



*American Association*  
for Medicare Supplement Insurance™

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Medicare Supplement  
Insurance Industry  
Summit

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# Rate Trends in the Marketplace

Andy Baillargeon, FSA, MAAA  
Gen Re

Doug Feekin, ASA, MAAA  
CSG Actuarial

Access conference recordings

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# Introduction

## Data Provided by CSG

### Data Details:

- Base Rates and Fully Discounted Rates (HHD, etc.)
- Plans F, G, and N
- Ages 65, 70, and 75
- Ranks: Company rates are weighted by zip code population
- Total States Included: 39 “standard” states
- State Sizes: Categorized by over age 65 population



# Introduction

- This presentation looks only at premium rates
- Carrier rates over time may reflect any number of changes to cost structure:
  - Claim costs
  - Commissions
  - Administrative costs
  - Profit margins
  - Underwriting
  - Risk segmentation
  - Etc.

# States Excluded From Analysis

California

Connecticut

Florida

Hawaii

Maine

Massachusetts

Minnesota

New York

Oregon

Washington

Wisconsin



# **WARNING**

**Due to extreme competition and  
rate compression the following  
presentation may not be suitable  
for all viewers**

# Rank Results - Texas

Texas  
Plan : (All)  
Gender : (All)  
Age : (All)  
Date : 2017-Mar

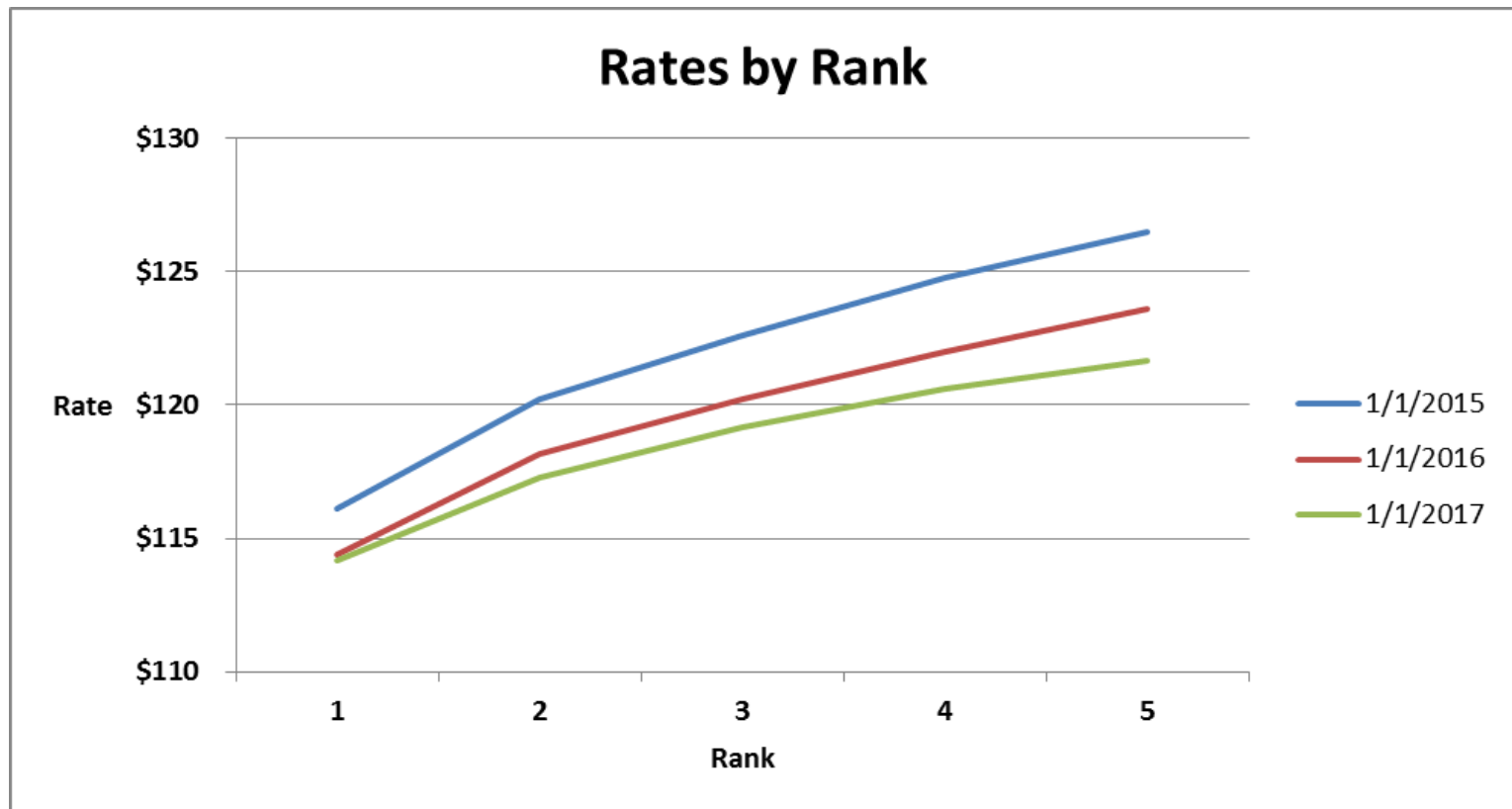
Weighted Average Score			Rate in Top 1			Rate in Top 3		
Rank	Company	Score	Rank	Company	%	Rank	Company	%
1	Company 1	103.7	1	Company 1	30.0%	1	Company 1	68.2%
2	Company 2	104.8	2	Company 2	20.2%	2	Company 2	44.1%
3	Company 3	107.4	3	Company 3	13.3%	3	Company 3	31.3%
4	Company 4	107.7	4	Company 9	10.8%	4	Company 9	31.0%
5	Company 5	108.2	5	Company 8	10.1%	5	Company 5	22.6%
6	Company 6	108.4	6	Company 13	6.0%	6	Company 8	20.6%
7	Company 7	109.7	7	Company 5	3.0%	7	Company 13	16.7%
8	Company 8	109.9	8	Company 24	2.6%	8	Company 4	16.0%
9	Company 9	111.5	9	Company 17	2.5%	9	Company 11	9.8%
10	Company 10	111.6	10	Company 11	0.5%	10	Company 6	7.7%
11	Company 11	112.1	11	Company 19	0.3%	11	Company 24	7.3%
12	Company 12	112.6	12	Company 22	0.2%	12	Company 19	6.6%
13	Company 13	113.5	13	Company 15	0.2%	13	Company 7	4.3%
14	Company 14	114.1	14	Company 30	0.2%	14	Company 14	4.1%
15	Company 15	114.9				15	Company 17	3.7%
16	Company 16	115.9						



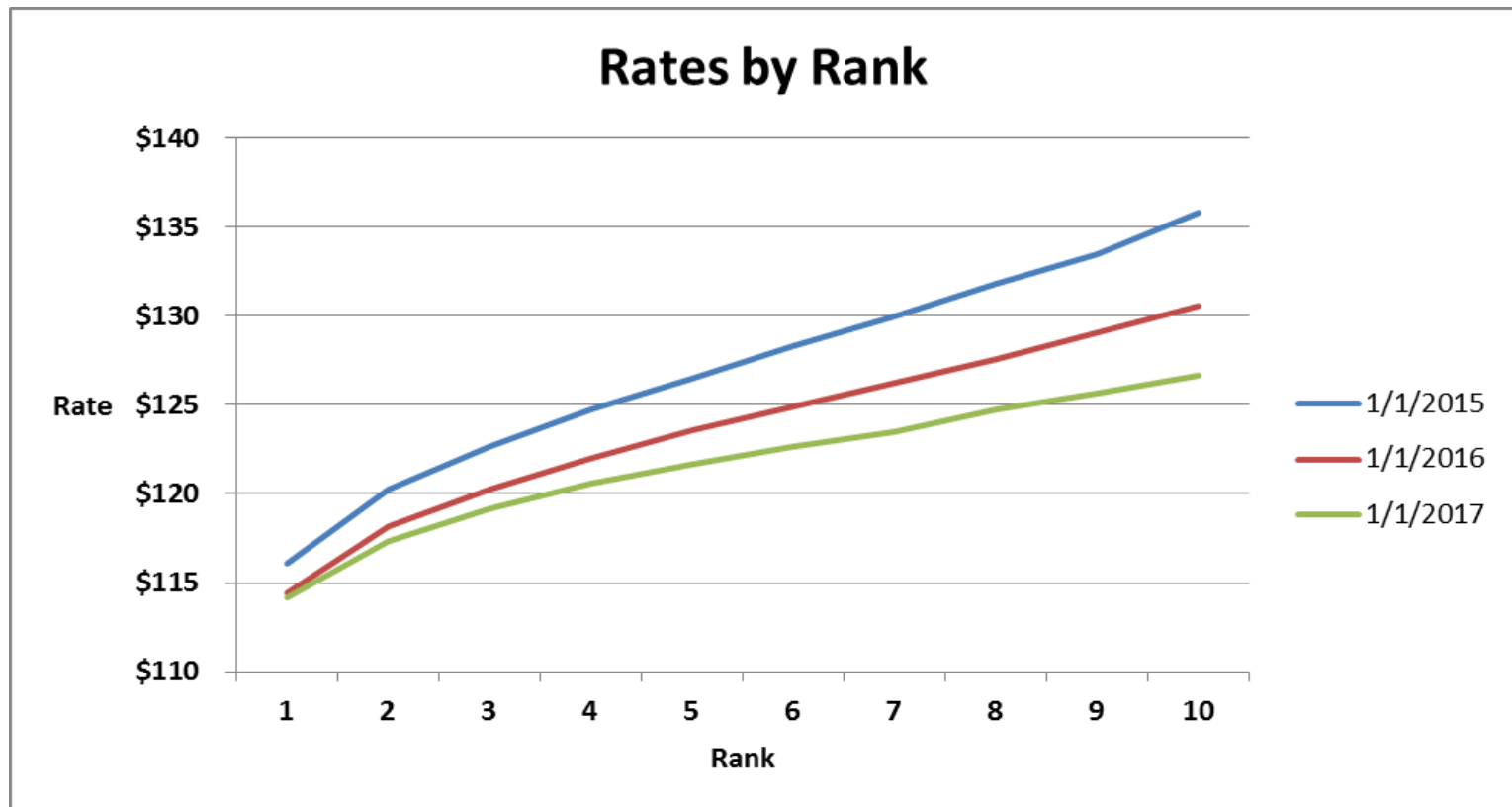
# Rank Results - Texas

			Rate in Top 5				Rate in Top 10		
			Rank	Company	%		Rank	Company	%
17	Company 17	116.5							
18	Company 18	116.7							
19	Company 19	117.0	1	Company 1	78.9%		1	Company 1	94.8%
20	Company 20	117.9	2	Company 2	60.2%		2	Company 4	93.1%
21	Company 21	118.6	3	Company 9	55.3%		3	Company 5	86.2%
22	Company 22	119.7	4	Company 5	43.1%		4	Company 2	81.0%
23	Company 23	120.3	5	Company 3	39.7%		5	Company 6	80.5%
24	Company 24	120.4	6	Company 4	36.3%		6	Company 9	78.4%
25	Company 25	121.8	7	Company 6	28.1%		7	Company 7	76.8%
26	Company 26	122.6	8	Company 8	27.0%		8	Company 3	52.4%
27	Company 27	125.2	9	Company 7	22.1%		9	Company 8	50.7%
28	Company 28	126.4	10	Company 13	20.3%		10	Company 11	34.9%
29	Company 29	129.0	11	Company 19	17.0%		11	Company 19	31.3%
30	Company 30	131.8	12	Company 24	12.9%		12	Company 14	31.3%
31	Company 31	131.9	13	Company 15	12.5%		13	Company 13	28.2%
32	Company 32	133.9	14	Company 11	12.2%		14	Company 17	27.4%
33	Company 33	134.6	15	Company 14	11.5%		15	Company 21	25.2%
34	Company 34	135.3	16	Company 21	10.4%		16	Company 12	24.4%
35	Company 35	137.6	17	Company 22	3.8%		17	Company 15	20.8%
36	Company 36	139.2	18	Company 17	3.8%		18	Company 16	20.8%
37	Company 37	139.6	19	Company 38	3.2%		19	Company 24	18.4%
38	Company 38	140.3	20	Company 27	0.5%		20	Company 25	10.4%
39	Company 39	140.7							
40	Company 40	142.8							

