



## U.S. Individual Disability Market Survey

*Summary of 2018 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 2018 *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 2017 and 2018. Fifteen insurance companies participated in the survey representing \$4.8 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.

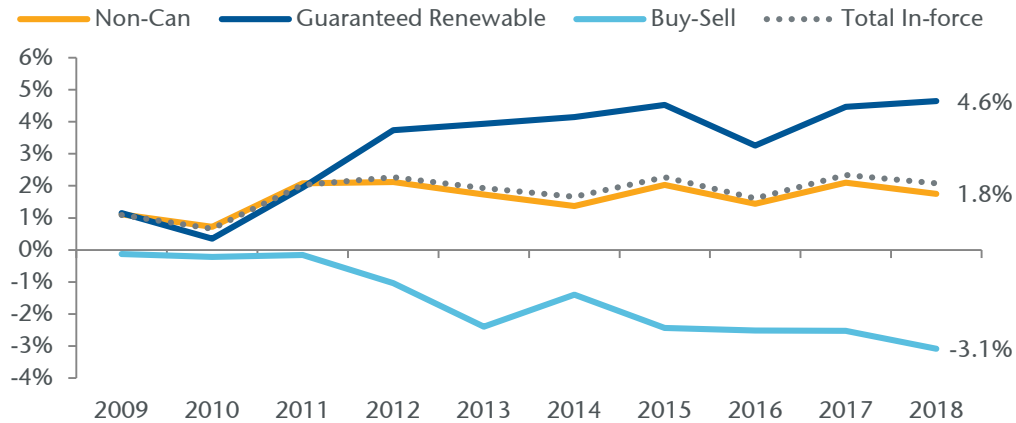
Growth calculations for 2017 to 2018 are based upon those companies providing survey data for both years and include any adjustments made to the 2017 reported data.

# SUMMARY OF RESULTS

## Market Growth – In-force Business

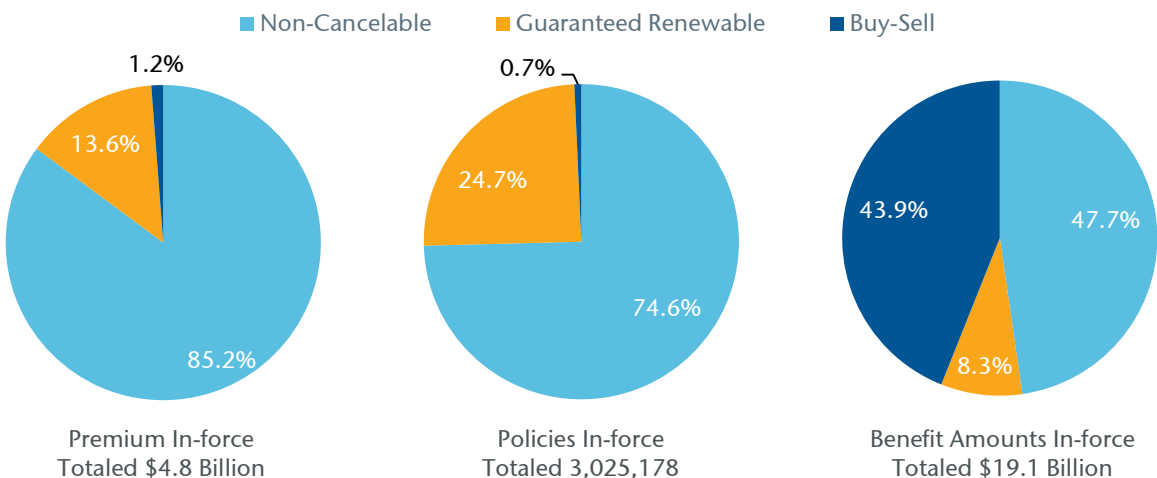
Total in-force premium (Non-Cancelable, Guaranteed Renewable and Buy-Sell combined) grew 2.1% in 2018. Non-Can increased 1.8%, GR results improved 4.6%, and Buy-Sell results were negative for the tenth consecutive year. (Exhibit A)

### Exhibit A. In-force Premium Growth Rates



Participants reported a combined total of 3 million policies with \$4.8 billion of in-force premium. Non-Can accounted for \$4.1 billion or 85% of total in-force business. Guaranteed Renewable accounted for \$652 million or nearly 14% and Buy-Sell accounted for the remainder. (Exhibit B)

### Exhibit B. 2018 In-force Business by Product



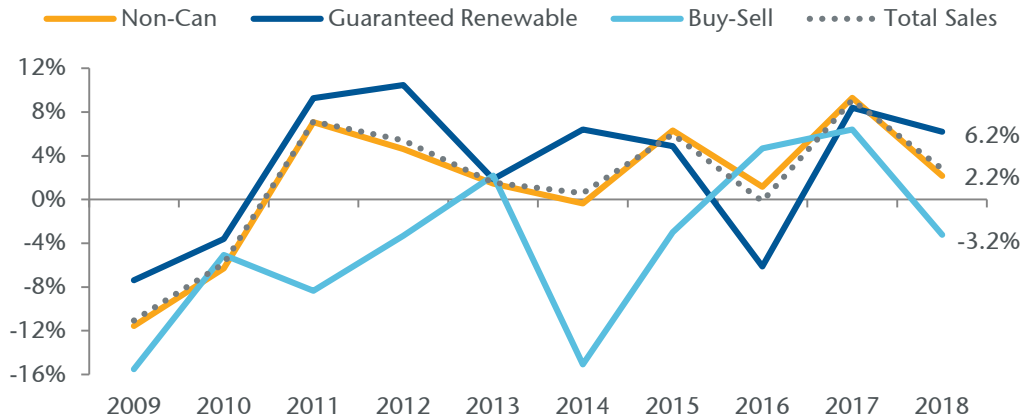
Note: Exhibits may not total 100% due to rounding.

