

MEDICARE SUPPLEMENT



# U.S. Medicare Supplement Market Survey Summary

*Highlights of 2020 Results*

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## PARTICIPATING COMPANIES

- Aetna<sup>1</sup>
- Aflac
- American Enterprise Group<sup>2</sup>
- American National Life of Texas
- Arkansas Blue Cross Blue Shield
- Bankers Fidelity Life<sup>3</sup>
- Bankers Life & Casualty (CNO Financial Services)
- Blue Cross Blue Shield of Alabama
- Blue Cross Blue Shield of Michigan
- Blue Cross Blue Shield of Minnesota<sup>4</sup>
- Blue Cross of Idaho<sup>5</sup>
- Blue Cross of North Carolina
- Capitol Life (Liberty Bankers Insurance Group)
- CareFirst BlueCross BlueShield<sup>6</sup>
- Central States Health & Life of Omaha
- Central States Indemnity (CSI) Life<sup>7</sup>
- Cigna<sup>8</sup>
- Colonial Penn (CNO Financial Services)
- Everence
- Garden State Life (American National)
- Gen Re<sup>9</sup>
- Globe Life and Accident<sup>10</sup>
- Guarantee Trust Life
- Humana Inc.<sup>11</sup>
- Individual Assurance Company
- ManhattanLife Assurance Company of America
- Mutual of Omaha<sup>12</sup>
- National Health Insurance Company
- Oxford Life<sup>13</sup>
- Pekin Life
- Security Health Plan
- Standard Life and Accident (American National)
- State Farm Mutual Automobile
- State Mutual
- Transamerica Life
- Unified Life
- United Commercial Travelers of America
- United States Fire Insurance Company
- UnitedHealthcare
- USAA Life
- Washington National (CNO Financial Services)
- Wellmark Blue Cross Blue Shield

1. Includes Accendo Insurance Company, 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 and Health

3. Includes Bankers Fidelity Life Insurance Company and Bankers Fidelity Assurance Company

4. Includes Blue Cross and Blue Plus

5. Includes Blue Cross of Idaho Health Service Inc. and Blue Cross of Idaho Care Plus

6. Includes FirstCare Inc., Group Hospitalization and Medical Services Inc., and CareFirst of Maryland Inc.

7. Includes CSI Life Insurance Company and Central States Indemnity Company of Omaha

8. Includes American Retirement Life Insurance Company, Cigna Health & Life Insurance Company, Loyal American Life Insurance Company, Cigna National Health Insurance Company, Provident American Life & Health Insurance Company, Sterling Life Insurance Company, and United Benefit Life Insurance Company

9. Includes closed blocks of business reinsured by Gen Re (Three companies listed under Gen Re, but counted separately in the total)

10. Includes Globe Life Insurance Company of New York, Globe Life and Accident Insurance Company, Liberty National Life Insurance Company, and United American Insurance Company

11. Includes Humana Insurance Company, Humana Insurance Company of NY, Humana Insurance Company of KY, Humana Dental 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.

12. 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

13. 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 2020/2021 *Medicare Supplement Market Survey*. The full report covers Medicare Supplement (Med Supp) results and market trends for 2020, 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 44 questionnaires were completed for this year's survey, representing 88 companies with Med Supp business. Throughout this summary report, the percentage (or number) of companies refers to the 44 completed questionnaires. Depending on the type of question, not all companies were eligible 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 reported open and/or closed blocks of Med Supp business. "Open blocks" refers to blocks of business that accepted new applications in 2020. Most companies (57%) manage both open and closed blocks.

| Participating Company Status           | Percentage of Companies |
|--|-------------------------|
| Open blocks only (actively selling)    | 20%                     |
| Closed blocks only (no longer selling) | 23%                     |
| Both open and closed blocks            | 57%                     |

### Total Annualized In-force Premium and Lives for 2020

Participating companies reported \$23.8 billion of Medicare Supplement in-force premium for 2020, increasing by 3.5% compared to 2019. Participants also reported 9.7 million covered lives, basically unchanged from 2019. Open blocks account for 67% of the total premium or \$16 billion. (Exhibit A)

