

MEDICARE SUPPLEMENT



U.S. Medicare Supplement Market Survey Summary

Highlights of 2019 Results

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PARTICIPATING COMPANIES

- Aetna¹
- Aflac
- American Enterprise Group²
- American National Life of Texas
- Arkansas Blue Cross Blue Shield
- Bankers Fidelity Life³
- Blue Cross Blue Shield of Alabama
- Blue Cross Blue Shield of Michigan
- Blue Cross Blue Shield of Minnesota⁴
- Blue Cross Blue Shield of North Carolina
- Blue Cross of Idaho⁵
- CareFirst BlueCross BlueShield⁶
- Central States Health & Life of Omaha
- Central States Indemnity of Omaha⁷
- Cigna⁸
- CNO Financial⁹
- Everence
- Gen Re¹⁰
- Globe Life¹¹
- Guarantee Trust Life
- Humana Inc.¹²
- Liberty Bankers Life
- Medical Health Insuring Corporation of Ohio
- Medical Mutual Life Inc.
- Medical Mutual of Ohio
- Mutual of Omaha¹³
- Oxford Life¹⁴
- Paramount
- Pekin Life
- Sentinel Security Life
- Standard Life and Accident
- State Farm Mutual Automobile
- Thrivent Financial for Lutherans
- Transamerica Premier Life
- Unified Life
- United Commercial Travelers of America
- UnitedHealthcare
- USAA Life
- Wellmark Blue Cross Blue Shield

1. Includes Aetna Life Insurance Company, Aetna Health Insurance Company, Aetna Health and Life Insurance Company, American Continental Insurance Company, Continental Life Insurance Company, First Health Life and Health Insurance Company, Coventry Health and Life Insurance Company, Genworth Life Insurance Company, and Genworth Life and Annuity Insurance Company
2. Includes American Republic, American Republic Corp, Medico, Medico Corp, and Medico Life & Health
3. Includes Bankers Fidelity Life Insurance Company and Bankers Fidelity Assurance Company
4. Includes Blue Cross and Blue Plus
5. Includes Idaho Care Plus
6. Includes FirstCare, Inc., CareFirst of Maryland Inc., and Group Hospitalization & Medical Services Inc.
7. Includes CSI Life Insurance Company
8. Includes American Retirement Life Insurance Company, Cigna Health & Life Insurance Company, Cigna National Health Insurance Company, Loyal American Life Insurance Company, Provident American Life & Health Insurance Company, Sterling Life Insurance, and United Benefit Life Insurance
9. Includes Bankers Life and Casualty Company and Washington National Insurance Company
10. Includes closed blocks of business reinsured by Gen Re (Three companies listed under Gen Re, but counted separately in the total)
11. Includes Globe Life Insurance Company of New York, Globe Life and Accident Insurance Company, Liberty National Life Insurance Company, and United American Insurance Company
12. Includes Humana Insurance Company, Humana Insurance Company of NY, Humana Insurance Company of KY, HumanaDental Insurance Company, Humana Health Benefit Plan of LA Inc., Humana Benefit Plan of IL Inc., Humana Insurance of PR Inc., Humana Health Plan Inc., Emphesys Insurance Company, CompBenefits Insurance Company, and Humana Health Insurance Company of FL Inc.
13. Includes Mutual of Omaha Insurance Company, Omaha Insurance Company, United of Omaha Life Insurance Company, United World Life Insurance Company, and Omaha Supplemental Insurance Company
14. Includes Oxford Life Insurance Company, Christian Fidelity Life Insurance Company, and North American Insurance Company

BACKGROUND

Gen Re is pleased to present this summary of key highlights from our 2019/2020 *Medicare Supplement Market Survey*. The full report covers Medicare Supplement results and market trends for 2019, capturing sales and in-force data, claim metrics, underwriting tools and practices, rate increase activity and compensation and distribution details. The comprehensive report is made available only to participating companies.

A total of 41 questionnaires were completed for this year's survey, representing 85 companies with Medicare Supplement (Med Supp) business. Throughout this summary report, the percentage (or number) of companies refers to the 41 completed questionnaires. Depending on the type of question, not all companies were eligible to provide a response. To aid in your review, the number of respondents is displayed as "R="." When reviewing the results please note that participants may vary from year to year.