# SUMMARY OF RESULTS

## Market Growth – New Business

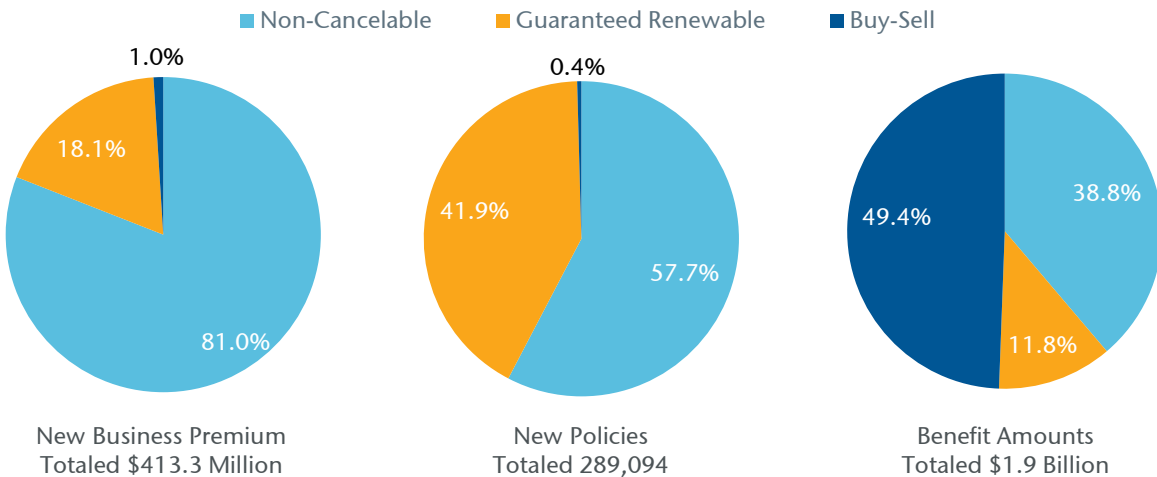
Total new sales premium increased 2.8% to \$413.3 million. Non-Can sales premium increased 2.2%, while GR sales exhibited the strongest growth, increasing 6.2%. After improving three consecutive years, Buy-Sell sales premium fell 3.2%. (Exhibit C)

Exhibit C. Sales Premium Growth Rates



Participants reported about 289,000 new policies and nearly \$1.9 billion in benefit amounts for 2018. (Exhibit D)

Exhibit D. 2018 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
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	1.3%	12.3%
2018	0.9%	13.0%	2018	1.6%	7.8%

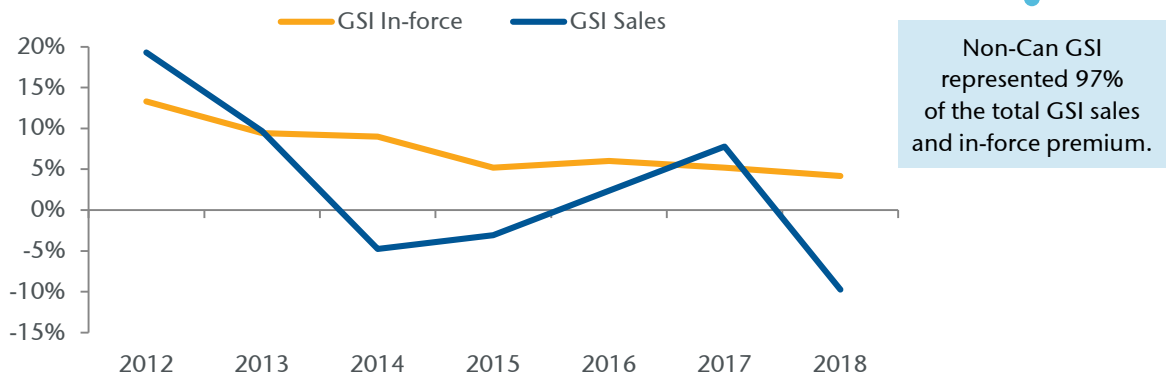
The number of new policies issued increased 13% and benefit amounts grew about 8%. In-force results for both policies and benefit amounts remained fairly level.