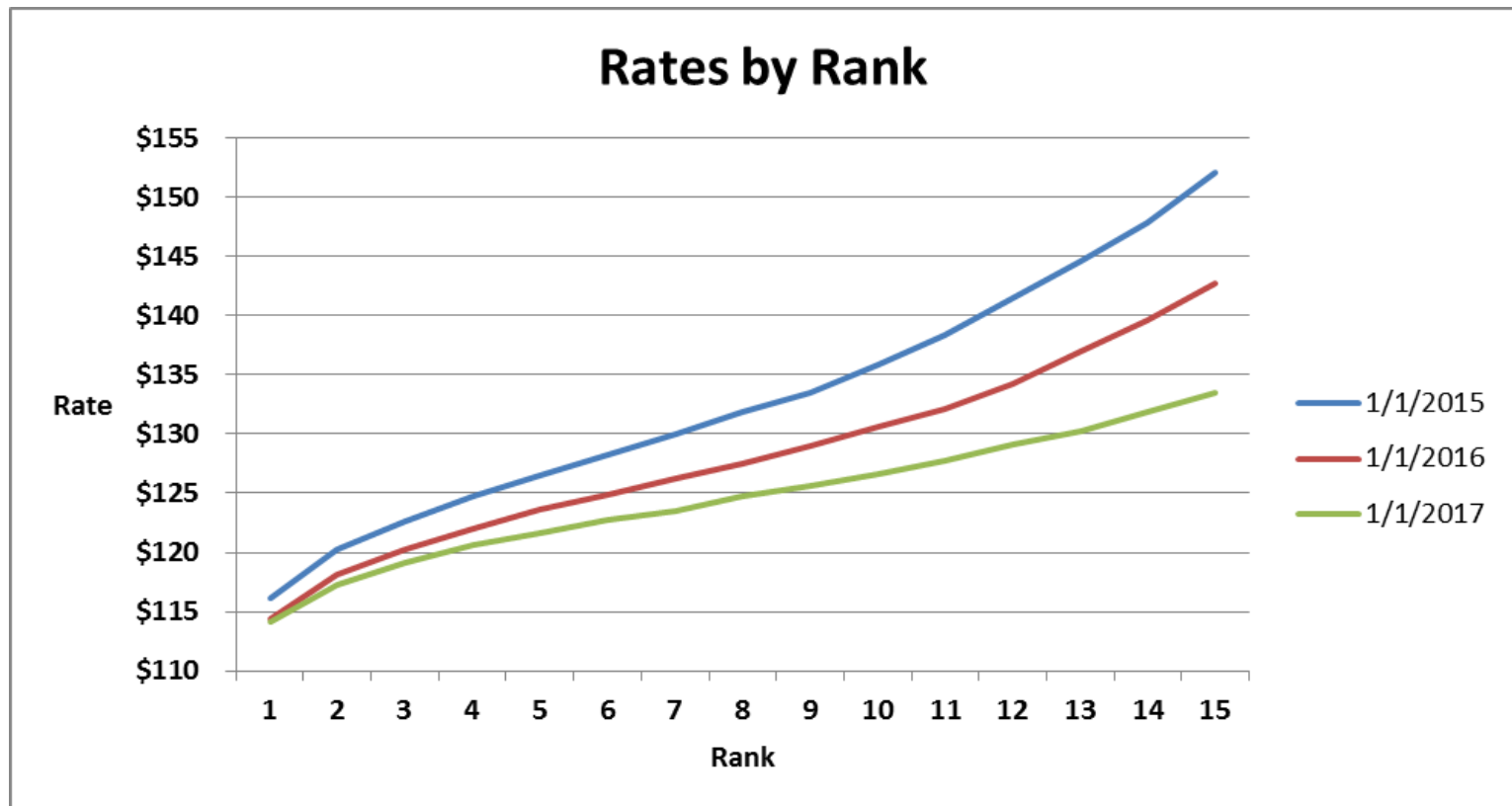
# Rate Ranks 1-5



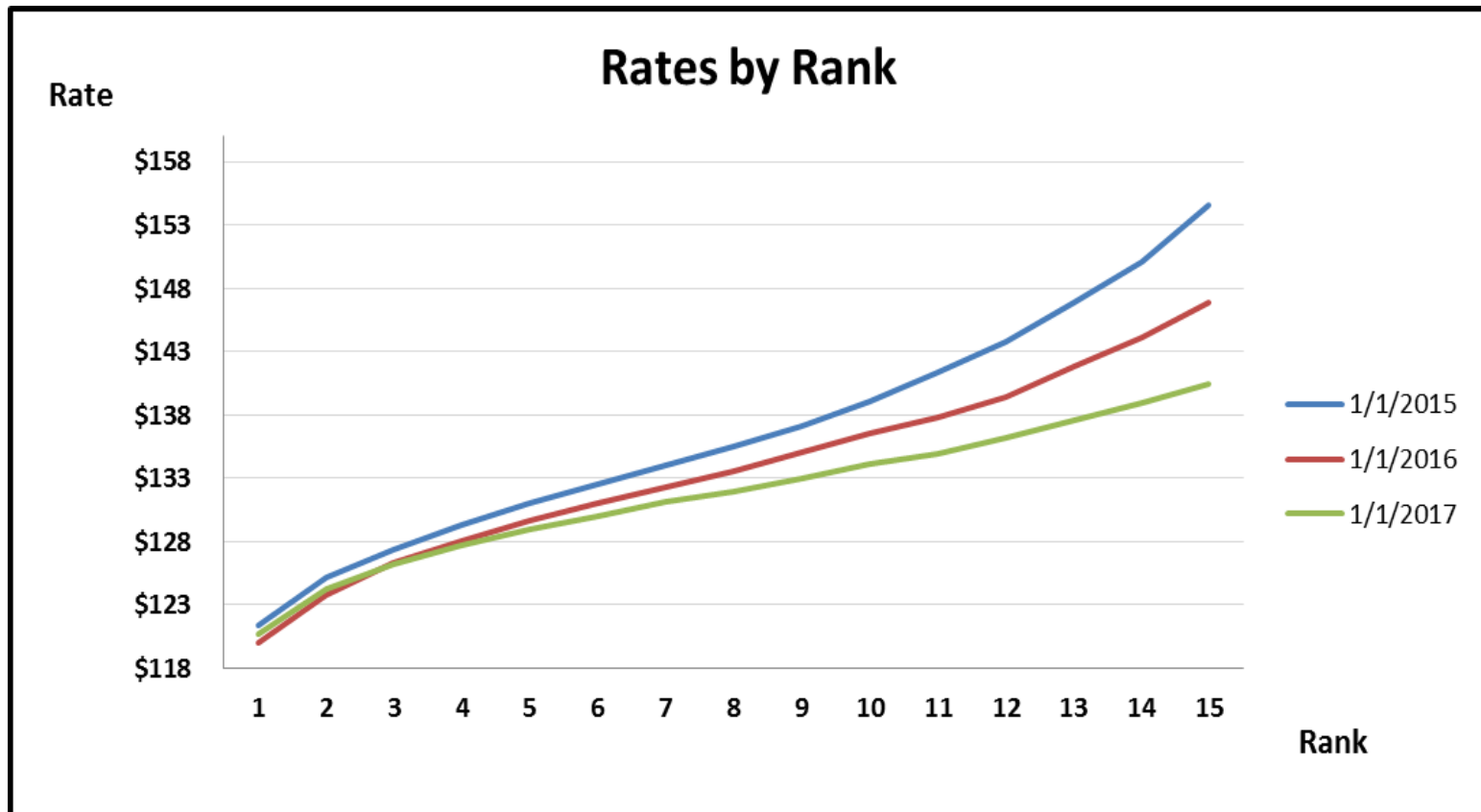
# Rate Ranks 1-10



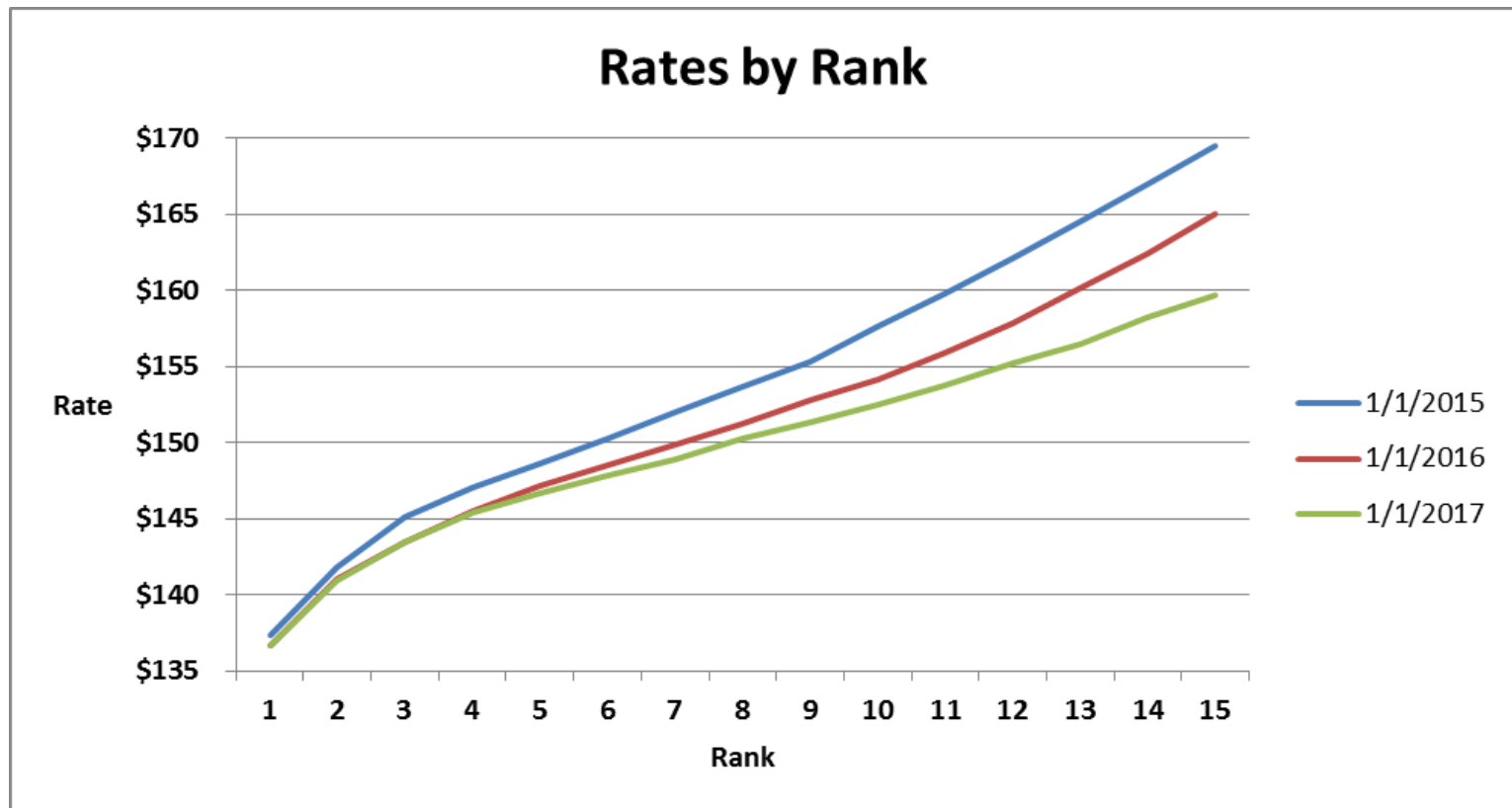
# Rate Ranks 1-15



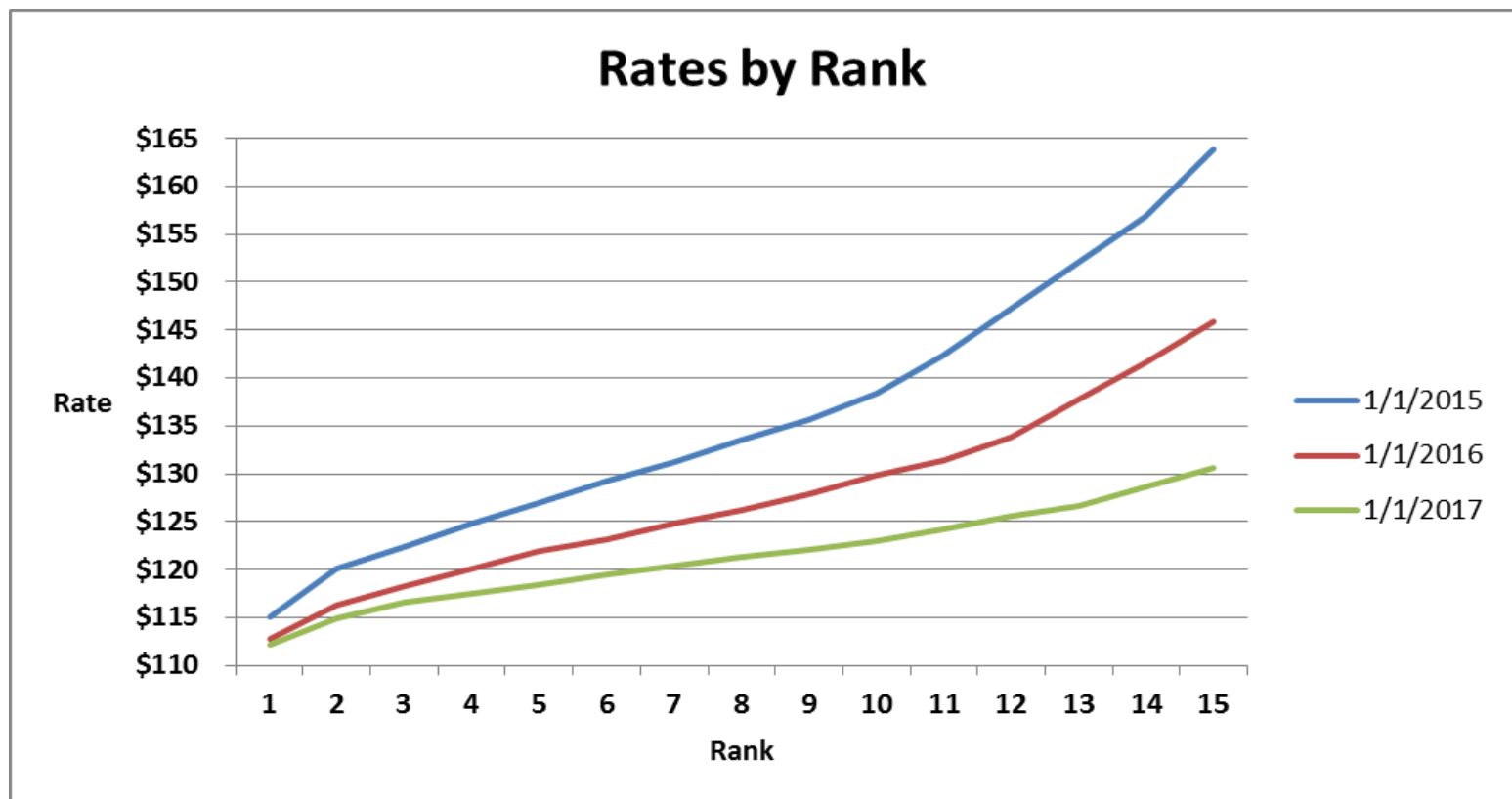
# Base Rates: 2015-2017



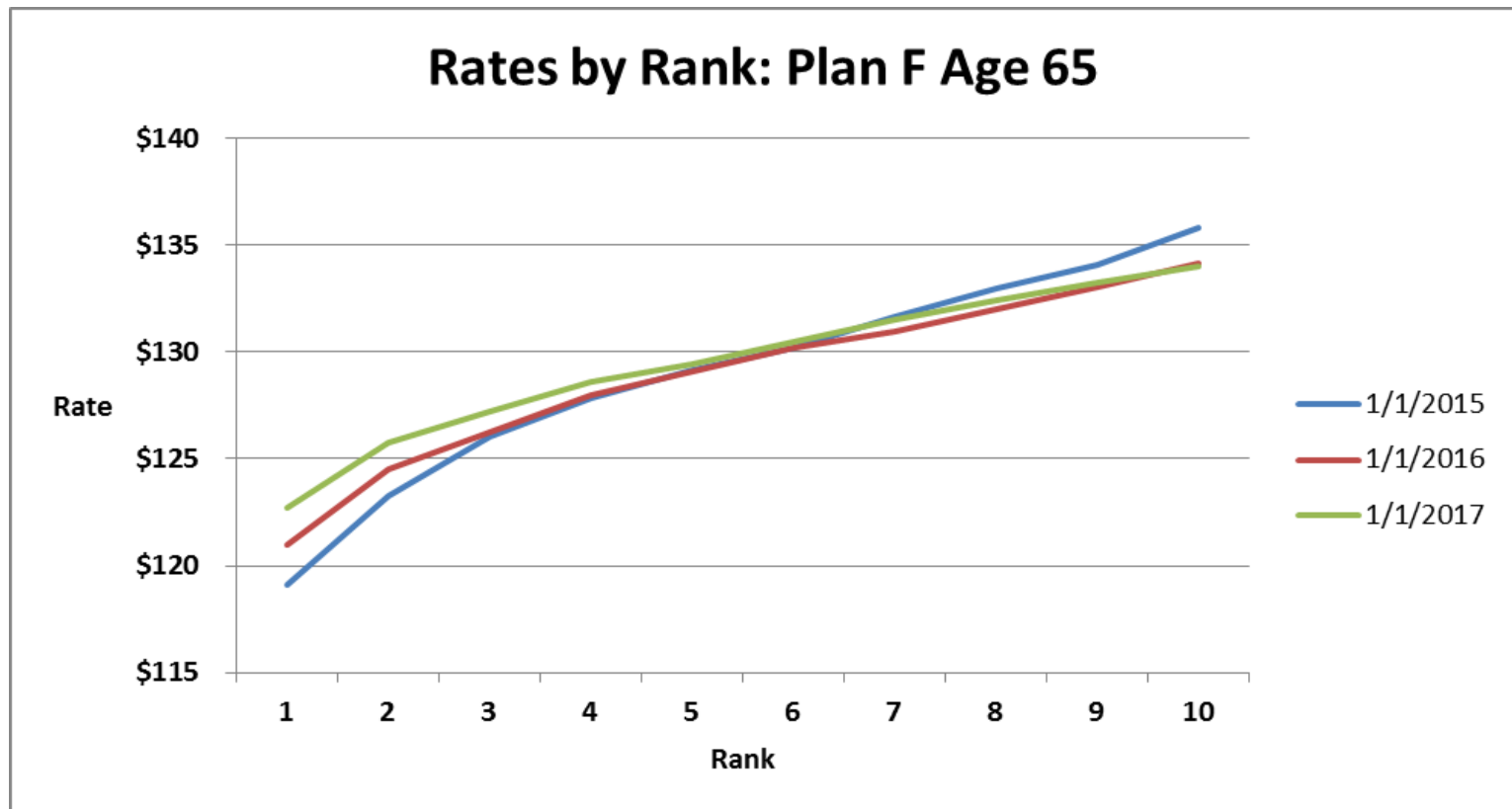
