

2017 Health Insurance Industry Analysis Report

Industry Overview

Table 1 below provides a 10-year snapshot of the U.S. health insurance industry's aggregate financial results for health entities who file with the NAIC on the health annual statement blank which represents over 77% of the total A&H business filed with the NAIC. The number of Health insurers filing the health statement type with the NAIC increased to 981 from 967 in 2016. The health insurance industry experienced a significant increase in net earnings to \$16.1 billion and an increase in the profit margin to 2.4% in 2017 compared to net earnings of \$7.2 billion and a profit margin of 1% in 2016. The combined ratio decreased moderately to 97.2% from 98.4%. Included in the increase in profitability, health entities reported a \$2.5 billion increase in net investment income earned to \$4.8 billion from \$2.3 billion in 2016.

Health entities reported a 12.3% increase in capital and surplus to \$137.5 billion due to net income of \$16.1 billion, a \$4.2 billion increase in net deferred tax asset, paid in surplus of \$3.6 billion, and unrealized capital gains of \$3.0 billion, partially offset by \$8.1 billion in dividends paid to stockholders in 2017 and a \$2.6 billion increase in non-admitted assets.

Notable items include the following:

- Net earned premium increased 4.7% (\$29.5 billion).
- Administrative expenses decreased 5.5% (\$4.5 billion).
- Hospital & medical expenses increased 4.5% (\$24.1 billion).
- The loss ratio remained unchanged at 85.4%.
- A&H earned premium increased 4.6% (\$37.5 billion).
- Long-term care claims decreased slightly by 1% (\$113 million).

CONTENTS

Underwriting Results	2
Enrollment and Premium Revenues	7
Accident and Health	8
Long-term Care	9

Financial Regulatory Services Division

Financial Analysis and Examination Department

Contributors

Bruce Jenson, Senior Manager II
Jane Koenigsman, Senior Manager I
Bill Rivers, Health Financial Analysis Program Manager

Table 1
Health Entities as of December 31, 2017

(In Millions, Except PMPM)	Chg.	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operations											
Direct Written Premium	4.6%	\$667,544	\$638,260	\$593,403	\$533,083	\$459,274	\$443,537	\$418,482	\$394,700	\$382,376	\$354,646
Net Earned Premium	4.7%	\$661,155	\$631,657	\$587,374	\$526,852	\$450,737	\$433,211	\$409,291	\$385,832	\$373,197	\$346,161
Net Investment Income Earned	105.7%	\$4,796	\$2,331	\$3,250	\$3,229	\$3,152	\$3,154	\$3,245	\$3,421	\$4,061	\$4,759
Underwriting Gain/(Loss)	89.5%	\$18,795	\$9,920	\$6,438	\$6,618	\$9,637	\$11,675	\$14,763	\$12,714	\$5,978	\$9,092
Net Income/Loss	123.2%	\$16,057	\$7,195	\$3,672	\$5,661	\$9,978	\$11,744	\$13,909	\$12,935	\$9,292	\$8,417
Total Hospital & Medical Exp	4.5%	\$566,008	\$541,885	\$505,506	\$450,823	\$389,206	\$371,947	\$346,059	\$326,997	\$323,405	\$297,746
Loss Ratio	(0.0) Pts.	85.4%	85.4%	85.6%	85.3%	85.8%	85.7%	84.5%	84.8%	86.7%	86.0%
Administrative Expenses	(5.5)%	\$78,127	\$82,633	\$78,712	\$71,538	\$54,705	\$51,221	\$48,682	\$46,109	\$43,716	\$39,648
Admin Expense Ratio	(1.2) Pts.	11.8%	13.0%	13.3%	13.5%	12.1%	11.8%	11.9%	11.9%	11.7%	11.4%
Combined Ratio	(1.2) Pts.	97.2%	98.4%	98.9%	98.8%	97.9%	97.3%	96.4%	96.7%	98.4%	97.4%
Profit Margin	1.3 Pts.	2.4%	1.1%	0.6%	1.1%	2.2%	2.7%	3.4%	3.3%	2.5%	2.4%
Net Premium PMPM	3.3%	\$249	\$241	\$232	\$221	\$212	\$205	\$204	\$195	\$189	\$186
Claims PMPM	3.2%	\$213	\$207	\$199	\$189	\$183	\$177	\$173	\$166	\$165	\$161
Cash Flow from Operations	104.9%	\$25,133	\$12,266	\$6,600	\$6,273	\$8,120	\$13,203	\$15,399	\$12,201	\$8,619	\$10,177
Enrollment	1.3%	221	218	213	204	178	177	168	164	166	157
Capital and Surplus											
Capital & Surplus	12.3%	\$137,455	\$122,393	\$115,561	\$112,193	\$111,140	\$103,041	\$94,642	\$88,521	\$77,147	\$71,404
Return on Equity (ROE)	5.9 Pts.	12.0%	6.1%	3.7%	5.7%	10.0%	12.4%	15.5%	15.3%	12.5%	12.4%
Assets											
Net Invested Assets	11.2%	\$210,358	\$189,241	\$177,180	\$169,991	\$163,439	\$155,331	\$145,706	\$135,589	\$122,475	\$113,443
Net Admitted Assets	7.7%	\$288,921	\$268,386	\$253,277	\$238,913	\$214,328	\$201,801	\$188,664	\$174,217	\$158,506	\$146,866
Net Inv Inc & Realized Gain/(Loss)	63.8%	\$5,437	\$3,320	\$4,165	\$4,832	\$4,479	\$4,417	\$4,249	\$4,814	\$6,260	\$1,980
Investment Yield	1.3 Pts.	2.6%	1.3%	1.9%	1.9%	2.0%	2.1%	2.3%	2.7%	3.4%	4.1%
Number of Companies Filed		981	967	958	943	926	880	857	839	864	878

Note: Aggregate results include only health entities who file annual statements with the NAIC.

Underwriting Results

Figure 1 below illustrates the profitability trend for the health insurance industry and the increase in both net earnings and profit margin. The increase in the industry's underwriting results can be attributed to a 4.7% (\$29.5 billion) increase in net earned premium to \$661.2 billion, a 105.7% (\$2.5 billion) increase in net investment income earned to \$4.8 billion from \$2.3 billion in 2016, and a 5.5% (\$4.5 billion) decrease in claims adjustment expenses and general administrative expenses. Administrative expenses alone decreased 9.7% (\$6.1 billion). However, the industry partially offset these items with a 4.5% (\$24.1 billion) increase in total hospital and medical expenses to \$566 billion.

Figure 2 illustrates the earned premium growth and the spread between total hospital and medical benefits. Historically, from year to year, the industry has reported significant increases in hospital and medical benefits. However, net premium revenues have increased at a higher rate than total hospital and medical benefits. The spread between earned premium and total hospital and medical benefits has increased to \$95.1 billion in 2017 from \$61.5 billion in 2013.

Figure 3 below illustrates the increase in total hospital and medical benefits and a modest decrease in the combined ratio to 97.2% in 2017. The decrease in the combined ratio is due to the aforementioned decrease in administrative expenses and the related decrease in the administrative expense ratio to 11.8%. The loss ratio remained unchanged at 85.4% in 2017.

Table 2, on the next page, provides an analysis of operations by line of business for 2017. In terms of dollar impact, the comprehensive hospital and medical (\$9.3 billion), Medicare (\$5.1 billion) and the Medicaid (\$1.1 billion) lines of business were the most profitable. Subsequently, **Figures 4 through 19** on pages 6 and 7, provide an overview of underwriting results, earned premium, and total hospital and medical expenses in relation to loss ratios by line of business.