Participating companies were segmented by whether they have open and/or closed blocks of Med Supp business. "Open blocks" refers to blocks of business that accepted new applications in 2019. The majority of companies (70.7%) manage both open and closed blocks.

Participating Company Status	Percentage of Companies
Open blocks only (Actively selling)	9.8%
Closed blocks only (No longer selling)	19.5%
Both open and closed blocks	70.7%

Total Annualized In-force Premium and Lives for 2019

Participating companies reported \$23.3 billion of Med Supp in-force premium for 2019, representing an increase of 5.8% over 2018. Open blocks account for 66.6% of the total premium or \$15.5 billion. Participants also reported 9.8 million covered lives, an increase of 2.5% over 2018. (Exhibit A)

Exhibit A. In-force Growth Rates, 2019 vs. 2018

	Premium	Lives
All Companies	5.8%	2.5%
Open Blocks	10.5%	7.7%
Closed Blocks	-2.6%	-10.0%

R=41, 33, 37

Total Annualized Sales Premium and Lives for 2019

In 2019, companies with open blocks reported nearly \$1.8 billion of Med Supp sales premium, an increase of 21% over 2018. This result was mainly due to one company who reported that premium from new sales was heavily inflated in 2019 due to sunseting of Medicare Cost plans. When excluding them from the growth calculation, new sales premium increases by 4.8% over 2018. Participants also reported covering more than one million lives, rising 12.8% over 2018. (Exhibit B)

Exhibit B. Sales Growth Rates, 2019 vs. 2018

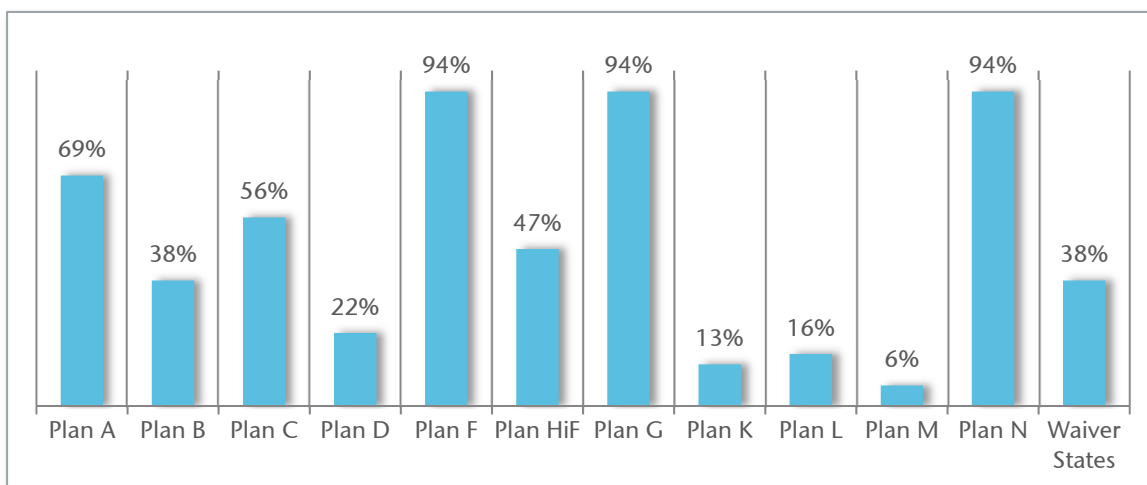
Premium	Lives
21.0%	12.8%

R=32 (Premium & Lives)

Source of Sales Premium and Lives

In 2019, 94% of the participating companies sold Plans F, G and N. Plans A and C were also popular with more than half of the participants selling those plans. (Exhibit C)