# Rate Ranks 1-15 Plan F



# Rate Ranks 1-15 Plan G

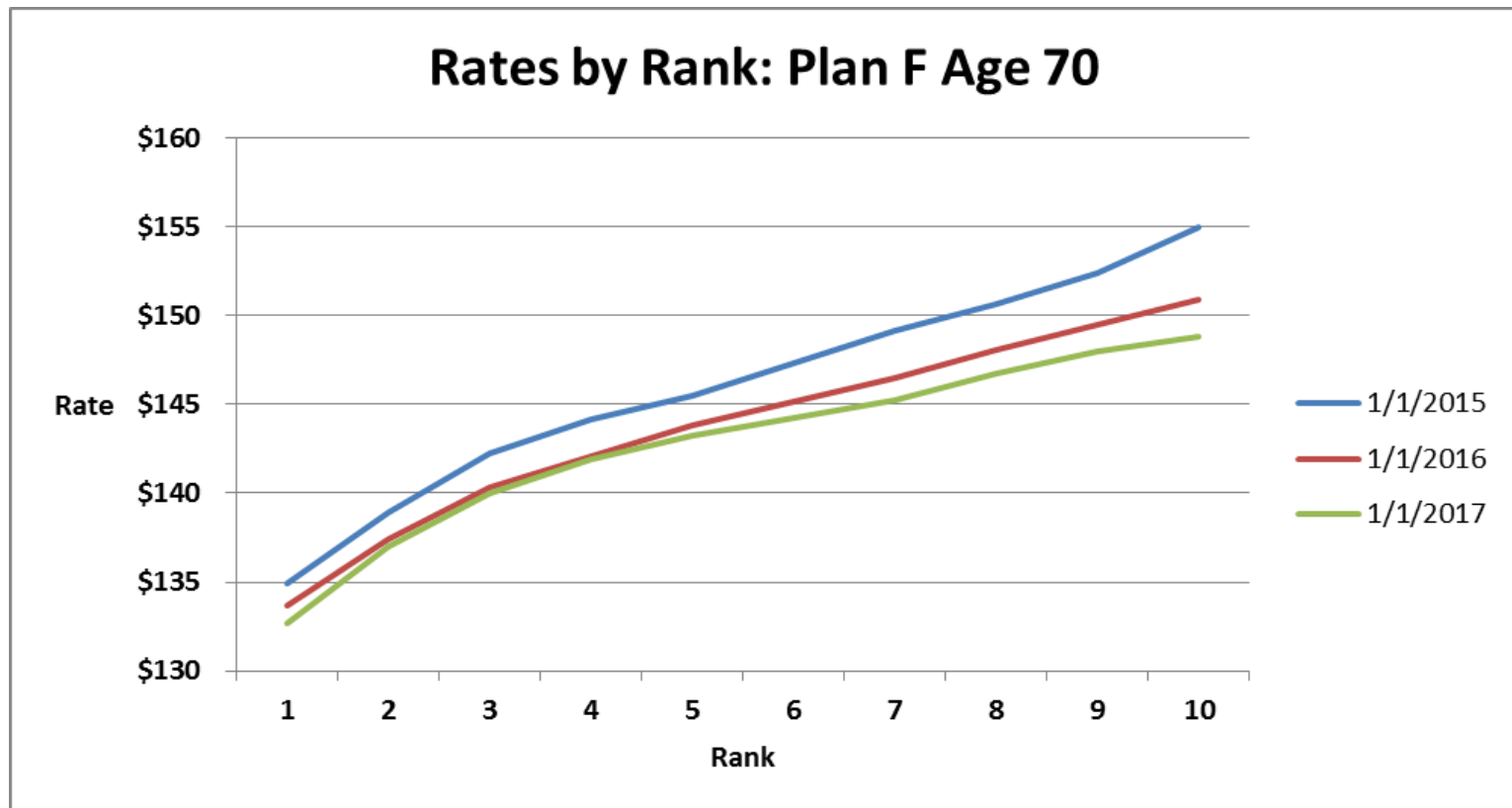


# Rate Ranks 1-10 Plan F Age 65

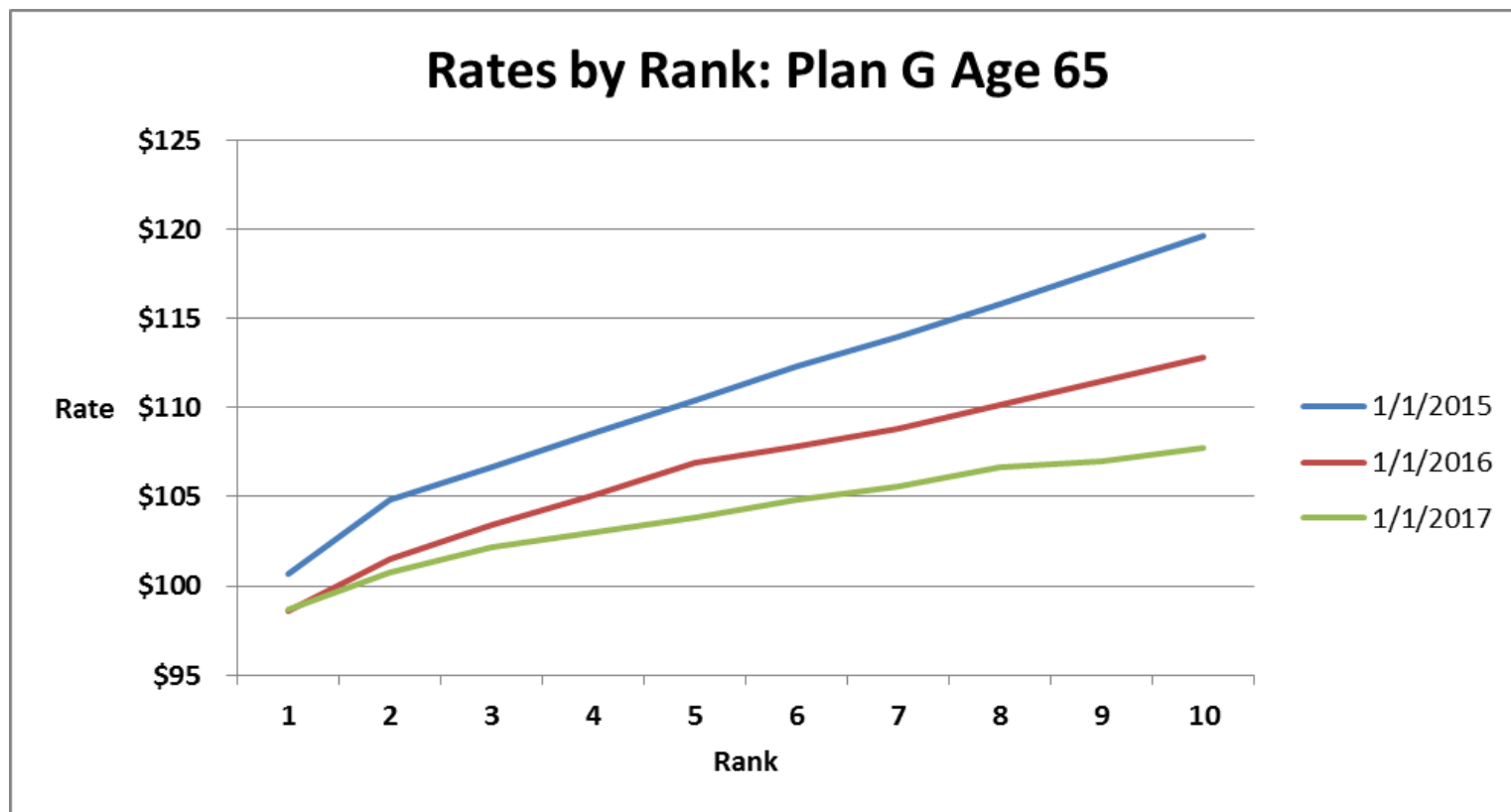




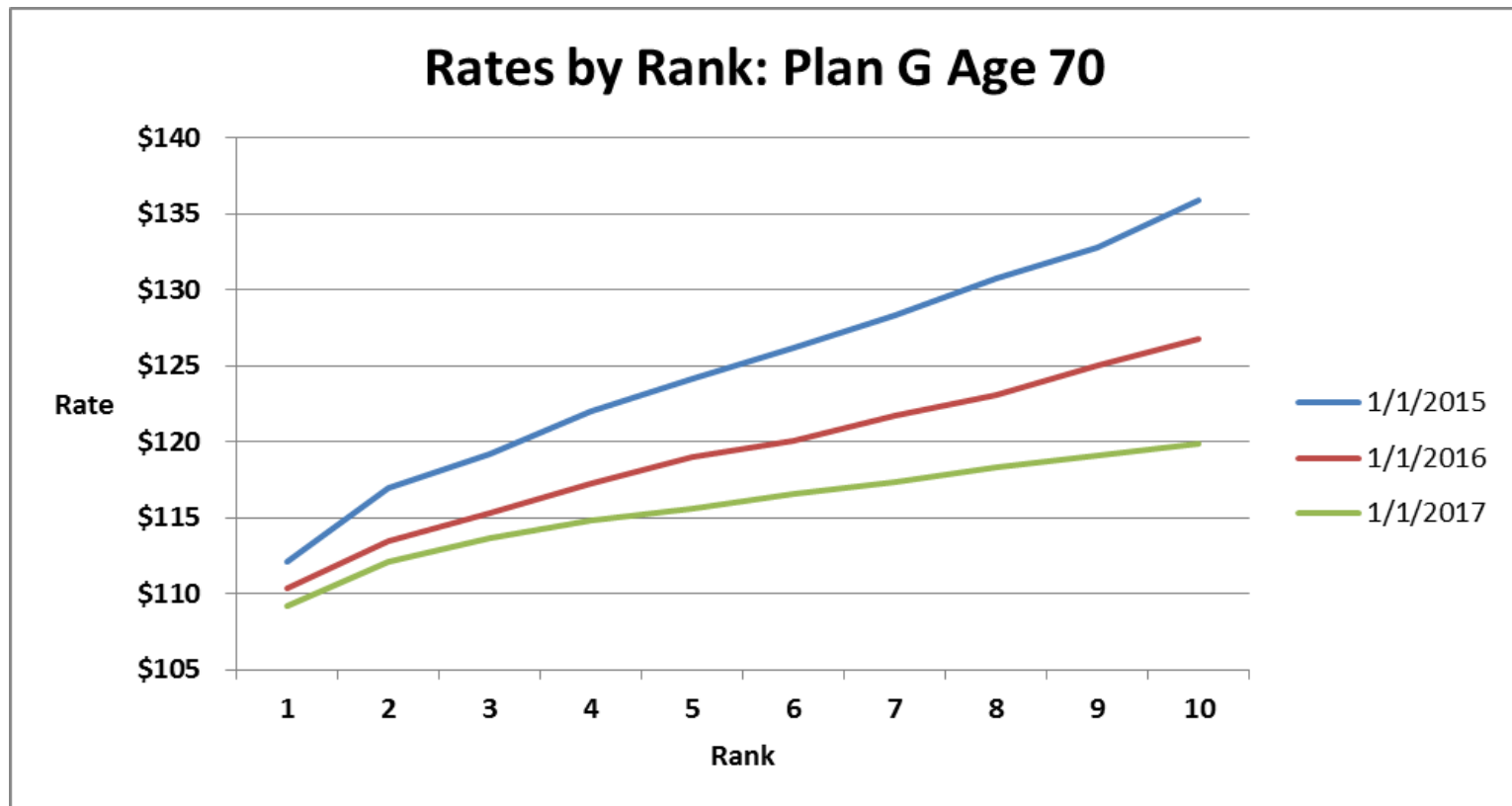
# Rate Ranks 1-10 Plan F Age 70



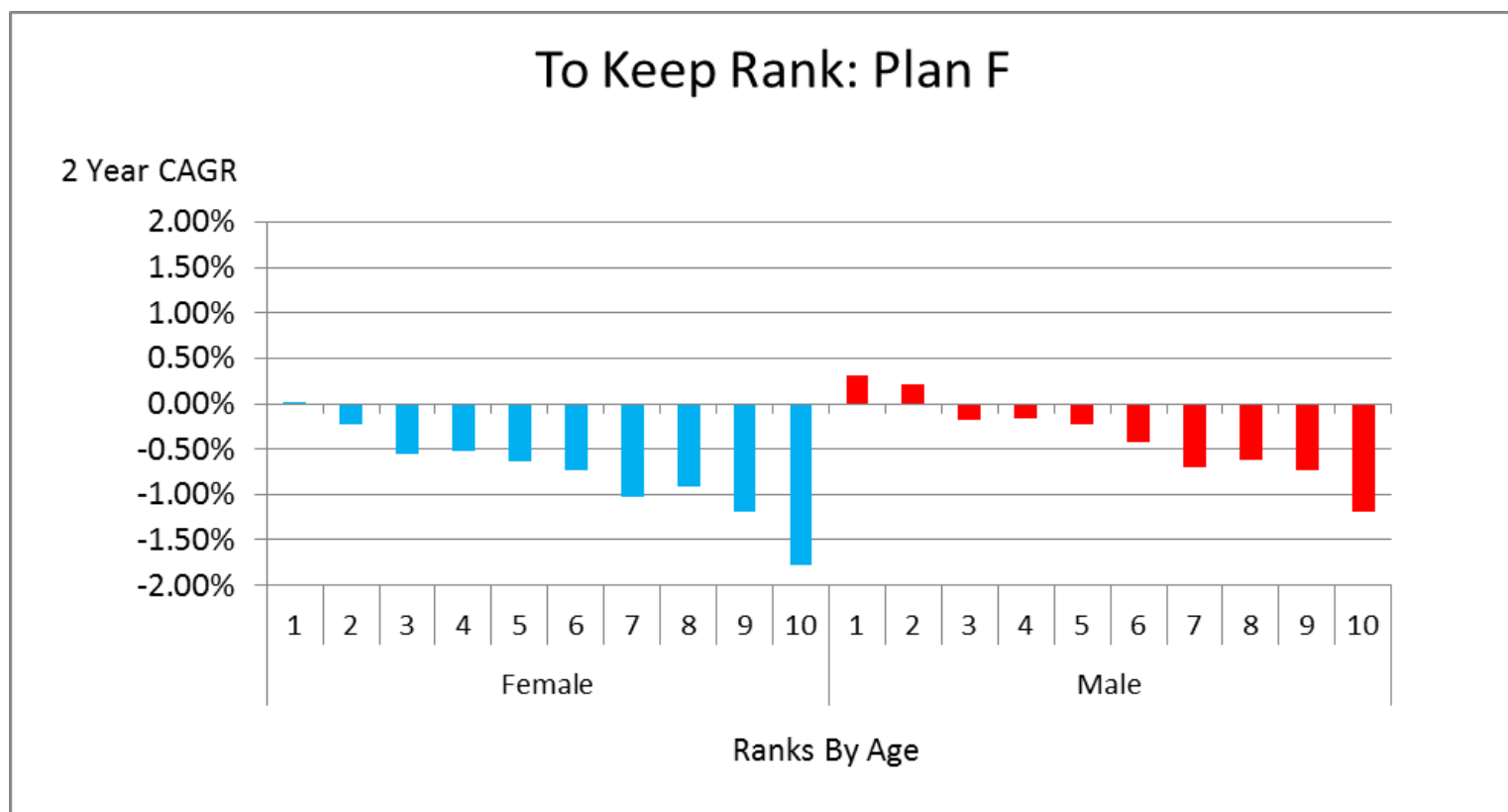