Figure 1
Net Income & Profit Margin

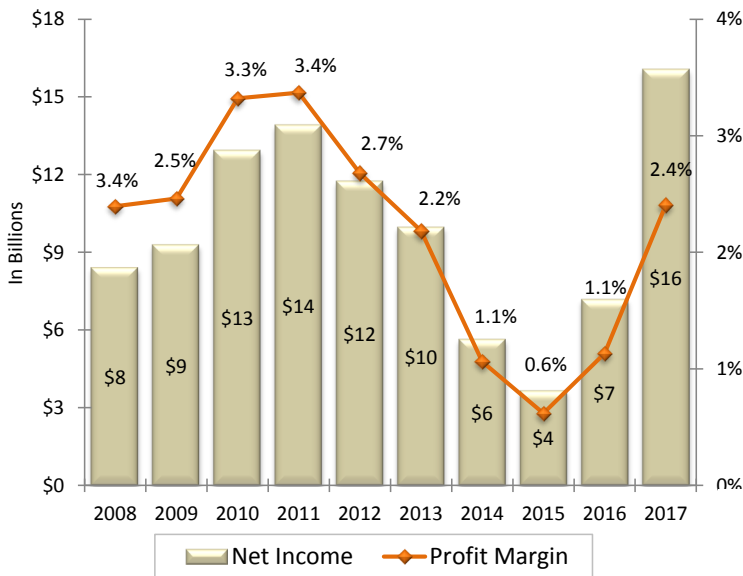


Figure 2
Earned Premium vs Hospital & Medical Benefits

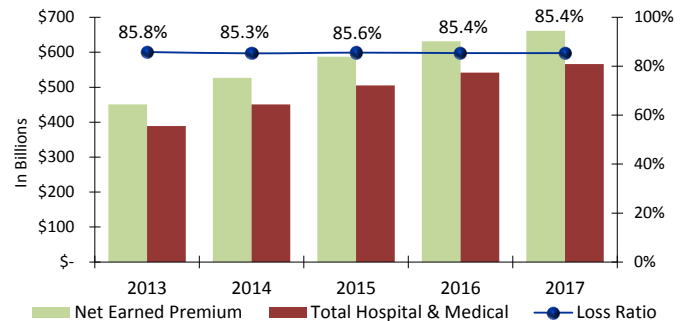


Figure 3
Total Benefits, Loss Ratio & Combined Ratio

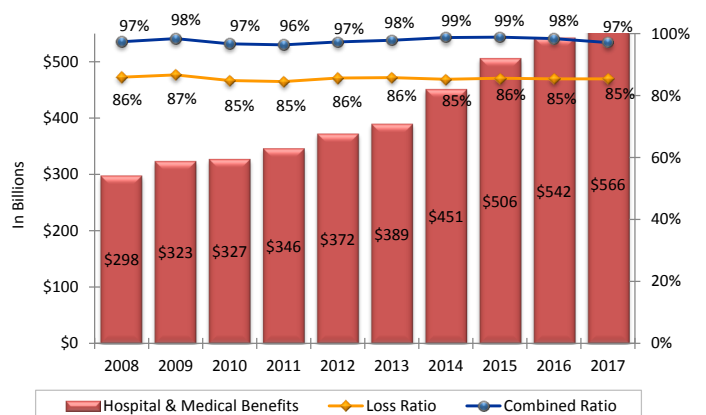


Table 2
Analysis of Operations by Lines of Business

Comprehensive Hospital & Medical										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$230,212	\$222,273	\$215,385	\$207,534	\$192,420	\$191,446	\$191,945	\$188,755	\$188,360	\$186,456
Total Hospital & Medical Exp	\$191,177	\$191,139	\$184,916	\$175,179	\$163,736	\$163,346	\$160,206	\$158,357	\$163,317	\$159,182
Claims Adj. Expenses	\$7,664	\$7,381	\$7,413	\$7,475	\$7,167	\$6,990	\$6,764	\$6,634	\$6,823	\$6,691
General Admin. Expenses	\$23,085	\$26,382	\$26,833	\$25,852	\$18,842	\$18,131	\$18,365	\$18,138	\$17,448	\$16,773
Total Underwriting Deductions	\$221,555	\$223,898	\$219,054	\$209,078	\$189,712	\$188,553	\$185,187	\$183,250	\$187,700	\$182,890
Net Underwriting Gain/(Loss)	\$9,270	(\$966)	(\$2,017)	(\$70)	\$4,023	\$4,159	\$6,987	\$5,731	\$1,137	\$3,923
Loss Ratio	82.7%	85.3%	85.2%	84.1%	84.5%	84.8%	83.3%	83.9%	86.5%	85.3%
Admin Expense Ratio	13.3%	15.1%	15.8%	15.9%	13.4%	13.0%	13.1%	13.1%	12.9%	12.6%
Combined Ratio	96.0%	100.4%	100.9%	100.0%	97.9%	97.8%	96.4%	97.0%	99.4%	97.9%
Net Premium PMPM	\$401.93	\$372.63	\$362.79	\$347.49	\$318.60	\$309.09	\$302.61	\$289.90	\$276.29	\$266.46
Claims PMPM	\$333.88	\$319.41	\$310.46	\$293.74	\$270.62	\$263.53	\$253.11	\$243.56	\$239.60	\$227.85
Enrollment	44	46	49	49	52	53	53	53	56	58

Medicare Supplement										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$10,071	\$9,568	\$9,156	\$8,690	\$8,162	\$8,088	\$7,811	\$7,735	\$7,553	\$7,546
Total Hospital & Medical Exp	\$7,800	\$7,640	\$7,368	\$6,910	\$6,457	\$6,460	\$6,336	\$6,229	\$6,202	\$6,178
Claims Adj. Expenses	\$483	\$439	\$419	\$379	\$399	\$385	\$397	\$375	\$394	\$360
General Admin. Expenses	\$1,299	\$1,193	\$1,189	\$1,077	\$948	\$937	\$937	\$883	\$836	\$752
Total Underwriting Deductions	\$9,636	\$9,320	\$9,021	\$8,157	\$7,847	\$7,815	\$7,608	\$7,513	\$7,602	\$7,235
Net Underwriting Gain/(Loss)	\$444	\$271	\$119	\$564	\$304	\$258	\$195	\$200	(\$52)	\$319
Loss Ratio	77.9%	80.2%	81.1%	76.9%	79.8%	80.4%	80.4%	81.1%	84.4%	81.1%
Admin Expense Ratio	17.7%	17.0%	17.6%	16.7%	16.5%	16.4%	17.1%	16.3%	16.3%	14.7%
Combined Ratio	95.6%	97.2%	98.7%	93.5%	96.3%	96.8%	97.5%	97.4%	100.7%	95.8%
Net Premium PMPM	\$194.30	\$190.43	\$181.38	\$181.40	\$182.65	\$180.48	\$176.52	\$172.92	\$167.19	\$162.16
Claims PMPM	\$151.40	\$152.65	\$147.17	\$139.47	\$145.81	\$145.28	\$141.93	\$140.25	\$141.10	\$131.45
Enrollment	4	4	4	4	4	4	4	4	4	4

