

MEDICARE SUPPLEMENT



# U.S. Medicare Supplement Market Survey Summary

*Highlights of 2022 Results*

# CONTENTS

Participating Companies	3
Background	4
Summary of Results	
Premium and Lives	5
Business Performance	6
Underwriting	7
Claims Management	8
Distribution	9

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## PARTICIPATING COMPANIES

- ACE P&C (Chubb/Combined)
- Aetna<sup>1</sup>
- Aflac
- Allstate Health Solutions<sup>2</sup>
- Atlantic American (Bankers Fidelity Life)
- Blue Cross Blue Shield of Alabama
- Blue Cross Blue Shield of Michigan
- Blue Cross Blue Shield of Minnesota
- Blue Cross Blue Shield of North Carolina
- Blue Cross of Idaho<sup>3</sup>
- CareFirst BlueCross BlueShield<sup>4</sup>
- Central States Health & Life Co. of Omaha
- Central States Indemnity Co. of Omaha<sup>5</sup>
- Cigna<sup>6</sup>
- Combined Insurance Co of America (Chubb/Combined)
- Everence
- Gen Re<sup>7</sup>
- Globe Life<sup>8</sup>
- Guarantee Trust Life
- Humana<sup>9</sup>
- Individual Assurance Company
- Liberty Bankers Life<sup>10</sup>
- Medical Health Insuring Corp. of Ohio
- Medical Mutual Life Insurance Co.<sup>11</sup>
- Medical Mutual of Ohio
- Mutual of Omaha<sup>12</sup>
- Oxford Life<sup>13</sup>
- Pekin Life
- Physicians Mutual<sup>14</sup>
- State Farm Mutual Automobile
- State Mutual
- Transamerica Life
- United Commercial Travelers of America
- United States Fire Insurance Company
- USAA Life
- Washington National (CNO Financial Services)
- Wellabe<sup>15</sup> (American Enterprise Group)
- Wellmark Blue Cross Blue Shield

1. Includes Accendo Insurance Co., Aetna Life Insurance Co., Aetna Health Insurance Co., Aetna Health and Life Insurance Co., American Continental Insurance Co., Continental Life Insurance Co., First Health Life and Health Insurance Co., Coventry Health and Life Insurance Co., Genworth Life Insurance Co., and Genworth Life and Annuity Insurance Co.
2. Includes National Health Insurance Co., and American Heritage Life Insurance Co.
3. Includes Blue Cross of Idaho Care Plus, Inc. and Blue Cross of Idaho Health Service, Inc.
4. Includes First Care, Inc. (FCI), Group Hospitalization and Medical Services, Inc. (GHMSI), and CareFirst of Maryland, Inc. (CFMI)
5. Includes Central States Indemnity Co. of Omaha and CSI Life Insurance Co.
6. Includes American Retirement Life Insurance Co., Cigna Health & Life Insurance Co., Loyal American Life Insurance Co., Cigna National Health Insurance Co., Provident American Life & Health Insurance Co., Sterling Life Insurance Co., and United Benefit Life Insurance Co.
7. Includes closed blocks of business reinsured by Gen Re (eight companies listed under Gen Re, but counted separately in the total)
8. Includes United American Insurance Co., Globe Life and Accident Insurance Co., Globe Life Insurance Co. of New York, Liberty National Life Insurance Co.
9. Includes Humana Insurance Co., Humana Insurance Co. of NY, Humana Insurance Co. of KY, Humana Dental Insurance Co., Humana Health Benefit Plan of LA Inc., Humana Benefit Plan of IL Inc., Humana Health Plan Inc., EmpheSys Insurance Co., CompBenefits Insurance Co., and Humana Health Insurance Co. of FL Inc.
10. Includes Capitol Life Insurance Co., American Benefit Life Insurance Co. and Liberty Bankers Life Insurance Co.
11. Includes Consumers Life Insurance Co.
12. Includes Mutual of Omaha Insurance Co., Omaha Insurance Co., Omaha Supplemental Insurance Co., United of Omaha Life Insurance Co., and United World Life Insurance Co.
13. Includes Oxford Life Insurance Co., Christian Fidelity Life Insurance Co., and North American Insurance Co.
14. Includes Physicians Life Insurance Co. and Physicians Mutual Insurance Co.
15. Includes Medico, Medico Corp., Medico Life and Health, American Republic, and American Republic Corp.