# SUMMARY OF RESULTS

## Market Growth – Guaranteed Standard Issue Business

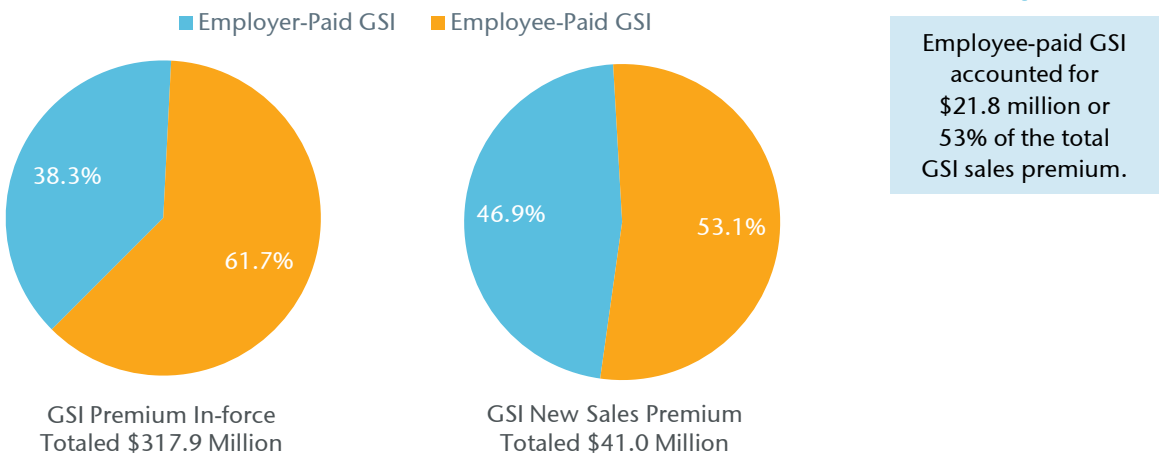
For companies that reported GSI data for both years, total in-force premium (Non-Can and GR combined) grew to \$318 million or 4.2% over 2017, while new sales premium declined 9.8%. (Exhibit F)

Exhibit F. Guaranteed Standard Issue Premium Growth Rates



For total GSI, \$318 million of in-force premium and 205,885 policies were reported for 2018. Employee-paid GSI accounted for \$196.2 million or 62% of the total GSI premium in-force. (Exhibit G)

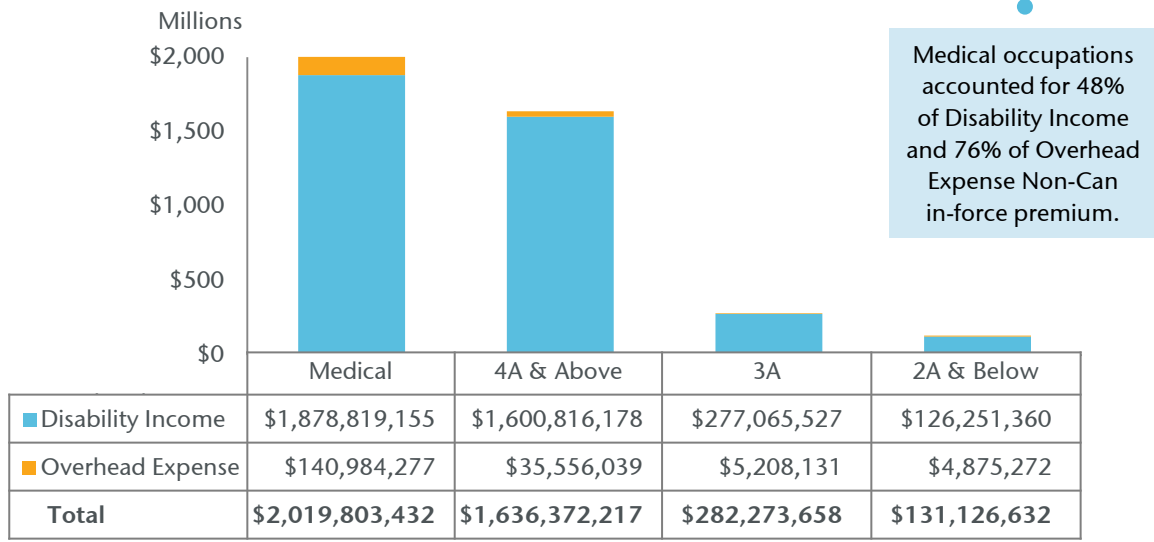
Exhibit G. Percentage of Employer- and Employee-Paid GSI, 2018



Non-Cancelable – In-force Business

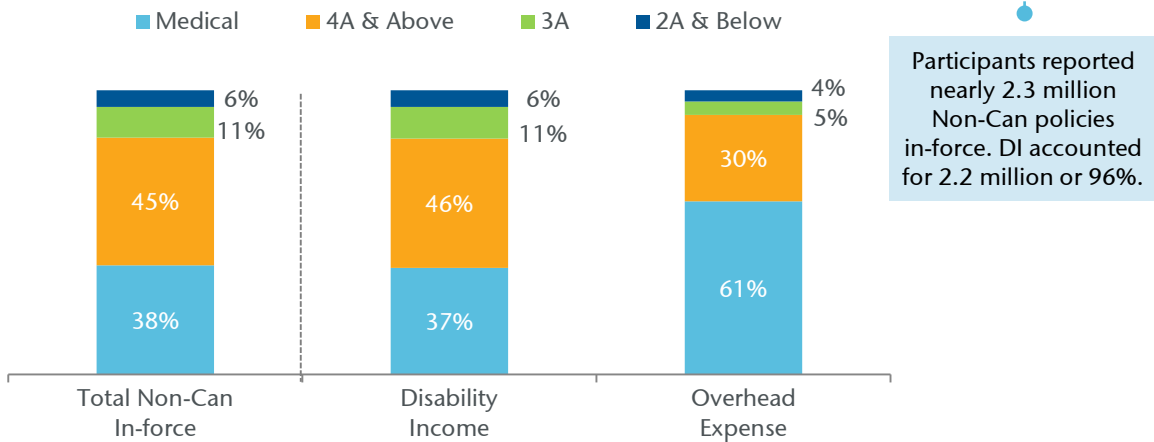
Participating companies reported \$4.1 billion of Non-Cancelable in-force premium. Disability Income (DI) represented \$3.9 billion or 95.4% and Overhead Expense (OE) accounted for the remainder. (Exhibit H)