# Rate Ranks 1-10 Plan G Age 65



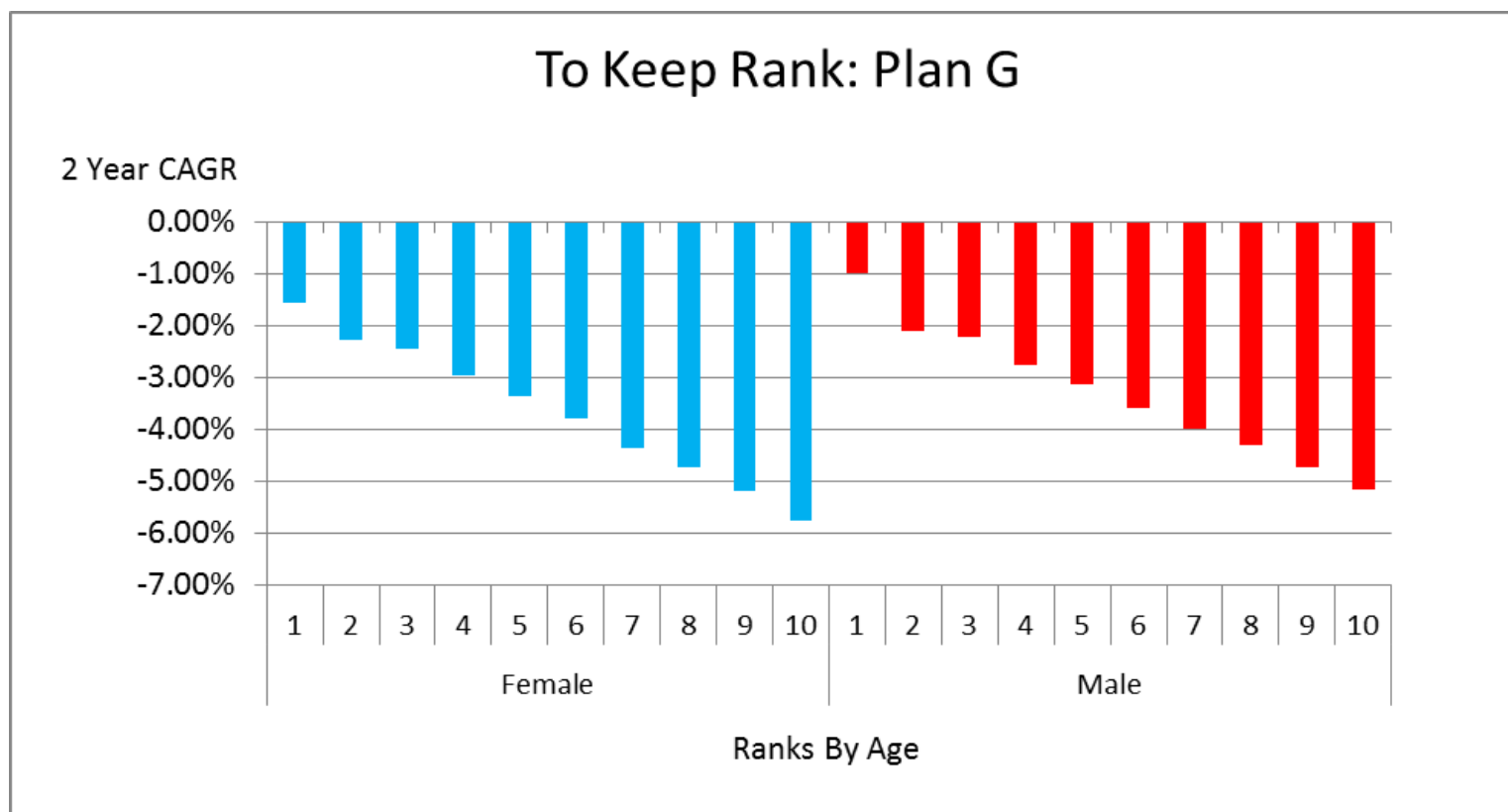
# Rate Ranks 1-10 Plan G Age 70



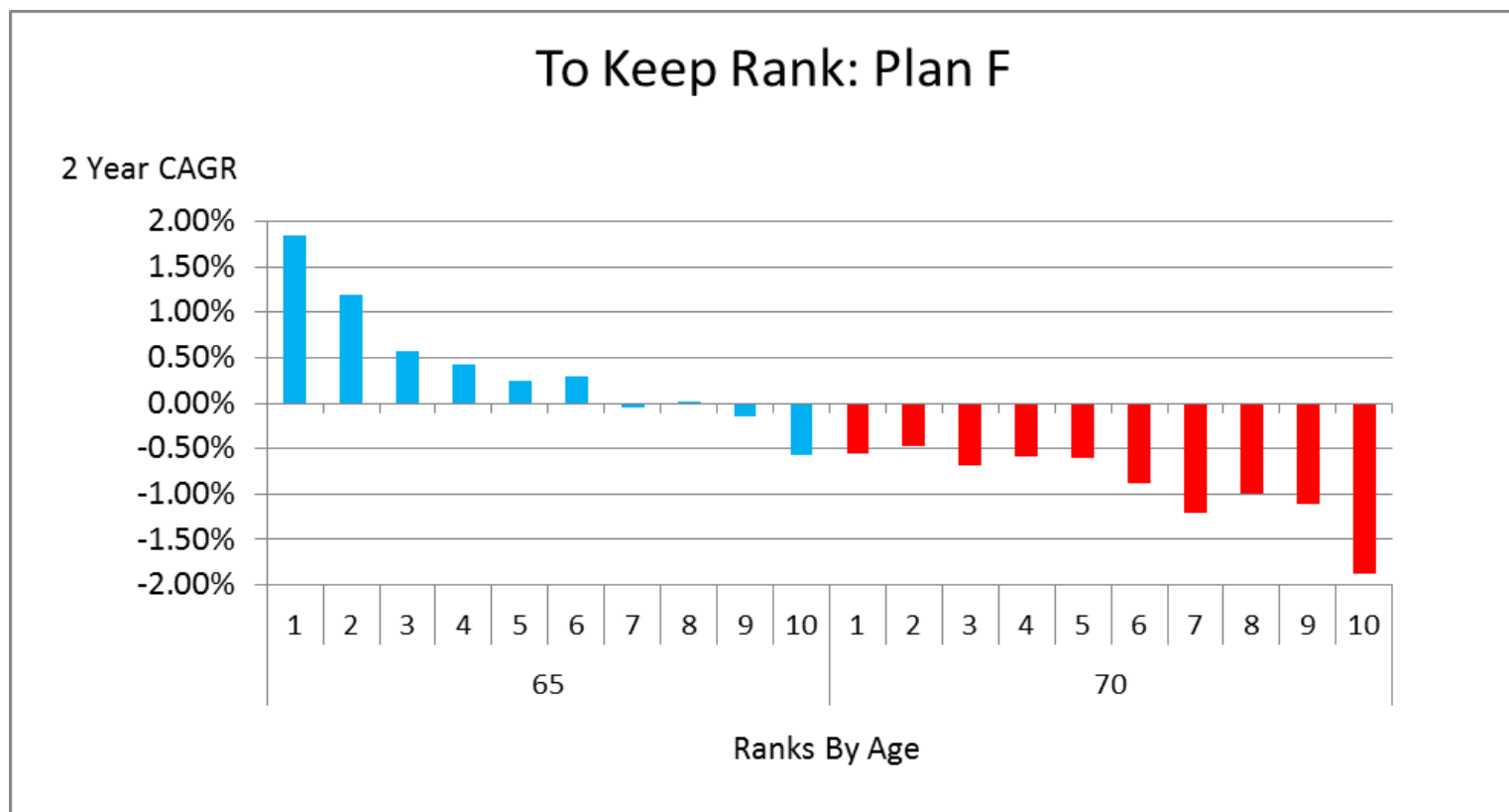
# 2 Year CAGR to Maintain Rank 2015-2017



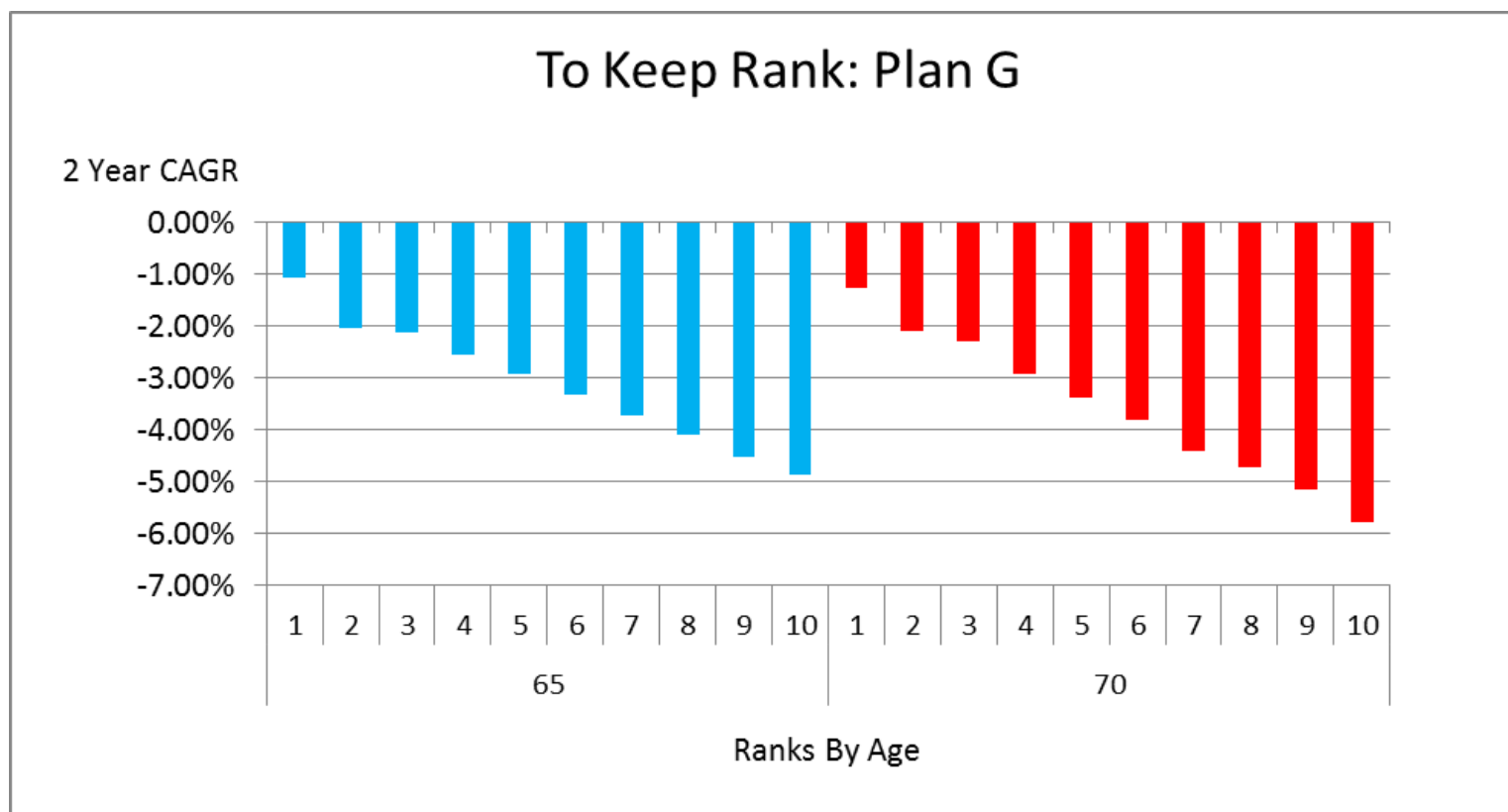
# 2 Year CAGR to Maintain Rank 2015-2017