Exhibit A. In-force Growth Rates, 2020 vs. 2019

|                | Premium          | % Change | Lives     | % Change |
|----------------|------------------|----------|-----------|----------|
| Open blocks    | \$15,956,446,048 | 7%       | 7,123,267 | 2%       |
| Closed blocks  | \$7,865,905,741  | -3%      | 2,550,540 | -6%      |
| Total in-force | \$23,822,351,789 | 4%       | 9,673,807 | 0%       |

R=34, 35, 44

### Total Annualized Sales Premium and Lives for 2020

Nearly \$1.5 billion of Med Supp sales premium was reported for 2020 compared to \$1.7 billion for 2019. The decline of 12% is mainly due to one company whose 2019 premium from new sales was heavily inflated due to sunseting of Medicare Cost plans. When excluding them from the growth calculations, new sales premium increased by about 3% and lives grew by 4% over 2019. (Exhibit B)

Exhibit B. Sales Growth Rates, 2020 vs. 2019

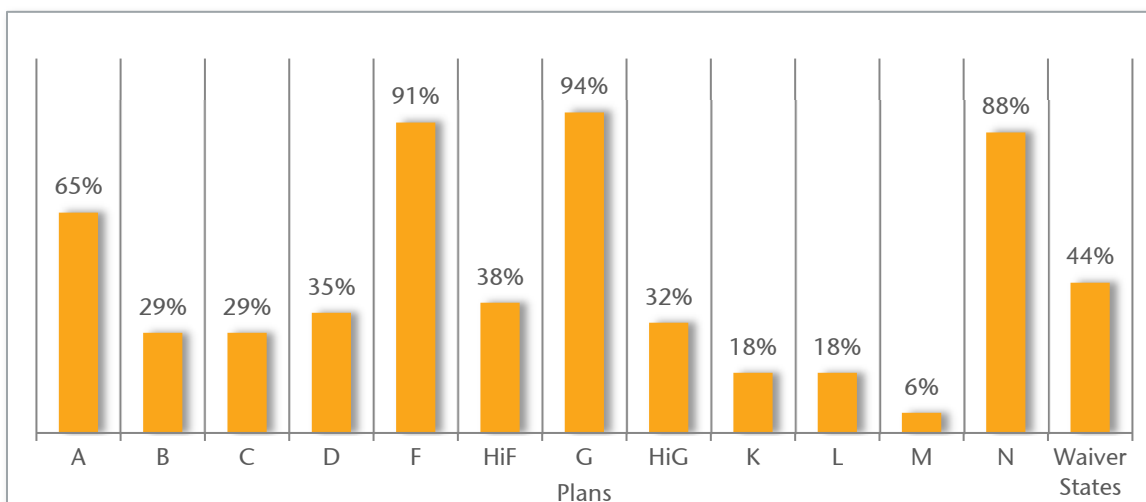
|         | 2020            | % Change | Adjusted % Change |
|---------|-----------------|----------|-------------------|
| Premium | \$1,457,234,189 | -12%     | 3%                |
| Lives   | 918,006         | -6%      | 4%                |

R=34

### Source of Sales Premium and Lives

In 2020, over 90% of the participating companies sold Plans F and G. Plan N was also popular with 30 companies (88%) selling that plan. (Exhibit C)

