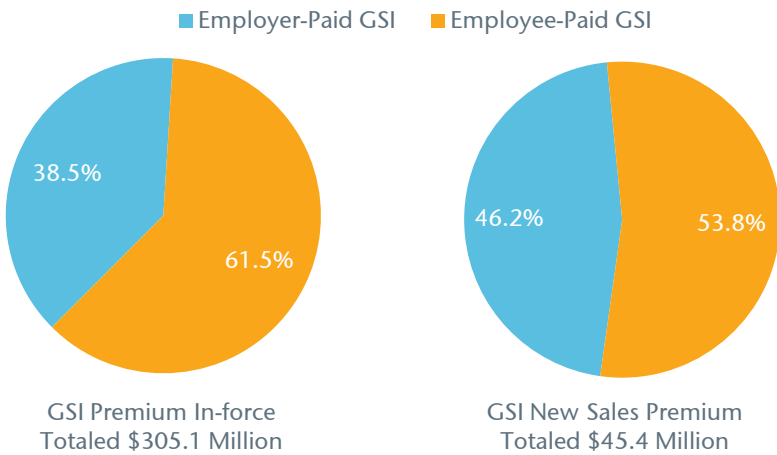
Exhibit F. Guaranteed Standard Issue Premium Growth Rates



Non-Cancelable GSI represented about 97% of the total GSI sales and in-force premium.

For total GSI, over \$305 million of in-force premium and nearly 202,000 policies were reported in 2017. Employee-Paid GSI accounted for nearly \$188 million or 62% of the total GSI premium in-force. (Exhibit G)

Exhibit G. Percentage of Employer- and Employee-Paid GSI, 2017

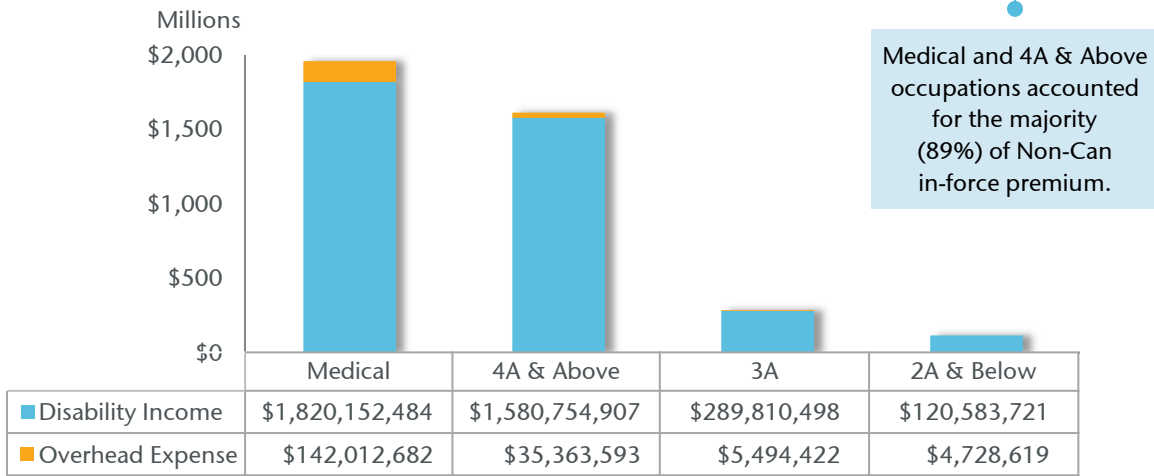


Employee-paid GSI accounted for more than \$24.4 million or 54% of GSI sales premium.