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



Medical and 4A & Above occupations accounted for 83% 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



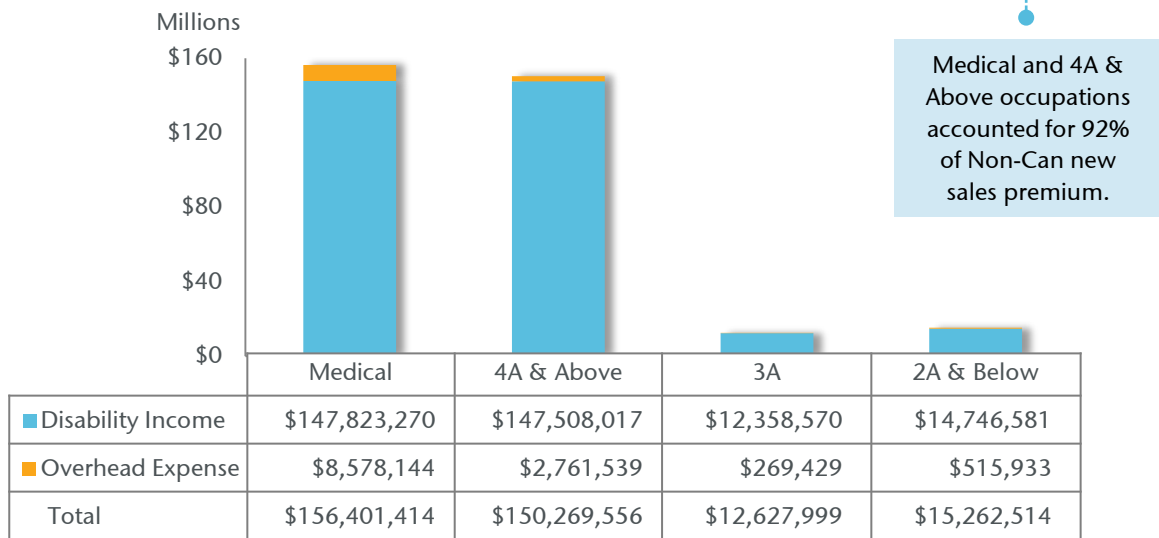
Note: Exhibits may not total 100% due to rounding.



Non-Cancelable – New Business

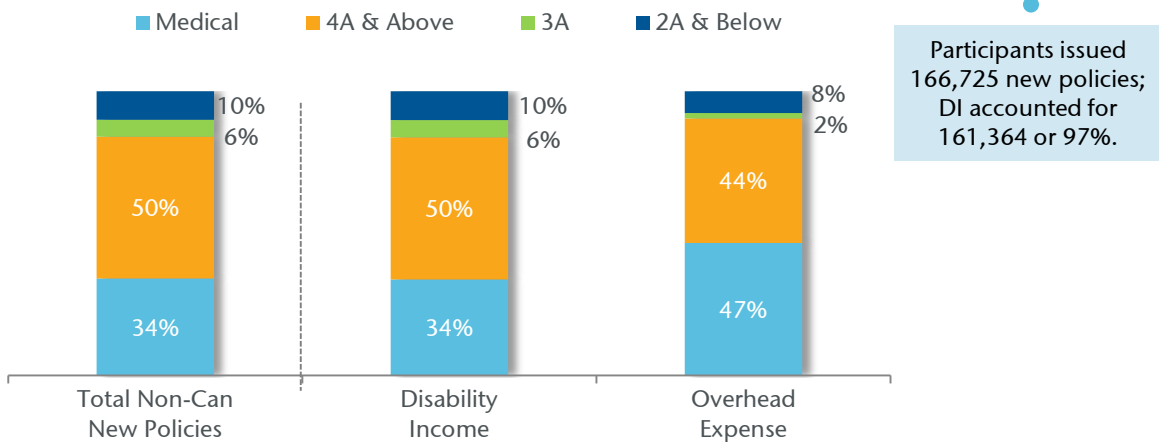
Participating companies reported \$334.6 million of Non-Cancelable new sales premium. DI represented \$322.4 million or 96% and OE accounted for the remainder. (Exhibit J)

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



Medical and 4A & Above occupations accounted for 84% of new DI policies and 90% of OE policies. (Exhibit K)

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

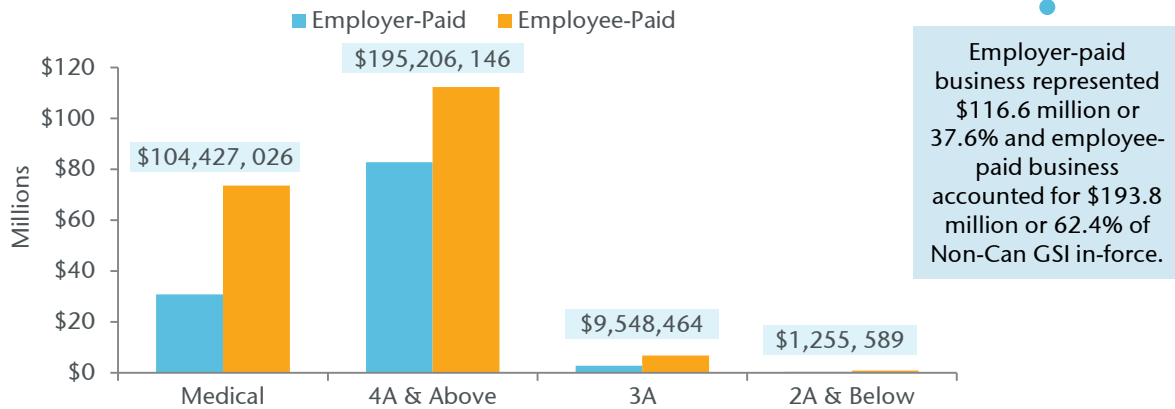


Note: Exhibits may not total 100% due to rounding.