Dental										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$13,533	\$12,685	\$12,480	\$11,752	\$10,449	\$9,995	\$9,327	\$8,732	\$8,332	\$7,624
Total Hospital & Medical Exp	\$10,625	\$9,955	\$9,761	\$9,132	\$8,059	\$7,789	\$7,389	\$6,993	\$6,673	\$6,086
Claims Adj. Expenses	\$552	\$513	\$489	\$428	\$384	\$407	\$412	\$381	\$397	\$355
General Admin. Expenses	\$1,867	\$1,829	\$1,821	\$1,685	\$1,282	\$1,206	\$1,091	\$989	\$988	\$863
Total Underwriting Deductions	\$13,045	\$12,295	\$12,071	\$11,241	\$9,722	\$9,403	\$8,895	\$8,363	\$8,059	\$7,305
Net Underwriting Gain/(Loss)	\$836	\$790	\$749	\$758	\$856	\$703	\$532	\$427	\$300	\$339
Loss Ratio	76.5%	76.1%	76.1%	76.1%	76.2%	77.1%	78.4%	79.6%	79.8%	79.6%
Admin Expense Ratio	17.4%	17.9%	18.0%	17.6%	15.7%	16.0%	15.9%	15.6%	16.6%	15.9%
Combined Ratio	94.0%	94.0%	94.2%	93.7%	91.9%	93.0%	94.4%	95.1%	96.4%	95.6%
Net Premium PMPM	\$27.11	\$25.74	\$25.31	\$25.46	\$25.99	\$24.95	\$24.14	\$22.25	\$21.11	\$21.72
Claims PMPM	\$21.31	\$20.20	\$19.80	\$19.76	\$20.03	\$19.45	\$19.13	\$17.84	\$16.90	\$17.34
Enrollment	44	42	41	40	34	33	32	33	33	29

Vision										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$2,651	\$2,469	\$2,300	\$2,148	\$1,694	\$1,606	\$1,500	\$1,402	\$1,414	\$1,337
Total Hospital & Medical Exp	\$2,049	\$1,927	\$1,832	\$1,703	\$1,364	\$1,312	\$1,223	\$1,149	\$1,186	\$1,112
Claims Adj. Expenses	\$58	\$51	\$46	\$37	\$32	\$30	\$25	\$22	\$23	\$20
General Admin. Expenses	\$415	\$405	\$388	\$369	\$234	\$220	\$211	\$181	\$181	\$180
Total Underwriting Deductions	\$2,519	\$2,378	\$2,272	\$2,109	\$1,629	\$1,559	\$1,463	\$1,345	\$1,385	\$1,316
Net Underwriting Gain/(Loss)	\$312	\$251	\$182	\$178	\$181	\$182	\$149	\$162	\$126	\$111
Loss Ratio	72.3%	73.1%	74.9%	74.5%	75.3%	75.2%	76.1%	75.8%	78.1%	78.2%
Admin Expense Ratio	16.7%	17.4%	17.7%	17.7%	14.7%	14.4%	14.7%	13.5%	13.5%	14.1%
Combined Ratio	89.0%	90.5%	92.6%	92.2%	90.0%	89.5%	90.8%	89.3%	91.6%	92.2%
Net Premium PMPM	\$7.08	\$6.91	\$6.44	\$6.29	\$5.60	\$5.51	\$5.49	\$5.36	\$5.35	\$5.27
Claims PMPM	\$5.47	\$5.38	\$5.14	\$4.99	\$4.51	\$4.49	\$4.49	\$4.35	\$4.46	\$4.39
Enrollment	33	31	30	29	25	25	23	22	22	21

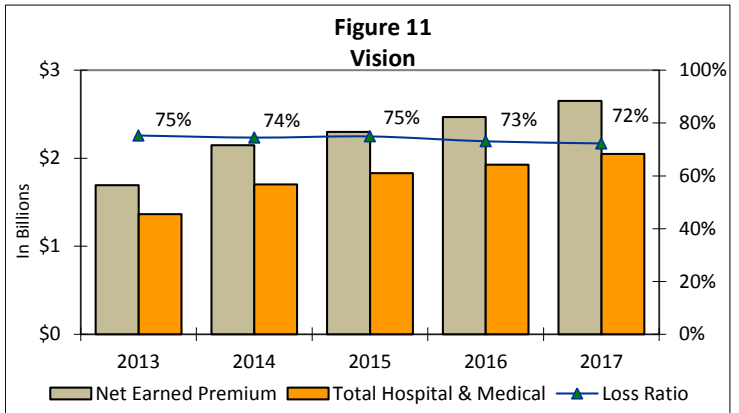
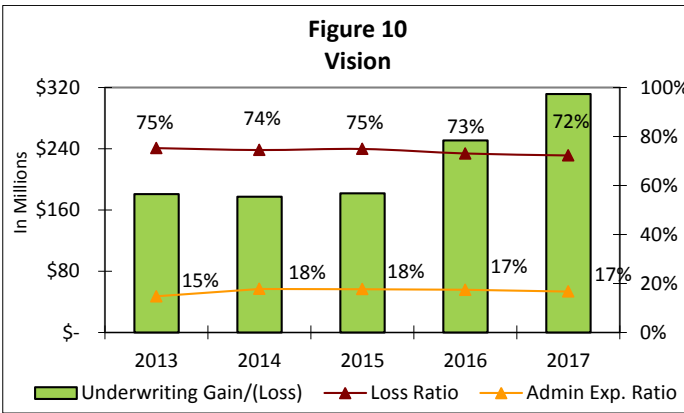
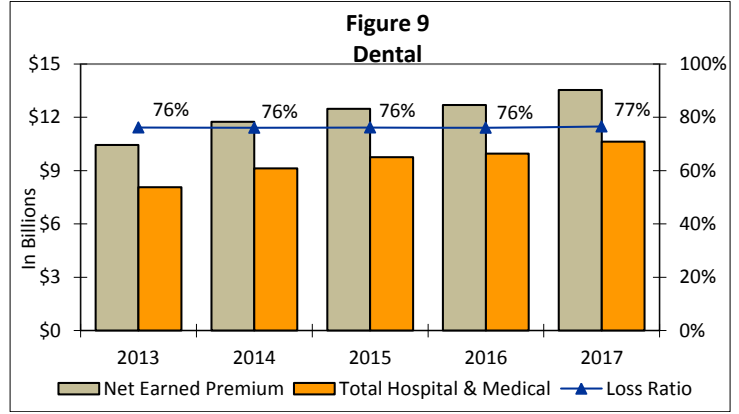
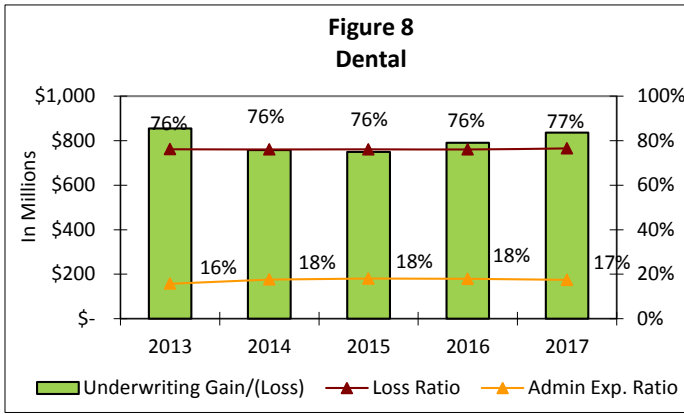
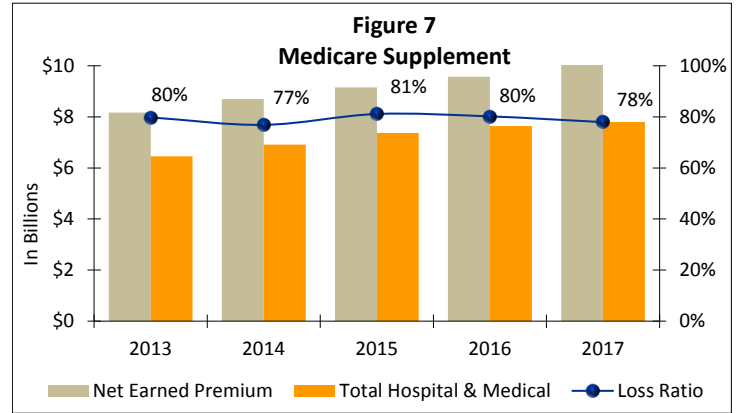
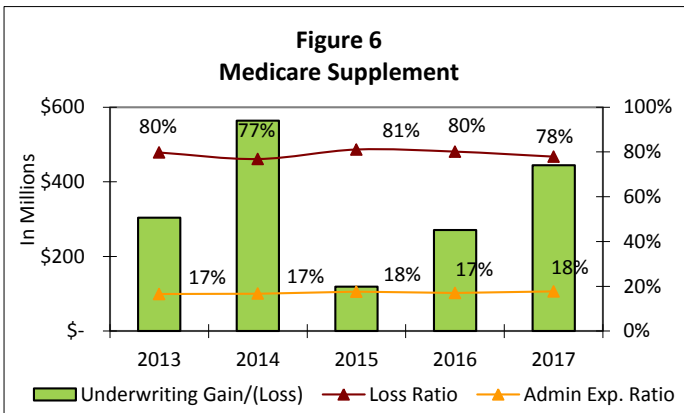
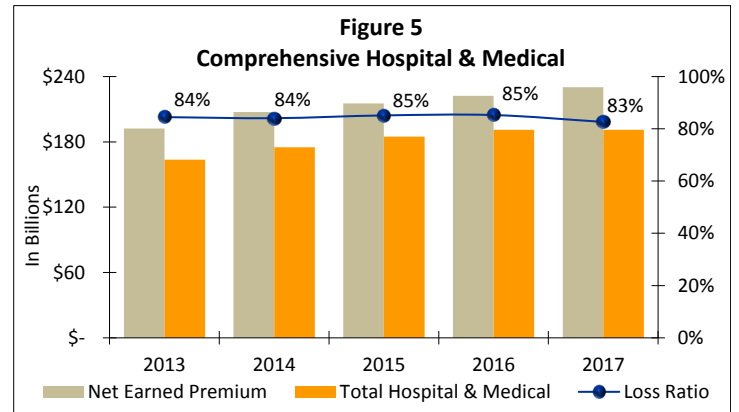
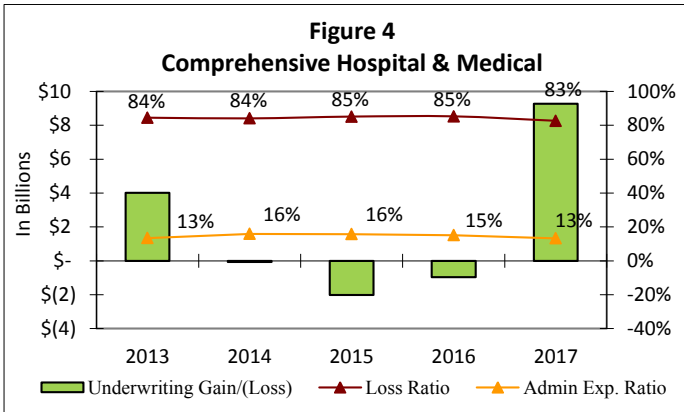
Table 2
Analysis of Operations by Lines of Business