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# 2 Year CAGR to Maintain Rank 2015-2017

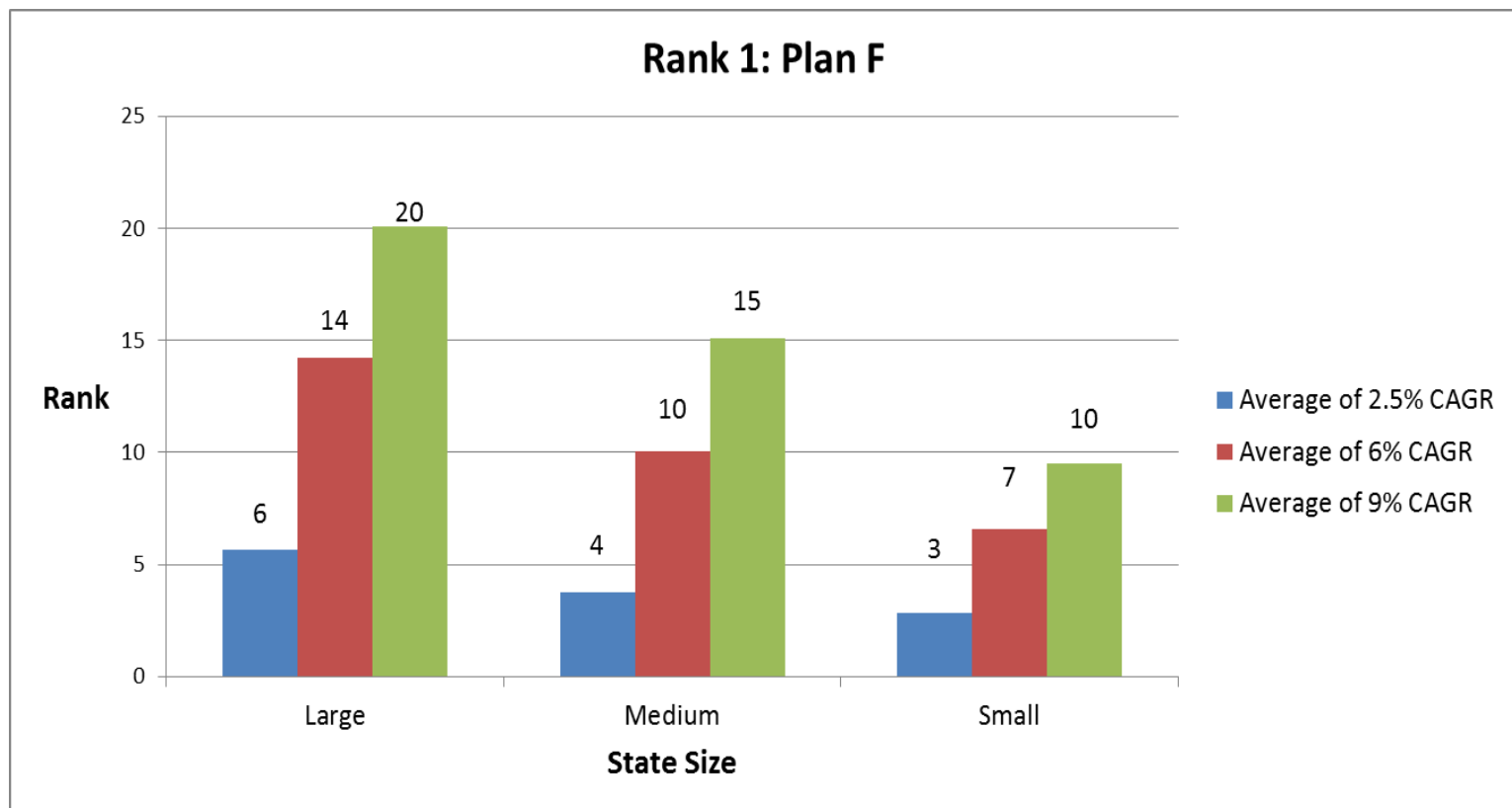


If the average rates are decreasing and  
I've been giving medical trend  
increases?...