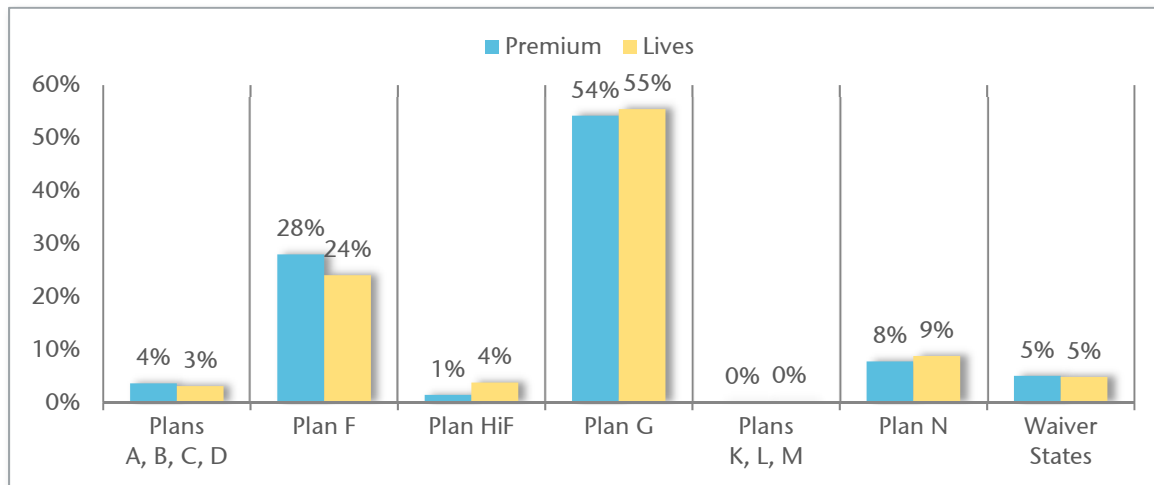
Exhibit C. Percentage of Companies Reporting Sales Premium by Plan Type



R=32

On a combined basis, Plans F and G accounted for 82.2% of the total sales premium and 79.5% of the total lives in 2019. (Exhibit D)

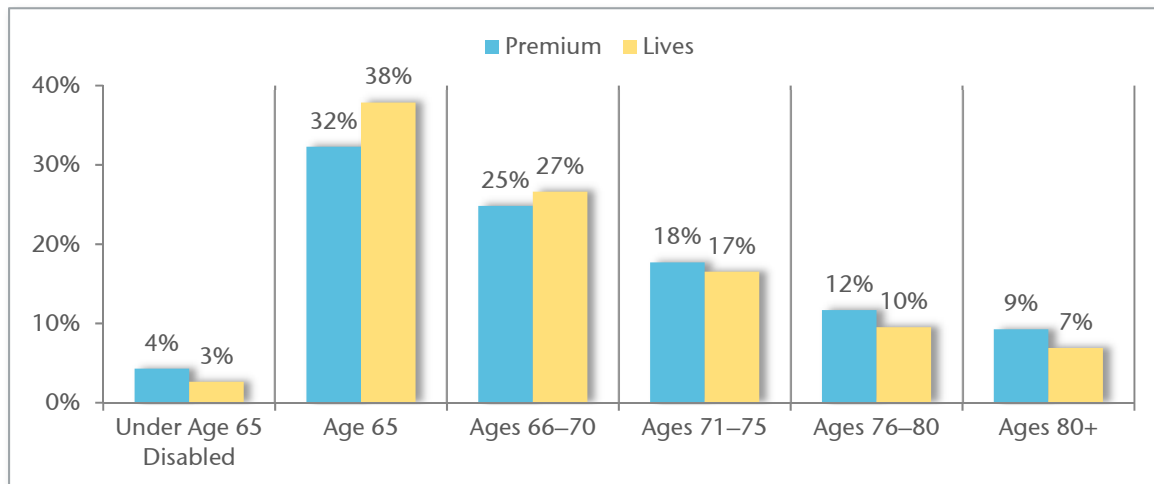
Exhibit D. Percentage of Sales Premium and Lives by Plan Type



R=32 (Premium & Lives)

For 2019, 32% of new sales premium was attributed to policyholders who were age 65, while policyholders ages 76 and older represent 21% of new premium. (Exhibit E)

Exhibit E. Percentage of Premium and Lives by Age



R=29 (Premium), 30 (Lives)

Overall, 46% of 2019 new sales premium could be attributed to open enrollment applications and 36% to underwritten applications. (Exhibit F)

