



U.S. Medicare Supplement Market Survey Summary

Highlights of 2017 Results

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PARTICIPATING COMPANIES

- Aetna¹
- Aflac
- Alliance Health & Life Insurance Company
- American Enterprise²
- American National Life Insurance Company of Texas
- Americo Financial Life and Annuity Insurance Company
- Arkansas Blue Cross and Blue Shield
- Bankers Fidelity Life Insurance Company³
- Bankers Life and Casualty
- Blue Cross and Blue Shield of Alabama
- Blue Cross and Blue Shield of Michigan
- Blue Cross and Blue Shield of Minnesota⁴
- Blue Cross Blue Shield of North Carolina
- Blue Cross of Idaho
- CareFirst BlueCross BlueShield⁵
- Cigna⁶
- Colonial Penn Life Insurance Company
- COUNTRY Life Insurance Company
- Equitable Life & Casualty
- Everence
- Gen Re⁷
- Guarantee Trust Life Insurance Company
- Health Care Service Corporation (HCSC)
- Humana⁸
- Liberty Bankers Life Insurance Company
- Mutual of Omaha Insurance Company⁹
- New Era Life Insurance Company
- New Era Life Insurance Company of the Midwest
- Oxford Life Insurance Company¹⁰
- Paramount Insurance Company
- Pekin Life Insurance Company
- Philadelphia American Life Insurance Company
- Security Health Plan
- Sentinel Security Life Insurance Company
- Standard Life and Accident Insurance Company
- State Farm
- The Order of United Commercial Travelers of America (UCT)
- Thrivent Financial for Lutherans
- Torchmark Corporation¹¹
- Transamerica Premier Life Insurance Company
- Unified Life Insurance Company
- United National Life Insurance Company
- UnitedHealthcare
- USAA Life Insurance Company
- Washington National Insurance Company
- Wellmark Blue Cross Blue Shield

Notes

1. Includes Aetna Life 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 Enterprise, American Republic and Medico
3. Bankers Fidelity Life Insurance Company and Bankers Fidelity Assurance
4. Includes Blue Cross Blue Shield of Minnesota and Blue Plus
5. Includes CareFirst BlueCross BlueShield, FirstCare, Inc. and Group Hospitalization & Medical Services Inc.
6. American Retirement Life Insurance Company and Cigna Health & Life
7. Includes closed blocks of business reinsured by Gen Re (seven companies reported separately but listed under Gen Re)
8. Includes Humana Insurance Company and Kanawha Insurance Company
9. Includes Mutual of Omaha Insurance Company, United World Life Insurance Company, United of Omaha Life Insurance Company and Omaha Insurance Company
10. Includes Oxford Life Insurance Company, North American Insurance Company and Christian Fidelity Insurance Company
11. Includes United American Insurance, Globe Life of New York (formerly First United American), Globe Life, and Liberty National Life Insurance Company

BACKGROUND

Gen Re is pleased to present this summary of key highlights from our *2017/2018 U.S. Medicare Supplement Market Survey*. The full survey covers Medicare Supplement results and market trends for 2017, capturing sales and in-force data, claim metrics including trends and staffing, underwriting tools and practices, rate increase activity and distribution details. The comprehensive report is made available only to participating companies.

A total of 52 questionnaires were completed for this year's survey, representing 74 companies with Medicare Supplement (Med Supp) business. Throughout this summary, the percentage (or number) of companies refers to the 52 completed questionnaires. Additionally, depending on the type of question, not all companies were eligible to answer. To aid in your review, the number of responding companies is displayed as "R=".

Previously, this survey was segmented by active and closed companies, while this year the segmentation is by open and closed blocks (within a company). Blocks of business that accepted new applications in 2017 are referred to as "open blocks." The majority of participating companies have both open and closed blocks of business. (Exhibit A)

Exhibit A. Participating Company Status

	Percentage of Companies
Open Blocks Only (Actively selling)	17.3%
Closed Blocks Only (No longer selling)	21.2%
Managing Both Open and Closed Blocks	61.5%

R=52

In previous surveys, results were segmented based on active versus closed companies. As this year's segmentation is based on open versus closed blocks of business, the current growth rate cannot be directly compared to historical results.

