

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. The number of Health insurers filing the health statement type with the NAIC increased to 1,010 from 981 in 2017. The health insurance industry continued its tremendous growth trend as it experienced a significant increase in net earnings to \$23.4 billion and an increase in the profit margin to 3.3% in 2018 compared to net earnings of \$16.1 billion and a profit margin of 2.4% in 2017. The combined ratio decreased modestly to 97% from 97.2%. Included in the increase in profitability, health entities reported a \$343 million increase in net investment income earned to \$5.1 billion from \$4.8 billion in 2017.

Notable items as compared to 2017 include the following:

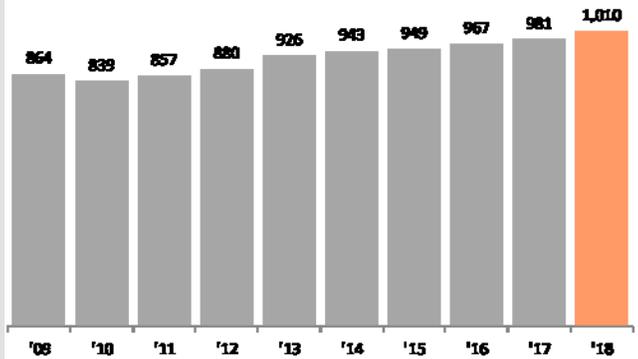
- Net earned premium increased 6.5% (\$42.8 billion).
 - Total hospital & medical expenses increased 5% (\$28.2 billion).
 - Loss ratio decreased moderately to 84%.
 - Administrative expenses increased 17.7% (\$13.9 billion).
 - Capital and surplus increased 10% (\$14 billion)
 - A&H earned premium increased 6.7% (\$57.1 billion).
- (for insurers filing the A&H Policy Experience Exhibit on the life and A&H, health, fraternal or property/casualty financial statements)*
- Long-term care earned premium of \$11.6 billion.

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Health Entities Filing to the NAIC



Note: Increase in filings due to number of insurers with filing extensions who filed over 2017, and number of new start-up companies in 2018.

Table 1
Health Entities as of December 31, 2018

(In Millions, Except PMPM)	Chg.	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operations											
Direct Written Premium	6.9%	\$714,653	\$668,521	\$638,259	\$593,403	\$533,083	\$459,274	\$443,537	\$418,482	\$394,700	\$382,376
Net Earned Premium	6.5%	\$706,943	\$664,107	\$631,656	\$587,374	\$526,852	\$450,737	\$433,211	\$409,291	\$385,832	\$373,197
Net Investment Income Earned	7.2%	\$5,141	\$4,798	\$3,331	\$3,250	\$3,229	\$3,152	\$3,154	\$3,245	\$3,421	\$4,061
Underwriting Gain/(Loss)	14.0%	\$21,474	\$18,836	\$9,918	\$6,438	\$6,618	\$9,637	\$11,675	\$14,763	\$12,714	\$5,978
Net Income/Loss	45.8%	\$23,416	\$16,060	\$7,194	\$3,672	\$5,661	\$9,978	\$11,744	\$13,909	\$12,935	\$9,292
Total Hospital & Medical Exp	5.0%	\$596,750	\$568,576	\$541,886	\$505,506	\$450,823	\$389,206	\$371,947	\$346,059	\$326,997	\$323,405
Loss Ratio	(1.4) Pts.	84.0%	85.4%	85.4%	85.6%	85.3%	85.8%	85.7%	84.5%	84.8%	86.7%
Administrative Expenses	17.7%	\$92,412	\$78,499	\$82,633	\$78,712	\$71,538	\$54,705	\$51,221	\$48,682	\$44,484	\$43,716
Admin Expense Ratio	1.2 Pts.	13.0%	11.8%	13.0%	13.3%	13.5%	12.1%	11.8%	11.9%	11.9%	11.7%
Combined Ratio	(0.2) Pts.	97.0%	97.2%	98.4%	98.9%	98.8%	97.9%	97.3%	96.4%	96.7%	98.4%
Profit Margin	0.9 Pts.	3.3%	2.4%	1.1%	0.6%	1.1%	2.2%	2.7%	3.4%	3.3%	2.5%
Net Premium PMPM	5.1%	\$261	\$248	\$241	\$232	\$221	\$212	\$205	\$204	\$195	\$189
Claims PMPM	3.3%	\$220	\$213	\$207	\$199	\$189	\$183	\$177	\$173	\$166	\$165
Cash Flow from Operations	(32.9)%	\$17,063	\$25,436	\$12,266	\$6,600	\$6,273	\$8,120	\$13,203	\$15,399	\$12,201	\$8,619
Enrollment	2.0%	225	221	218	213	204	178	177	168	164	166
Capital and Surplus											
Capital & Surplus	10.1%	\$151,600	\$137,682	\$122,393	\$115,561	\$112,193	\$111,140	\$103,041	\$94,642	\$88,521	\$77,147
Return on Equity (ROE)	5.4 Pts.	17.3%	11.9%	6.1%	3.7%	5.7%	10.0%	12.4%	15.5%	15.3%	12.5%
Assets											
Net Invested Assets	3.4%	\$217,909	\$210,825	\$189,241	\$177,180	\$169,991	\$163,439	\$155,331	\$145,706	\$135,589	\$122,475
Net Admitted Assets	5.4%	\$305,218	\$289,601	\$268,386	\$253,277	\$238,913	\$214,328	\$201,801	\$188,664	\$174,217	\$158,506
Net Inv Inc & Realized Gain/(Loss)	(7.8)%	\$5,014	\$5,438	\$4,320	\$4,165	\$4,832	\$4,479	\$4,417	\$4,249	\$4,814	\$6,260
Investment Yield	0.2 Pts.	2.8%	2.6%	1.8%	1.9%	1.9%	2.0%	2.1%	2.3%	2.7%	3.4%
Number of Companies Filed		1,010	981	967	958	943	926	880	857	839	864

Note: Aggregate results include only health entities who file annual health 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 6.5% (\$42.8 billion) increase in net earned premium to \$706.9 billion, and a 7.2% (\$343 million) increase in net investment income earned to \$5.1 billion from \$4.8 billion in 2017. However, the industry partially offset these items with a 5% (\$28.2 billion) increase in total hospital and medical expenses to \$596.8 billion, and a 17.7% (\$13.9 billion) increase in claims adjustment expenses and general administrative expenses. Administrative expenses alone increased 22.6% (\$12.9 billion).

Figure 2 illustrates the earned premium growth and the spread between total hospital and medical benefits. Historically, the industry has reported significant increases in hospital and medical benefits over the past 10 years. 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 \$110.2 billion in 2018 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% in 2018. The slight decrease in the combined ratio is due to the increase in net premiums partially offset by the aforementioned increase in administrative expenses.