Non-Cancelable In-force Business

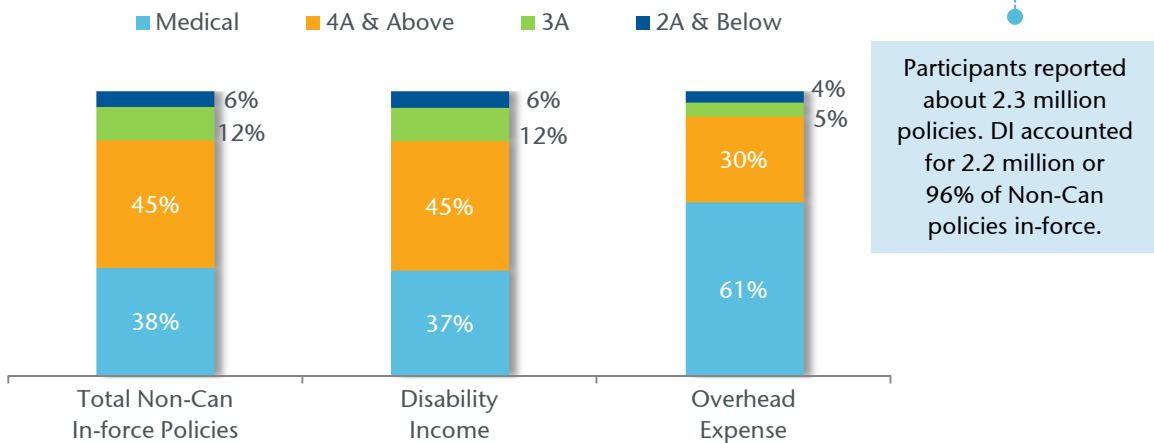
Participating companies reported \$4 billion of Non-Cancelable in-force premium. Disability Income (DI) represented 95% and Overhead Expense (OE) accounted for the remainder. (Exhibit H)

Exhibit H. Non-Cancelable In-force Premium by Policy Type and Occupational Class



Medical and 4A & Above occupations accounted for 82% of DI policies in-force and 91% of OE policies. (Exhibit I)

Exhibit I. Percentage of Non-Can In-force Policies by Type and Occupational Class

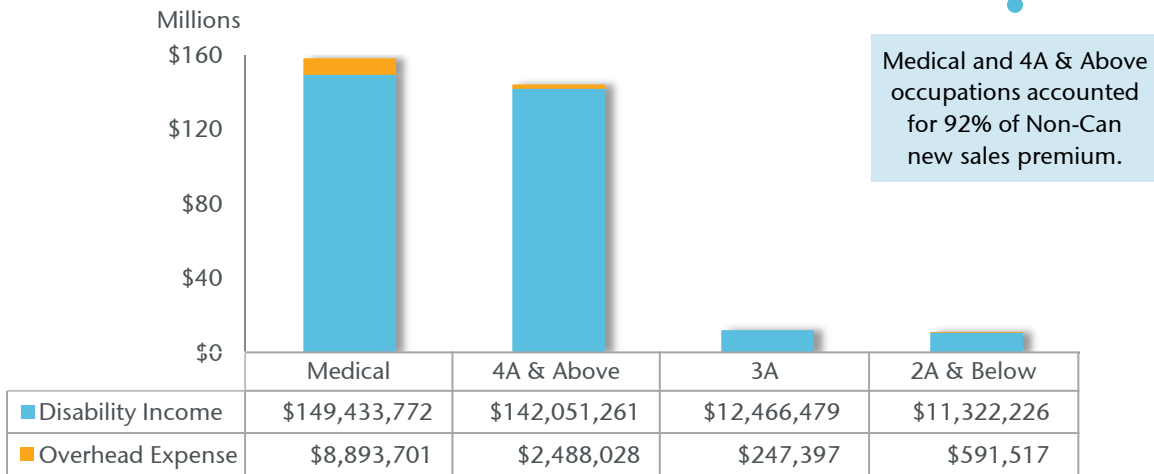


Note: Exhibits may not total 100% due to rounding.