## BACKGROUND

Gen Re is pleased to present this summary of key highlights from our 2022/2023 *Medicare Supplement Market Survey*. The full report covers Medicare Supplement (Med Supp) results and market trends for 2022, capturing sales and in-force data, business performance, rate increase activity, underwriting tools and practices, claim metrics, and compensation and distribution details. The comprehensive report is available to participating companies only.

Forty-five questionnaires were completed, representing 91 companies with Med Supp business. Throughout this summary report, the percentage (or number) of companies refers to the 45 completed surveys. 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 2022. Most companies (58%) manage both open and closed blocks.

Participating Company Status	Percentage of Companies
Open blocks only (actively selling)	11%
Closed blocks only (no longer selling)	31%
Both open and closed blocks	58%

### Annualized In-force Premium and Lives for 2022

Participating companies reported \$13.0 billion of Medicare Supplement in-force premium for 2022, an increase of about 2% over 2021. In-force premium for open blocks increased nearly 4%, while declining 1% for closed blocks. Participants also reported nearly 5.3 million covered lives, fairly level with 2021 results. Open blocks account for 64% of the total premium in-force and 72% of covered lives.

#### In-force Premium and Lives Growth Rates

Premium	Premium	% Change	Lives	% Change
Open blocks	\$8,314,349,778	4%	3,823,946	1%
Closed blocks	\$4,647,636,624	-1%	1,465,779	-5%
<b>Total in-force</b>	<b>\$12,961,986,402</b>	<b>2%</b>	<b>5,289,725</b>	<b>0%</b>

R=31 (Open blocks); 40 (Closed blocks); 45 (Total in-force)

### Annualized Sales Premium and Lives for 2022

Companies reported more than \$1.1 billion of Med Supp sales premium for 2022, declining by 11% compared to 2021.

The number of new lives covered declined by about 97,000 or -12%.

#### Sales Premium and Lives Growth Rates

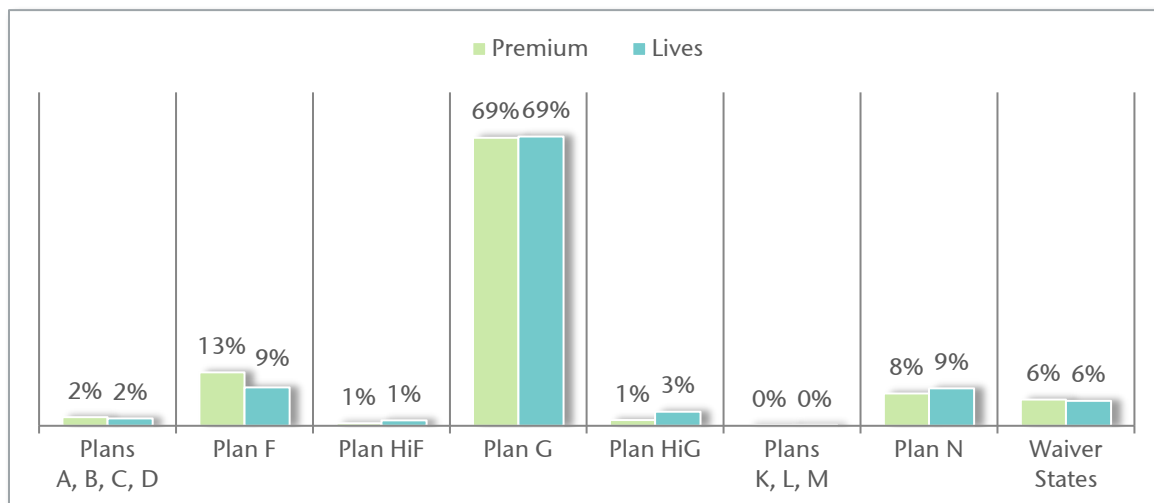
	2022	% Change
Premium	\$1,153,156,143	-11%
Lives	719,878	-12%

R=30

### Source of Sales Premium and Lives

The majority of companies sold Plan F, Plan G and Plan N in 2022. Plan G accounts for 69% of the total new sales premium and lives for 2022. Although most companies also sold Plans F and N, those plans account for only 13% and 8% of new sales premium, respectively, and only 9% of new lives covered.

#### Percentage of 2022 Sales Premium and Lives by Plan Type



R=31

### Profitability

Fifty-four percent of companies with open blocks and 86% with closed blocks reported a profit in 2022. Profit margins averaged -0.3% for companies with open blocks and 7.9% for closed blocks.

Loss ratios averaged 81% for companies with open blocks and 76% for closed blocks.

