

SUMMARY

MEDICARE SUPPLEMENT



U.S. Medicare Supplement Market Survey Summary
Highlights of 2018 Results

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PARTICIPATING COMPANIES

- Aetna¹
- Aflac
- American Enterprise Group²
- American National Life Insurance Company of Texas
- Americo Financial Life and Annuity Insurance Company
- Arkansas Blue Cross Blue Shield
- Bankers Fidelity Life Insurance Company³
- Blue Cross and 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
- Cigna⁷
- CNO Financial⁸
- COUNTRY Life Insurance
- Equitable Life & Casualty
- Everence
- Gen Re⁹
- Guarantee Trust Life Insurance Company
- Health Care Service Corporation (HCSC)
- Humana Inc.¹⁰
- Liberty Bankers Life Insurance
- Mutual of Omaha Insurance Company¹¹
- New Era Life Insurance Company
- New Era Life of the Midwest
- Oxford Life Insurance Company¹²
- Pan American Life Insurance Group¹³
- 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 Mutual Automobile Insurance Company
- The Order of United Commercial Travelers of America
- Thrivent Financial for Lutherans
- Torchmark Corporation¹⁴
- Transamerica Premier Life Insurance Company
- Unified Life Insurance Company
- United National Life
- UnitedHealthcare
- USAA Life Insurance Company
- 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, 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 and Blue Cross of Idaho

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

7. 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 Company

8. Includes Bankers Life and Casualty Company, Colonial Penn Life Insurance Company, and Washington National Insurance Company

9. Includes closed blocks of business reinsured by Gen Re (seven companies reported separately but listed under Gen Re)

10. 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., Kanawha Insurance Company, Humana Health Insurance Company of FL Inc.

11. Includes Mutual of Omaha Insurance Company, United World Insurance Company, United of Omaha Life Insurance Company, and Omaha Insurance Company

12. Includes Oxford Life Insurance Company, Christian Fidelity Life Insurance Company, and North American Insurance Company

13. Includes Sentinel

14. Includes United American Insurance Company, Globe Life Insurance Company of NY, Globe Life and Accident Insurance Company, and Liberty National Life Insurance Company

BACKGROUND

Gen Re is pleased to present this summary of key highlights from our 2018/2019 *U.S. Medicare Supplement Market Survey*. The full report covers Medicare Supplement results and market trends for 2018, capturing sales and in-force data, claim trends and staffing, 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 52 questionnaires were completed for this year's survey, representing 84 companies with Medicare Supplement (Med Supp) business. Throughout this summary report, the percentage (or number) of companies refers to the 52 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 responding companies is displayed as "R=".

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 2018. The majority of companies (61.5%) manage both open and closed blocks. (Exhibit A)

Exhibit A. Participating Company Status

	Percentage of Companies
Open Blocks only (Actively selling)	13.5%
Closed Blocks only (No longer selling)	25.0%
Both Open and Closed Blocks	61.5%

R=52

SUMMARY OF RESULTS

Total Annualized In-force Premium and Lives for 2018

Participating companies reported \$24.2 billion of Med Supp in-force premium for 2018, representing an increase of 6.6% over 2017. When focusing on companies' open blocks exclusively, in-force premium increases by 14.3%. (Exhibit B)

Exhibit B. In-force Growth Rates, 2018 vs. 2017

	Premium	Lives
All Companies	6.6%	4.3%
Open Blocks	14.3%	10.8%
Closed Blocks	-6.2%	-9.6%

R=52, 39, 45

Total Annualized Sales Premium and Lives for 2018

In 2018, companies with open blocks reported just under \$1.6 billion of Med Supp sales premium, representing a decline of 3.2% compared to 2017. Participants reported covering over 991,000 lives; a decline of 3.7% over 2017. (Exhibit C)