Non-Cancelable New Business

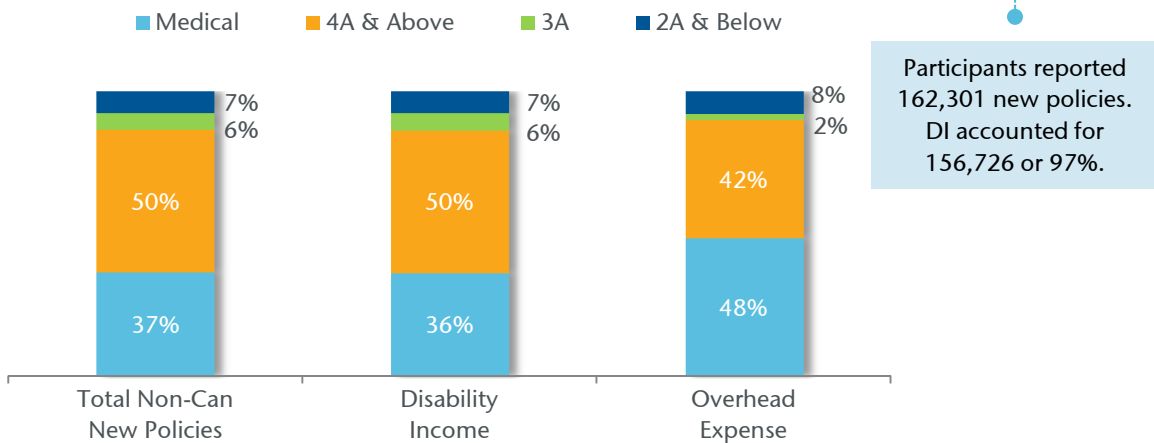
Participating companies reported \$327.5 million of Non-Cancelable new sales premium. Disability Income (DI) represented 96% and Overhead Expense (OE) accounted for the remainder. (Exhibit J)

Exhibit J. Non-Cancelable Sales Premium by Policy Type and Occupational Class



Medical and 4A & Above occupations accounted for 86% of new DI policies and 90% of OE policies. (Exhibit K)

Exhibit K. Percentage of New Non-Can Policies by Type and Occupational Class

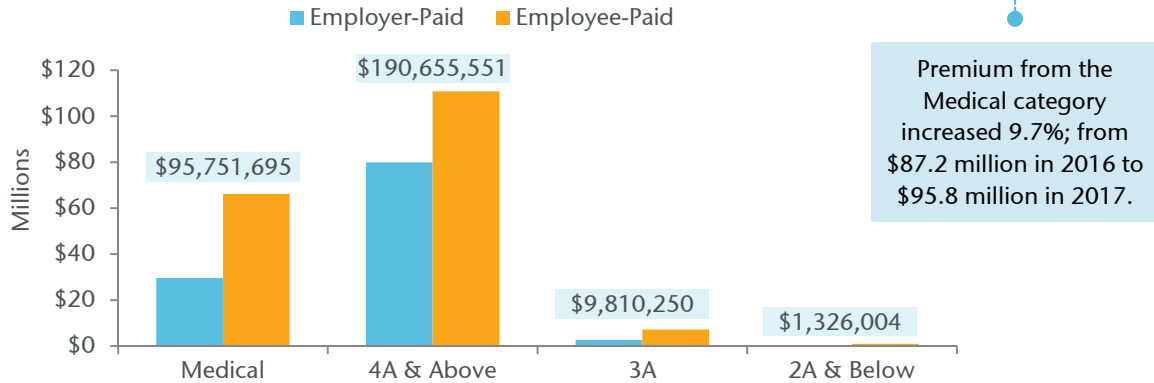


Note: Exhibits may not total 100% due to rounding.