Table 2, on the next page, provides an analysis of operations by line of business for 2018. In terms of dollar impact, the comprehensive hospital and medical (\$13 billion), Medicare (\$4.4 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

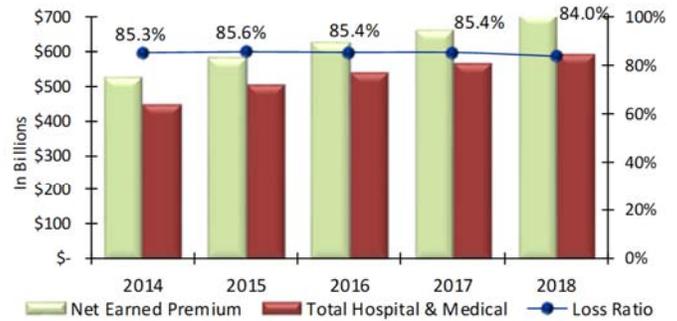


Figure 3
Total Benefits, Loss Ratio & Combined Ratio

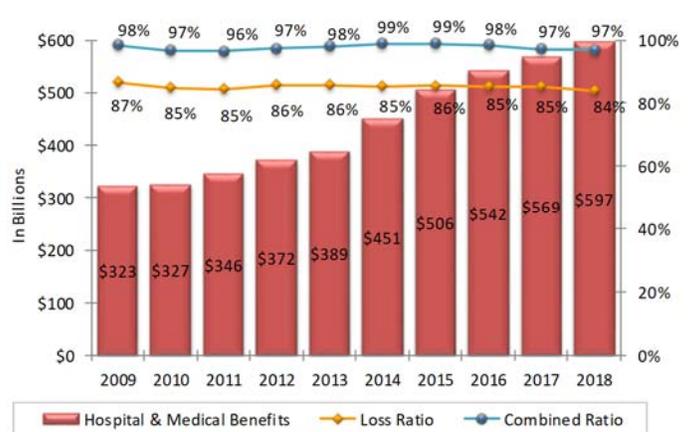


Table 2
Analysis of Operations by Lines of Business

Comprehensive Hospital & Medical	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$240,595	\$230,831	\$222,273	\$215,385	\$207,534	\$192,420	\$191,446	\$191,945	\$188,755	\$188,360
Total Hospital & Medical Exp	\$192,884	\$191,717	\$191,139	\$184,916	\$175,179	\$163,736	\$163,346	\$160,206	\$158,357	\$163,317
Claims Adj. Expenses	\$7,797	\$7,679	\$7,381	\$7,413	\$7,475	\$7,167	\$6,990	\$6,764	\$6,634	\$6,823
General Admin. Expenses	\$27,217	\$23,236	\$26,382	\$26,833	\$25,852	\$18,842	\$18,131	\$18,365	\$18,138	\$17,448
Total Underwriting Deductions	\$227,850	\$222,256	\$223,898	\$219,054	\$209,078	\$189,712	\$188,553	\$185,187	\$183,250	\$187,700
Net Underwriting Gain/(Loss)	\$12,972	\$9,200	(\$966)	(\$2,017)	(\$70)	\$4,023	\$4,159	\$6,987	\$5,731	\$1,137
Loss Ratio	80.1%	82.7%	85.3%	85.2%	84.1%	84.5%	84.8%	83.3%	83.9%	86.5%
Admin Expense Ratio	14.5%	13.4%	15.1%	15.8%	15.9%	13.4%	13.0%	13.1%	13.1%	12.9%
Combined Ratio	94.6%	96.0%	100.4%	100.9%	100.0%	97.9%	97.8%	96.4%	97.0%	99.4%
Net Premium PMPM	\$419.81	\$403.02	\$372.63	\$362.79	\$347.49	\$318.60	\$309.09	\$302.61	\$289.90	\$276.29
Claims PMPM	\$337.43	\$334.81	\$319.41	\$310.46	\$293.74	\$270.62	\$263.53	\$253.11	\$243.56	\$239.60
Enrollment	43	44	46	49	49	50	52	53	53	56

Medicare Supplement	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$10,234	\$10,072	\$9,568	\$9,156	\$8,690	\$8,162	\$8,088	\$7,811	\$7,735	\$7,553
Total Hospital & Medical Exp	\$8,061	\$7,799	\$7,640	\$7,368	\$6,910	\$6,457	\$6,460	\$6,336	\$6,229	\$6,202
Claims Adj. Expenses	\$486	\$483	\$439	\$419	\$379	\$399	\$385	\$397	\$375	\$394
General Admin. Expenses	\$1,267	\$1,299	\$1,193	\$1,189	\$1,077	\$948	\$937	\$937	\$883	\$836
Total Underwriting Deductions	\$9,886	\$9,637	\$9,320	\$9,021	\$8,157	\$7,847	\$7,815	\$7,608	\$7,513	\$7,602
Net Underwriting Gain/(Loss)	\$342	\$444	\$271	\$119	\$564	\$304	\$258	\$195	\$200	(\$52)
Loss Ratio	79.5%	77.9%	80.2%	81.1%	76.9%	79.8%	80.4%	80.4%	81.1%	84.4%
Admin Expense Ratio	17.1%	17.7%	17.0%	17.6%	16.7%	16.5%	16.4%	17.1%	16.3%	16.3%
Combined Ratio	96.7%	95.6%	97.2%	98.7%	93.5%	96.3%	96.8%	97.5%	97.4%	100.7%
Net Premium PMPM	\$197.14	\$194.31	\$190.43	\$181.38	\$181.40	\$182.65	\$180.48	\$176.52	\$172.92	\$167.19
Claims PMPM	\$156.77	\$151.39	\$152.65	\$147.17	\$139.47	\$145.81	\$145.28	\$141.93	\$140.25	\$141.10
Enrollment	4	4	4	4	4	4	4	4	4	4

Dental	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$13,567	\$12,941	\$12,685	\$12,480	\$11,752	\$10,449	\$9,995	\$9,327	\$8,732	\$8,332
Total Hospital & Medical Exp	\$10,647	\$10,158	\$9,955	\$9,761	\$9,132	\$8,059	\$7,789	\$7,389	\$6,993	\$6,673
Claims Adj. Expenses	\$658	\$554	\$513	\$489	\$428	\$384	\$407	\$412	\$381	\$397
General Admin. Expenses	\$1,928	\$1,765	\$1,829	\$1,821	\$1,685	\$1,282	\$1,206	\$1,091	\$989	\$988
Total Underwriting Deductions	\$13,235	\$12,477	\$12,295	\$12,071	\$11,241	\$9,722	\$9,403	\$8,895	\$8,363	\$8,059
Net Underwriting Gain/(Loss)	\$711	\$821	\$790	\$749	\$758	\$856	\$703	\$532	\$427	\$300
Loss Ratio	76.4%	76.4%	76.1%	76.1%	76.1%	76.2%	77.1%	78.4%	79.6%	79.8%
Admin Expense Ratio	18.5%	17.4%	17.9%	18.0%	17.6%	15.7%	16.0%	15.9%	15.6%	16.6%
Combined Ratio	94.9%	93.8%	94.0%	94.2%	93.7%	91.9%	93.0%	94.4%	95.1%	96.4%
Net Premium PMPM	\$27.18	\$25.94	\$25.74	\$25.31	\$25.46	\$25.99	\$24.95	\$24.14	\$22.25	\$21.11
Claims PMPM	\$21.35	\$20.37	\$20.20	\$19.80	\$19.76	\$20.03	\$19.45	\$19.13	\$17.84	\$16.90
Enrollment	42	44	42	41	40	34	33	32	33	33