Non-Cancelable Guaranteed Standard Issue

For 2018, seven companies reported \$310.4 million of Non-Can GSI in-force premium; an increase of 4.3% over 2017. Premium from Medical occupations increased 9.1% to \$104.4 million, while premium from 3A and 2A & Below occupations declined 2.7% and 5.3%, respectively. (Exhibit L)

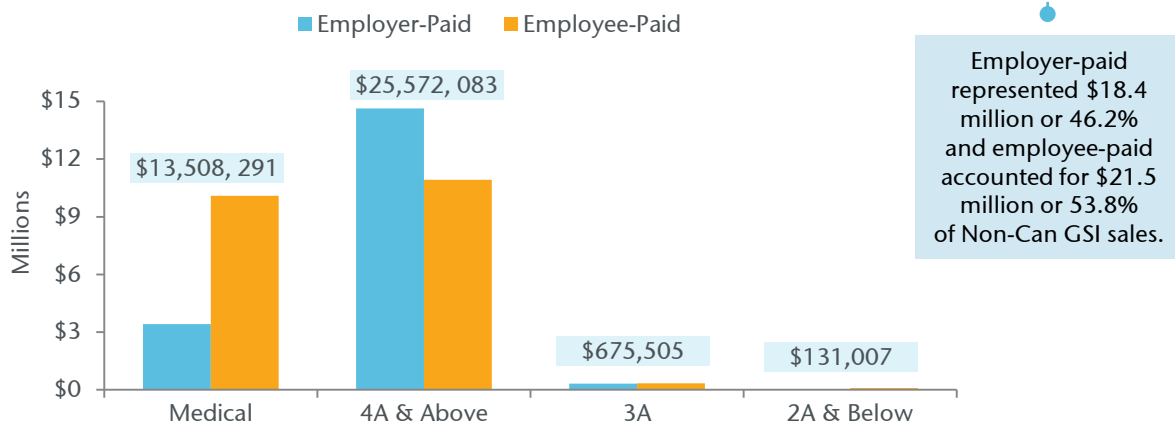
Exhibit L. Non-Can GSI In-force Premium



Non-Can GSI sales premium declined 9.3% to \$39.9 million. Employer-paid and employee-paid business fell 7.9% and 10.5%, respectively.

Overall, the Medical occupations accounted for 33.9% or \$13.5 million of Non-Can GSI new sales premium. Employee-paid business accounted for 74.7% or \$10.1 million of the Medical sales premium. (Exhibit M)

Exhibit M. Non-Can GSI Sales Premium

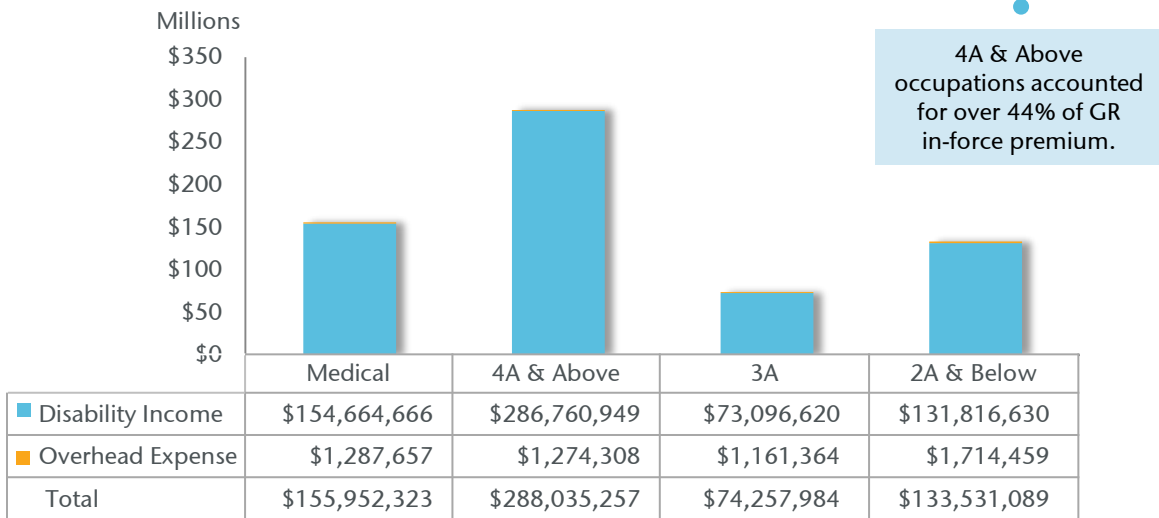


New GSI policies declined 9%. Employer-paid policies fell 11.4% to 10,330 and employee-paid policies fell 6.9% to 11,589.