Non-Can Guaranteed Standard Issue

For 2017, seven companies reported \$297.5 million of Non-Can GSI in-force premium; an increase of 5.1% over 2016. Employer-paid represented 38% or \$112.4 million and employee-paid accounted for 62% or \$185.1 million. (Exhibit L)

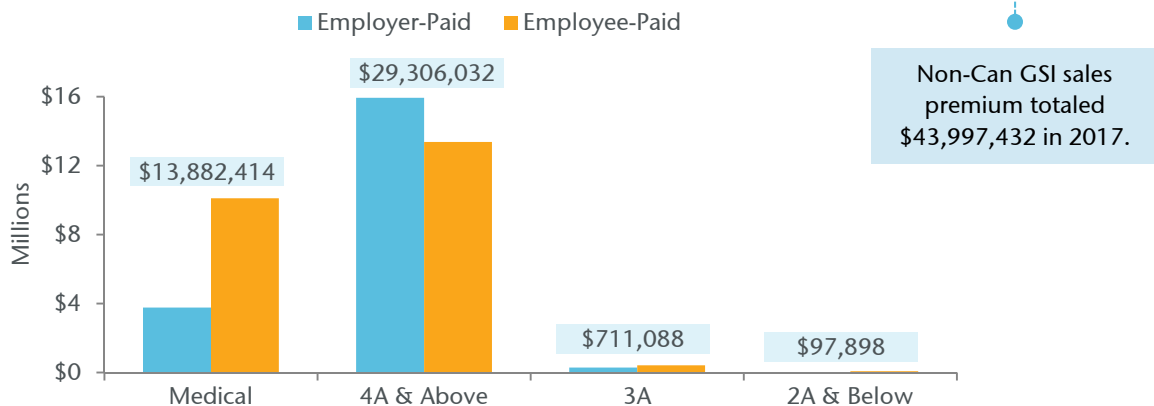
Exhibit L. Non-Can GSI In-force Premium



Non-Can GSI sales premium increased 7.8%. Employer-paid accounted for 45% or \$20 million and employee-paid represented 55% or \$24 million.

On average, the Medical occupations accounted for 32% or \$13.9 million of Non-Can GSI new sales premium, down slightly from 34% in 2016. Employee-paid accounted for 73% or \$10.1 million of the Medical sales premium. (Exhibit M)

Exhibit M. Non-Can GSI Sales Premium

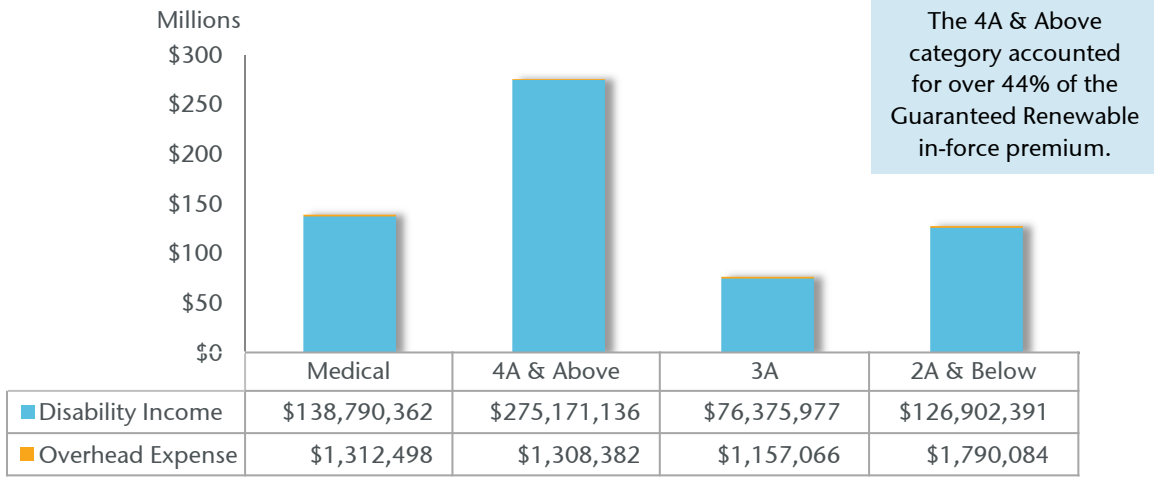


New GSI policies increased 7.3%. Employer-paid policies grew 11.8% to about 11,700 and employee-paid grew 3.5% to about 12,500.