Exhibit C. Sales Growth Rates, 2018 vs. 2017

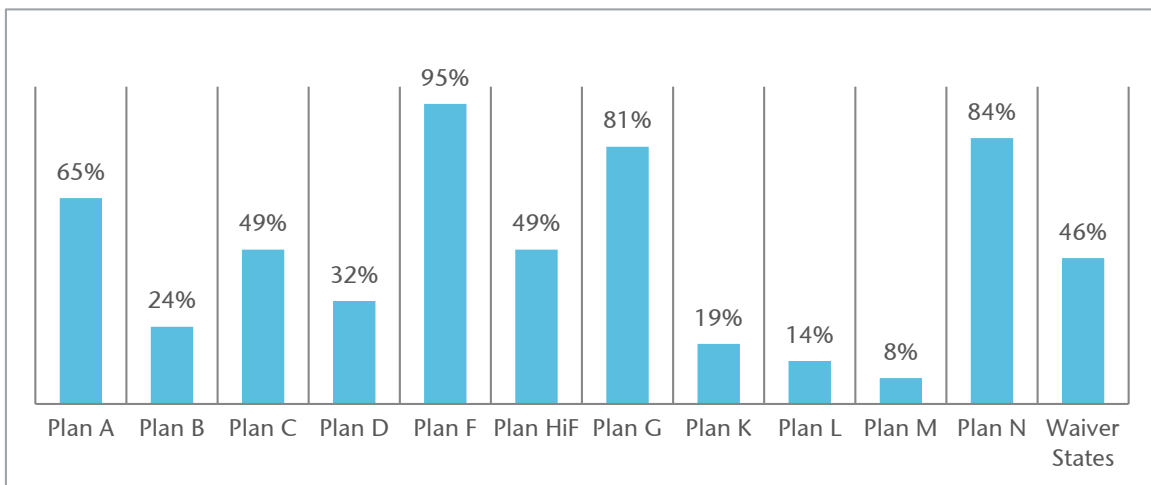
Premium	Lives
-3.2%	-3.7%

R=Premium: 37; Lives: 38

Source of Sales Premium and Lives

In 2018, Plan F was the most widely sold plan. Excluding two companies that sell only in waiver states, all participating companies sold Plan F. Plans G and N were also popular with over 80% of participants selling those plans. (Exhibit D)

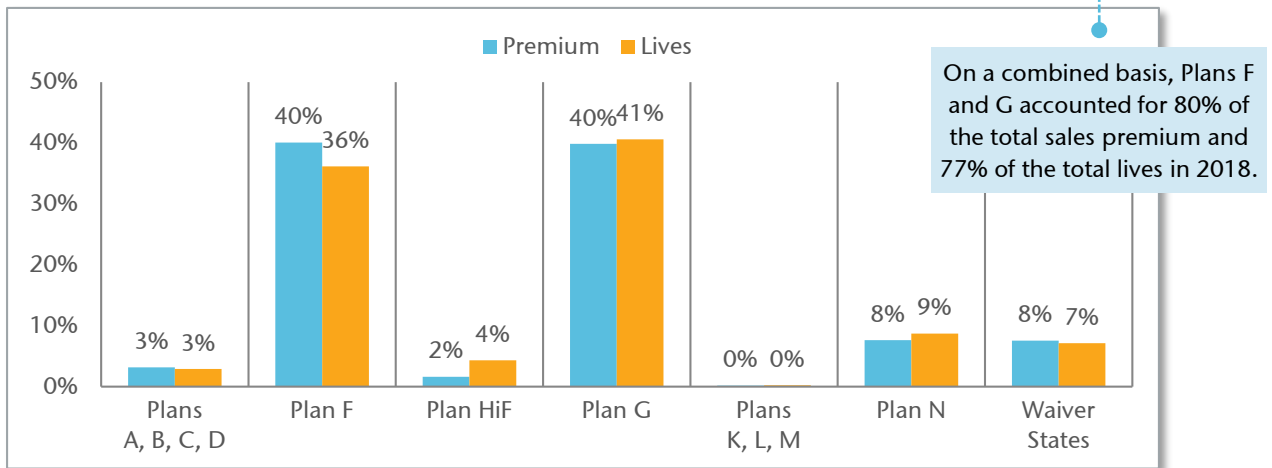
Exhibit D. Percentage of Companies Reporting Sales Premium by Plan Type