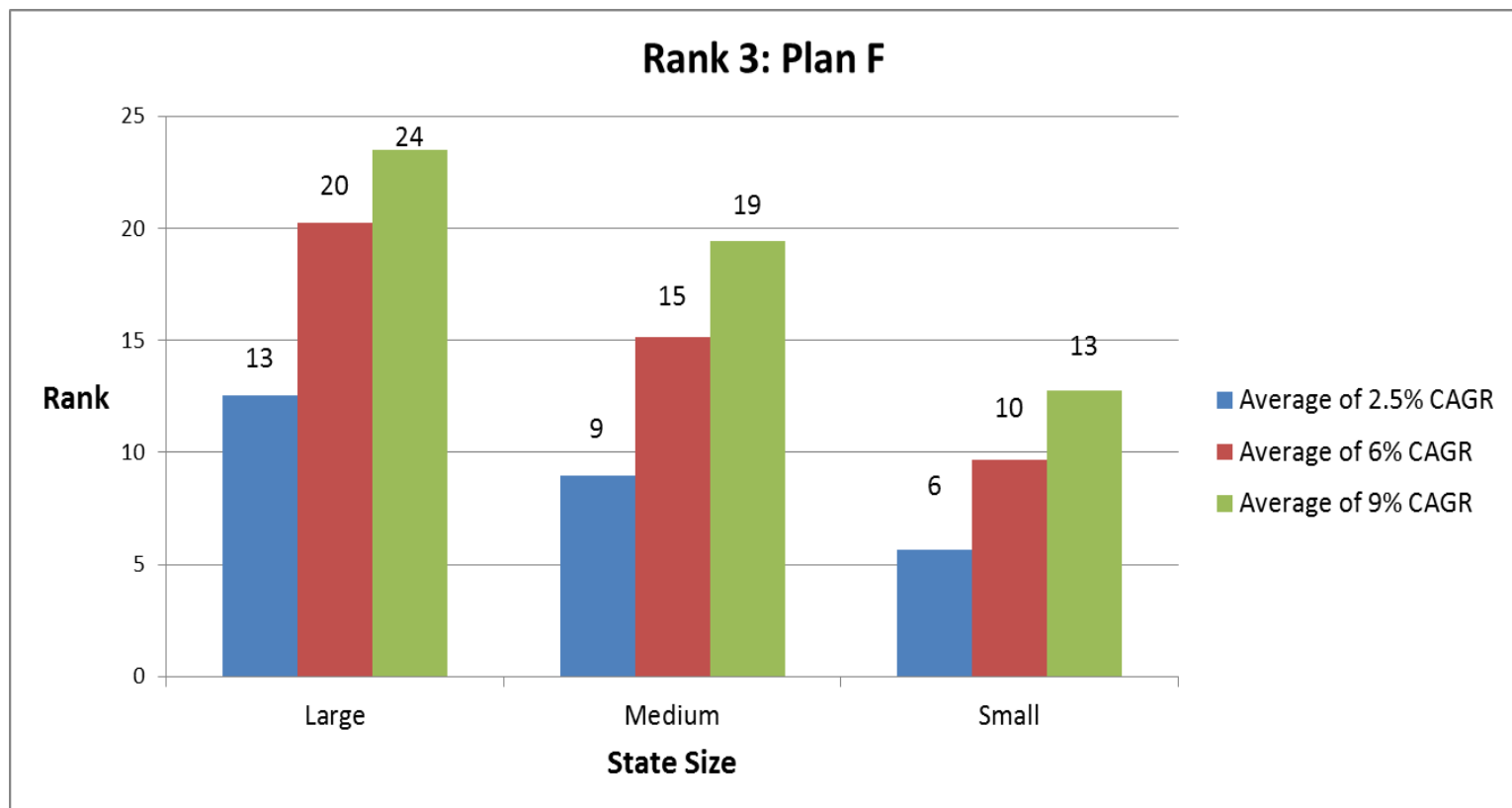




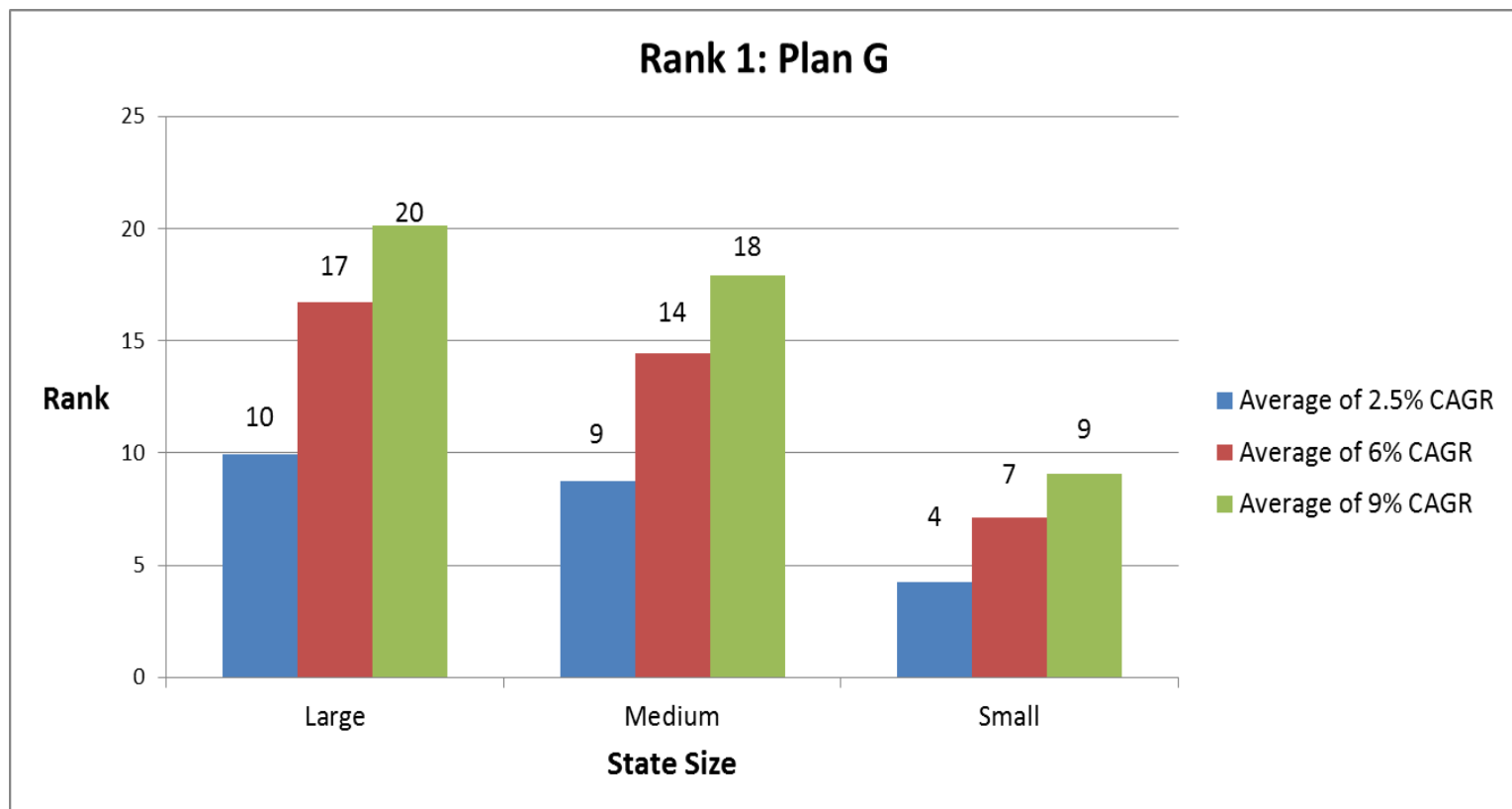
# Where Are They Now? 2015-2017



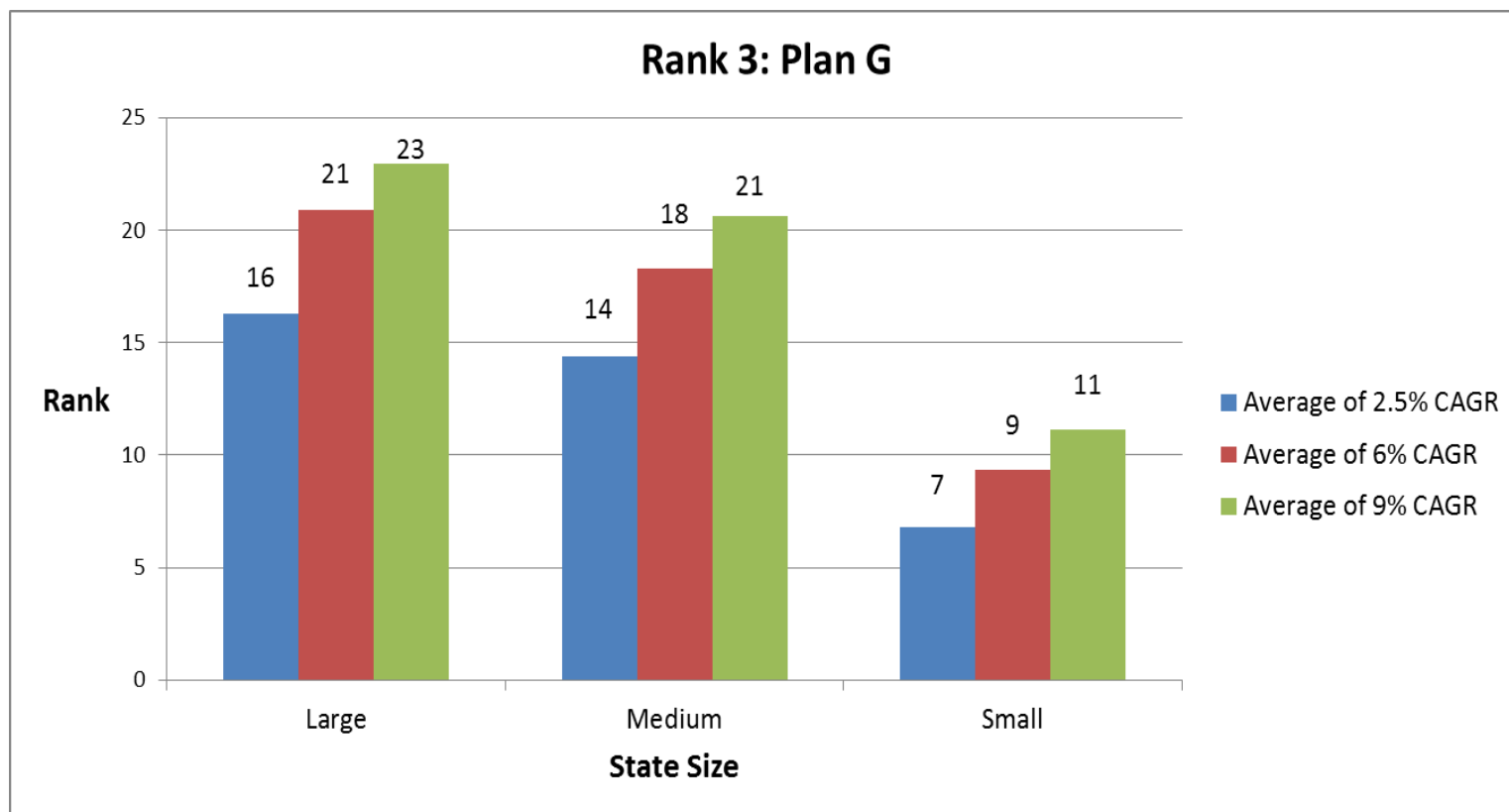
# Where Are They Now? 2015-2017



# Where Are They Now? 2015-2017

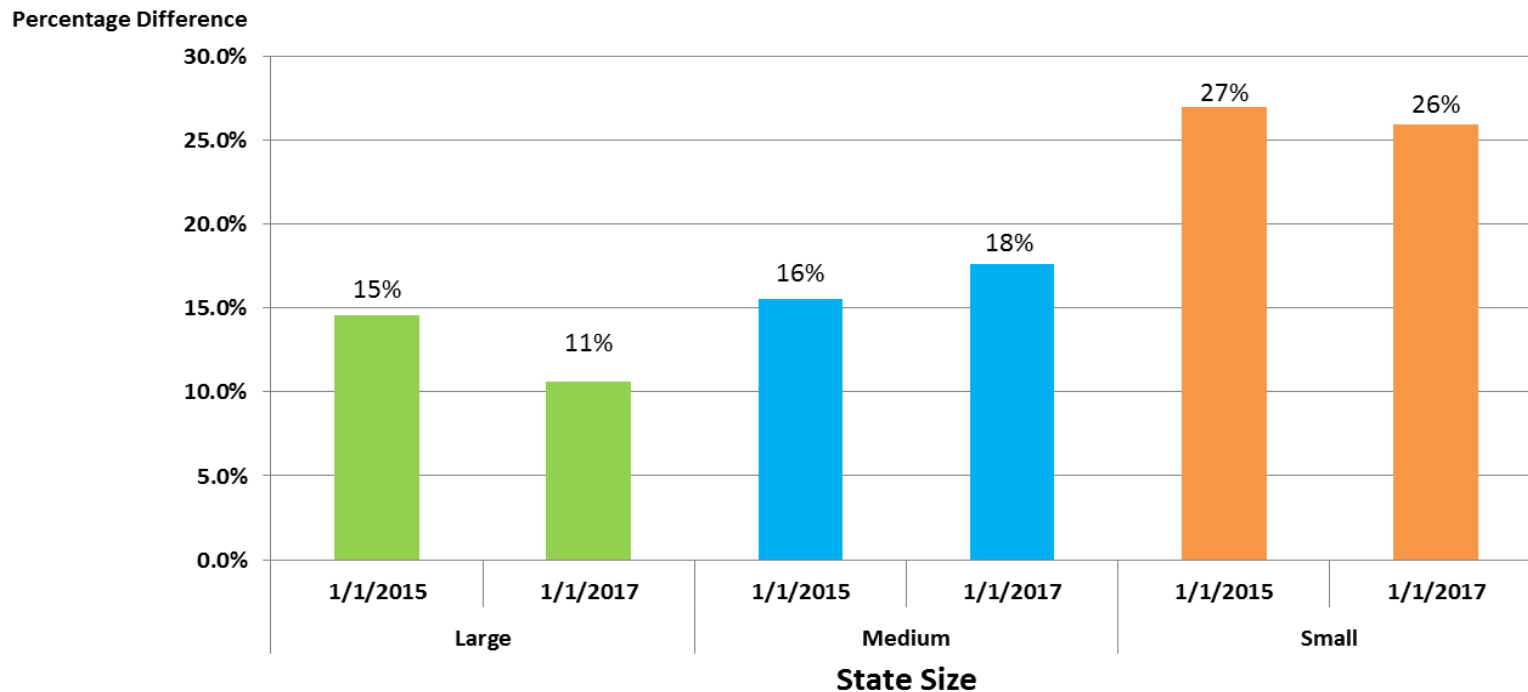


# Where Are They Now? 2015-2017



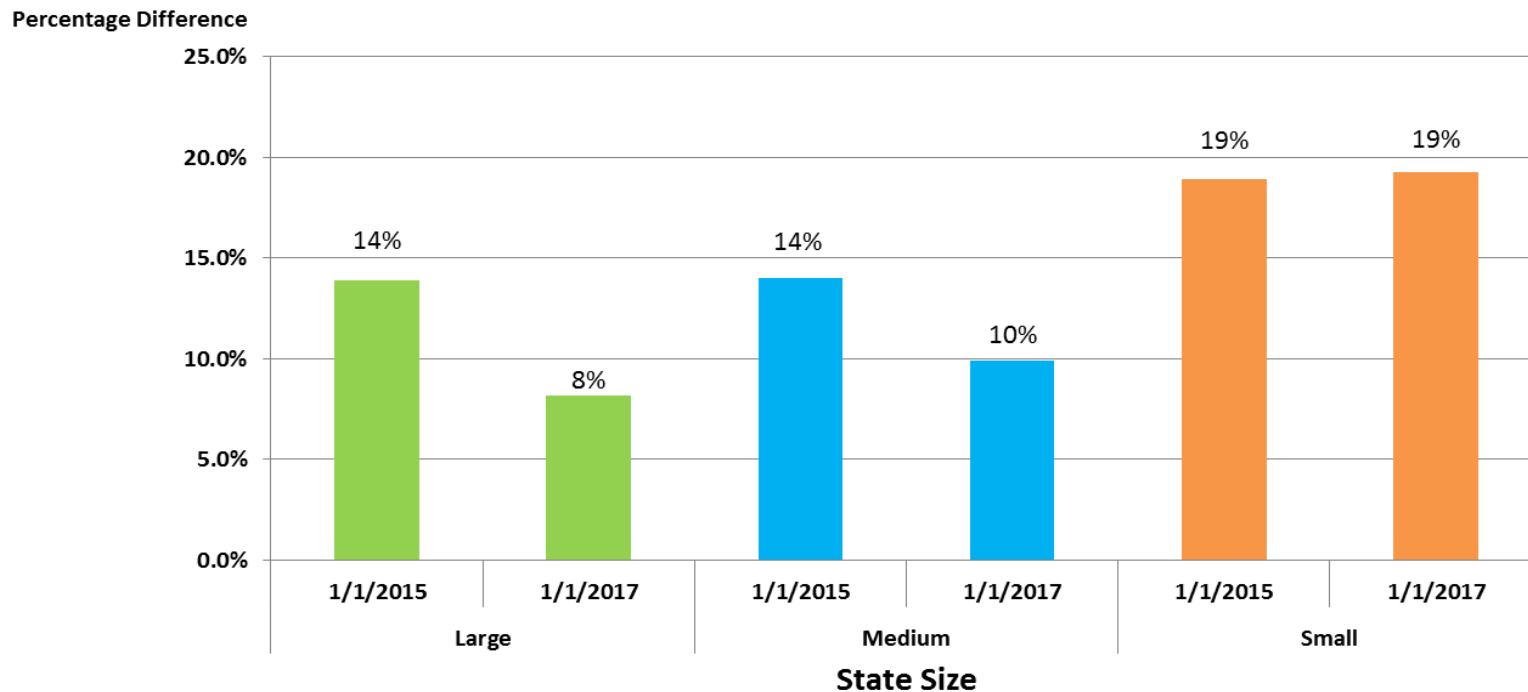
# Rate Spread Between Ranks

**Compression Percentages: Plan F Ranks 10/1**



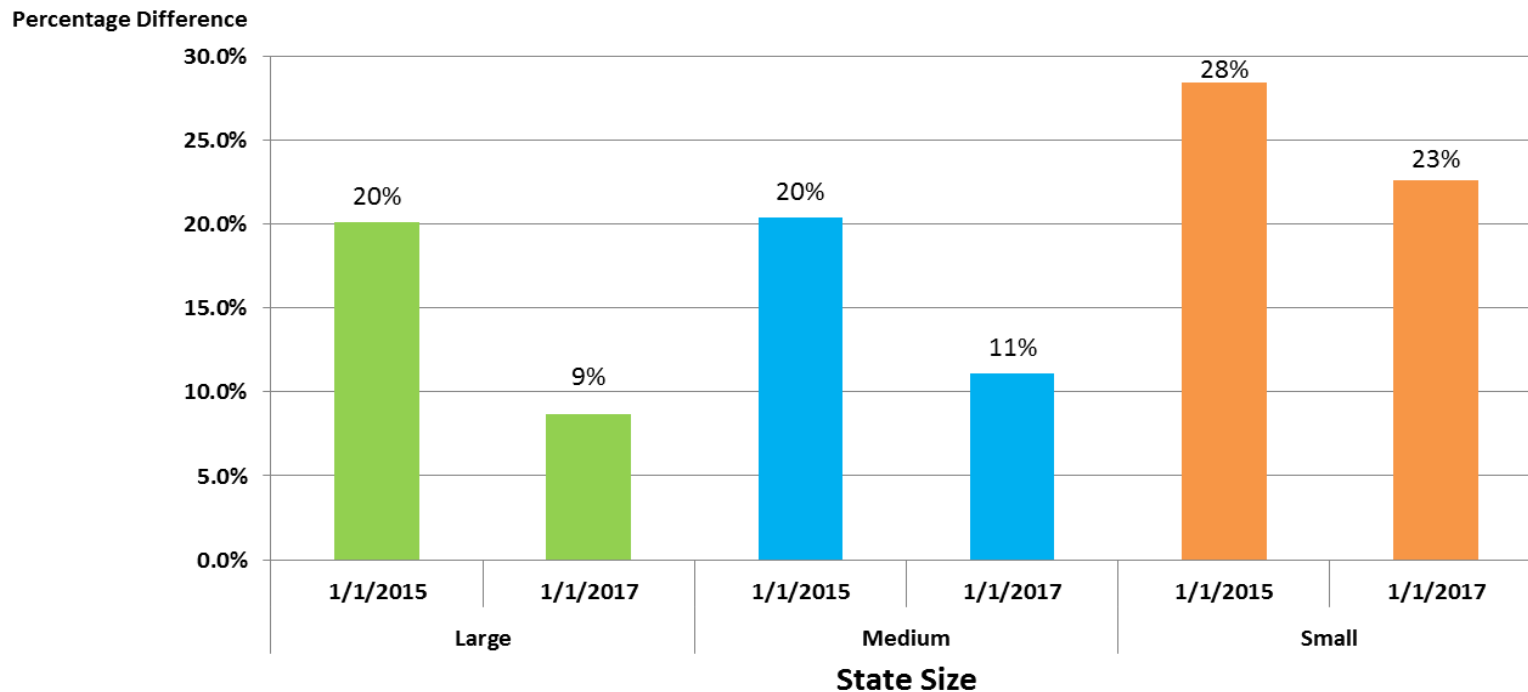
# Rate Spread Between Ranks

**Compression Percentages: Plan F Ranks 15/5**



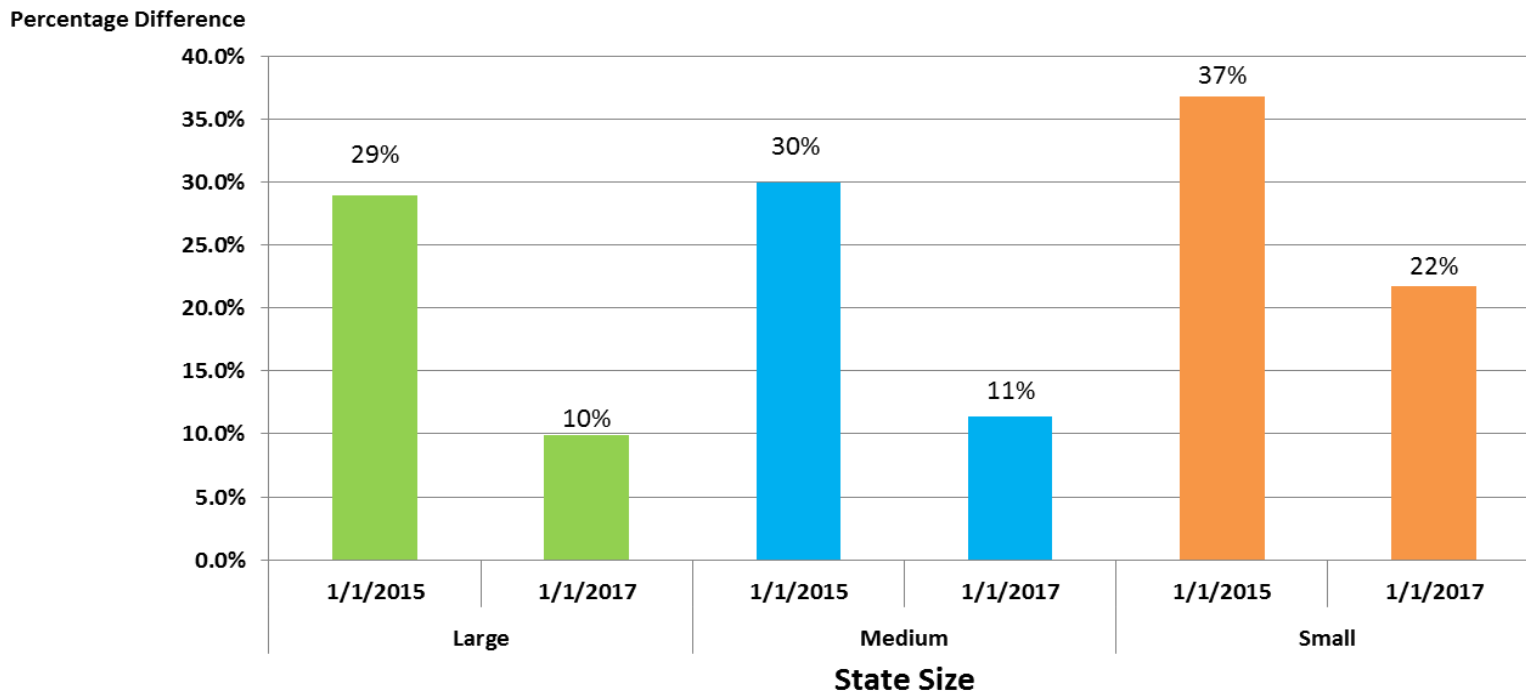
# Rate Spread Between Ranks

**Compression Percentages: Plan G Ranks 10/1**



# Rate Spread Between Ranks

**Compression Percentages: Plan G Ranks 15/5**





# Most & Least Competitive States

➤ Definition: Change in Rates from 1/1/2015 to 1/1/2017

➤ Three Bases:

- Rank 1
- Rank 10
- Average of Rank 1 to 10

# Most Competitive States

Most Competitive States					
Rank 1 F	Rank 1 G	Rank 10 F	Rank 10 G	Avg 1-10 F	Avg 1-10 G
UT	LA	DC	DE	DC	MI
AL	PA	IN	NV	SC	IN
NC	KS	MD	OK	MI	OK
TX	TX	SC	IA	TX	DE
MS	MI	OH	GA	IN	VA
MI	IN	MS	MI	MS	GA
KS	UT	MI	NC	OH	ID
LA	IA	KY	MD	AL	NC
IL	SD	DE	SC	KY	PA
AZ	DC	GA	OH	RI	MD

# Least Competitive States

Least Competitive States					
Rank 1 F	Rank 1 G	Rank 10 F	Rank 10 G	Avg 1-10 F	Avg 1-10 G
HI	WA	ME	WA	HI	ME
ME	NC	MA	MT	WA	WA
VT	NE	WY	OR	VT	VT
NM	ND	OR	CO	ME	OR
NE	MD	ND	AZ	OR	FL
AK	GA	NM	NM	WY	AK
WY	OR	MT	AL	ND	CO
FL	WV	ID	MI	FL	MT
GA	WY	AZ	MS	MT	WY
OK	AK	SD	OH	NM	ND

# Most Competitive States Overall

Most Competitive						
State	Rank 1 F	Rank 1 G	Rank 10 F	Rank 10 G	Avg 1-10 F	Avg 1-10 G
MI	-1.9%	-2.9%	-3.1%	-7.8%	-2.3%	-5.6%
IN	0.7%	-2.9%	-3.8%	-6.9%	-2.1%	-4.8%
TX	-2.3%	-3.3%	-2.4%	-3.8%	-2.2%	-3.3%
DE	0.6%	-2.2%	-2.6%	-11.9%	-0.2%	-4.7%
SC	-0.2%	-1.6%	-3.4%	-7.3%	-2.3%	-4.0%

# Least Competitive States Overall

Least Competitive						
State	Rank 1 F	Rank 1 G	Rank 10 F	Rank 10 G	Avg 1-10 F	Avg 1-10 G
WA	1.2%	3.9%	3.5%	7.5%	4.5%	3.9%
OR	1.6%	1.0%	3.4%	-1.4%	3.6%	0.6%
WY	2.9%	0.6%	3.4%	-5.8%	2.5%	-1.1%
NM	3.4%	-2.1%	2.1%	-2.6%	2.1%	-2.7%
ND	0.9%	1.7%	2.3%	-5.1%	2.3%	-1.9%