Guaranteed Renewable – In-force Business

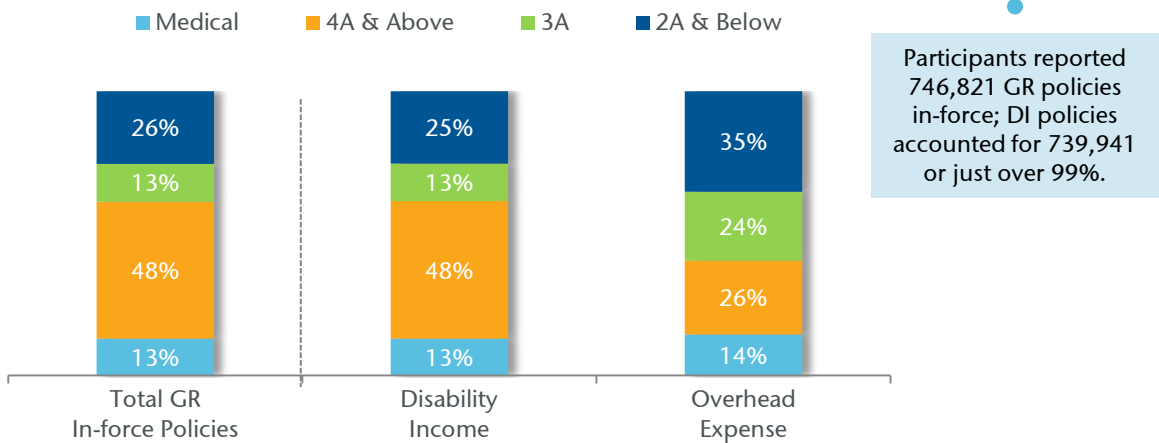
Participating companies reported \$651.8 million of Guaranteed Renewable (GR) in-force premium. DI represented \$646.4 million or 99% and OE accounted for the remainder. (Exhibit N)

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



2A & Below occupations accounted for 25.4% of DI policies and 35.3% of OE policies in-force. (Exhibit O)

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

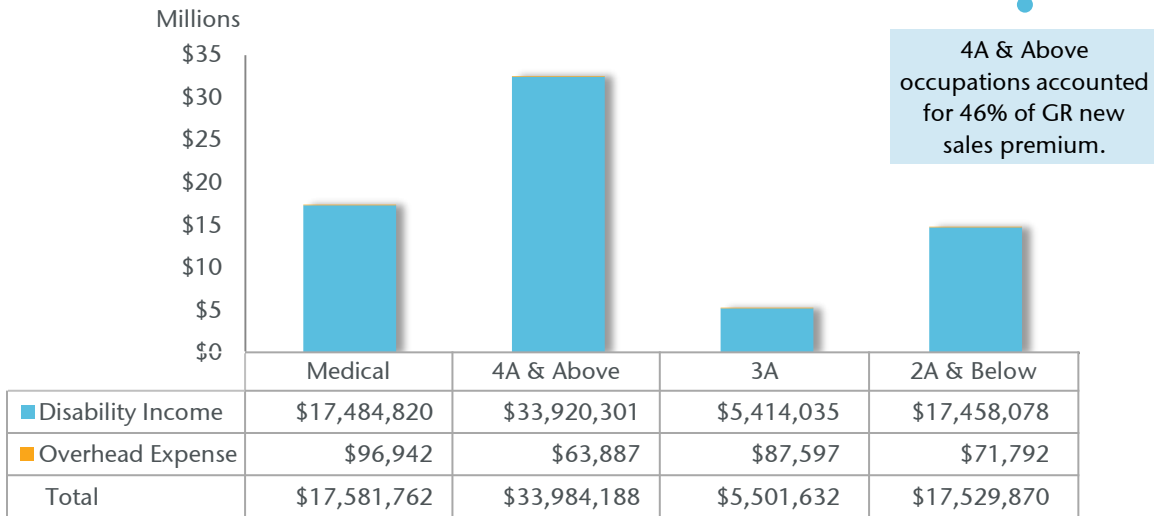


Note: Exhibits may not total 100% due to rounding.

Guaranteed Renewable – New Business

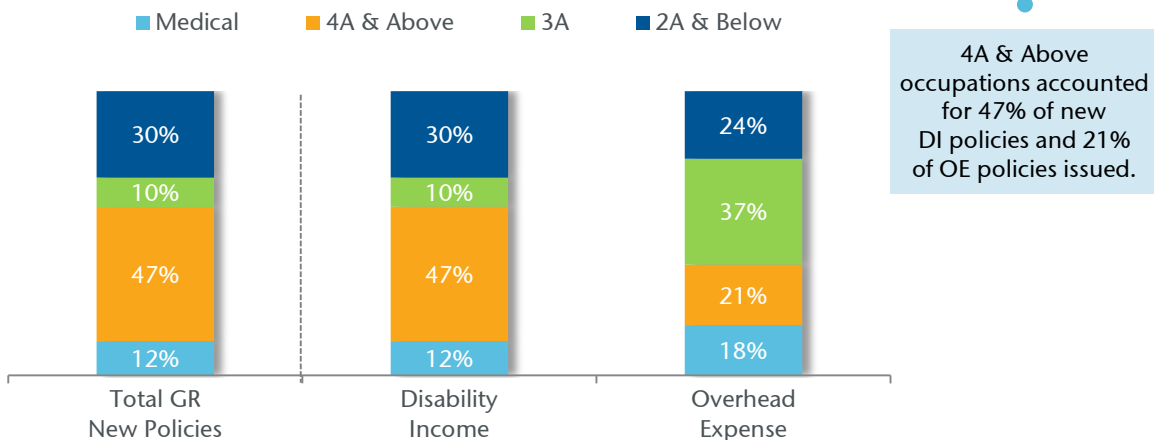
Participating companies reported \$74.6 million of GR new sales premium. DI represented \$74.3 million or 99.6%. (Exhibit P)