R=37

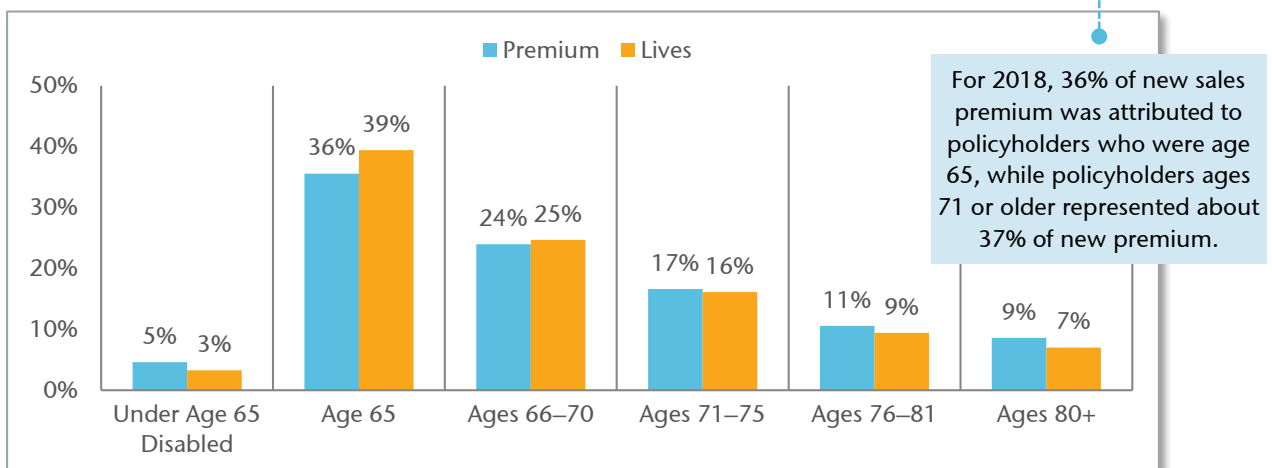
SUMMARY OF RESULTS

Exhibit E. Percentage of 2018 Sales Premium and Lives by Plan Type



R=Premium: 37; Lives: 38

Exhibit F. Percentage of 2018 Sales Premium and Lives by Age



R=Premium: 36; Lives: 36

For 2017 and 2018, over 45% of the sales premium could be attributed to open enrollment applications. Sales premium from underwritten applications increased slightly, from 37.5% in 2017 to 38.5% in 2018. (Exhibit G)

Exhibit G. Percentage of Sales Premium by Source

	Open Enrollment	Guaranteed Issue	Underwritten
2017	45.2%	17.4%	37.5%
2018	45.2%	16.3%	38.5%

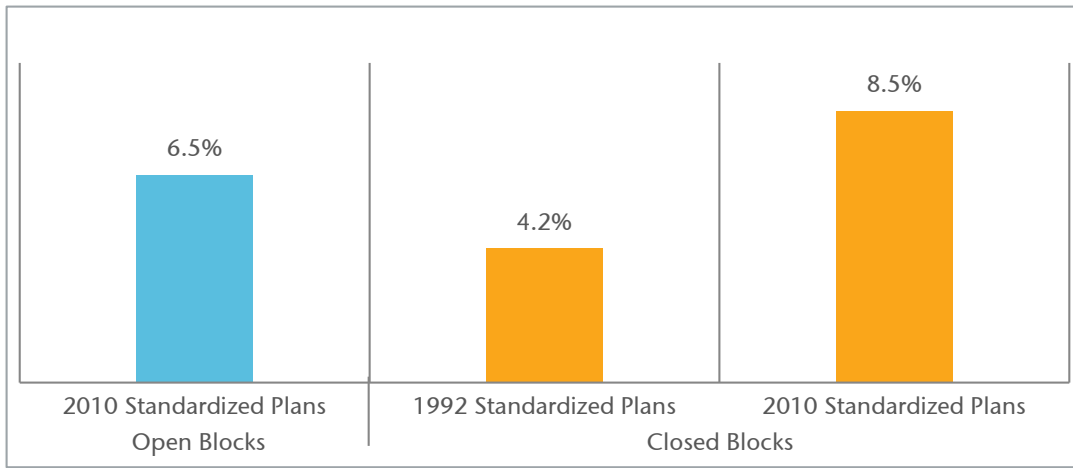
R=27 (Comparison of companies providing 2017 and 2018 data)

SUMMARY OF RESULTS

2018 Claims Trend

The observed claims trend for 2010 Standardized Plans averaged 8.5% for companies with closed blocks compared to 6.5% for companies with open blocks. (Exhibit H)

Exhibit H. 2018 Observed Claims Trend by Plan Type



R=38, 41, 17

Lapse Rates

For 2018, the average lapse rate was 9.8% for open blocks and 14.7% for closed blocks. (Exhibit I) Compared to 2017, 47% of open blocks faced an increase and 44% experienced a decrease, while 60% of closed blocks experienced an increase.