#### 2022 Profit Margins and Loss Ratios

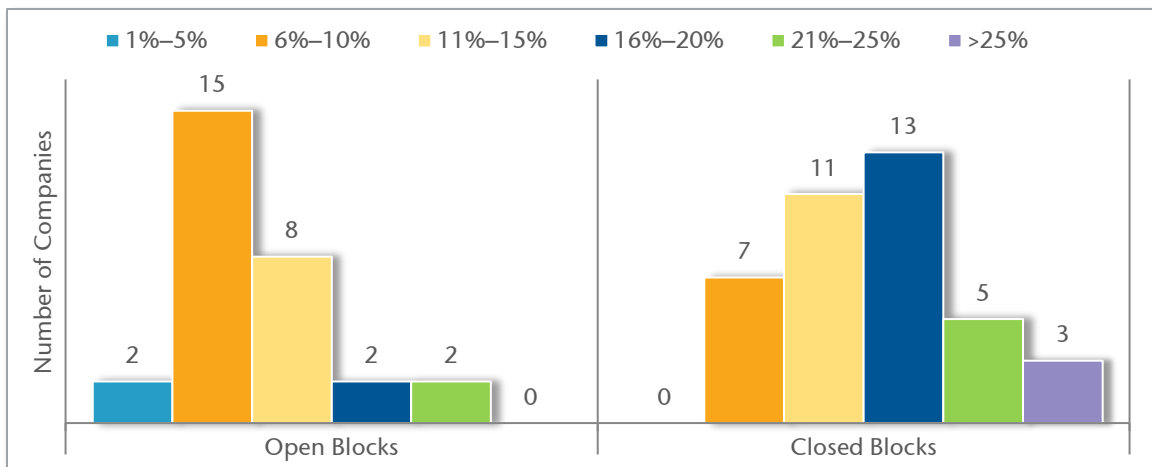
	Profit Margins			Loss Ratios		
	Average	Median	Range	Average	Median	Range
Open Blocks	0%	0%	-15%–20%	81%	82%	49%–111%
Closed Blocks	8%	6%	-16%–38%	76%	76%	43%–94%

R=26, 35 (Profit margins); R=30, 39 (Loss ratios)

### Lapse Rates

Fifty-two percent of companies with open blocks reported lapse rates ranging from 6% to 10% for 2022. Companies with open blocks reported an average lapse rate of 11%, while those with closed blocks reported an average lapse rate of 16%.

#### Distribution of Lapse Rates (Including Mortality)



R=29, 39

### 2022 Observed Claims Trend

The observed claims trend for 2022 averaged 6% for 1992 standardized plans and 9% for 2010 plans.

#### 2022 Observed Claims Trends by Plan Type

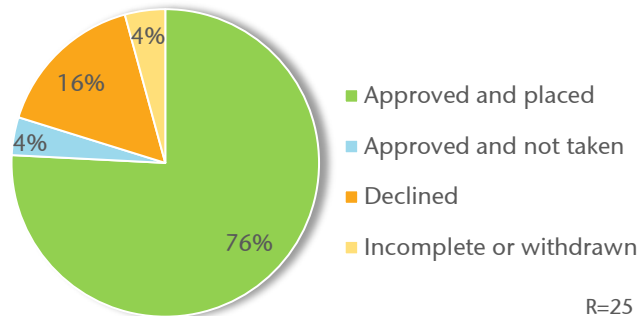
	1992 Standardized Plans			2010 Standardized Plans		
	Average	Median	Range	Average	Median	Range
Open Blocks	–	–	–	9%	6%	-1%–41%
Closed Blocks	6%	6%	-14%–14%	9%	8%	-11%–29%

R=27 (1992 plans); 29 (2010 plans)

### Underwritten Applications

On average, 39% of all Med Supp applications received in 2022 went through the underwriting process. About 76% of underwritten applications were approved and placed, while 16% were declined.

### Outcomes of Underwritten Applications



### Processing Time for Underwritten Applications

Excluding incomplete or withdrawn apps and automated or straight-through processing business, the average turnaround time for underwritten apps was five calendar days in 2022.

On average, companies will keep an application open for 37 calendar days to obtain a requirement before closing it due to incomplete information.