Vision	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$3,624	\$2,651	\$2,469	\$2,300	\$2,148	\$1,694	\$1,606	\$1,500	\$1,402	\$1,414
Total Hospital & Medical Exp	\$2,893	\$2,050	\$1,927	\$1,832	\$1,703	\$1,364	\$1,312	\$1,223	\$1,149	\$1,186
Claims Adj. Expenses	\$67	\$58	\$51	\$46	\$37	\$32	\$30	\$25	\$22	\$23
General Admin. Expenses	\$511	\$415	\$405	\$388	\$369	\$234	\$220	\$211	\$181	\$181
Total Underwriting Deductions	\$3,471	\$2,520	\$2,378	\$2,272	\$2,109	\$1,629	\$1,559	\$1,463	\$1,345	\$1,385
Net Underwriting Gain/(Loss)	\$332	\$311	\$251	\$182	\$178	\$181	\$182	\$149	\$162	\$126
Loss Ratio	76.1%	72.3%	73.1%	74.9%	74.5%	75.3%	75.2%	76.1%	75.8%	78.1%
Admin Expense Ratio	15.2%	16.7%	17.4%	17.7%	17.7%	14.7%	14.4%	14.7%	13.5%	13.5%
Combined Ratio	91.3%	89.0%	90.5%	92.6%	92.2%	90.0%	89.5%	90.8%	89.3%	91.6%
Net Premium PMPM	\$9.68	\$7.08	\$6.91	\$6.44	\$6.29	\$5.60	\$5.51	\$5.49	\$5.36	\$5.35
Claims PMPM	\$7.73	\$5.47	\$5.38	\$5.14	\$4.99	\$4.51	\$4.49	\$4.49	\$4.35	\$4.46
Enrollment	35	33	31	30	29	25	25	23	22	22

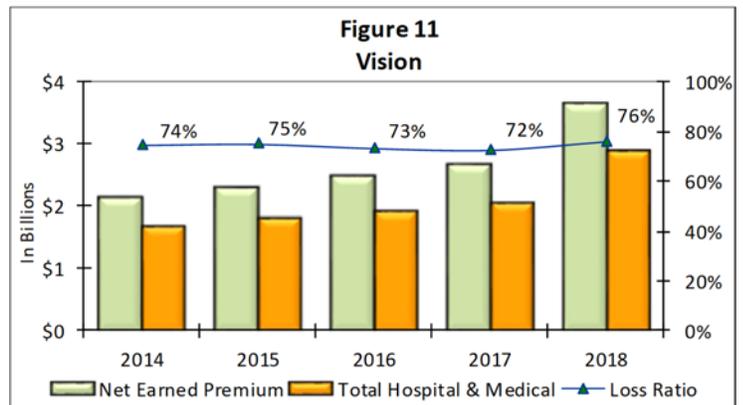
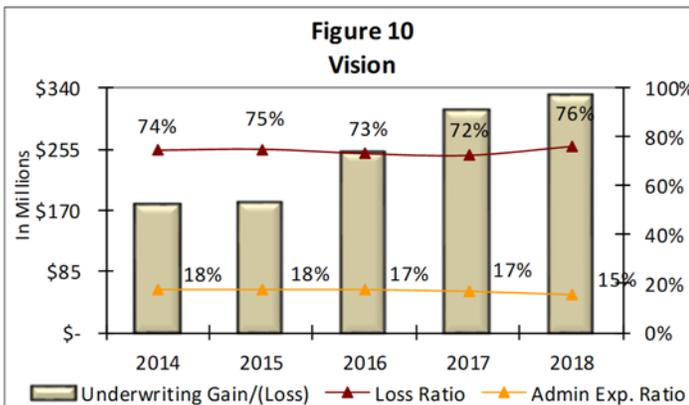
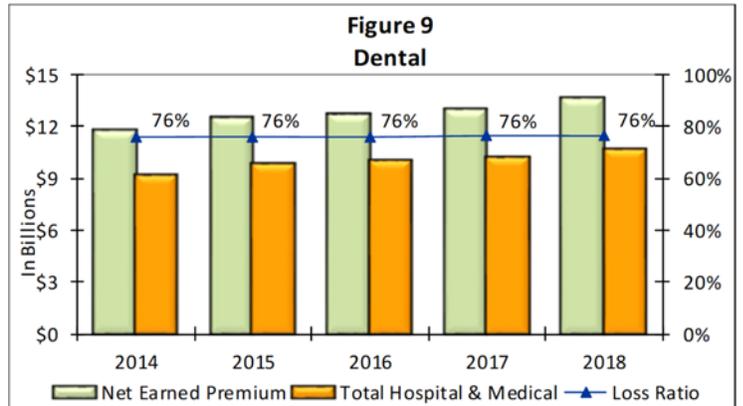
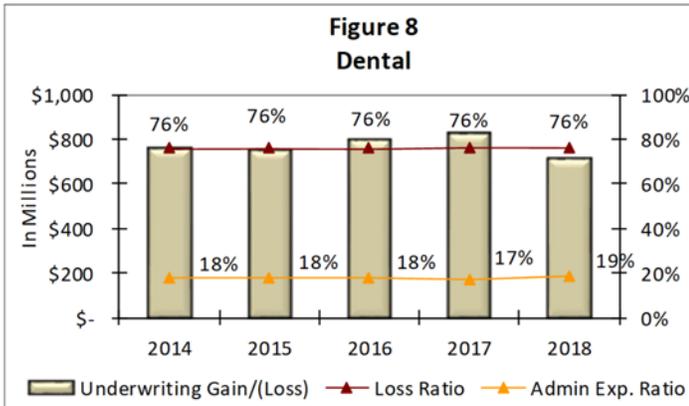
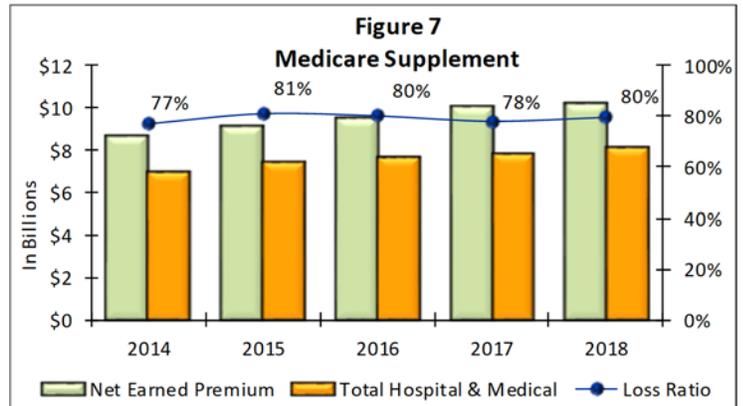
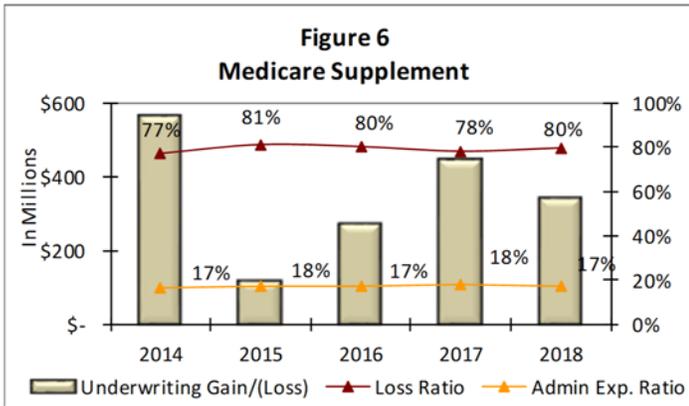
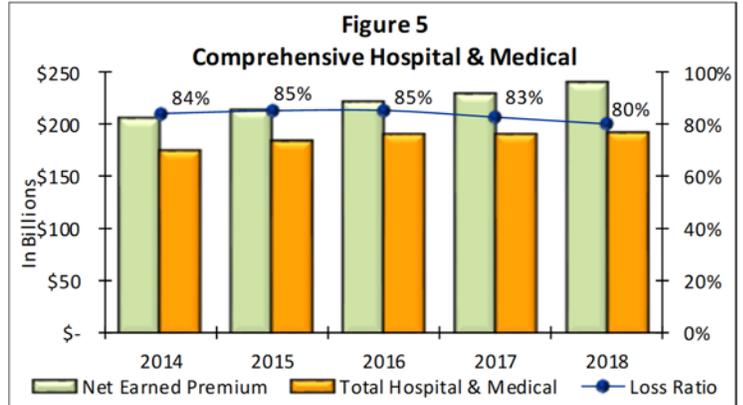
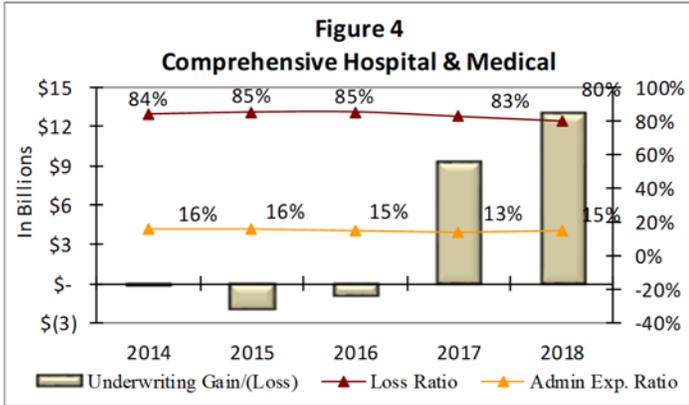
Table 2
Analysis of Operations by Lines of Business