# Plan F Compression Chart

## Most Compressed

State	10/1 F	15/5 F
PA	10.9%	7.7%
TX	11.0%	9.9%
UT	11.4%	11.0%
KS	13.1%	9.4%
CO	13.1%	9.7%

## Least Compressed

State	10/1 F	15/5 F
DE	17.0%	21.9%
OR	20.8%	16.6%
WY	19.2%	16.8%
VA	19.2%	15.0%
NJ	14.0%	19.8%

# Plan G Compression Chart

## Most Compressed

State	10/1 G	15/5 G
PA	9.4%	7.9%
AZ	14.3%	11.9%
TX	14.0%	12.6%
IL	13.3%	13.6%
IN	13.5%	14.5%

## Least Compressed

State	10/1 G	15/5 G
DE	29.9%	49.1%
OR	27.6%	40.6%
WY	22.7%	37.3%
VA	23.8%	33.9%
NJ	18.6%	38.2%

# Summary of Findings

- **Increasing compression among top 15 ranked companies**
  - More companies within X% of the lowest rate(s)
  - 1% change in rates often worth 2, 3, even 4 ranks
- **Decreasing and Flat rate trends**
  - Plan G has the largest negative rate trends
  - Plan F has remained relatively flat
- **Plan G looks a lot like Plan F competitively now**



# Summary of Findings

## ➤ Trends typically hold for:

- Both Male and Female
- Ages 70 and 75
- Age 65 has mixed results depending on plan and state

## ➤ State Level Variations

- Large and medium states exhibiting more competitiveness than smaller states

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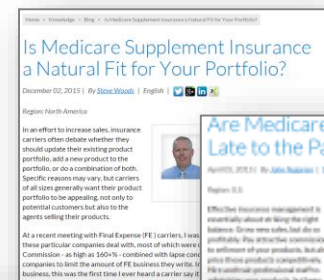


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Are Medicare Supplement Insurers Late to the Party?  
April 15, 2015 | By John McFarlan | Medicare Supplement | English

John McFarlan  
Life & Health Underwriter, Portland, Oregon



# Rate Trends in the Marketplace

What caused the Medicare Supplement market to become so compressed?

# Rate Trends in the Marketplace

What caused the Medicare Supplement market to become so compressed?

**# 1 - More  
companies in  
the Medicare  
Supplement  
market**

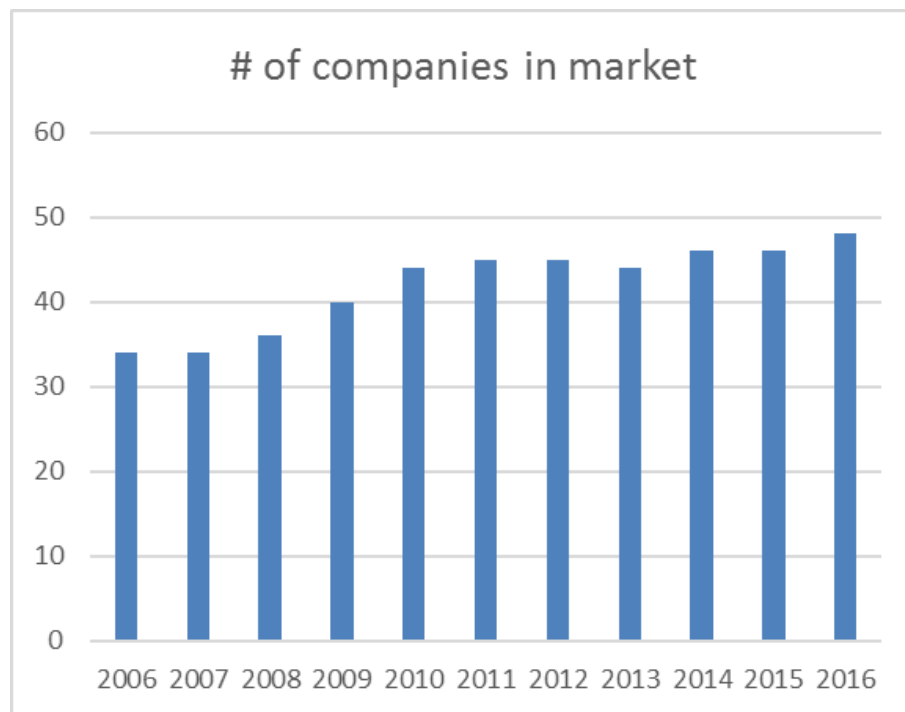
**# 2 – Lower  
claim trends**

# Rate Trends in the Marketplace

- Approximately 40% more companies in Med Supp market than 10 years ago

- 34 separate companies\* in 2006
- 48 separate companies\* in 2016

\* At the parent company level, also counting BC/BS organizations as 1



# Rate Trends in the Marketplace

Why are there more companies in the Medicare Supplement market?

