



National Association of
Insurance Commissioners

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for INSURANCE
POLICY
and RESEARCH

2015

Health Insurance Industry Analysis Report

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Disclaimer The NAIC 2015 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, 2015, 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.

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 75% of the total A&H business filed with the NAIC. For the fourth consecutive year, the health insurance industry experienced a decrease in net earnings; a drop of 33.1% to \$3.8 billion and a decrease in the profit margin to 0.6% in 2015 compared to net earnings of \$5.7 billion and a profit margin of 1.1% in 2014. The combined ratio increased modestly to 98.9% from 98.8%. Included in the decrease in profitability, health entities reported a 39.5% (\$633.0 million) decrease in realized capital gains to \$970.1 million from \$1.6 billion in 2014.

Health entities reported a 2.5% increase in capital and surplus to approximately \$115.0 billion due to net income of \$3.8 billion and paid-in surplus of \$7.3 billion partially offset by \$6.4 billion in dividends paid to stockholders and unrealized capital losses of \$2.4 billion.

Notable items include the following:

- The number of Health insurers filing the health statement type with the NAIC increased to 949 from 943 in 2014.
- Net earned premium increased 10.7% (\$56.2 billion).
- Total hospital and medical expenses increased 11.3% (\$50.8 billion).
- Administrative expenses increased 9.2% (\$4.9 billion).
- Moderate increase in loss ratio to 85.6% from 85.3%.
- A&H direct earned premium increased 7.6% (\$53.1 billion) including all statement types.
- Aggregate adjusted earned premium subject to the MLR reported on the SHCE, increased 2.8% (\$7.5 billion).
- Long-term care claims increased 3.9% (\$370 million).

Table 1
Health Entities as of December 31, 2015

(In Millions, Except PMPM)	<u>Chg.</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operations											
Direct Written Premium	10.5%	\$589,040	\$533,083	\$459,274	\$443,537	\$418,482	\$394,700	\$382,376	\$354,646	\$331,029	\$303,735
Net Earned Premium	10.7%	\$583,039	\$526,852	\$450,737	\$433,211	\$409,291	\$385,832	\$373,197	\$346,161	\$324,602	\$298,146
Net Investment Income Earned	(0.6)%	\$3,210	\$3,229	\$3,152	\$3,154	\$3,245	\$3,421	\$4,061	\$4,759	\$5,249	\$4,452
Underwriting Gain/(Loss)	(1.3)%	\$6,530	\$6,618	\$9,637	\$11,675	\$14,763	\$12,714	\$5,978	\$9,092	\$10,086	\$11,807
Net Income/Loss	(33.1)%	\$3,788	\$5,661	\$9,978	\$11,744	\$13,909	\$12,935	\$9,292	\$8,417	\$12,279	\$12,551
Total Hospital & Medical Exp	11.3%	\$501,627	\$450,823	\$389,206	\$371,947	\$346,059	\$326,997	\$323,405	\$297,746	\$278,212	\$252,297
Loss Ratio	0.3 Pts.	85.6%	85.3%	85.8%	85.7%	84.5%	84.8%	86.7%	86.0%	85.4%	84.4%
Admin Expense Ratio	(0.2) Pts.	13.3%	13.5%	12.1%	11.8%	11.9%	11.9%	11.7%	11.4%	11.6%	11.7%
Combined Ratio	0.1 Pts.	98.9%	98.8%	97.9%	97.3%	96.4%	96.7%	98.4%	97.4%	96.9%	96.1%
Profit Margin	(0.5) Pts.	0.6%	1.1%	2.2%	2.7%	3.4%	3.3%	2.5%	2.4%	3.7%	4.1%
Net Premium PMPM	4.9%	\$232	\$221	\$212	\$205	\$204	\$195	\$189	\$186	\$177	\$169
Claims PMPM	5.1%	\$199	\$189	\$183	\$177	\$173	\$166	\$165	\$161	\$152	\$144
Cash Flow from Operations	3.4%	\$6,486	\$6,273	\$8,120	\$13,203	\$15,399	\$12,201	\$8,619	\$10,177	\$13,546	\$16,128
Enrollment	3.9%	212	204	178	177	168	164	166	157	153	150
Capital and Surplus											
Capital & Surplus	2.5%	\$114,979	\$112,193	\$111,140	\$103,041	\$94,642	\$88,521	\$77,147	\$71,404	\$76,025	\$68,311
Return on Equity (ROE)	(2.0) Pts.	3.7%	5.7%	10.0%	12.4%	15.5%	15.3%	12.5%	12.4%	16.9%	19.7%
Assets											
Net Invested Assets	3.7%	\$176,205	\$169,991	\$163,439	\$155,331	\$145,706	\$135,589	\$122,475	\$113,443	\$119,524	\$109,914
Net Admitted Assets	5.3%	\$251,639	\$238,913	\$214,328	\$201,801	\$188,664	\$174,217	\$158,506	\$146,866	\$148,285	\$137,279
Net Inv Inc & Realized Gain/(Loss)	(13.5)%	\$4,180	\$4,832	\$4,479	\$4,417	\$4,249	\$4,814	\$6,260	\$1,980	\$6,103	\$4,827
Investment Yield	0.0 Pts.	1.9%	1.9%	2.0%	2.1%	2.3%	2.7%	3.4%	4.1%	4.6%	4.3%
Number of Companies Filed		949	943	926	880	857	839	864	878	869	874