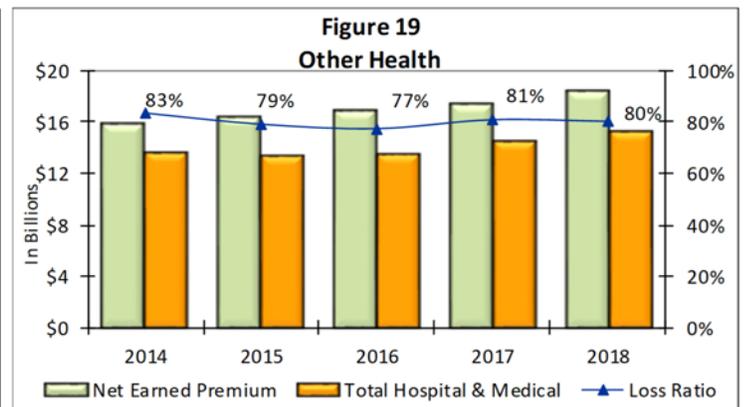
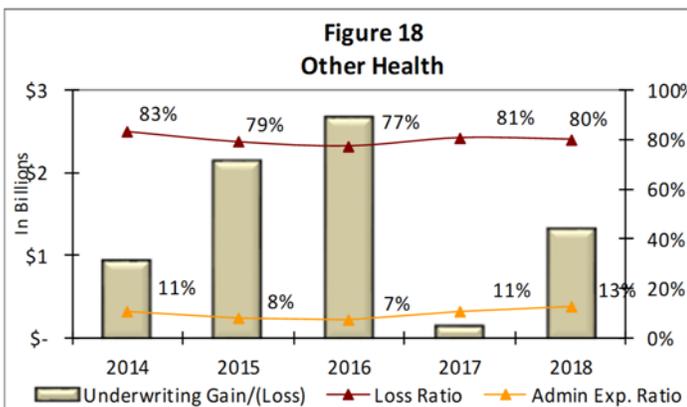
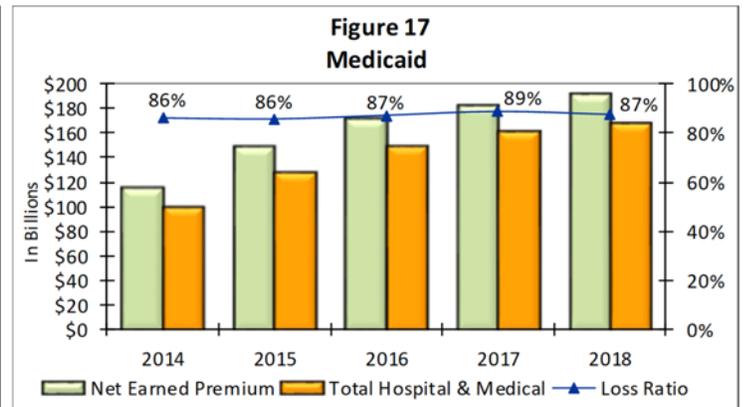
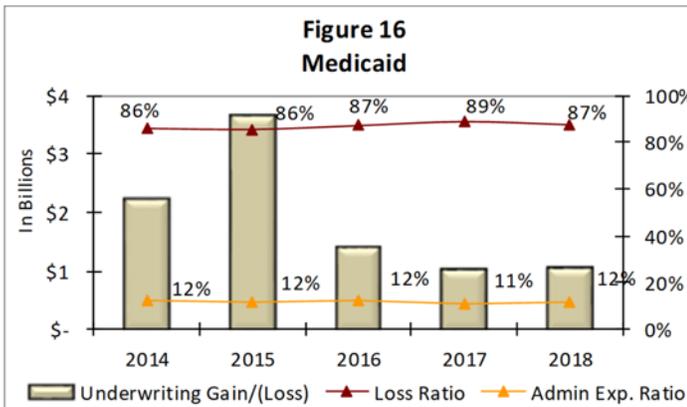
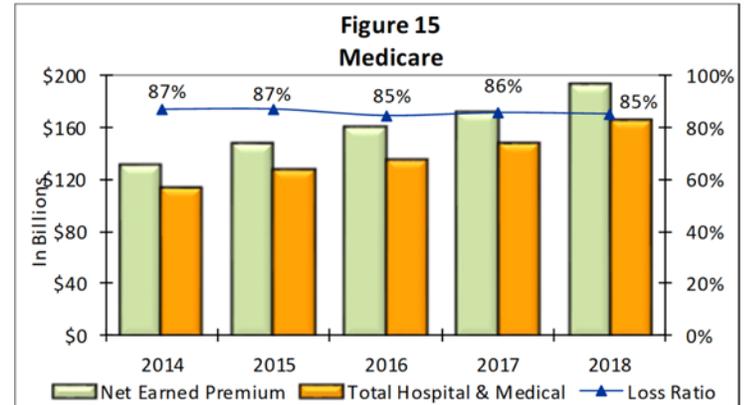
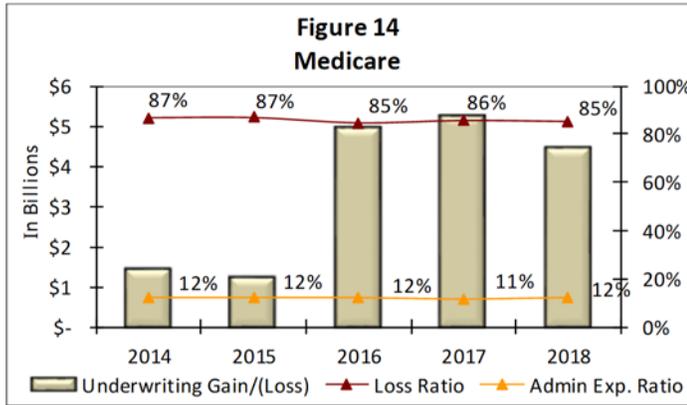
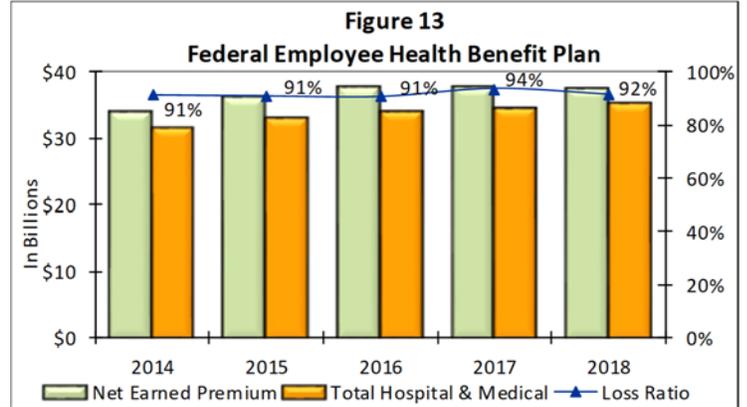
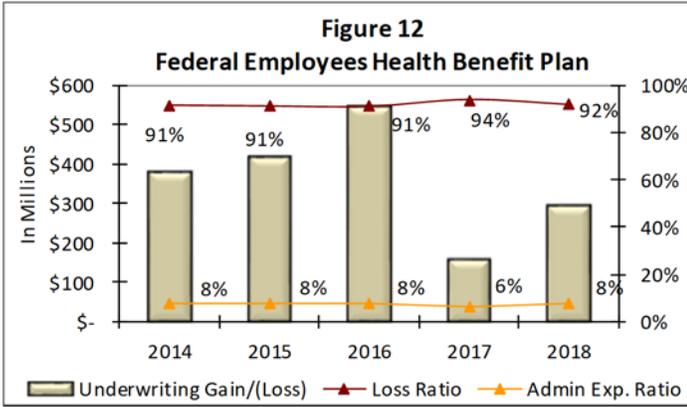
FEHBP	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$37,529	\$37,796	\$37,868	\$36,313	\$34,138	\$32,058	\$31,601	\$31,266	\$29,260	\$27,818
Total Hospital & Medical Exp	\$35,246	\$34,643	\$34,005	\$33,031	\$31,622	\$30,234	\$29,578	\$28,398	\$26,650	\$25,531
Claims Adj. Expenses	\$972	\$870	\$854	\$809	\$782	\$782	\$704	\$695	\$643	\$611
General Admin. Expenses	\$1,955	\$1,355	\$2,013	\$2,025	\$1,835	\$1,112	\$1,078	\$1,042	\$999	\$1,037
Total Underwriting Deductions	\$38,172	\$36,866	\$36,854	\$35,859	\$34,251	\$32,132	\$31,358	\$30,138	\$28,293	\$27,177
Net Underwriting Gain/(Loss)	\$293	\$158	\$541	\$413	\$376	\$247	\$252	\$252	\$249	\$76
Loss Ratio	91.6%	93.6%	90.9%	91.0%	91.4%	93.4%	93.6%	93.5%	93.4%	93.7%
Admin Expense Ratio	7.6%	6.0%	7.7%	7.8%	7.6%	5.9%	5.6%	5.7%	5.8%	6.0%
Combined Ratio	99.2%	99.6%	98.6%	98.9%	98.9%	99.2%	99.2%	99.2%	99.1%	99.7%
Net Premium PMPM	\$420.87	\$405.12	\$418.23	\$405.63	\$403.44	\$369.29	\$356.67	\$355.98	\$346.86	\$366.58
Claims PMPM	\$386.38	\$379.75	\$380.79	\$370.00	\$369.35	\$345.53	\$334.29	\$333.17	\$324.39	\$343.86
Enrollment	8	8	8	7	7	7	7	7	7	6