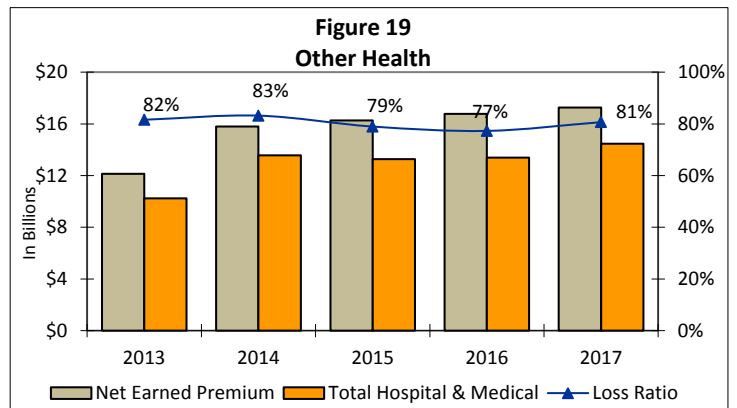
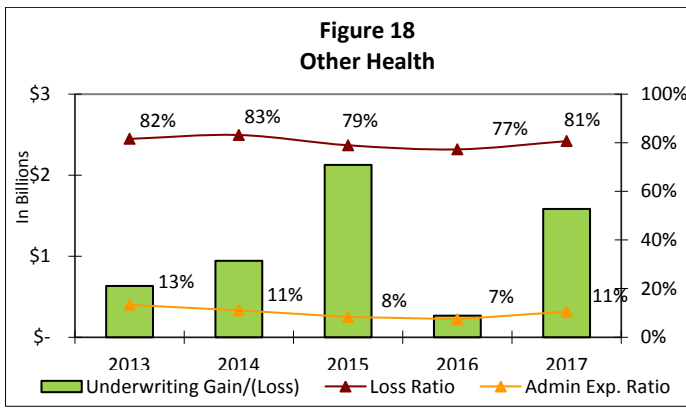
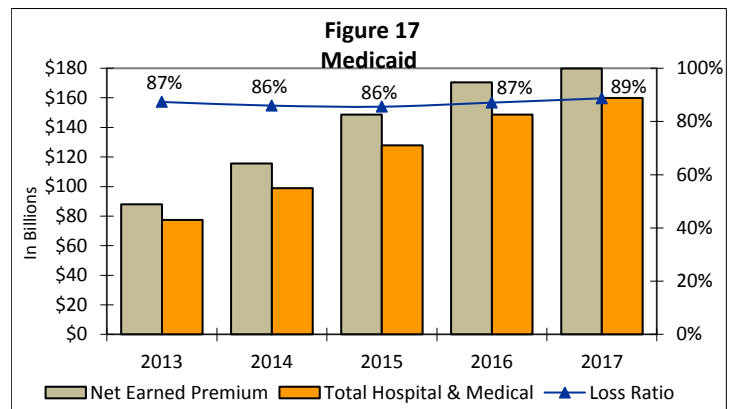
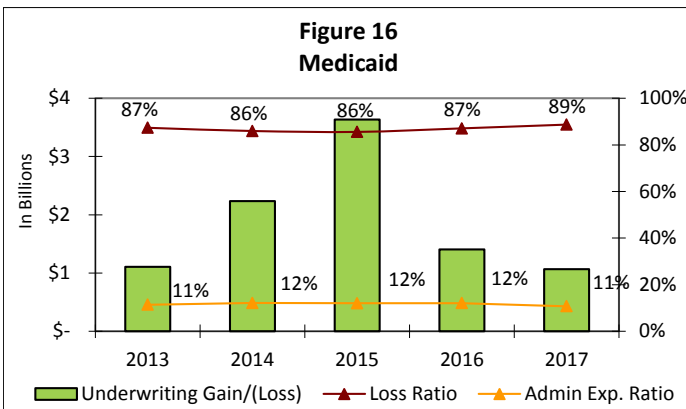
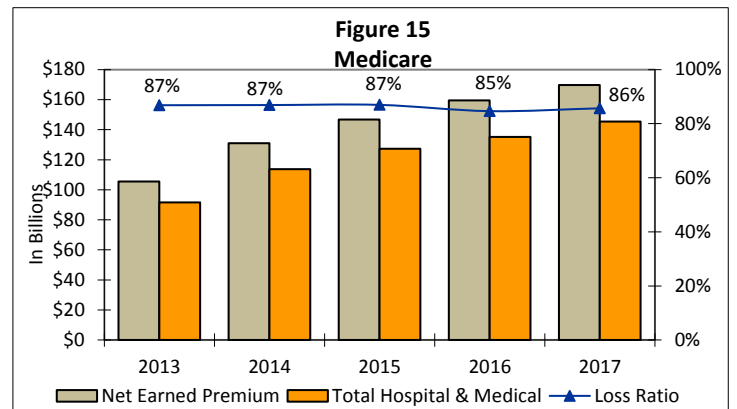
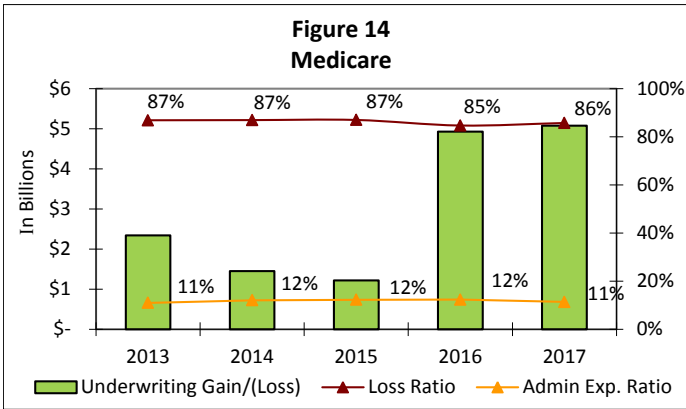
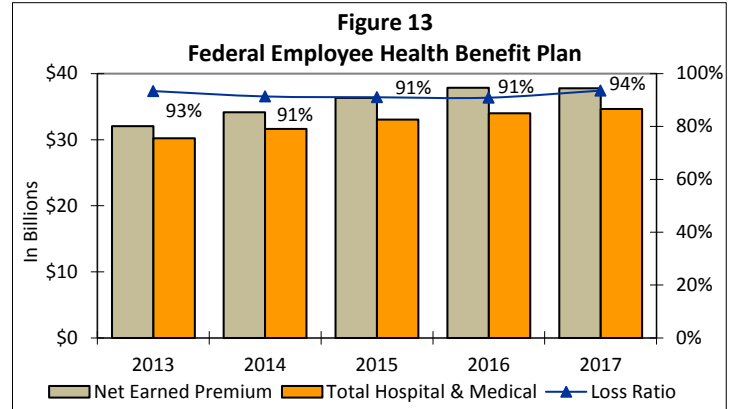
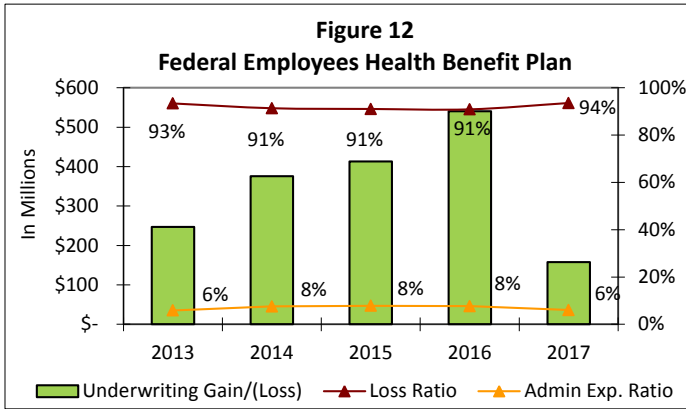
FEHBP	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$37,796	\$37,868	\$36,313	\$34,138	\$32,058	\$31,601	\$31,266	\$29,260	\$27,818	\$26,692
Total Hospital & Medical Exp	\$34,643	\$34,005	\$33,031	\$31,622	\$30,234	\$29,578	\$28,398	\$26,650	\$25,531	\$24,636
Claims Adj. Expenses	\$870	\$854	\$809	\$782	\$782	\$704	\$695	\$643	\$611	\$563
General Admin. Expenses	\$1,355	\$2,013	\$2,025	\$1,835	\$1,112	\$1,078	\$1,042	\$999	\$1,037	\$1,004
Total Underwriting Deductions	\$36,866	\$36,854	\$35,859	\$34,251	\$32,132	\$31,358	\$30,138	\$28,293	\$27,177	\$26,203
Net Underwriting Gain/(Loss)	\$158	\$541	\$413	\$376	\$247	\$252	\$252	\$249	\$76	\$209
Loss Ratio	93.6%	90.9%	91.0%	91.4%	93.4%	93.6%	93.5%	93.4%	93.7%	93.3%
Admin Expense Ratio	6.0%	7.7%	7.8%	7.6%	5.9%	5.6%	5.7%	5.8%	6.0%	5.9%
Combined Ratio	99.6%	98.6%	98.9%	98.9%	99.2%	99.2%	99.2%	99.1%	99.7%	99.2%
Net Premium PMPM	\$405.12	\$418.23	\$405.63	\$403.44	\$369.29	\$356.67	\$355.98	\$346.86	\$366.58	\$341.38
Claims PMPM	\$379.75	\$380.79	\$370.00	\$369.35	\$345.53	\$334.29	\$333.17	\$324.39	\$343.86	\$318.94
Enrollment	8	8	7	7	7	7	7	7	6	6