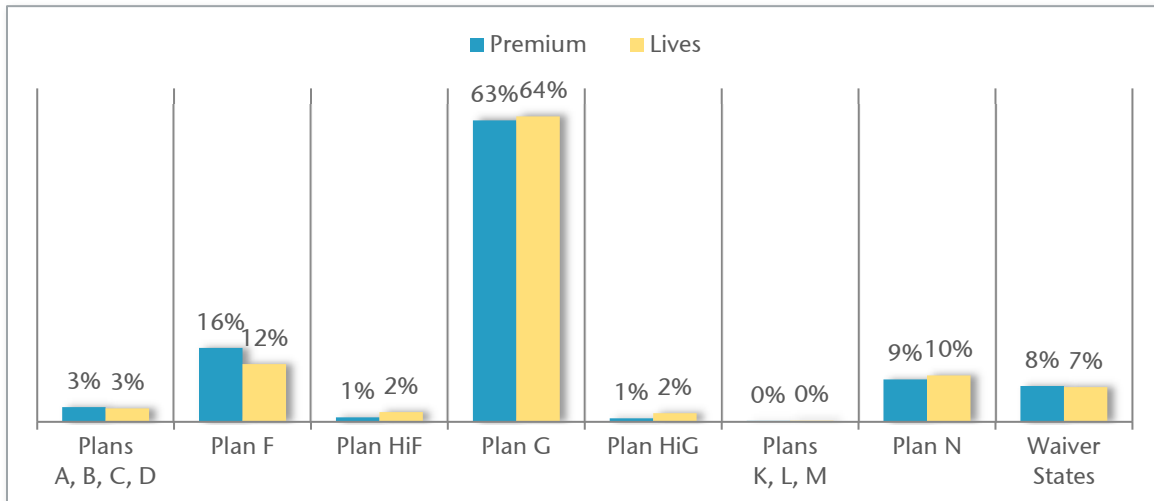
Exhibit C. Percentage of Companies Reporting Sales Premium by Plan Type



R=34

On a combined basis, Plans F and G account for 79% of the total new sales premium and 76% of new lives. (Exhibit D)

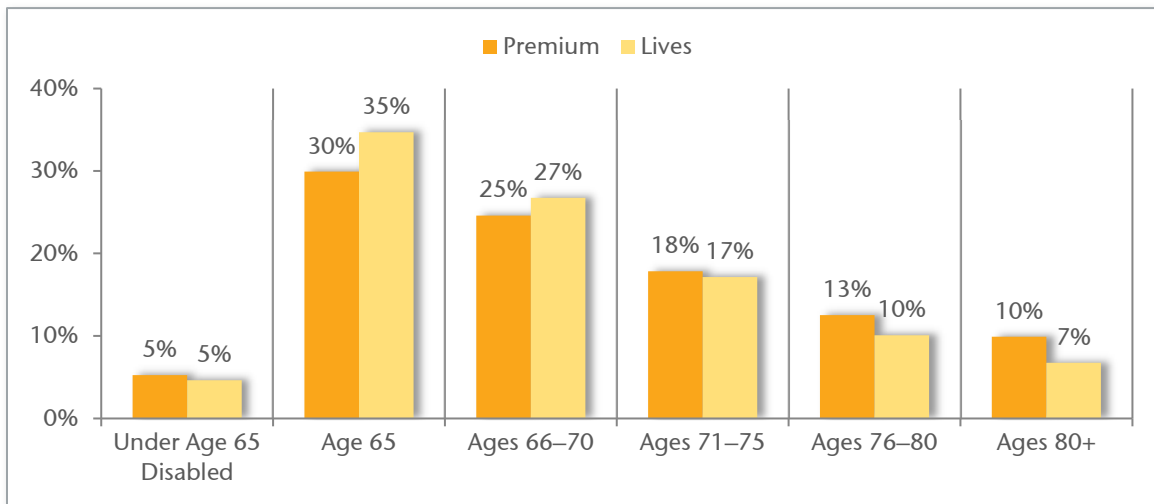
Exhibit D. Percentage of 2020 Sales Premium and Lives by Plan Type



R=34

In 2020, policyholders aged 65 represent 30% of new sales premium and 35% of new lives. (Exhibit E)

Exhibit E. Percentage of 2020 Sales Premium and Lives by Age



R=33 (Premium); 34 (Lives)

Open enrollment and underwritten applications accounted for the majority of 2020 new sales premium at 42% and 39%, respectively. (Exhibit F)