Medicare	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$192,548	\$171,532	\$159,507	\$146,804	\$131,029	\$105,568	\$97,810	\$90,958	\$81,868	\$78,680
Total Hospital & Medical Exp	\$164,541	\$146,837	\$135,243	\$127,385	\$113,800	\$91,644	\$84,119	\$77,532	\$69,478	\$67,026
Claims Adj. Expenses	\$6,424	\$5,831	\$5,118	\$4,766	\$4,071	\$3,184	\$2,705	\$2,282	\$1,959	\$1,687
General Admin. Expenses	\$17,597	\$13,493	\$14,456	\$13,144	\$11,684	\$8,399	\$7,696	\$7,096	\$6,572	\$6,259
Total Underwriting Deductions	\$188,474	\$166,258	\$154,519	\$145,377	\$129,762	\$103,325	\$94,594	\$86,952	\$78,004	\$74,913
Net Underwriting Gain/(Loss)	\$4,435	\$5,225	\$4,929	\$1,219	\$1,448	\$2,339	\$4,424	\$4,083	\$3,865	\$3,737
Loss Ratio	85.2%	85.7%	84.6%	87.0%	86.9%	86.8%	85.0%	85.2%	84.9%	85.1%
Admin Expense Ratio	12.5%	11.3%	12.3%	12.2%	12.0%	11.0%	10.5%	10.3%	10.4%	10.1%
Combined Ratio	97.7%	97.0%	96.9%	99.2%	98.9%	97.8%	95.5%	95.5%	95.3%	95.2%
Net Premium PMPM	\$1,115.95	\$992.44	\$968.84	\$890.69	\$900.88	\$908.77	\$918.93	\$940.72	\$928.93	\$925.46
Claims PMPM	\$952.13	\$850.71	\$820.34	\$774.88	\$783.12	\$789.49	\$791.45	\$802.20	\$788.73	\$788.48
Enrollment	17	15	15	14	12	10	9	8	7	7

Medicaid	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$190,505	\$180,994	\$170,461	\$148,609	\$115,661	\$88,067	\$77,730	\$65,653	\$57,703	\$50,832
Total Hospital & Medical Exp	\$167,308	\$160,899	\$148,585	\$127,938	\$98,905	\$77,470	\$68,810	\$56,259	\$49,521	\$44,793
Claims Adj. Expenses	\$5,751	\$5,388	\$5,134	\$4,872	\$3,637	\$2,957	\$2,283	\$1,900	\$1,674	\$1,255
General Admin. Expenses	\$17,218	\$14,112	\$15,520	\$13,073	\$10,322	\$7,168	\$6,622	\$6,040	\$5,249	\$4,620
Total Underwriting Deductions	\$190,142	\$180,540	\$169,393	\$145,857	\$113,074	\$87,606	\$77,836	\$64,225	\$56,370	\$50,774
Net Underwriting Gain/(Loss)	\$1,066	\$1,033	\$1,405	\$3,635	\$2,235	\$1,106	\$480	\$1,650	\$1,519	\$263
Loss Ratio	87.4%	88.7%	87.1%	85.6%	86.0%	87.3%	88.0%	85.4%	85.4%	88.0%
Admin Expense Ratio	12.0%	10.7%	12.1%	12.0%	12.1%	11.4%	11.4%	12.1%	12.0%	11.5%
Combined Ratio	99.4%	99.4%	99.2%	97.6%	98.1%	98.8%	99.4%	97.5%	97.4%	99.5%
Net Premium PMPM	\$403.10	\$383.58	\$387.23	\$339.13	\$317.46	\$291.84	\$265.93	\$252.67	\$237.76	\$234.85
Claims PMPM	\$353.75	\$340.77	\$338.49	\$291.09	\$274.13	\$257.05	\$235.85	\$216.57	\$203.86	\$207.47
Enrollment	43	39	40	38	35	26	25	23	21	19