Guaranteed Renewable In-force Business

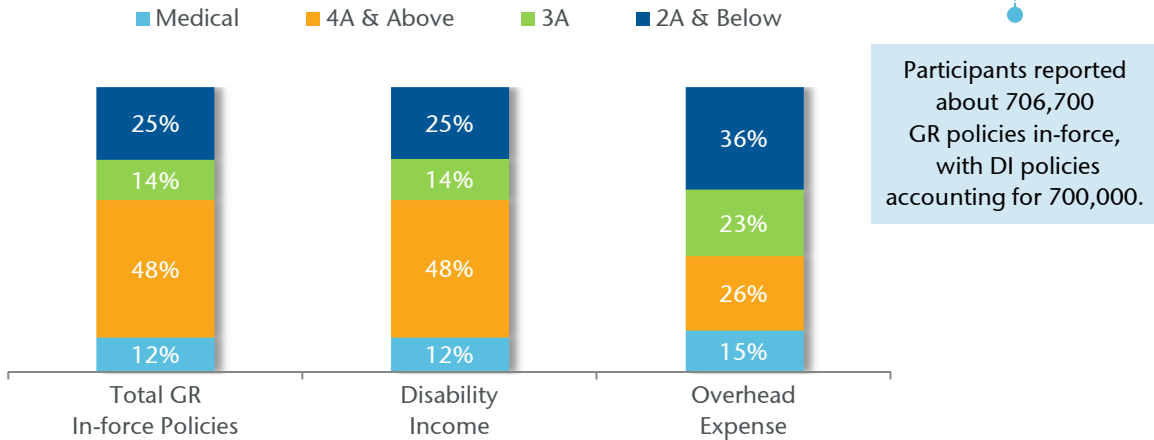
Participating companies reported \$623 million of Guaranteed Renewable (GR) in-force premium. DI represented \$617.3 million or 99% and OE accounted for the remainder. (Exhibit N)

Exhibit N. GR In-force Premium by Policy Type and Occupational Class



2A & Below occupations accounted for 25% of DI policies in-force and 36% of OE policies. (Exhibit O)

Exhibit O. Percentage of GR In-force Policies by Type and Occupational Class

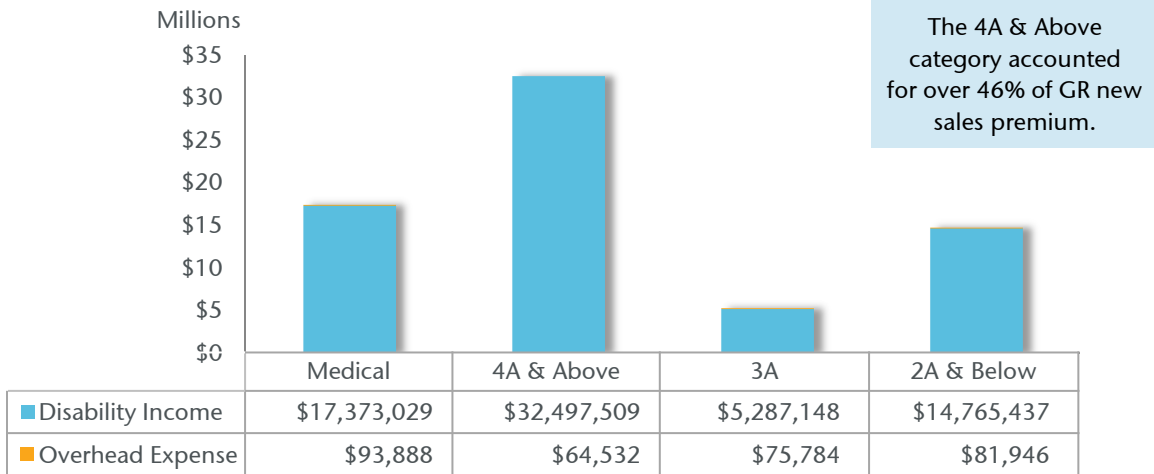


Note: Exhibits may not total 100% due to rounding.