#### Number of Calendar Days to Process Underwritten Applications

	Average	Median	Range
Turnaround time	5	3	1–27
How long apps are kept open	37	30	7–60

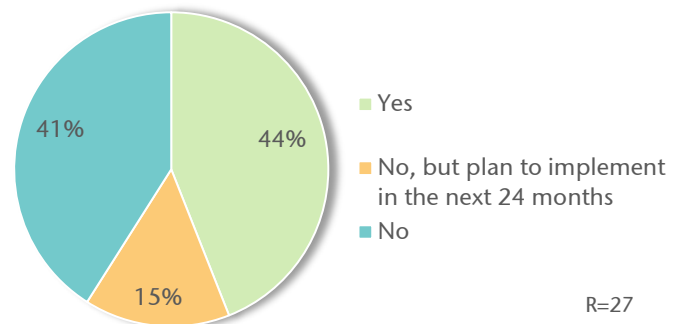
R=26, 24

### Automated Underwriting Systems

For the purpose of this survey, an automated underwriting (AU) platform was defined as a system used to make decisions on underwritten, web-based applications without human involvement.

Of the 27 companies, 12 currently use an AU system and four companies plan to implement a system within the next 24 months.

### Utilization of Automated Underwriting Systems



### Claims Metrics

In 2022, participating companies received 172.5 million Medicare Supplement claims. Companies with open blocks account for 99% of the total claims received, while companies with only closed blocks account for 1%.

On average it takes about six days from the day a claim is received to the day a decision is made. The length of time to make a claim determination ranged from one day to 30 days.

### Auto-Adjudication of Claims

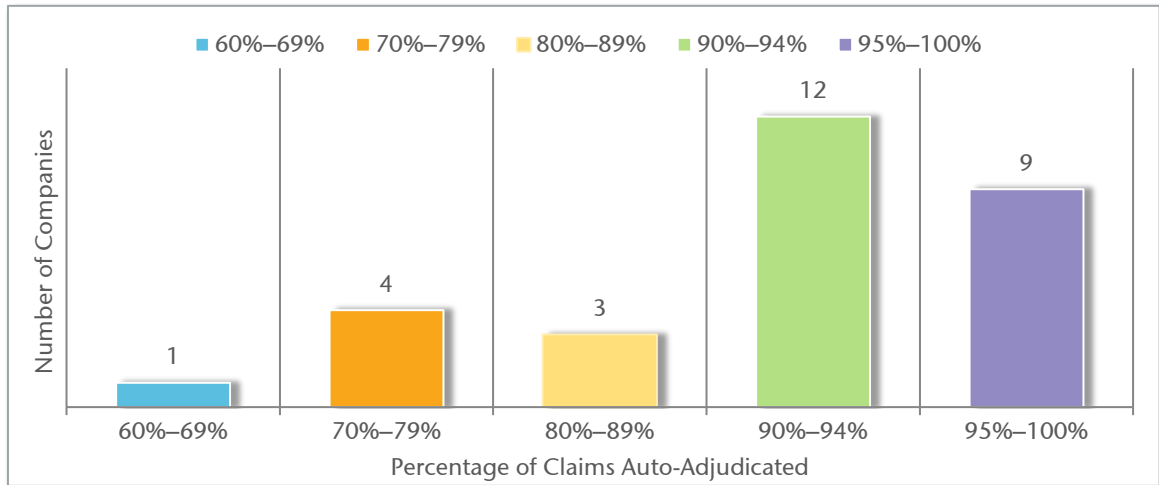
On average, 90% of a company’s claims are auto-adjudicated, ranging from 67% to 99%.

#### Percentage of Claims Auto-Adjudicated

Average	Median	Range
90%	93%	67%–99%

R=29

### Distribution of Percentage of Auto-Adjudicated Claims



R=29

### Claims Fraud

Of the 29 companies, 23 (79%) identify claims fraud in-house, while the rest use a vendor. About a third of the participating companies saw a change to the number of fraudulent claims in 2022 when compared to 2021. One company reported a decrease, while eight said the number of fraudulent claims increased. Almost 90% monitor durable medical equipment and nearly 70% monitor billing and excessive charges.

### Percentage of Companies Monitoring Types of Fraud

	% of Cos.		% of Cos.
Durable medical equipment	88%	Doctor shopping	28%
Billing for procedures/services not performed or covered	68%	Drug and alcohol detox fraud	28%
Excessive charges	68%	Home health/personal care services	28%
Bundling/unbundling of services	44%	Unlicensed or unqualified providers	28%
Telemarketing schemes	44%	Prescription fraud	24%
Upcoding/upbilling	36%	Other	24%