Exhibit F. Percentage of Sales Premium by Source

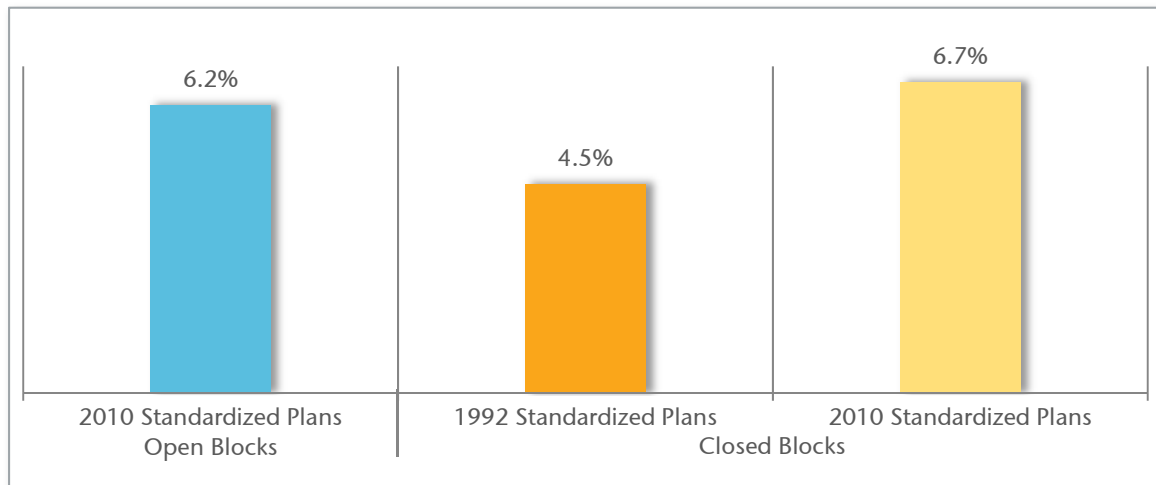
Open Enrollment	Guaranteed Issue	Underwritten
46.2%	17.6%	36.2%

R=26

2019 Claims Trend

The observed claims trend for 2010 Standardized Plans averaged slightly higher (6.7%) for companies with closed blocks compared to 6.2% for companies with open blocks. (Exhibit G)

Exhibit G. 2019 Observed Claims Trend by Plan Type

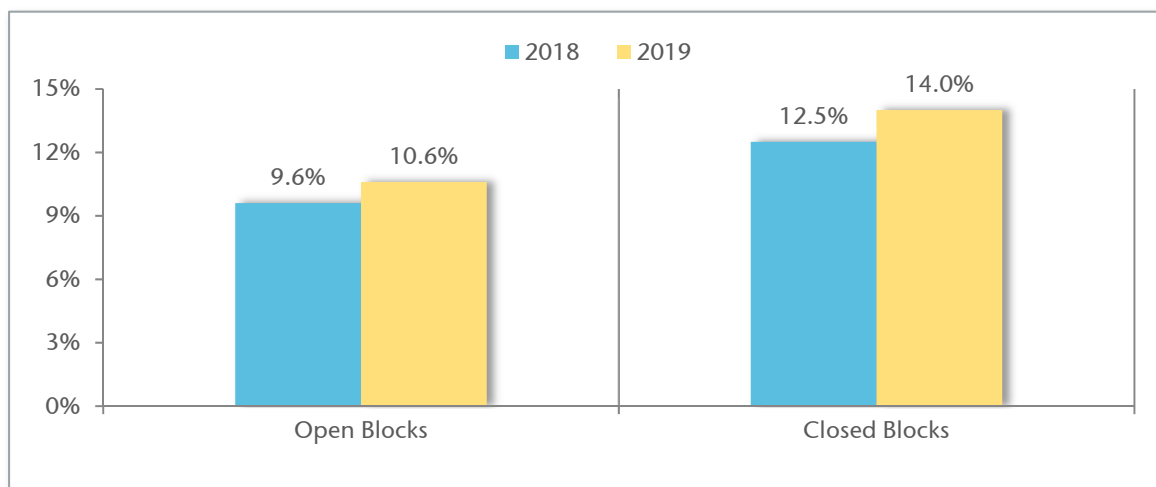


R=29, 31, 18

Lapse Rates

In 2019 lapse rates for open and closed blocks increased compared to 2018, averaging 10.6% and 14.0%, respectively. (Exhibit H)