Exhibit F. Percentage of Sales Premium by Source

| Open Enrollment | Guaranteed Issue | Underwritten |
|-----------------|------------------|--------------|
| 42%             | 19%              | 39%          |

R=31

### 2020 Observed Claims Trend

Regardless of plan type or whether the block is open or closed, most companies observed a negative claims trend for 2020. For open blocks of 2010 plans, the 2020 observed claims trend averaged -3%, while for closed blocks of 2010 plans, the claims trend averaged -6%. (Exhibit G)

Exhibit G. 2020 Observed Claims Trend by Plan Type

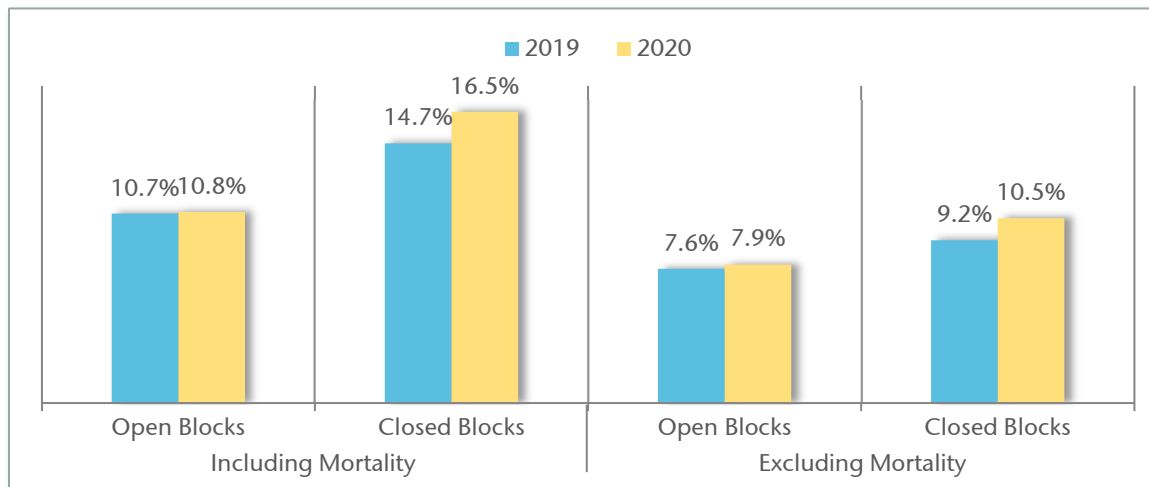
|               | 1992 Standardized Plans |        |             | 2010 Standardized Plans |        |            |
|---------------|-------------------------|--------|-------------|-------------------------|--------|------------|
|               | Average                 | Median | Range       | Average                 | Median | Range      |
| Open blocks   |                         |        |             | -3%                     | -5%    | -13% to 8% |
| Closed blocks | -5%                     | -7%    | -15% to 17% | -6%                     | -6%    | -28% to 9% |

R=30 (Open Blocks); R=31, 20 (Closed Blocks)

### Lapse Rates

For 2020, lapse rates including mortality averaged 11% for open blocks and 17% for closed blocks. Excluding mortality, lapse rates averaged 8% and 10%, respectively, for 2020. (Exhibit H)