Guaranteed Renewable New Business

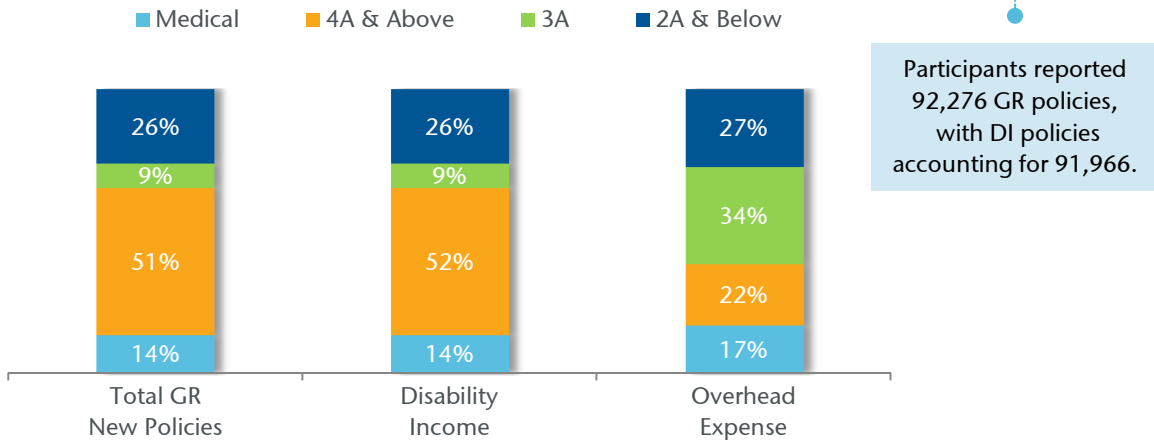
Participating companies reported \$70.2 million of GR new sales premium. DI represented nearly 100%, or \$70 million. (Exhibit P)

Exhibit P. GR Sales Premium by Policy Type and Occupational Class



4A & Above occupations accounted for over 50% of new DI policies, while the 3A and 2A & Below occupations accounted for over 60% of OE policies. (Exhibit Q)

Exhibit Q. Percentage of New GR Policies by Type and Occupational Class

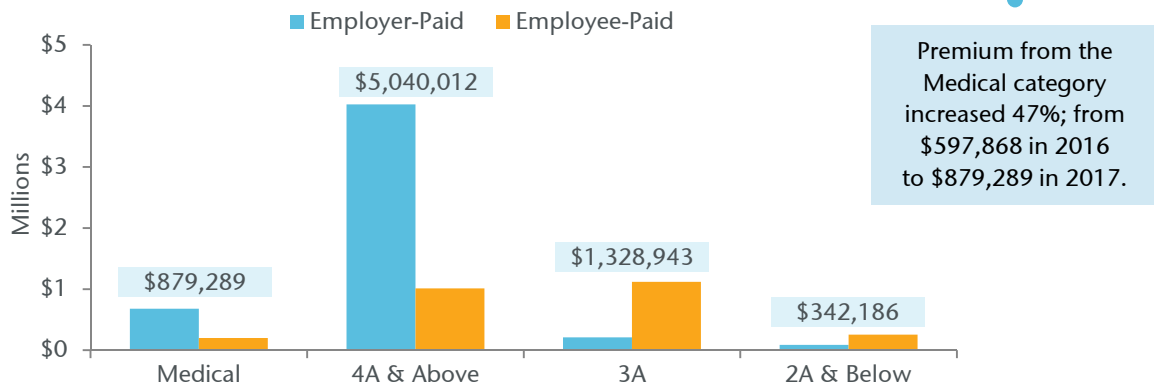


Note: Exhibits may not total 100% due to rounding.