Exhibit H. 2018 & 2019 Average Lapse Rates

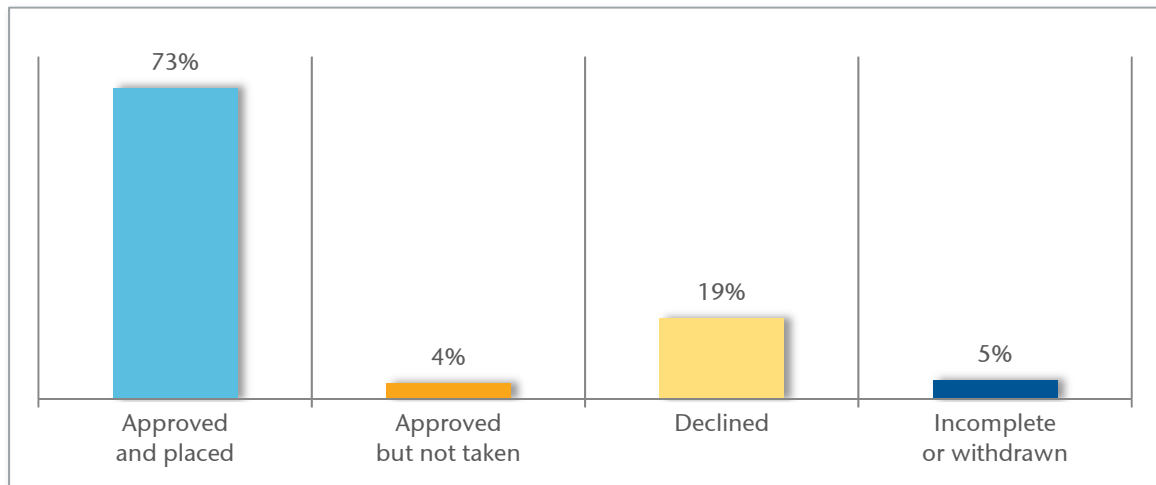


R=32, 32 (2018 & 2019)

Underwritten Applications (Open Blocks Only)

On average, 73% of underwritten applications were approved and placed, while 19% were declined. Of the 28 participating companies, 12 reported a decline rate greater than 20%. (Exhibit I)

Exhibit I. Results of Underwritten Applications



R=28

Processing Time for Underwritten Applications (Open Blocks Only)

In 2019, the average turnaround time on underwritten applications was 4.4 business days, ranging from one to 12 days. (Exhibit J) On average, companies keep an application open 37 days to obtain a requirement before closing it due to incomplete information.

Exhibit J. Number of Days to Process Underwritten Applications

	Average	Median	Range
Business Days	4.4	4.0	1 – 12

R=28

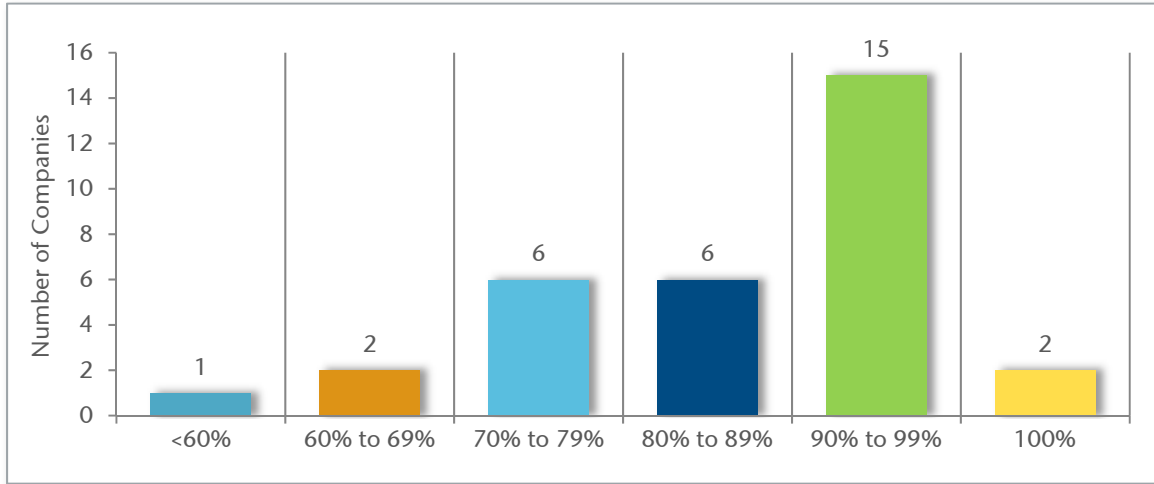
Automated Underwriting Systems (Open Blocks Only)

For the purpose of this survey, an automated underwriting system was defined as a system to approve underwritten, web-based applications without human involvement. Of the 30 responding companies, six use an automated underwriting system and three plan to implement a system within the next 24 months.