Other Health	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$18,328	\$17,271	\$16,773	\$16,269	\$15,792	\$12,145	\$13,181	\$10,701	\$10,223	\$10,075
Total Hospital & Medical Exp	\$15,171	\$14,473	\$13,392	\$13,275	\$13,569	\$10,232	\$10,549	\$8,711	\$8,592	\$8,673
Claims Adj. Expenses	\$391	\$645	\$438	\$772	\$1,045	\$790	\$778	\$793	\$977	\$625
General Admin. Expenses	\$2,060	\$1,245	\$844	\$618	\$758	\$886	\$972	\$546	\$372	\$440
Total Underwriting Deductions	\$17,581	\$16,378	\$14,717	\$14,600	\$15,400	\$11,912	\$12,301	\$10,060	\$9,948	\$9,777
Net Underwriting Gain/(Loss)	\$1,319	\$1,576	\$2,666	\$2,128	\$944	\$632	\$1,155	\$956	\$572	\$426
Loss Ratio	80.1%	80.7%	77.3%	79.0%	83.2%	81.6%	78.4%	79.2%	81.7%	85.4%
Admin Expense Ratio	13.0%	10.5%	7.4%	8.3%	11.0%	13.4%	13.0%	12.2%	12.8%	10.4%
Combined Ratio	93.0%	91.2%	84.7%	87.3%	94.2%	95.0%	91.4%	91.3%	94.6%	95.8%
Net Premium PMPM	\$48.14	\$45.67	\$48.23	\$46.94	\$48.63	\$44.31	\$49.22	\$48.20	\$48.80	\$48.79
Claims PMPM	\$39.55	\$37.87	\$38.78	\$38.13	\$41.78	\$37.95	\$39.90	\$39.28	\$40.82	\$42.57
Enrollment	34	33	32	29	28	23	22	19	18	18





Enrollment and Premium Revenues

Enrollment increased 2% (4.4 million) to 225 million. Enrollment increases are reflected in a 10% (3.9 million) increase in Medicaid, an 11% (1.6 million) increase in the Medicare line of business, a 4.5% (1.4 million) increase in vision coverage, and a 4.2% (1.3 million) increase in Medicare Part D Prescription Drug coverage. However, the industry also reported a 5.3% (2.2 million) decrease in dental insurance, a 6.3% (887 thousand) decrease in individual comprehensive, and a 2.2% (719 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 \$261 and claims PMPM of \$220 for 2018. Direct written premium increased 6.9% (\$46.1 billion) to \$714.7 billion. **Figure 21** illustrates the mix of direct written premium for 2018. During the last several years, there has been a gradual shift in the allocation of premium between the lines of business. In comparison to 2017, direct comprehensive medical decreased to 34% of total premium from 34.8%, while Medicare increased to 27% from 25.6% and Medicaid remained mostly unchanged at 27%. 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 2017 are most evident in a 12.8% (\$21.8 billion) increase in Medicare, a 6.5% (\$11.6 billion) increase in Medicaid, and a 10.7% (\$7.4 billion) increase in the individual comprehensive, and a 1.7% (\$2.7 billion) increase in the group comprehensive lines of business. The dental coverage line of business experienced a 1.7% (\$235 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 2009, the most significant increases in written premium are in the Medicaid (\$141 billion), Medicare (\$113 billion) and individual comprehensive (\$56.6 billion) lines of business.

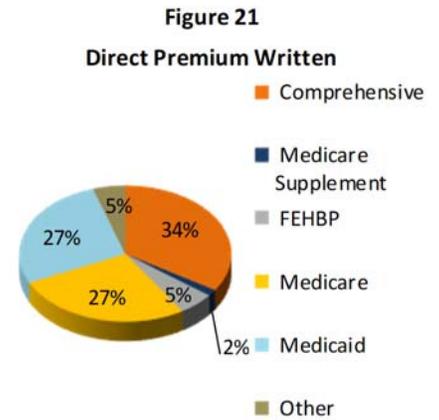
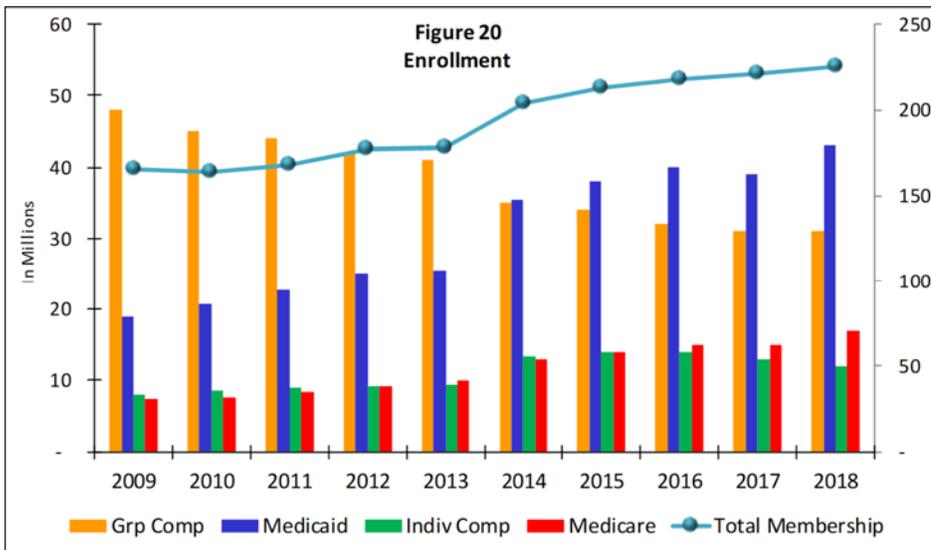


Table 3
Direct Written Premium by Lines of Business

(In Millions)	Chg.	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Individual Comprehensive	10.7%	\$76,017	\$68,660	\$63,310	\$55,292	\$43,388	\$24,713	\$23,389	\$22,624	\$20,690	\$19,372
Group Comprehensive	1.7%	\$165,339	\$162,605	\$160,574	\$162,297	\$166,375	\$172,220	\$174,959	\$175,843	\$174,692	\$176,070
Medicare Supplement	2.0%	\$10,807	\$10,596	\$10,061	\$9,609	\$9,105	\$8,531	\$8,439	\$8,138	\$8,077	\$7,825
Vision	6.3%	\$2,561	\$2,410	\$2,255	\$2,099	\$1,952	\$1,635	\$1,550	\$1,448	\$1,344	\$1,354
Dental	(1.7)%	\$13,855	\$14,090	\$13,074	\$12,561	\$12,017	\$10,046	\$10,113	\$9,587	\$9,100	\$8,733
FEHBP	2.9%	\$38,942	\$37,860	\$37,923	\$36,356	\$34,140	\$32,061	\$31,669	\$31,209	\$29,378	\$27,784
Medicare	12.8%	\$192,253	\$170,413	\$158,908	\$147,273	\$128,890	\$105,917	\$99,981	\$91,519	\$81,101	\$79,180
Medicaid	6.5%	\$192,181	\$180,535	\$170,234	\$149,148	\$115,977	\$89,069	\$78,535	\$65,994	\$58,281	\$51,208
Other Health	4.1%	\$18,883	\$18,142	\$18,569	\$17,349	\$16,900	\$14,111	\$14,194	\$11,373	\$10,278	\$10,094

Cash Flow and Liquidity

The health insurance industry showed a significant decrease in operating cash flow to \$17 billion in 2018 as compared to operating cash flow of \$25 billion in 2017. The considerable decrease in positive cash flow is due primarily to a 6% (\$31 billion) increase in benefits and loss-related payments and a 27% (\$20 billion) increase in commissions and expenses paid, partially offset by a 6% (\$41 billion) increase in premiums collected.