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

Company Filings & Merger Activity

Figure 1 illustrates the steady increase in Health entities who file health annual financial statements with the NAIC.

In merger updates, Anthem Inc.'s proposed \$54.0 billion acquisition of Cigna Corp. would create the nation's largest health insurer as membership would increase from 38 million to a combined 53 million members. This would surpass the nearly 46 million members of UnitedHealth Group. Anthem shareholders will own approximately 67% and Cigna shareholders will own approximately 33% of the combined company per the Anthem website. As of April 18, 2016, ten states have approved the transaction. The merger transaction is expected to close during the second half of 2016.

Aetna and Humana Inc. have entered into a definitive agreement under which Aetna will acquire all outstanding shares of Humana for a combination of cash and stock valued at \$37 billion or approximately \$230 per Humana share per the Aetna website. Twelve states have signed off on Aetna's proposed acquisition of Humana. The transaction is still undergoing regulatory review but expected to close in the second half of 2016.

Underwriting Results

Figure 2 below illustrates the decrease in both net earnings and profit margin. The decrease in the industry's underwriting results can be attributed to an 11.3% (\$50.8 billion) increase in total hospital and medical expenses to \$501.6 billion and a 9.5% (\$6.5 billion) increase in claims adjustment expenses and administrative expenses. Administrative expenses increased 9.2% (\$4.9 billion). However, the industry partially offset

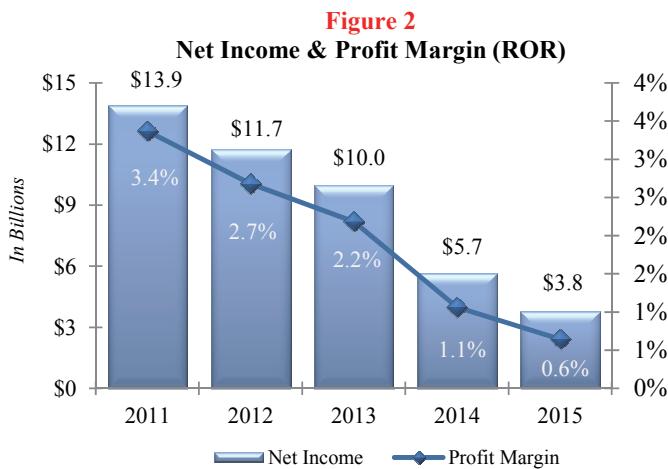
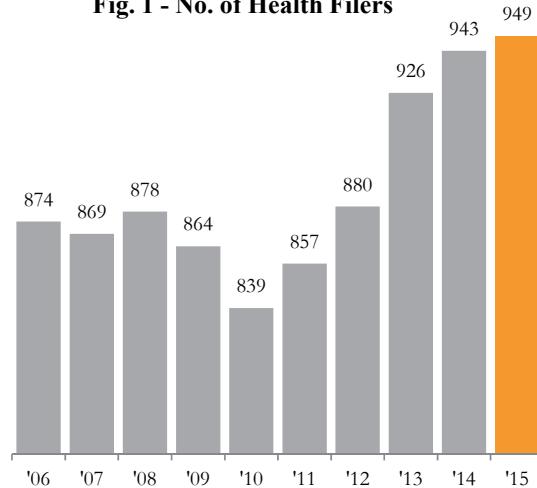


Fig. 1 - No. of Health Filers



these items with a 10.7% (\$56.2 billion) increase in net earned premium to \$583.0 billion. The industry also recorded realized capital gains of \$1.0 billion in 2015.

Table 2 provides an analysis of operations by line of business for 2015. In terms of dollar impact, the Medicaid (\$3.7 billion) and the Medicare (\$1.2 billion) lines of business were the most profitable lines.

Figure 3 below illustrates the increase in total hospital and medical benefits and the modest increase in the loss ratio to 85.6% in 2015. Historically, from year to year, the industry has reported significant increases in hospital and medical benefits. However, during both 2015 and in 2014, net earned premium increased at a higher rate than total hospital and medical benefits. In addition, as indicated on **Table 1**, the industry reported a modest decrease in the administrative expense ratio to 13.3%. The increase in the loss ratio along with the slight decrease in the administrative expense ratio resulted in a modest increase in the combined ratio to 98.9%.