# 1

Significant  
market  
expansion

# 2

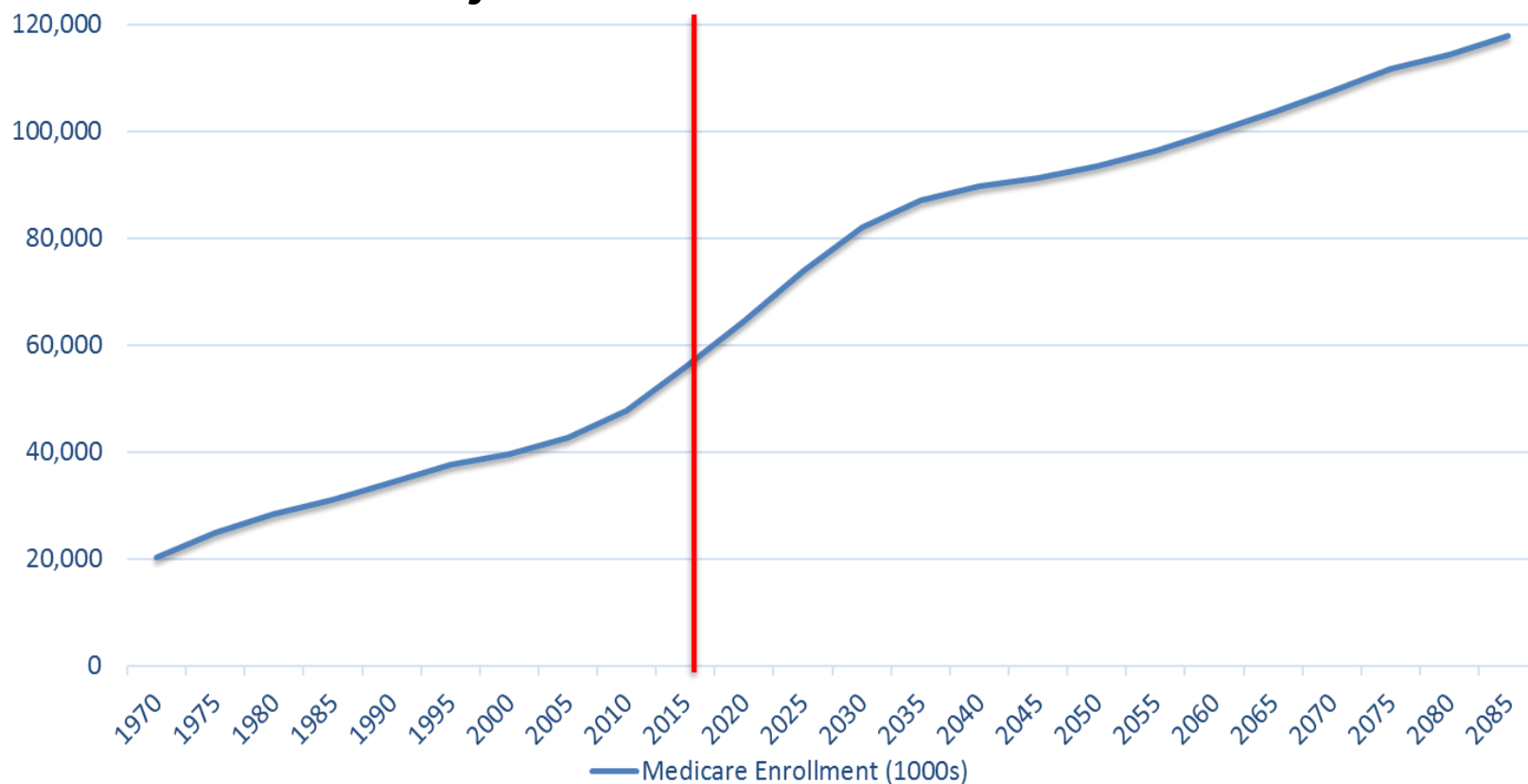
Stable and  
profitable  
market

# 3

Limited  
barriers to  
entry

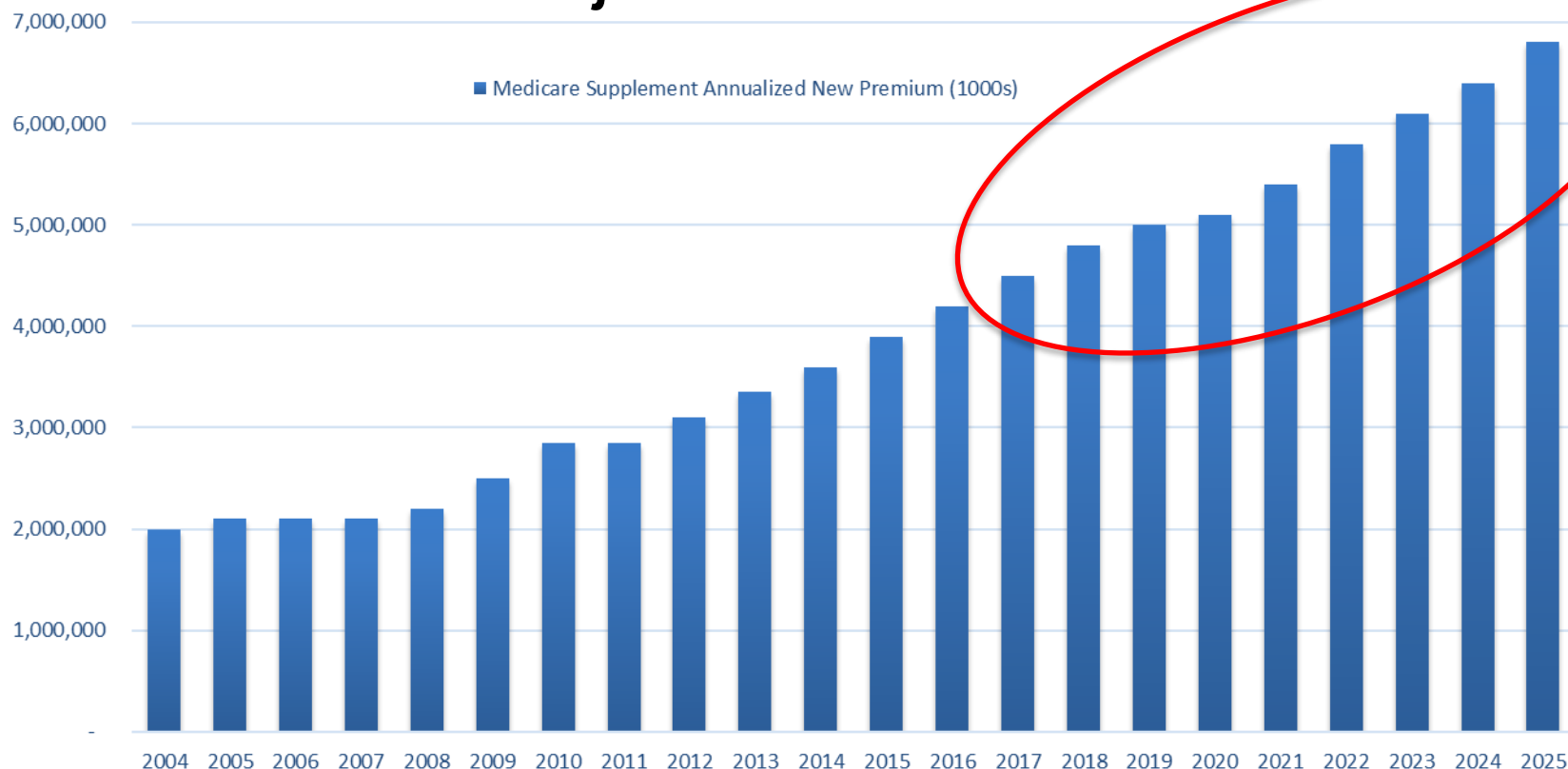
# Rate Trends in the Marketplace

## Past & Projected Medicare Enrollment



# Rate Trends in the Marketplace

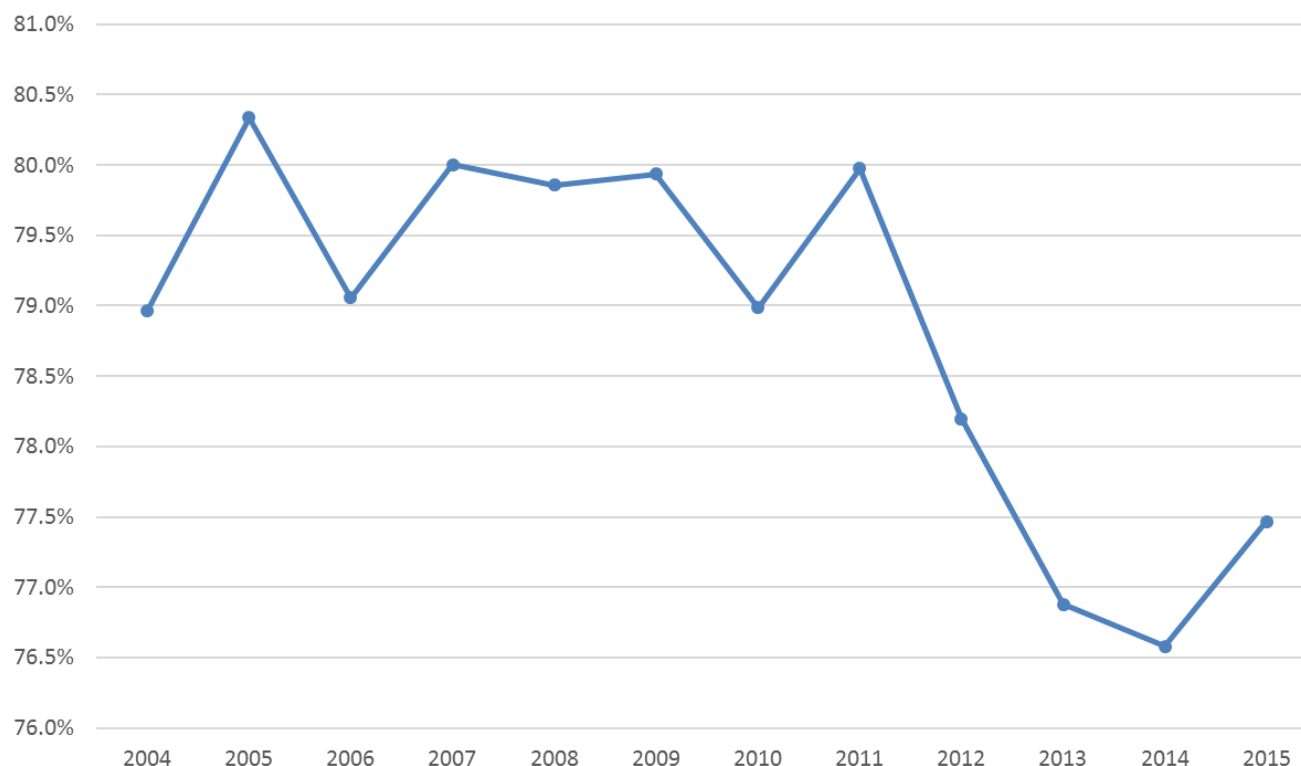
## Past & Projected Medicare Sales





# Rate Trends in the Marketplace

## Total Medicare Supplement Loss Ratios

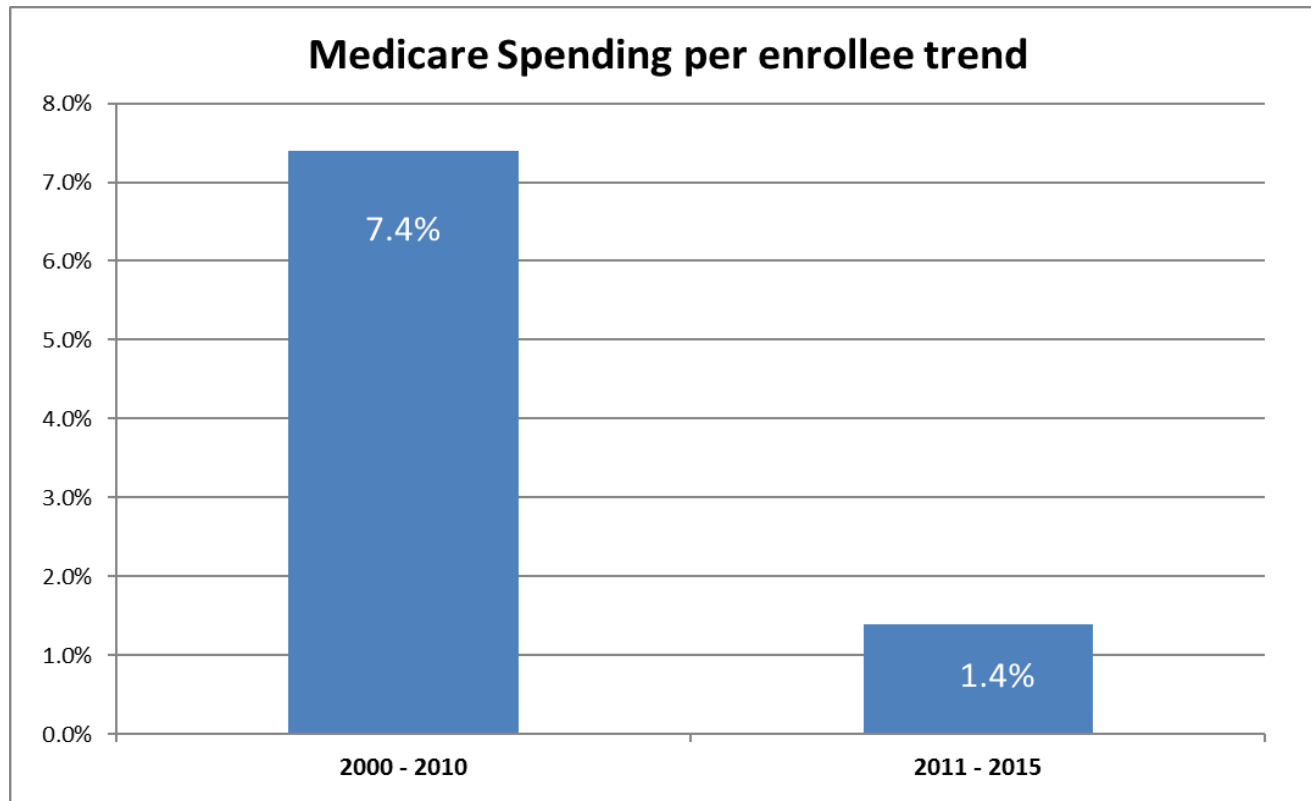


# Rate Trends in the Marketplace

- Continues to be limited barriers to market entry, key partners available in substantial quantities:
  - Distribution Partners
  - TPAs
  - Reinsurers
  - Actuarial / Product Development Support

# Rate Trends in the Marketplace

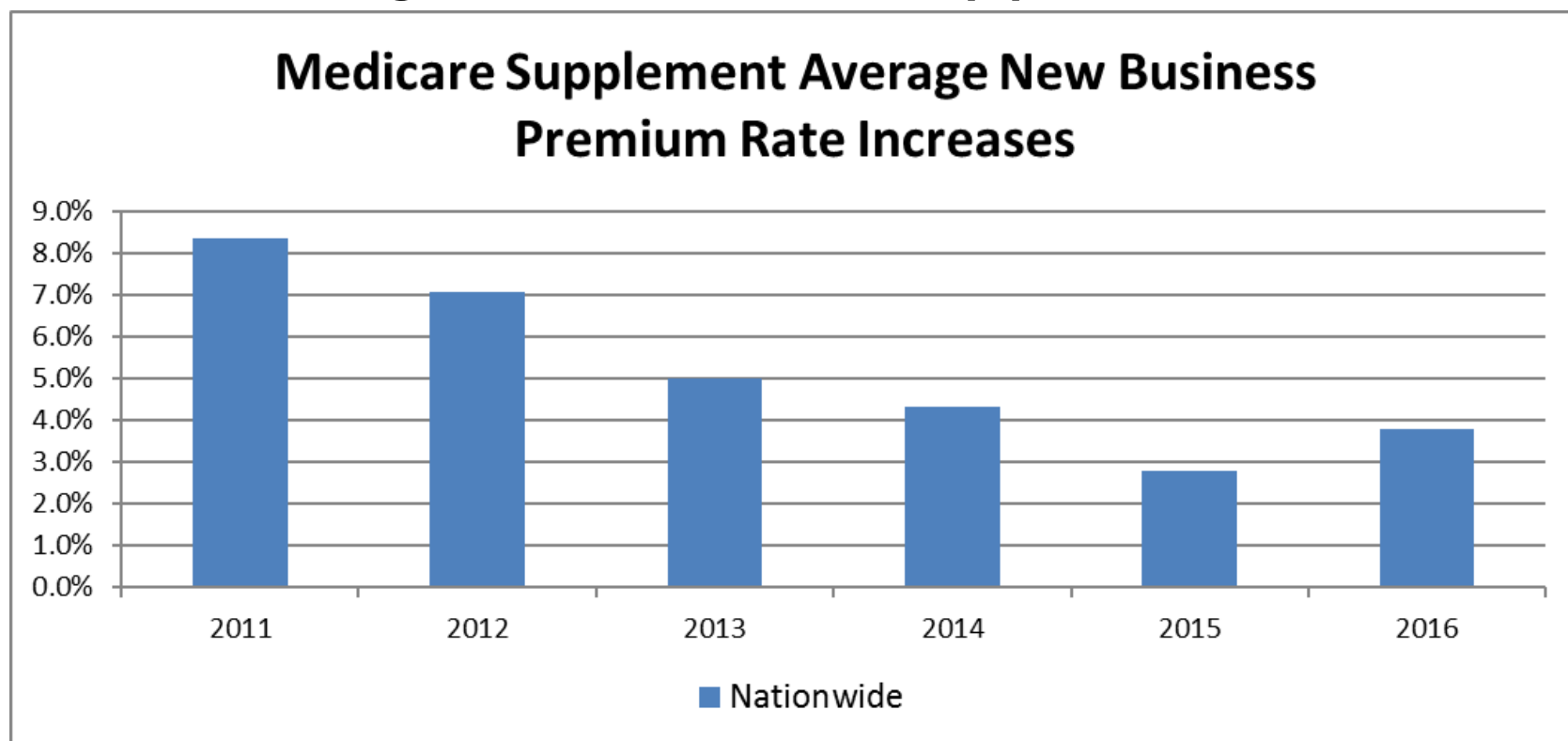
## Lower Medicare Claim Trends .....



<http://kff.org/medicare/issue-brief/the-facts-on-medicare-spending-and-financing/>

# Rate Trends in the Marketplace

..... Driving Lower Med Supp Rate Increases



# Rate Trends in the Marketplace

- New companies pricing into the most competitive tier are staying competitive much longer due to lower claim trends and rate increases.

# Rate Trends in the Marketplace

- And existing companies are staying competitive much longer.

# Rate Trends in the Marketplace

- What does all of this mean for now and the future?

# Rate Trends in the Marketplace

Questions?