Exhibit H. Average Lapse Rates

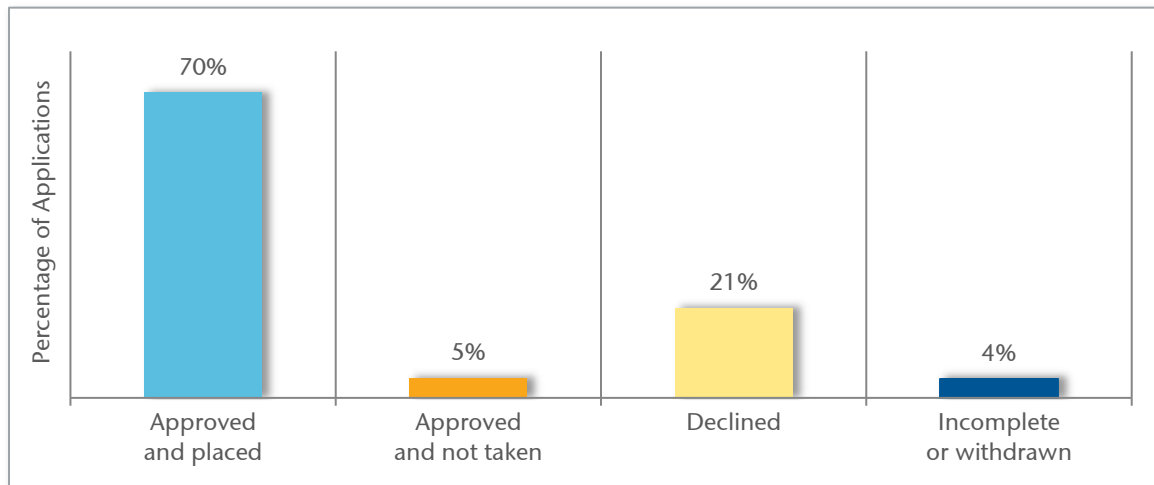


R=30, 35 (2020 Including Mortality); R=16, 17 (2020 Excluding Mortality)

### Underwritten Applications (Open Blocks Only)

On average, 70% of underwritten applications were approved and placed, while 21% were declined. Of the 29 participating companies, 16 reported a decline rate greater than 20%. (Exhibit I)

Exhibit I. Outcomes of Underwritten Applications



R=29

### Processing Time for Underwritten Applications

In 2020, the average turnaround time for underwritten applications was 4.2 business days, ranging from one to 11 days. On average, companies keep an application open 41 days to obtain a requirement before closing it due to incomplete information. (Exhibit J)

Exhibit J. Number of Days to Process Underwritten Applications

|                        | Business Days |        |         |
|------------------------|---------------|--------|---------|
|                        | Average       | Median | Range   |
| Turnaround time        | 4.2           | 4.0    | 1 – 11  |
| How long app kept open | 40.8          | 35.0   | 10 – 90 |

R=30, 28

### Automated Underwriting Systems

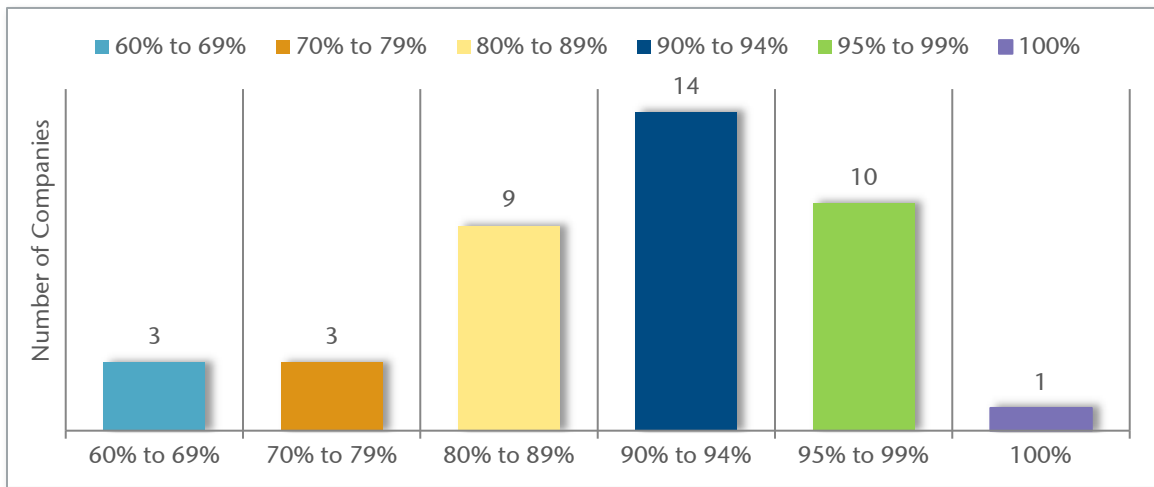
For the purpose of this survey, an automated underwriting system was defined as a system used to make decisions on underwritten, web-based applications without human involvement. Of the 32 responding companies, 11 (34%) use an automated underwriting system and five (16%) plan to implement a system within the next 24 months.