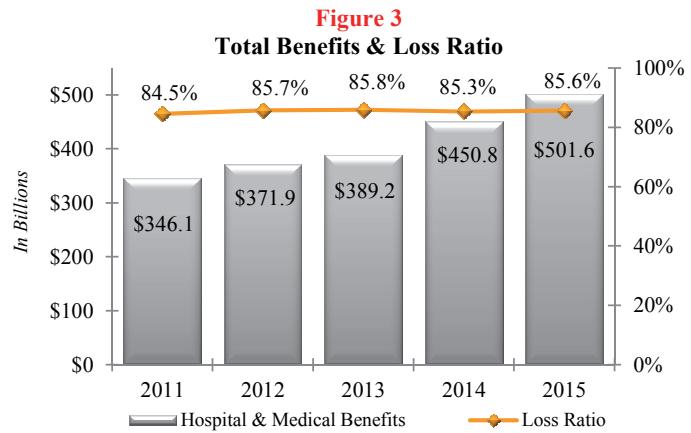


Table 2
Analysis of Operations by Lines of Business

FEHBP	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$36,134	\$34,127	\$32,058	\$31,601	\$31,266	\$29,260	\$27,818	\$26,692	\$24,680	\$22,693
Total Hospital & Medical Exp	\$32,865	\$31,611	\$30,234	\$29,578	\$28,398	\$26,650	\$25,531	\$24,636	\$23,278	\$21,029
Claims Adj. Expenses	\$807	\$780	\$782	\$704	\$695	\$643	\$611	\$563	\$573	\$520
General Admin. Expenses	\$2,019	\$1,834	\$1,112	\$1,078	\$1,042	\$999	\$1,037	\$1,004	\$918	\$881
Total Underwriting Deductions	\$35,685	\$34,233	\$32,132	\$31,358	\$30,138	\$28,293	\$27,177	\$26,203	\$24,767	\$22,432
Net Underwriting Gain/(Loss)	\$408	\$383	\$247	\$252	\$252	\$249	\$76	\$209	\$271	\$188
Loss Ratio	91.0%	91.3%	93.4%	93.6%	93.5%	93.4%	93.7%	93.3%	93.0%	93.0%
Admin Expense Ratio	7.8%	7.6%	5.9%	5.6%	5.7%	5.8%	6.0%	5.9%	6.0%	6.2%
Combined Ratio	98.9%	98.9%	99.2%	99.2%	99.2%	99.1%	99.7%	99.2%	98.9%	99.2%
Net Premium PMPM	\$406.36	\$403.31	\$369.29	\$356.67	\$355.98	\$346.86	\$366.58	\$341.38	\$326.05	\$309.60
Claims PMPM	\$370.65	\$369.17	\$345.53	\$334.29	\$333.17	\$324.39	\$343.86	\$318.94	\$303.57	\$288.21
Enrollment	7	7	7	7	7	7	6	6	6	6
Medicare	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$145,489	\$130,097	\$105,568	\$97,810	\$90,958	\$81,868	\$78,680	\$65,959	\$55,621	\$46,536
Total Hospital & Medical Exp	\$126,257	\$112,975	\$91,644	\$84,119	\$77,532	\$69,478	\$67,026	\$56,320	\$47,083	\$39,449
Claims Adj. Expenses	\$4,745	\$4,073	\$3,184	\$2,705	\$2,282	\$1,959	\$1,687	\$1,413	\$1,285	\$1,022
General Admin. Expenses	\$12,948	\$11,631	\$8,399	\$7,696	\$7,096	\$6,572	\$6,259	\$5,369	\$4,253	\$3,500
Total Underwriting Deductions	\$144,031	\$128,888	\$103,325	\$94,594	\$86,952	\$78,004	\$74,913	\$63,151	\$52,637	\$43,940
Net Underwriting Gain/(Loss)	\$1,230	\$1,395	\$2,339	\$4,424	\$4,083	\$3,865	\$3,737	\$2,897	\$2,928	\$2,628
Loss Ratio	87.0%	86.9%	86.8%	85.0%	85.2%	84.9%	85.1%	85.3%	84.8%	84.6%
Admin Expense Ratio	12.2%	12.1%	11.0%	10.5%	10.3%	10.4%	10.1%	10.3%	10.0%	9.7%
Combined Ratio	99.2%	98.9%	97.8%	95.5%	95.5%	95.3%	95.2%	95.6%	94.7%	94.4%
Net Premium PMPM	\$891.87	\$894.52	\$908.77	\$918.93	\$940.72	\$928.93	\$925.46	\$907.05	\$879.56	\$817.75
Claims PMPM	\$775.99	\$777.47	\$789.49	\$791.45	\$802.20	\$788.73	\$788.48	\$774.96	\$746.23	\$695.28
Enrollment	14	12	10	9	8	7	7	6	5	5
Medicaid	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$147,524	\$114,344	\$88,067	\$77,730	\$65,653	\$57,703	\$50,832	\$42,263	\$37,216	\$30,018