SUMMARY OF RESULTS

Total Annualized In-force Premium and Lives for 2017

Participating companies reported \$22.2 billion of in-force premium for 2017, representing an increase of 6.3% over 2016. (Exhibit B) When focusing only on open blocks for companies actively selling Medicare Supplement, the growth rate increases to 15.2% for in-force premium.

Exhibit B. In-force Growth Rates (2017 vs. 2016)

	All Companies			Open Blocks		Closed Blocks	
	Premium	Lives		Premium	Lives	Premium	Lives
Total	6.3%	4.8%	Total	15.2%	13.6%	-6.9%	-11.9%

R=51

R=40

R=44

Total Annualized Sales Premium and Lives for 2017

In 2017 new sales premium totaled nearly \$2.3 billion, representing a decrease of 3.9% compared to 2016. Gen Re estimated the 2016 and 2017 premium figures for one company and they are included in the sales growth results. (Exhibit C)

Exhibit C. Sales Growth Rates (2017 vs. 2016)

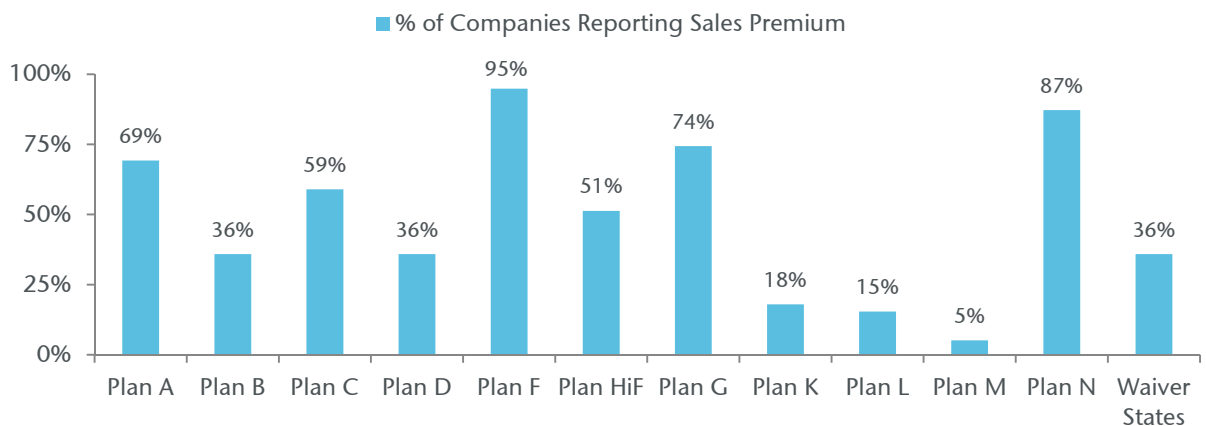
	Premium	Lives
Total	-3.9%	3.3%

R=Premium: 39; Lives: 39

Source of 2017 New Sales Premium and Lives

On average, Plan F accounts for 46.3% of the total sales premium in 2017 and remains the most sold plan. (Exhibit D) Excluding two companies that sell only in waiver states, all participating companies sold Plan F in 2017. In comparison, more than 65% of the participating companies reported selling Plans A, G, and/or N; these three plans combined represent 38.8% of sold premium in 2017.