As illustrated in **Figure 22**, liquid assets and receivables increased 5% (\$12 billion) to \$253 billion in 2018 from \$241 billion in the prior year end. This was partially offset by a 2% (\$3 billion) increase in current liabilities to \$241 billion from \$238 billion. This resulted in a favorable increase in the ratio of liquid assets and receivables to current liabilities to 179% from 175%.

Capital and Surplus

Health entities reported a 10% (\$14 billion) increase in capital and surplus to \$152 billion from \$138 billion at Dec. 31, 2017 as illustrated in **Figure 23**. The increase is due primarily to net income of \$23 billion, a \$3 billion decrease in non-admitted assets, and paid-in surplus of \$3 billion. These items were partially offset by dividends of \$10 billion paid to stockholders, a \$3 billion decrease in net deferred income tax asset, and unrealized capital losses of \$2 billion.

Figure 23
Capital & Surplus

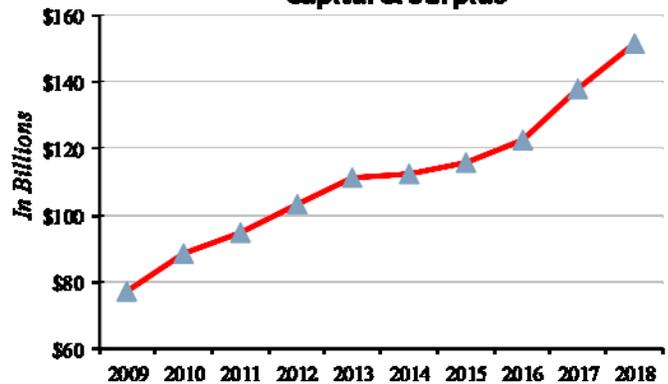
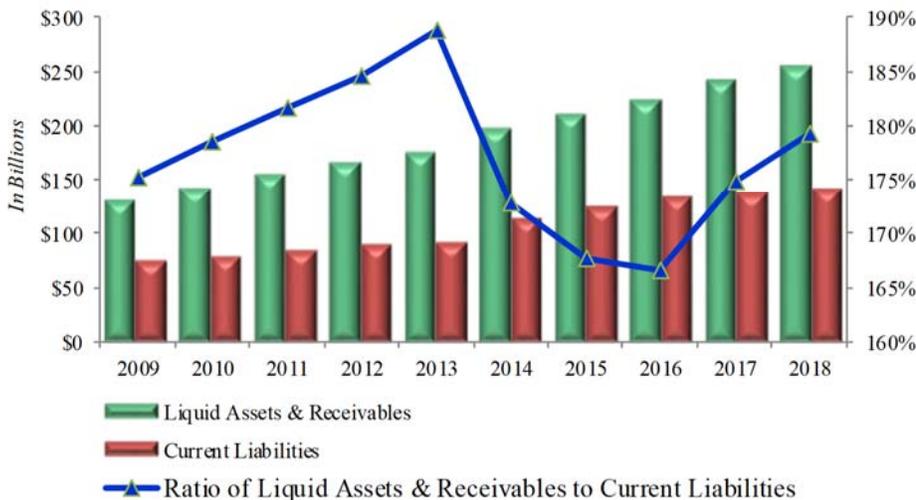


Figure 22
Ratio of Liquid Assets & Receivables to Current Liabilities



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 6.7% (\$57.1 billion) increase in direct earned premium to \$912.4 billion and a 5.1% (\$36.2 billion) increase in incurred claims in 2018. These increases are most evident on the Medicare and Medicaid lines of business which, in total, represents 43.8% of total earned premium.
- Medicare reported an 12.3% (\$23.5 billion) increase in earned premium to \$214.3 billion and a 12.1% (\$19.4 billion) increase in incurred claims to \$180.3 billion.
- Medicaid reported a 6% (\$10.5 billion) increase in earned premium to \$185.6 billion and a 4.6% (\$7.1 billion) increase in incurred claims to \$161.3 billion.
- The group comprehensive line of business, which represents 23.1% of total A&H business, recorded a 2% (\$4.2 billion) increase in earned premium to \$210.7 billion and a 1.4% (\$2.5 billion) decrease in incurred claims to \$172.8 billion.
- The individual comprehensive line of business, representing only 8.6% of total A&H business, reported a 17.4% (\$11.7 billion) increase in earned premium to \$78.6 billion and a less than 1% (\$292 million) decrease in incurred claims to \$55.4 billion.
- Decreases in covered lives are reflected in a 73.5% (45.6 million) decrease in non-U.S. Policy Forms, a 25.4% (20.4 million) decrease in stop loss, and a 9.6% (3.8 million) decrease in Medicaid. Increases are shown in a 29.9% (47.5 million) increase in other A&H line of business, a 3.8% (9.3 million) increase in accident only or accidental death & dismemberment (AD & D), a 5.2% (3.1 million) increase in limited benefit, a 3.9% (3.1 million) increase in disability income, and a 2.5% (1.8 million) increase in dental coverage.