Medicare	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$169,810	\$159,507	\$146,804	\$131,029	\$105,568	\$97,810	\$90,958	\$81,868	\$78,680	\$65,959
Total Hospital & Medical Exp	\$145,374	\$135,243	\$127,385	\$113,800	\$91,644	\$84,119	\$77,532	\$69,478	\$67,026	\$56,320
Claims Adj. Expenses	\$5,837	\$5,118	\$4,766	\$4,071	\$3,184	\$2,705	\$2,282	\$1,959	\$1,687	\$1,413
General Admin. Expenses	\$13,376	\$14,456	\$13,144	\$11,684	\$8,399	\$7,696	\$7,096	\$6,572	\$6,259	\$5,369
Total Underwriting Deductions	\$164,686	\$154,519	\$145,377	\$129,762	\$103,325	\$94,594	\$86,952	\$78,004	\$74,913	\$63,151
Net Underwriting Gain/(Loss)	\$5,076	\$4,929	\$1,219	\$1,448	\$2,339	\$4,424	\$4,083	\$3,865	\$3,737	\$2,897
Loss Ratio	85.7%	84.6%	87.0%	86.9%	86.8%	85.0%	85.2%	84.9%	85.1%	85.3%
Admin Expense Ratio	11.3%	12.3%	12.2%	12.0%	11.0%	10.5%	10.3%	10.4%	10.1%	10.3%
Combined Ratio	97.0%	96.9%	99.2%	98.9%	97.8%	95.5%	95.5%	95.3%	95.2%	95.6%
Net Premium PMPM	\$982.47	\$968.84	\$890.69	\$900.88	\$908.77	\$918.93	\$940.72	\$928.93	\$925.46	\$907.05
Claims PMPM	\$842.25	\$820.34	\$774.88	\$783.12	\$789.49	\$791.45	\$802.20	\$788.73	\$788.48	\$774.96
Enrollment	15	15	14	12	10	9	8	7	7	6