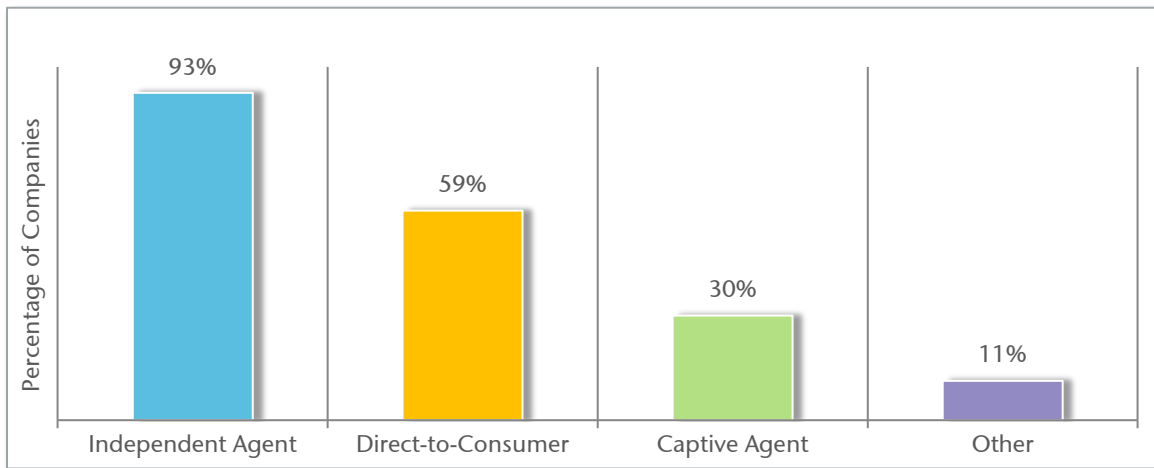
R=25



### Distribution Channels

Of the 27 respondents, 25 (93%) sell Med Supp through independent agents and more than half (59%) sell direct-to-consumer (D2C). Eight companies utilize captive agents to sell Med Supp, while 11% mentioned other distribution methods such as in-house salaried call center agents and senior private exchanges.

#### Percentage of Companies Utilizing Distribution Channels



R=27

On average, independent agents account for 75% of the Med Supp premium sold in 2022, while captive agents account for 9%. The percentage of premium from D2C sales averaged 14%, and ranged from 2% to 19%.

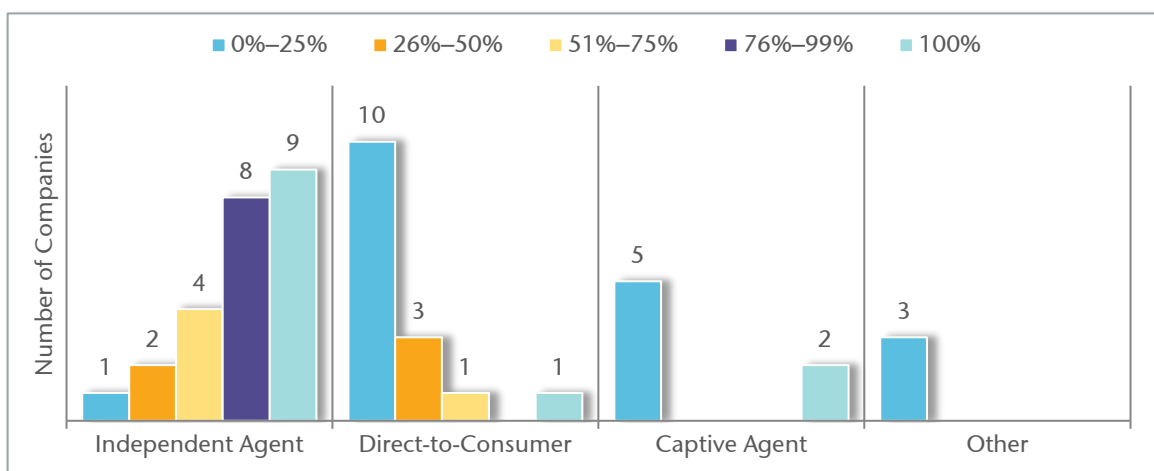
Seventeen companies reported that more than 75% of their Med Supp sales came from an independent agent. Most companies using D2C, captive agents, or other distribution channels, reported less than 25% of their sales premium came from those methods.

#### Percentage of 2022 Sales Premium by Distribution Channel

Distribution Channel	Average
Independent agents	75%
Direct-to-consumer	14%
Captive agents	9%
Other	2%

R=26

#### Percentage of Sales Premium from Distribution Channels by Number of Companies



R=26

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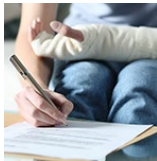
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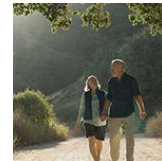
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and AD&D**



**Individual  
Life**



**Medicare  
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