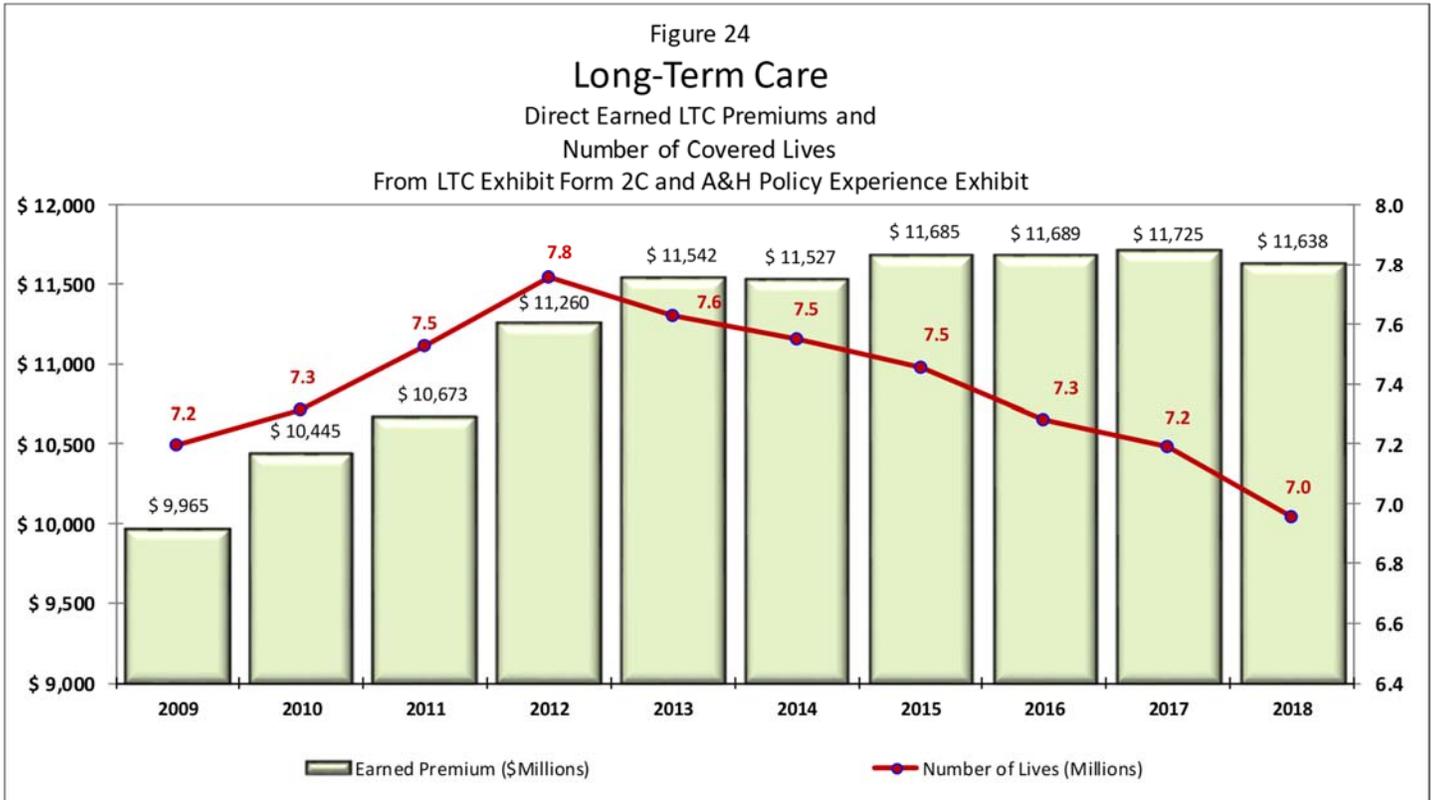
(\$ In Millions) Except Covered Lives	Line of Business % of Total	2018 Premium Earned	2017 Premium Earned	% Chg.	2018 Claims	2017 Claims	% Chg.	2018 Covered Lives	2017 Covered Lives	% Chg.
Comp - Individual	8.6%	\$78,621	\$66,969	17.4%	\$55,420	\$55,128	0.5%	11,072,308	11,884,675	(6.8)%
Comp - Group	23.1%	\$210,703	\$206,485	2.0%	\$172,844	\$170,380	1.4%	40,899,926	41,800,835	(2.2)%
Specified/Named Disease	0.6%	\$5,839	\$5,434	7.4%	\$2,702	\$2,562	5.4%	22,816,660	21,929,136	4.0%
Medicare	23.5%	\$214,263	\$190,726	12.3%	\$180,320	\$160,915	12.1%	18,759,170	18,126,693	3.5%
Medicaid	20.3%	\$185,599	\$175,126	6.0%	\$161,334	\$154,241	4.6%	36,139,040	39,966,902	(9.6)%
FEHBP	4.5%	\$40,685	\$37,830	7.5%	\$37,221	\$35,337	5.3%	6,721,676	6,877,096	(2.3)%
Limited Benefit	1.4%	\$12,440	\$11,229	10.8%	\$10,097	\$9,088	11.1%	63,773,040	60,636,811	5.2%
Disability Income	2.9%	\$26,609	\$25,342	5.0%	\$19,410	\$18,837	3.0%	81,808,420	78,730,543	3.9%
Long-term Care	1.4%	\$12,778	\$13,186	(3.1)%	\$13,561	\$12,814	5.8%	6,955,820	7,582,290	(8.3)%
Accident Only or AD & D	0.8%	\$7,464	\$6,827	9.3%	\$3,006	\$2,761	8.9%	253,547,907	244,263,867	3.8%
Dental	3.0%	\$27,498	\$25,767	6.7%	\$20,447	\$19,276	6.1%	73,672,546	71,895,423	2.5%
Medicare Supplement	3.4%	\$31,385	\$29,284	7.2%	\$24,672	\$22,741	8.5%	13,454,864	12,716,074	5.8%
Medicare Part D	2.0%	\$18,136	\$18,616	(2.6)%	\$13,592	\$14,654	(7.3)%	21,066,527	20,655,613	2.0%
Other Group Care	0.7%	\$6,321	\$5,748	10.0%	\$4,212	\$4,015	4.9%	20,078,481	19,159,918	4.8%
Stop Loss	2.2%	\$20,197	\$17,095	18.1%	\$16,087	\$13,416	19.9%	59,936,292	80,353,959	(25.4)%
Non-U.S. Policy Forms	0.4%	\$4,054	\$11,051	(63.3)%	\$2,073	\$5,843	(64.5)%	16,406,233	61,999,314	(73.5)%
Other Business	1.1%	\$9,832	\$8,604	14.3%	\$7,635	\$6,388	19.5%	206,369,904	158,896,327	29.9%
Total A&H Business	100.0%	\$912,424	\$855,317	6.7%	\$744,630	\$708,395	5.1%	953,478,814	957,475,476	(0.4)%

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, earned premium has remained consistent at \$11.7 billion compared to \$11.3 billion in 2012 whereas the number of covered lives has dropped to 7.0 million from 7.8 million in 2012.



As shown in **Table 5** below, the top ten states accounted for 51.1% of total direct LTC premiums led by California with \$949.5 million, representing 8.8% of market share. For these ten states, direct written premium decreased marginally by 3.5% (\$201.6 million) to over \$5.4 billion in 2018. Overall, total direct LTC premium decreased 3.3% (\$372.2 million) to over \$10.7 billion in 2018.

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

<i>(In Thousands)</i>									
State	Market Share	% Chg	\$ Chg	2018	2017	2016	2015	2014	
CA	8.8%	(4.7)%	(\$46,374)	\$949,532	\$995,906	\$992,026	\$989,844	\$1,020,237	
NY	7.6%	(3.0)%	(\$25,340)	\$815,211	\$840,550	\$812,449	\$764,942	\$773,609	
FL	6.4%	(2.6)%	(\$18,476)	\$683,738	\$702,213	\$688,652	\$677,840	\$687,657	
TX	6.0%	(3.9)%	(\$25,880)	\$642,885	\$668,765	\$663,738	\$652,781	\$661,181	
IL	4.4%	(4.2)%	(\$20,838)	\$475,522	\$496,360	\$506,938	\$496,429	\$499,080	
PA	4.3%	(2.9)%	(\$13,772)	\$462,825	\$476,597	\$474,724	\$468,575	\$478,383	
NJ	3.7%	(3.6)%	(\$14,726)	\$393,192	\$407,918	\$411,824	\$403,642	\$400,717	
VA	3.4%	(5.3)%	(\$20,460)	\$366,972	\$387,432	\$383,713	\$380,407	\$390,624	
NC	3.3%	(1.1)%	(\$4,078)	\$353,681	\$357,758	\$353,844	\$346,953	\$347,290	
OH	3.2%	(3.2)%	(\$11,673)	\$347,655	\$359,328	\$361,695	\$358,945	\$361,933	
Total Top 10	51.1%	(3.5)%	(\$201,616)	\$5,491,212	\$5,692,828	\$5,649,603	\$5,540,359	\$5,620,709	
% of Total				51.1%	51.2%	50.4%	50.4%	50.6%	
Total Written in All States		(3.3)%	(\$372,204)	\$10,754,915	\$11,127,119	\$11,204,778	\$10,988,528	\$11,104,375	

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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.