Medicaid	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$179,785	\$170,461	\$148,609	\$115,661	\$88,067	\$77,730	\$65,653	\$57,703	\$50,832	\$42,263
Total Hospital & Medical Exp	\$159,863	\$148,585	\$127,938	\$98,905	\$77,470	\$68,810	\$56,259	\$49,521	\$44,793	\$36,849
Claims Adj. Expenses	\$5,378	\$5,134	\$4,872	\$3,637	\$2,957	\$2,283	\$1,900	\$1,674	\$1,255	\$1,032
General Admin. Expenses	\$13,925	\$15,520	\$13,073	\$10,322	\$7,168	\$6,622	\$6,040	\$5,249	\$4,620	\$3,831
Total Underwriting Deductions	\$179,307	\$169,393	\$145,857	\$113,074	\$87,606	\$77,836	\$64,225	\$56,370	\$50,774	\$41,776
Net Underwriting Gain/(Loss)	\$1,065	\$1,405	\$3,635	\$2,235	\$1,106	\$480	\$1,650	\$1,519	\$263	\$543
Loss Ratio	88.7%	87.1%	85.6%	86.0%	87.3%	88.0%	85.4%	85.4%	88.0%	87.2%
Admin Expense Ratio	10.7%	12.1%	12.0%	12.1%	11.4%	11.4%	12.1%	12.0%	11.5%	11.5%
Combined Ratio	99.4%	99.2%	97.6%	98.1%	98.8%	99.4%	97.5%	97.4%	99.5%	98.7%
Net Premium PMPM	\$381.04	\$387.23	\$339.13	\$317.46	\$291.84	\$265.93	\$252.67	\$237.76	\$234.85	\$220.22
Claims PMPM	\$338.58	\$338.49	\$291.09	\$274.13	\$257.05	\$235.85	\$216.57	\$203.86	\$207.47	\$192.42
Enrollment	39	40	38	35	26	25	23	21	19	17

Other Health	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$17,271	\$16,773	\$16,269	\$15,792	\$12,145	\$13,181	\$10,701	\$10,223	\$10,075	\$8,233
Total Hospital & Medical Exp	\$14,472	\$13,392	\$13,275	\$13,569	\$10,232	\$10,549	\$8,711	\$8,592	\$8,673	\$7,383
Claims Adj. Expenses	\$645	\$438	\$772	\$1,045	\$790	\$778	\$793	\$977	\$625	\$327
General Admin. Expenses	\$1,244	\$844	\$618	\$758	\$886	\$972	\$546	\$372	\$440	\$70
Total Underwriting Deductions	\$16,377	\$14,717	\$14,600	\$15,400	\$11,912	\$12,301	\$10,060	\$9,948	\$9,777	\$7,780
Net Underwriting Gain/(Loss)	\$1,582	\$2,666	\$2,128	\$944	\$632	\$1,155	\$956	\$572	\$426	\$769
Loss Ratio	80.7%	77.3%	79.0%	83.2%	81.6%	78.4%	79.2%	81.7%	85.4%	86.4%
Admin Expense Ratio	10.5%	7.4%	8.3%	11.0%	13.4%	13.0%	12.2%	12.8%	10.4%	4.6%
Combined Ratio	91.2%	84.7%	87.3%	94.2%	95.0%	91.4%	91.3%	94.6%	95.8%	91.0%
Net Premium PMPM	\$45.67	\$48.23	\$46.94	\$48.63	\$44.31	\$49.22	\$48.20	\$48.80	\$48.79	\$51.36
Claims PMPM	\$37.87	\$38.78	\$38.13	\$41.78	\$37.95	\$39.90	\$39.28	\$40.82	\$42.57	\$45.60
Enrollment	33	32	29	28	23	22	19	18	18	15



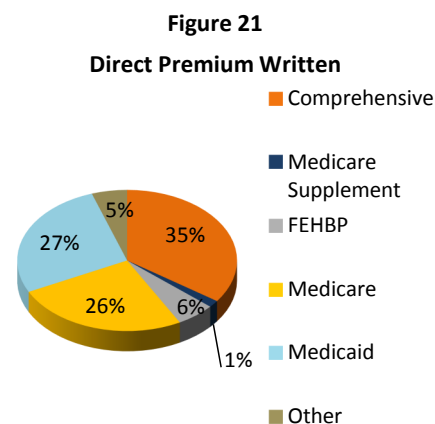
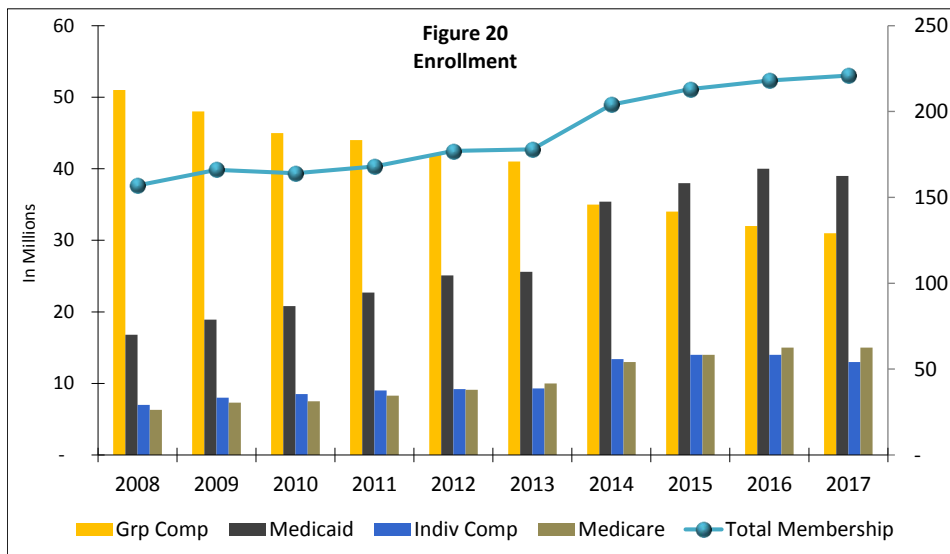


Enrollment and Premium Revenues

Enrollment increases are reflected in a 6.0% (2.5 million) increase in dental insurance, a 5.6% (1.8 million) increase in vision coverage, a 3.3% (1.1 million) increase in Medicare Part D, and a 5.8% (851 thousand) increase in the Medicare line of business. However, the industry also reported a 9.8% (1.4 million) decrease in the individual comprehensive line of business, a 3% (1.2 million) decrease in Medicaid, and a 2.6% (853 thousand) decrease in the group comprehensive line of business. **Figure 20** illustrates the enrollment trend for the four largest revenue generating lines of business for the past 10 years.

Health entities reported premium per member per month (PMPM) of \$249 and claims PMPM of \$213. Direct written premium increased 4.6% (\$29.3 billion) to \$667.5 billion. **Figure 21** illustrates the mix of direct written premium for 2017. During the last several years, there has been a gradual shift in the allocation of premium between the lines of business. In comparison to 2016, direct comprehensive medical decreased to 34.8% of total premium from 35.3%, while Medicaid increased to 27.1% from 26.8% and Medicare increased modestly to 25.6% from 25.0%. It appears that the shift in business concentration is due to an increase in the number of insureds becoming eligible for either Medicare or Medicaid as evidenced by increases in enrollment in these lines.