Exhibit I. 2018 Average Lapse Rates



R=38, 43

Underwritten Applications (Open Blocks Only)

On average, 74.4% of underwritten applications were approved and placed, while 18.4% were declined. (Exhibit J) Of the 34 participating companies, 13 reported a decline rate of more than 20%.

Exhibit J. Results of Underwritten Applications



R=34

SUMMARY OF RESULTS

Processing Time for Underwritten Applications (Open Blocks Only)

In 2018, the average turnaround time on underwritten applications was 4.4 business days. About 52% of the participating companies processed their underwritten applications in four days or less.

On average, participating companies keep an application open 34 days to obtain a requirement before closing it due to incomplete information. Over 60% of companies keep it open for 30 days or less.

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 39 companies, 10 use an automated underwriting system and seven plan to implement a system within the next 24 months.

Distribution (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. More than half of the participating companies currently sell direct-to-consumer, while 10% are looking to develop this capability. (Exhibit K)

Most companies use an in-house call center as well as online support for their direct-to-consumer business. Sixteen companies reported using more than one method. (Exhibit L)

Exhibit K. Selling Direct-to-Consumer

56.4%

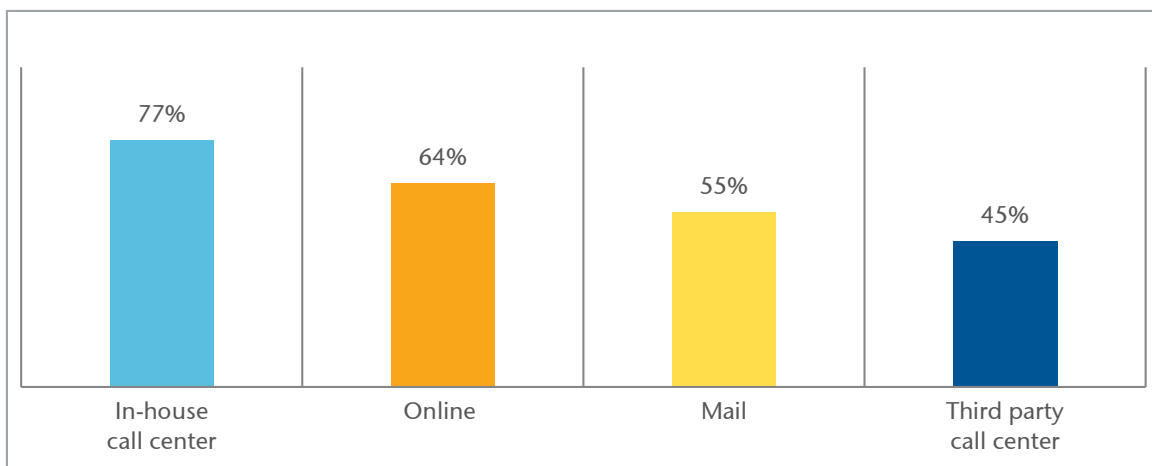
Currently sell
direct-to-
consumer

10.3%

Not selling
but looking
to develop capability

R=39

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



R=22

ABOUT GEN RE

Gen Re, a Berkshire Hathaway Company, is one of the leading Life/Health and Property/Casualty reinsurers in the world. Our North American Life and Health reinsurance company, General Re Life Corporation, has superior financial strength ratings among Life and Health reinsurers.

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



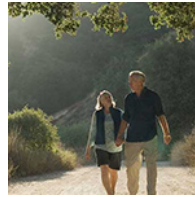
Individual
Disability Income



Group Life
and AD&D



Individual Life



Medicare
Supplement

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