### Claims Process

All responding companies auto-adjudicate claims. Of the 40 respondents, 25 (63%) auto-adjudicate 90% or more of their claims. (Exhibit K)

Exhibit K. Distribution of Percentage of Claims Auto-Adjudicated



R=40

On average, 88% of claims are auto-adjudicated, ranging from 63% for a company with only a closed block of business to 100%. (Exhibit L)

Exhibit L. Percentage of Claims Auto-Adjudicated

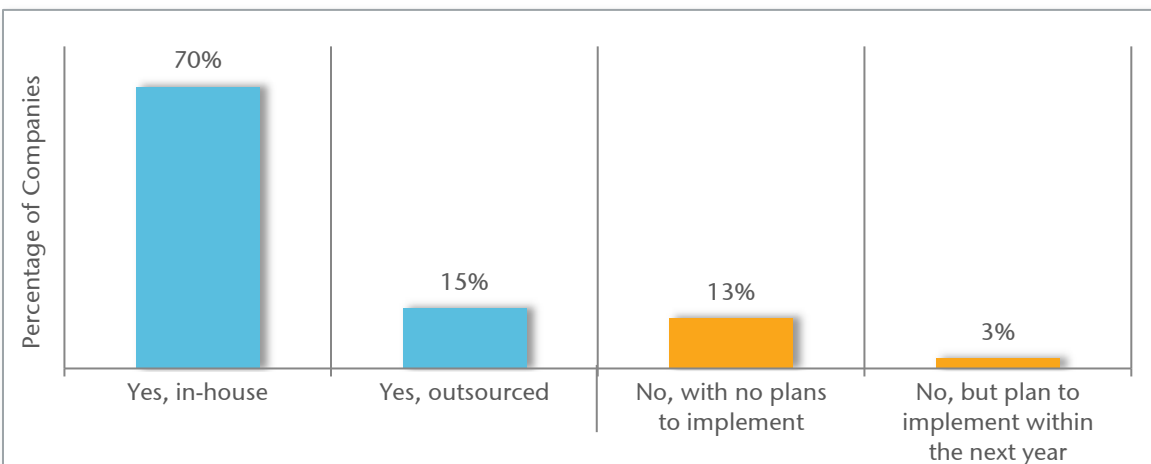
| Average | Median | Range      |
|---------|--------|------------|
| 88%     | 90%    | 63% – 100% |

R=40

### Quality Assurance Programs

Of the 40 respondents, 34 (85%) have a Quality Assurance (QA) program, with most occurring in-house. Of the six companies without a QA program, one plans to put a system in place within the next year. (Exhibit M)