Table 3 provides a break out of direct written premium by line of business for the last 10 years. The largest increases in written premium from 2016 are in a 7.2% (\$11.5 billion) increase in Medicare, a 6.1% (\$10.3 billion) increase in Medicaid, and an 8.5% (\$5.3 billion) increase in the individual comprehensive, and a 1.3% (\$2.9 billion) increase in the group comprehensive lines of business. The Medicare Part D line of business experienced a 2.3% (\$426 million) decrease. The premium growth can be attributed to increased premium revenues from certain groups as a result of increases in enrollment, and premium rate increases. In a 10-year comparison to 2008, the most significant increases in written premium are in the Medicaid (\$137.7 billion), Medicare (\$104.3 billion) and individual comprehensive (\$50.6 billion) lines of business.



(In Millions)	Chg.	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Individual Comprehensive	8.5%	\$68,660	\$63,310	\$55,292	\$43,388	\$24,713	\$23,389	\$22,624	\$20,690	\$19,372	\$18,041
Group Comprehensive	1.3%	\$162,605	\$160,574	\$162,297	\$166,375	\$172,220	\$174,959	\$175,843	\$174,692	\$176,070	\$174,004
Medicare Supplement	5.3%	\$10,596	\$10,061	\$9,609	\$9,105	\$8,531	\$8,439	\$8,138	\$8,077	\$7,825	\$7,788
Vision	6.9%	\$2,410	\$2,255	\$2,099	\$1,952	\$1,635	\$1,550	\$1,448	\$1,344	\$1,354	\$1,281
Dental	7.8%	\$14,090	\$13,074	\$12,561	\$12,017	\$10,046	\$10,113	\$9,587	\$9,100	\$8,733	\$7,713
FEHBP	(0.2)%	\$37,860	\$37,923	\$36,356	\$34,140	\$32,061	\$31,669	\$31,209	\$29,378	\$27,784	\$26,657
Medicare	7.2%	\$170,413	\$158,908	\$147,273	\$128,890	\$105,917	\$99,981	\$91,519	\$81,101	\$79,180	\$66,080
Medicaid	6.1%	\$180,535	\$170,234	\$149,148	\$115,977	\$89,069	\$78,535	\$65,994	\$58,281	\$51,208	\$42,885
Other Health	(2.3)%	\$18,142	\$18,569	\$17,349	\$16,900	\$14,111	\$14,194	\$11,373	\$10,278	\$10,094	\$8,286

Accident and Health

Table 4 illustrates the insurance industry's aggregate direct A&H insurance experience for insurers filing the A&H Policy Experience Exhibit on the life and A&H, health, fraternal or property/casualty financial statements.

- The insurance industry reported a 4.6% (\$37.5 billion) increase in direct earned premium to \$851.8 billion and a 3.2% (\$22.1 billion) increase in incurred claims in 2017. These increases are most evident on the Medicare and Medicaid lines of business which, in total, represents 42.7% of total earned premium.
- Medicare reported an 9.5% (\$16.4 billion) increase in earned premium to \$190.2 billion and a 10.2% (\$14.8 billion) increase in incurred claims to \$160.5 billion.
- Medicaid reported a 5.3% (\$8.7 billion) increase in earned premium to \$173.7 billion and a 7.2% (\$10.2 billion) increase in incurred claims to \$153.0 billion.
- The group comprehensive line of business, which represents 24.1% of total A&H business, recorded a 1.6% (\$3.3 billion) increase in earned premium to \$205.0 billion and a less than 1% (\$946 million) decrease in incurred claims to \$169.1 billion.
- The individual comprehensive line of business, representing only 7.7% of total A&H business, reported a 3.8% (\$2.4 billion) increase in earned premium to \$65.7 billion and an 11.5% (\$7.0 billion) decrease in incurred claims to \$54.0 billion.
- Decreases in covered lives are reflected in a 58.6% (25.7 million) decrease in the other group care coverage, a 15% (2 million) increase in the individual comprehensive line of business, and a 3% (1.1 million) decrease in Medicaid. Increases are shown in a 10.2% (16.4 million) increase in other A&H line of business, a 10.8% (7.8 million) increase in stop loss, a 6% (3.5 million) increase in non-U.S. policy forms, a 3% (2.2 million) increase in dental coverage, a 12% (2 million) increase in Medicare, and a 1.6% (1.2 million) increase in the disability income line of business.