GR Guaranteed Standard Issue

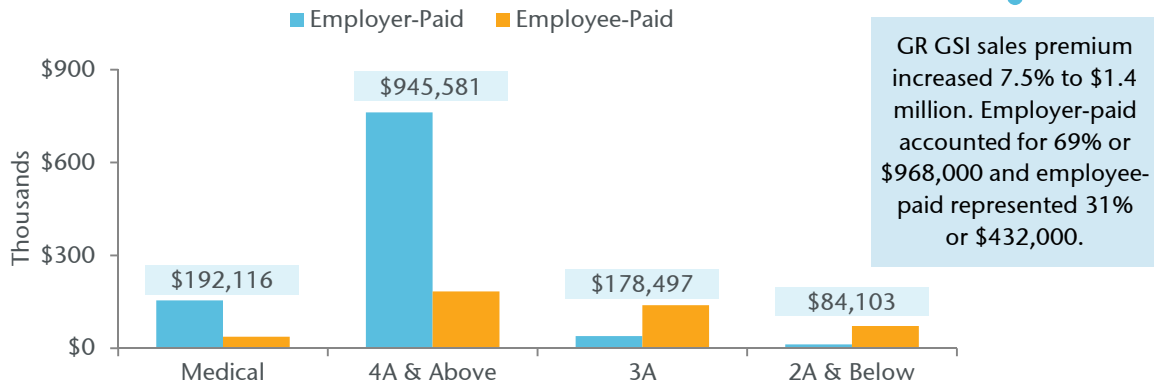
For 2017, four companies reported \$7.6 million of Guaranteed Renewable GSI in-force premium; an increase of 2.5% over 2016. Employer-paid represented 66% or \$5 million and employee-paid accounted for 34% or \$2.6 million. (Exhibit R) In-force policies remained level at 8,200.

Exhibit R. GR GSI In-force Premium



On average, the 4A & Above occupations accounted for 68% or \$946,000 of GR GSI new sales premium. Employer-paid accounted for 81% or \$762,000 of the 4A & Above premium. (Exhibit S)

Exhibit S. GR GSI Sales Premium



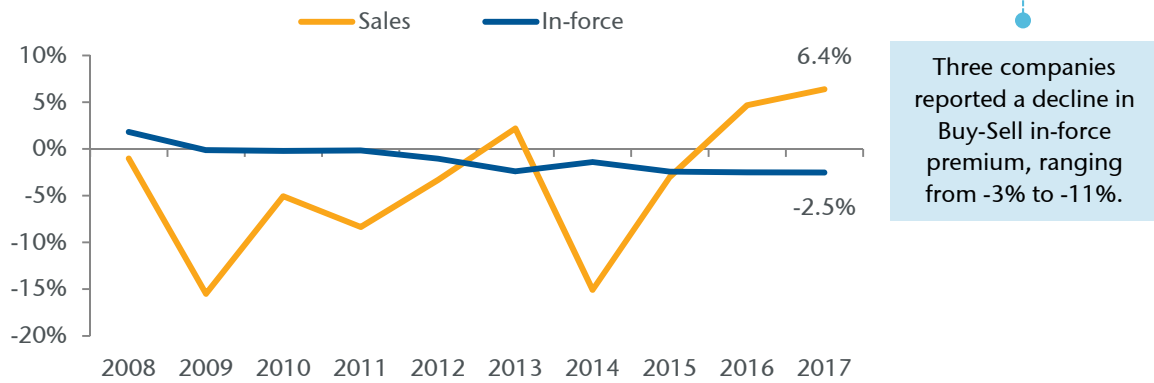
New GSI policies decreased 17.3%. Employer-paid policies fell from 1,163 in 2016 to 800 in 2017; a decline of 31.2%. Employee-paid policies increased 27%, from 366 to 465.