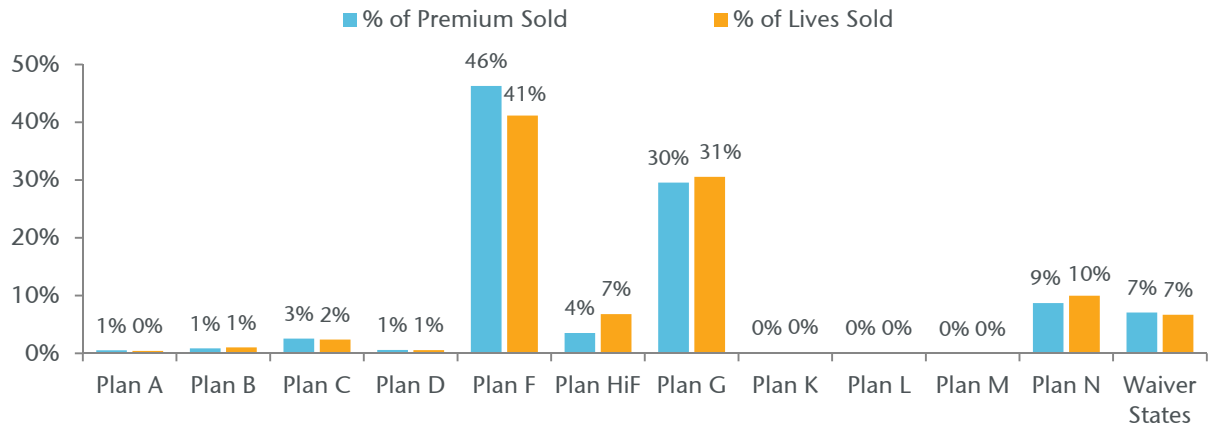
Exhibit D. 2017 New Sales Premium and Lives by Plan Type



R=Premium: 39; Lives: 40

SUMMARY OF RESULTS

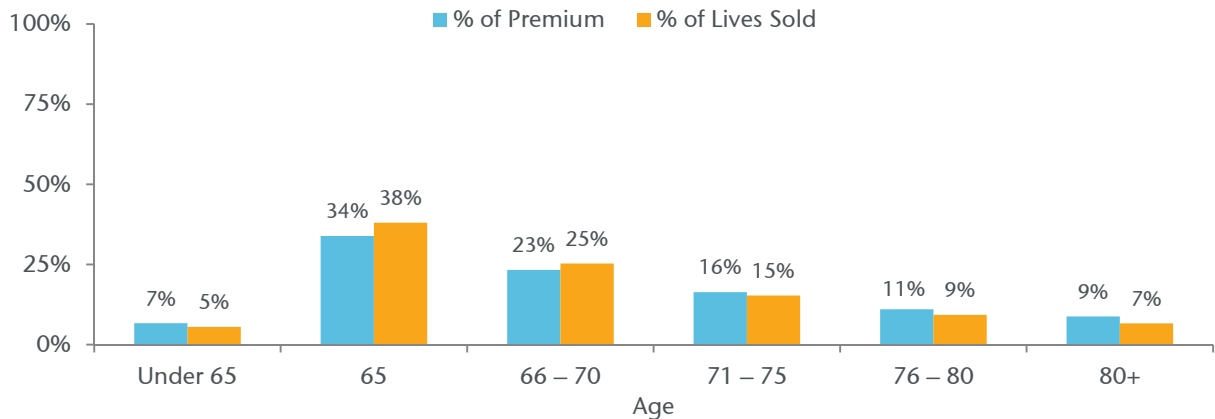
Exhibit D. 2017 New Sales Premium and Lives by Plan Type (cont'd)



R=Premium: 39; Lives: 40

Over one-third of 2017 new sales premium was attributed to policyholders that were age 65. (Exhibit E)

Exhibit E. Percentage of 2017 New Sales Premium and Lives by Age



R=Premium: 38; Lives: 38

Sales premium attributed to underwritten applications decreased from 45.8% in 2016 to 39.2% in 2017. (Exhibit F)

Exhibit F. Percentage of Sales Premium by Source
(Comparison of Companies Providing 2016 and 2017 Data)

	Open Enrollment	Guarantee Issue	Underwritten
% of Premium Sold in 2016	38.6%	15.5%	45.8%
% of Premium Sold in 2017	43.0%	17.8%	39.2%