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



Participants reported 121,132 GR policies, with DI policies accounting for 120,850 or 99.8%. 4A & Above policies accounted for 57,219 or 47.2% of the total. (Exhibit Q)

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

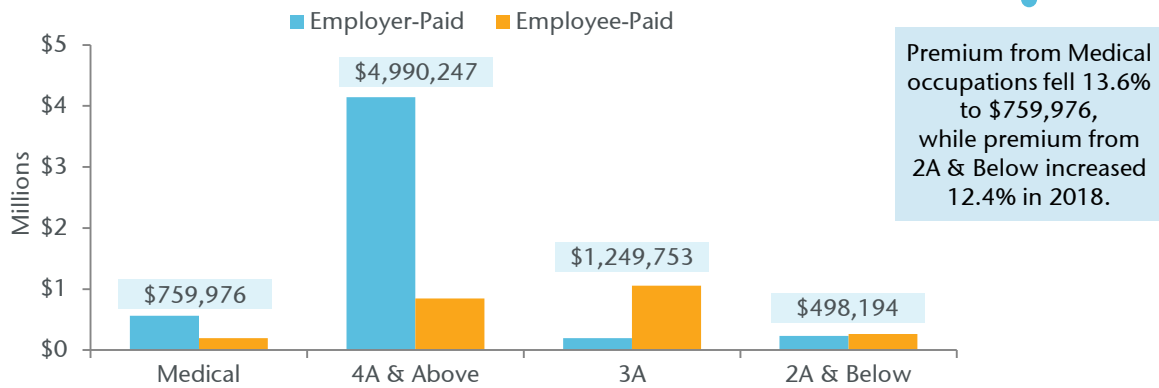


Note: Exhibits may not total 100% due to rounding.

### Guaranteed Renewable Guaranteed Standard Issue

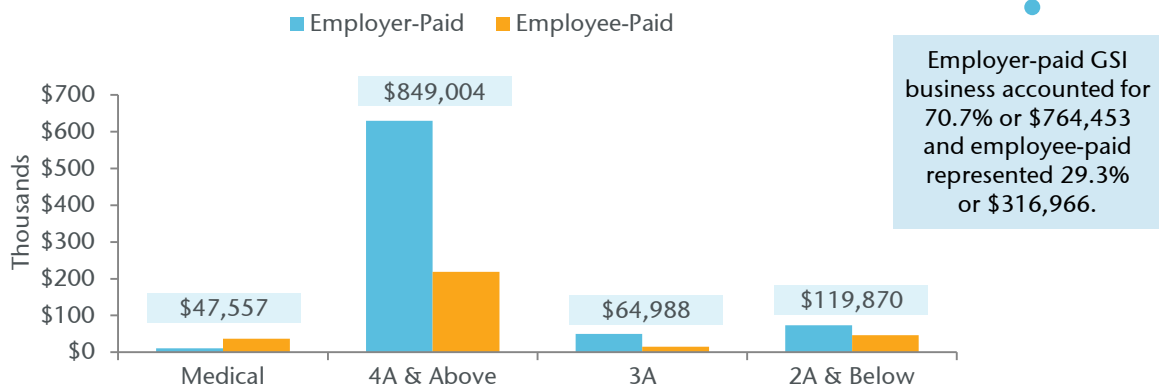
Four companies reported \$7.5 million of Guaranteed Renewable GSI in-force premium for 2018; a decrease of 2.5% over 2017. Employer-paid represented 68.5% or \$5.1 million and employee-paid accounted for 31.5% or \$2.4 million. (Exhibit R)

Exhibit R. GR GSI In-force Premium



GR GSI sales premium decreased 22.8% to \$1.1 million. The 4A & Above occupations accounted for 78.5% or \$849,004 with the employer-paid business accounting for 74.2% or \$630,194. (Exhibit S)

Exhibit S. GR GSI Sales Premium



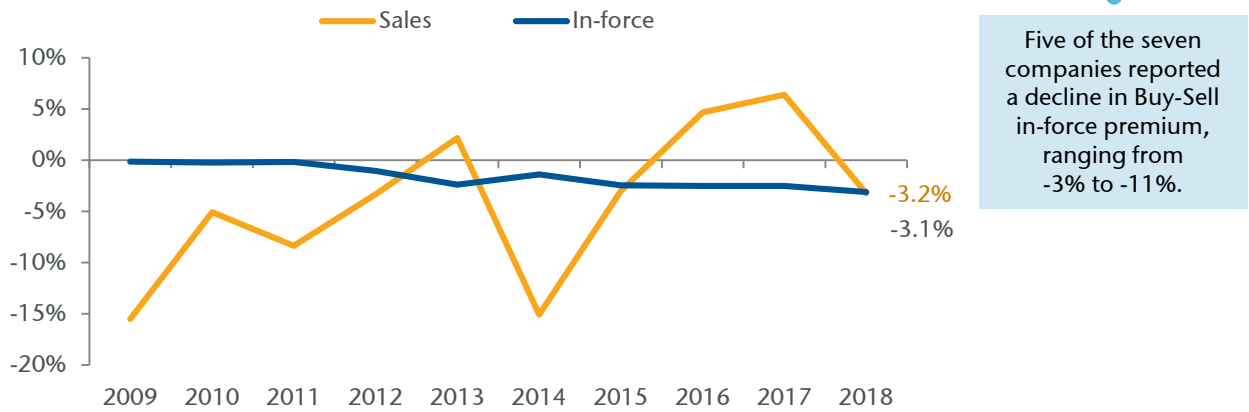
The number of new GSI policies issued fell 2.7%. Employer-paid policies declined 18.4%, from 800 in 2017 to 653 in 2018. Employee-paid policies increased 24.3%, from 465 to 578.