Claims Process

Overall, 91% of participating companies auto-adjudicate Med Supp claims. Of those companies, more than half (17) reported that 90% or more of their Med Supp claims are auto-adjudicated. (Exhibit K)

Exhibit K. Distribution of Percentage of Claims Auto-Adjudicated



R=32

On average, 85.4% of claims are auto-adjudicated, with the percentages ranging from 20% to 100%. (Exhibit L)

Exhibit L. Percentage of Claims Auto-Adjudicated

	Average	Median	Range
Auto-adjudicated Claims	85.4%	90.0%	20% – 100%

R=32

Distribution Channels (Open Blocks Only)

Direct-to-consumer was defined as selling a Medicare Supplement policy over the phone, online, via mail, or a combination of these methods without assistance from a traditional agent who is paid a traditional compensation. (Consumers can apply for coverage and go through the process without ever having to communicate with anyone.) About 61% of the participating companies currently sell direct-to-consumer, while 6% are looking to develop this capability. (Exhibit M)

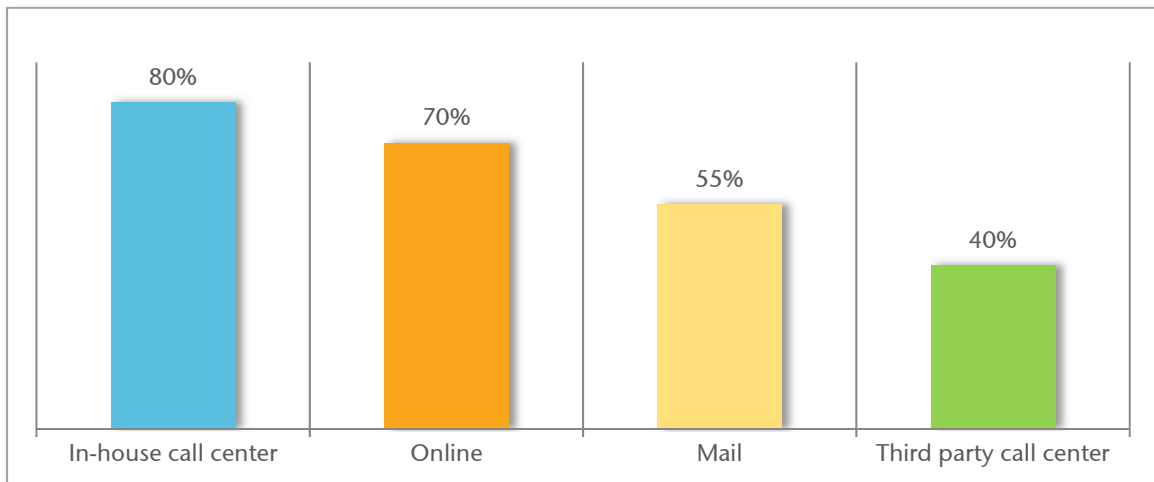
Exhibit M. Percentage of Companies Selling Direct-to-Consumer

	Total
Selling Direct-to-Consumer	60.6%
Not selling but looking to develop	6.1%

R=33

Most companies use an in-house call center as well as online support for their direct-to-consumer business. (Exhibit N) Eight companies use up to three methods to support their direct-to-consumer business and three companies use all four methods.

Exhibit N. How Direct-to-Consumer Business Is Supported



R=20

ABOUT GEN RE

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A.M. Best

AA+

Standard & Poor's

Aa1

Moody's

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Critical Illness



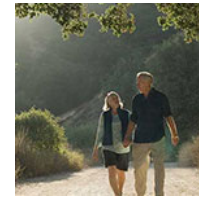
**Individual
Disability Income**



**Group Life
and AD&D**



Individual Life



**Medicare
Supplement**

GEN RE RESEARCH CENTER

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

genre.com/research-center

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