R=28

SUMMARY REPORT

2017 Claims Trend

When comparing 1992 and 2010 Standardized Plans for participating companies with closed blocks, 2010 Standardized Plans averaged a lower observed claims trend. (Exhibit G)

Exhibit G. 2017 Observed Claims Trend by Plan Type (Including Aging)

	Open Blocks	Closed Blocks
2010 Standardized Plans	5.1%	4.6%
1992 Standardized Plans	—	4.9%

R=2010 Standardized Plans Open Blocks: 35, Closed Blocks: 18;
1992 Standardized Plans Closed Blocks: 40

2017 Lapse Rates

For 2017 the average reported lapse rate (including mortality) was 9.7% for open blocks and 13.1% for closed blocks. (Exhibit H) Compared to 2016, 47% of open blocks experienced an increase, 32% experienced a decrease, while the remaining stayed the same. Over half (56%) of closed blocks experienced an increase year over year.

Exhibit H. 2017 Lapse Rates

	Open Blocks	Closed Blocks
Average Lapse Rate	9.7%	13.1%

R=Open Blocks: 40; Closed Blocks: 43

2017 Underwritten Applications (Open Blocks Only)

On average, 76.7% of underwritten applications were approved and placed, while 15.9% were declined in 2017. (Exhibit I) When focusing only on the 33 companies that provided data for 2016 and 2017, the decline rate increased from 16.5% to 17.5%.

Exhibit I. Percentage of 2017 Applications Going Through the Underwriting Process

	Total
Approved and placed	76.7%
Approved but not taken	4.3%
Declined	15.9%
Incomplete	3.2%

R=38

SUMMARY OF RESULTS

Processing Underwritten Applications (Open Blocks Only)

The average turnaround time on an underwritten application in 2017 was 5.1 business days.

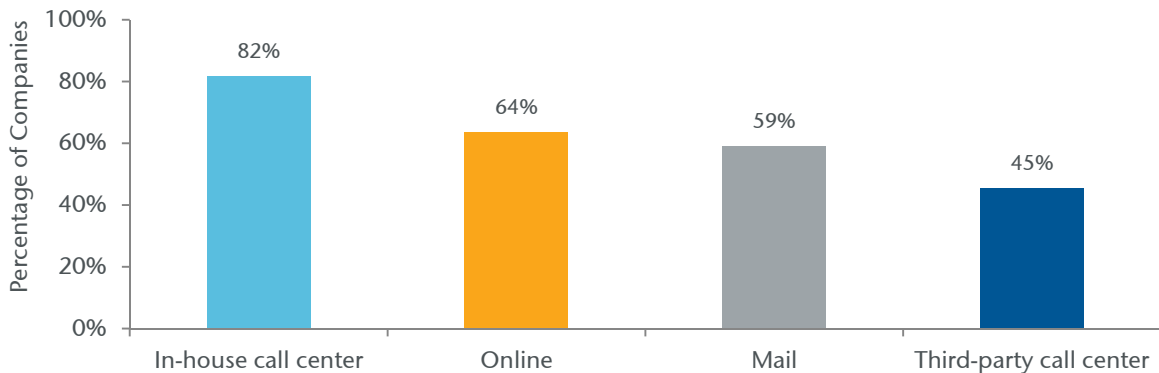
For the purpose of this survey, an automated underwriting system was defined as a system to approve underwritten, web-based applications without human involvement. Eight of the 40 companies use an automated underwriting system and seven companies plan to implement a system within the next 24 months.

Distribution and Compensation (Open Blocks Only)

Over half (54%) of the participating companies reported they are currently selling direct-to-consumer. This 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.

Most companies use an in-house call center as well as online support for their direct-to-consumer business. (Exhibit J) Six companies reported using both in-house and third-party call centers.

Exhibit J. Percentage of Companies Supporting Direct-to-Consumer Business by Method



R=22

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