Exhibit M. Percentage of Companies With a Quality Assurance Program

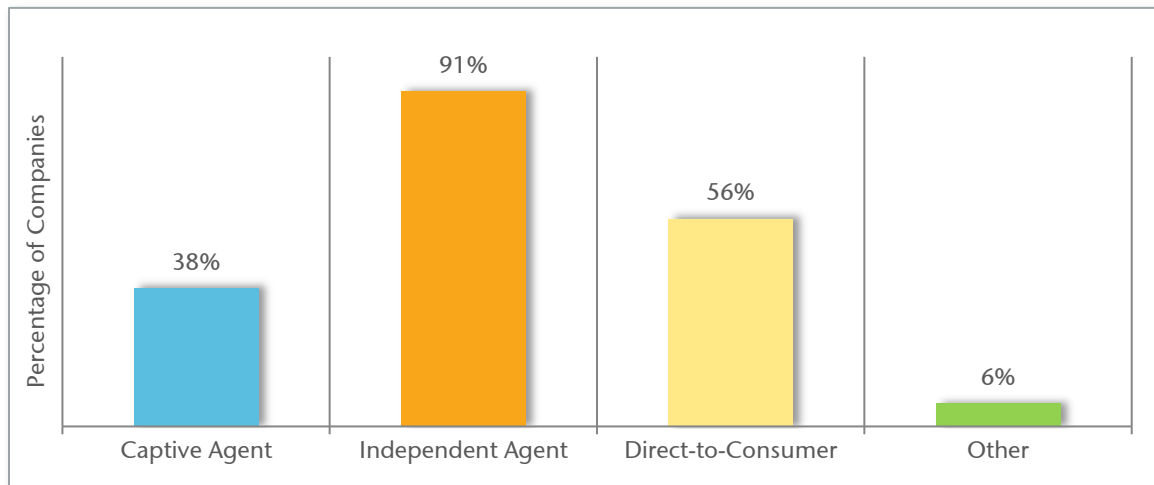


R=40

### Distribution Channels (Open Blocks Only)

Of the 32 respondents, 29 (91%) sell Med Supp through independent agents and more than half (56%) sell direct-to-consumer. (Exhibit N)

Exhibit N. Percentage of Companies Using Distribution Channels

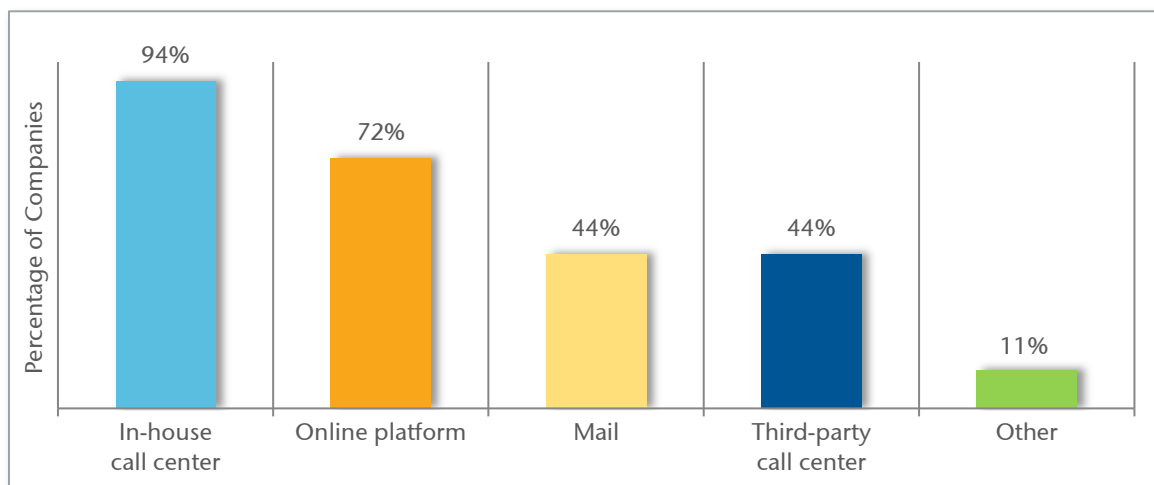


R=32

Direct-to-consumer was defined as selling a Medicare Supplement policy via the phone, online, the mail, or a combination of these methods without the 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.

Of the companies selling direct-to-consumer, 94% use an in-house call center compared to 44% that rely on a third-party call center. (Exhibit O)

Exhibit O. Selling Med Supp Direct-to-Consumer



R=18

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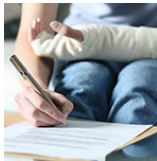
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Standard & Poor's

**Aa1**

Moody's

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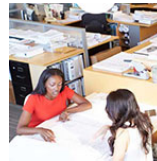
**Accident**



**Critical  
Illness**



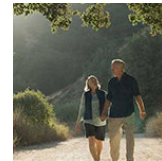
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Disability Income**



**Group Life  
and AD&D**



**Individual  
Life**



**Medicare  
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