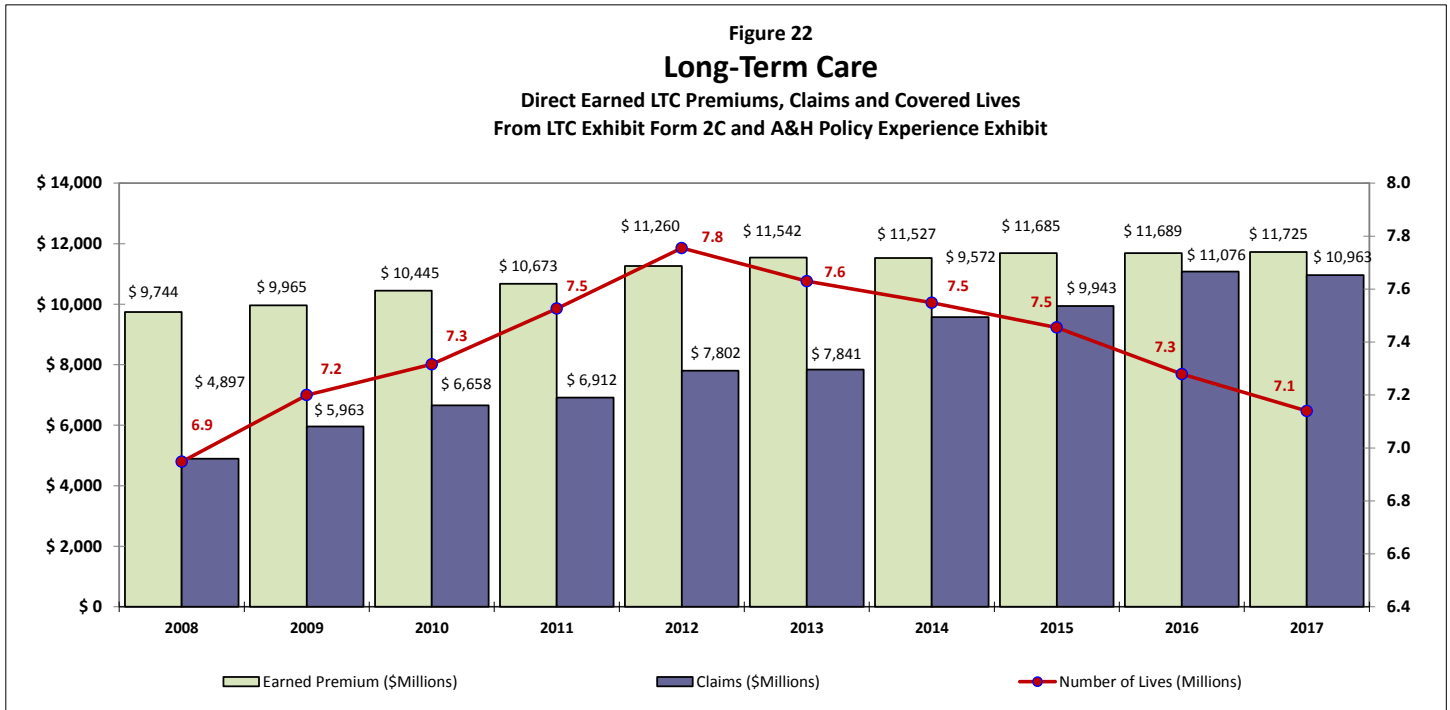
(\$ In Millions) Except Covered Lives	Line of Business % of Total	2017 Premium Earned	2016 Premium Earned	% Chg.	2017 Claims	2016 Claims	% Chg.	2017 Covered Lives	2016 Covered Lives	% Chg.
Comp - Individual	7.7%	\$65,715	\$63,301	3.8%	\$53,988	\$61,004	(11.5)%	11,541,378	13,579,872	(15.0)%
Comp - Group	24.1%	\$204,994	\$201,739	1.6%	\$169,088	\$170,034	(0.6)%	41,289,771	42,108,296	(1.9)%
Specified/Named Disease	0.6%	\$5,419	\$5,015	8.1%	\$2,557	\$2,504	2.1%	21,866,837	21,058,436	3.8%
Medicare	22.3%	\$190,224	\$173,800	9.5%	\$160,483	\$145,641	10.2%	18,078,397	16,108,992	12.2%
Medicaid	20.4%	\$173,706	\$164,973	5.3%	\$153,037	\$142,805	7.2%	35,852,612	36,957,074	(3.0)%
FEHBP	4.4%	\$37,663	\$38,222	(1.5)%	\$35,181	\$34,708	1.4%	6,851,586	7,799,350	(12.2)%
Limited Benefit	1.3%	\$11,228	\$9,973	12.6%	\$9,088	\$8,129	11.8%	60,636,537	60,754,336	(0.2)%
Disability Income	3.0%	\$25,332	\$24,572	3.1%	\$18,831	\$18,902	(0.4)%	78,690,761	77,463,801	1.6%
Long-term Care	1.5%	\$13,167	\$12,626	4.3%	\$12,784	\$12,751	0.3%	7,575,014	7,287,456	3.9%
Accident Only or AD & D	0.8%	\$6,820	\$6,679	2.1%	\$2,760	\$2,632	4.9%	243,414,825	226,672,955	7.4%
Dental	3.1%	\$26,629	\$25,007	6.5%	\$20,000	\$18,845	6.1%	75,369,698	73,197,449	3.0%
Medicare Supplement	3.4%	\$29,256	\$27,958	4.6%	\$22,718	\$21,822	4.1%	12,702,822	12,735,205	(0.3)%
Medicare Part D	2.2%	\$18,616	\$19,457	(4.3)%	\$14,654	\$14,812	(1.1)%	20,655,613	20,897,383	(1.2)%
Other Group Care	0.7%	\$5,724	\$5,984	(4.3)%	\$3,995	\$4,077	(2.0)%	18,096,108	43,751,971	(58.6)%
Stop Loss	2.0%	\$17,072	\$15,078	13.2%	\$13,394	\$11,945	12.1%	80,262,922	72,453,146	10.8%
Non-U.S. Policy Forms	1.3%	\$11,049	\$10,984	0.6%	\$5,843	\$5,920	(1.3)%	61,988,338	58,495,495	6.0%
Other Business	1.1%	\$9,705	\$8,334	16.5%	\$7,401	\$5,850	26.5%	176,413,649	160,033,987	10.2%
Total A&H Business	100.0%	\$851,835	\$814,319	4.6%	\$705,346	\$683,293	3.2%	953,719,206	968,064,797	(1.5)%

Note: Includes statement types Life, Fraternal, Health and Property & Casualty

Long-term Care

Figure 22 illustrates, on a calendar year basis, the insurance industry's aggregate long-term care experience for insurers filing the Long-term Care Experience Reporting Form on the life and A&H, health, fraternal and property and casualty financial statements.

Over the last five years, insurance industry has maintained relatively consistent earned premium at \$11.7 billion compared to \$11.3 billion in 2013 whereas the number of covered lives has dropped to 7.1 million. However, claims have increased more significantly to \$11.0 billion from \$7.8 billion in 2013.



Long-Term Care
Direct Earned Premium, Claims
and Number of Lives Inforce
From LTC Exhibit Form 2C and A&H Policy Experience Exhibit

Year	Earned Premium (\$Millions)	Claims (\$Millions)	Number of Lives (Millions)
2008	\$ 9,744	\$ 4,897	6.9
2009	\$ 9,965	\$ 5,963	7.2
2010	\$ 10,445	\$ 6,658	7.3
2011	\$ 10,673	\$ 6,912	7.5
2012	\$ 11,260	\$ 7,802	7.8
2013	\$ 11,542	\$ 7,841	7.6
2014	\$ 11,527	\$ 9,572	7.5
2015	\$ 11,685	\$ 9,943	7.5
2016	\$ 11,689	\$ 11,076	7.3
2017	\$ 11,725	\$ 10,963	7.1

As shown in **Table 5** below, the top ten states accounted for 51.1% of total direct LTC premiums led by California with \$989.8 million, representing 8.9% of market share. For these ten states, direct written premium decreased marginally by less than 1.0% (\$7.8 million) to over \$5.6 billion in 2017.

Table 5
Top 10 by State Long-term Care Written Premium

(In Thousands)

State	Market		\$ Chg	2017	2016	2015	2014	2013
	Share	% Chg						
CA	8.9%	(0.2)%	(\$2,233)	\$989,794	\$992,026	\$989,814	\$991,289	\$1,018,161
NY	7.6%	3.4%	\$27,985	\$840,433	\$812,449	\$764,942	\$932,991	\$844,387
FL	6.3%	1.0%	\$7,055	\$695,707	\$688,652	\$674,935	\$597,513	\$683,171
TX	6.0%	(0.1)%	(\$621)	\$663,118	\$663,738	\$648,203	\$642,233	\$649,204
IL	4.5%	(2.6)%	(\$13,097)	\$493,840	\$506,938	\$494,155	\$516,142	\$494,696
PA	4.3%	(0.6)%	(\$2,858)	\$471,866	\$474,724	\$464,307	\$475,573	\$467,340
NJ	3.7%	(1.3)%	(\$5,304)	\$406,520	\$411,824	\$403,642	\$450,763	\$407,743
VA	3.5%	(0.4)%	(\$1,441)	\$382,271	\$383,713	\$378,841	\$401,448	\$394,915
OH	3.2%	(1.1)%	(\$3,977)	\$357,718	\$361,695	\$356,212	\$386,626	\$360,151
NC	3.2%	0.6%	\$2,267	\$356,111	\$353,844	\$346,837	\$320,817	\$346,079
Total Top 10	51.1%	0.1%	\$7,775	\$5,657,379	\$5,649,603	\$5,521,889	\$5,715,395	\$5,665,847
% of Total				51.1%	50.4%	50.4%	51.6%	50.9%
Total Written in All State		(1.3)%	(\$142,129)	\$11,062,658	\$11,204,787	\$10,957,295	\$11,082,722	\$11,132,467

Disclaimer The NAIC 2017 Health Insurance Industry Analysis Report is a limited scope analysis based on the aggregated information filed to the NAIC's Financial Data Repository as of Dec. 31, 2017, and written by the Financial Regulatory Services Department staff. This report does not constitute the official opinion or views of the NAIC membership or any particular state insurance department.

Health Industry Disclosure: In some states the health industry is regulated by a Department other than the Department of Insurance. Therefore, not all health insurers may be required to file financial statements with the NAIC.