### Buy-Sell Business

For the past 10 years Buy-Sell in-force premium has been trending downward and in 2018 it fell 3.1% to \$58.1 million.

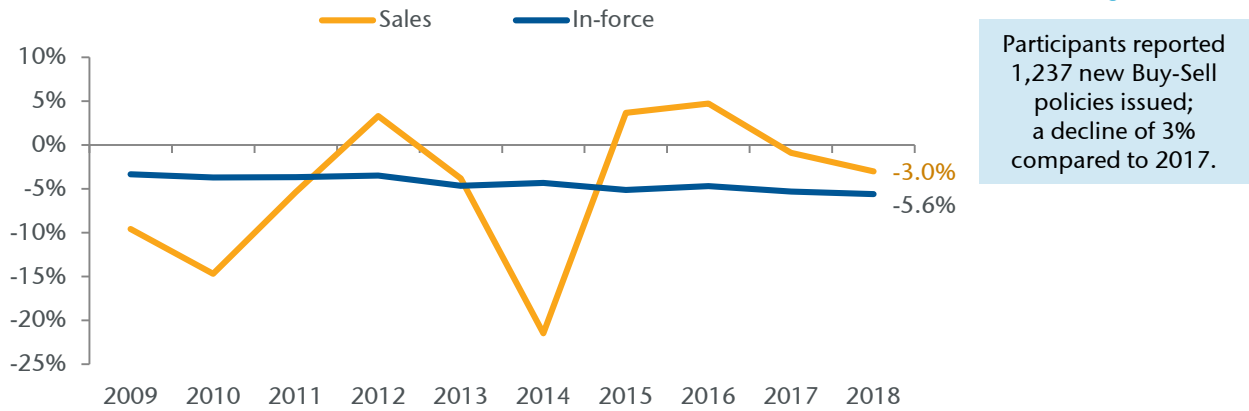
Participating companies reported \$4.1 million of Buy-Sell new sales premium, a decline of 3.2% over 2017. (Exhibit T)

Exhibit T. Buy-Sell Premium Growth Rates



The number of Buy-Sell policies in-force fell to 21,562; a decline of 5.6 % compared to 2017. In-force policies have been trending downward for 13 years.

Exhibit U. Buy-Sell Policy Growth Rates



## IN OUR VIEW

After an extremely active 2017, Individual Disability sales cooled down in 2018. The positive news is that overall new sales were up 2.8% to \$413 million. This included a 2.2% increase in Non-Can sales and a 6.2% increase in GR sales. The not so positive news is that this growth was driven by only a third of the reporting companies. The in-force block of business saw similar growth with a 2.1% increase from 2017 to \$4.8 billion.

As mentioned, of the 15 companies participating in this year's survey only five had positive sales results in 2018. The remaining 10 were either flat year-over-year or had a decrease in new sales in 2018 compared to 2017. We believe some of the decrease is directly related to the one time "MetLife Bump" that a number of carriers experienced in 2017; however, in our opinion that was not the sole reason the majority of participants did not see growth last year. Lack of qualified distribution and limited market expansion continues to be a contributing factor when it comes to challenges with growing the business.

The GSI market did experience a down year in 2018 with new sales declining 9.8% to \$41 million. We continue to monitor the mix of employer-paid and employee-paid business. The result for 2018 was almost identical to 2017 with employer-paid representing 46.9% of new GSI business and employee-paid accounting for 53.1%.

As in past years, we asked the responding companies a number of questions about their business and future plans. Based on the 2018 results it was no surprise that 67% of the respondents stated their actual sales were below their 2018 plan. However, when asked about the overall experience for 2018, 87% of the respondents said their experience was better or as they expected. Technology continues to be a bigger topic for discussion with our respondents. We asked carriers if they were currently utilizing automated underwriting and only 27% of the respondents are using some form of automated underwriting today. When asked to look into the future, the 11 companies not using automated underwriting said they have plans to implement some level of it in the next three years. This led to a question about staffing for underwriting and claim positions. Only a third of the responding companies said they are having an issue with filling these positions today with qualified candidates; however, when asked to look five years down the road, that number almost doubled.

In closing, the results for 2018 were mixed. A number of carriers experienced challenges with new sales, yet overall earnings were positive for the industry. Gen Re continues to have some concerns around the concentration of risk for certain occupations but feels confident in the underwriting discipline that the market continues to show. In conversations with several carriers, it seems that the first quarter of this year was extremely positive. Our hope is that increased activity continues throughout the year.

## ABOUT GEN RE

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

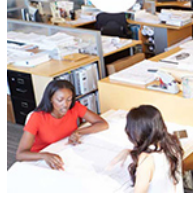
Through our research, we offer valuable information and insights to our clients about their markets. We deliver customized reinsurance programs and risk management solutions for the following lines of business:



Critical Illness



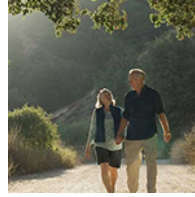
Individual  
Disability Income



Group Life  
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Individual Life



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