Buy-Sell Business

For 2017, seven companies reported \$60 million of Buy-Sell in-force premium. When comparing only those companies that provided Buy-Sell data for both years, the result was a decline of 2.5% over 2016.

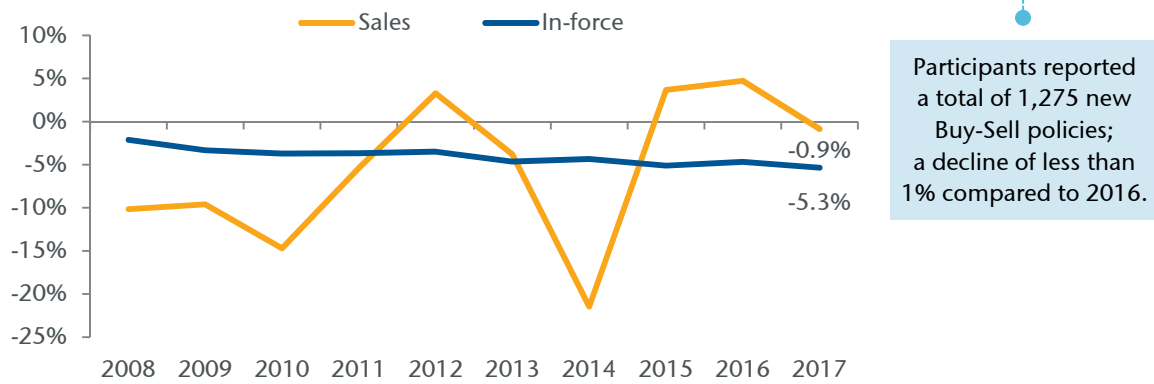
Participating companies reported \$4.2 million of Buy-Sell new sales premium, an increase of 6.4% over 2016. (Exhibit T)

Exhibit T. Buy-Sell Premium Growth Rates



In 2017, the number of Buy-Sell in-force policies fell to just under 23,000; this represented a decline of 5.3% compared to 2016. Although only 10 years are shown on the graph, in-force policies have been trending downward for 12 years.

Exhibit U. Buy-Sell Policy Growth Rates



IN OUR VIEW

2017 was a very good year for the Individual Disability market. After a flat 2016, overall new sales grew by 9.1% in 2017 to \$402 million. This included growth within the Non-Can and GR segments, 9.3% and 8.4%, respectively. Total in-force business also increased over 2016; by 2.3% to \$4.7 billion.

Of the 15 companies responding to the survey, all but three saw increases in new sales over 2016. Some of this activity can certainly be attributed to the exit of MetLife from the fully underwritten market; however, the market as a whole was up significantly, and most carriers are showing similar results through the first quarter of 2018 which is a positive sign for the full year.

The GSI space also saw solid growth in 2017. Eight companies reported an increase of 7.8%, collectively, to \$45 million of new premium. A very positive result that we hope becomes a trend is the ratio of employer-paid business to employee-paid business. For 2017, employee-paid business accounted for 61.5% of the total in-force block of GSI business and employer-paid accounted for 38.5%. For GSI new sales the business was split 53.8% employee-paid and 46.2% employer-paid.

As in past years, we asked all respondents about their results versus their plans for 2017. Two-thirds of the responding companies either met or exceeded their sales plans, while 93% had their claims experience either meet or exceed their plan.

Even with these positive results, Gen Re realizes that this business needs to be monitored continuously. As always, we will work with our clients, as well as the market, on diversification. We continue to see carriers increase the percentage of their overall block of business with medical occupations. Although this business is running well today, we feel there are other opportunities that present good prospects for an Individual Disability policy that should be considered.

In closing, 2017 was a very strong year for the Individual Disability market. Sales were up and financial results were extremely positive for most companies. Gen Re believes the market has gained some momentum and looks for this to carry through 2018.

ABOUT GEN RE

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Individual Life

Individual Disability Income

Medicare Supplement

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