Total Hospital & Medical Exp	\$126,938	\$97,695	\$77,470	\$68,810	\$56,259	\$49,521	\$44,793	\$36,849	\$32,470	\$26,047
Claims Adj. Expenses	\$4,841	\$3,548	\$2,957	\$2,283	\$1,900	\$1,674	\$1,255	\$1,032	\$907	\$754
General Admin. Expenses	\$13,007	\$10,119	\$7,168	\$6,622	\$6,040	\$5,249	\$4,620	\$3,831	\$3,502	\$2,940
Total Underwriting Deductions	\$144,723	\$111,563	\$87,606	\$77,836	\$64,225	\$56,370	\$50,774	\$41,776	\$36,906	\$29,723
Net Underwriting Gain/(Loss)	\$3,670	\$2,434	\$1,106	\$480	\$1,650	\$1,519	\$263	\$543	\$338	\$482
Loss Ratio	85.5%	85.9%	87.3%	88.0%	85.4%	85.4%	88.0%	87.2%	87.3%	86.2%
Admin Expense Ratio	12.0%	12.0%	11.4%	11.4%	12.1%	12.0%	11.5%	11.5%	11.8%	12.2%
Combined Ratio	97.5%	97.9%	98.8%	99.4%	97.5%	97.4%	99.5%	98.7%	99.1%	98.4%
Net Premium PMPM	\$340.62	\$313.82	\$291.84	\$265.93	\$252.67	\$237.76	\$234.85	\$220.22	\$208.83	\$182.59
Claims PMPM	\$292.10	\$270.76	\$257.05	\$235.85	\$216.57	\$203.86	\$207.47	\$192.42	\$182.34	\$158.35
Enrollment	38	35	26	25	23	21	19	17	15	15
Other Health	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$16,261	\$15,807	\$12,145	\$13,181	\$10,701	\$10,223	\$10,075	\$8,233	\$9,207	\$7,460
Total Hospital & Medical Exp	\$13,264	\$13,581	\$10,232	\$10,549	\$8,711	\$8,592	\$8,673	\$7,383	\$8,013	\$6,414
Claims Adj. Expenses	\$772	\$1,043	\$790	\$778	\$793	\$977	\$625	\$327	\$237	\$223
General Admin. Expenses	\$605	\$843	\$886	\$972	\$546	\$372	\$440	\$70	(\$41)	\$76
Total Underwriting Deductions	\$14,574	\$15,494	\$11,912	\$12,301	\$10,060	\$9,948	\$9,777	\$7,780	\$8,192	\$6,730
Net Underwriting Gain/(Loss)	\$2,144	\$863	\$632	\$1,155	\$956	\$572	\$426	\$769	\$1,199	\$801
Loss Ratio	78.9%	83.2%	81.6%	78.4%	79.2%	81.7%	85.4%	86.4%	85.1%	85.4%
Admin Expense Ratio	8.2%	11.5%	13.4%	13.0%	12.2%	12.8%	10.4%	4.6%	2.1%	4.0%
Combined Ratio	87.2%	94.7%	95.0%	91.4%	91.3%	94.6%	95.8%	91.0%	87.2%	89.4%
Net Premium PMPM	\$46.92	\$48.67	\$44.31	\$49.22	\$48.20	\$48.80	\$48.79	\$51.36	\$54.78	\$65.61
Claims PMPM	\$38.10	\$41.82	\$37.95	\$39.90	\$39.28	\$40.82	\$42.57	\$45.60	\$47.98	\$57.43
Enrollment	29	28	23	22	19	18	18	15	14	10

Table 2
Analysis of Operations by Lines of Business

Comprehensive Hospital & Medical	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$213,669	\$207,574	\$192,420	\$191,446	\$191,945	\$188,755	\$188,360	\$186,456	\$181,926	\$174,842
Total Hospital & Medical Exp	\$183,363	\$175,132	\$163,736	\$163,346	\$160,206	\$158,357	\$163,317	\$159,182	\$154,472	\$146,193
Claims Adj. Expenses	\$7,355	\$7,472	\$7,167	\$6,990	\$6,764	\$6,634	\$6,823	\$6,691	\$6,782	\$6,316
General Admin. Expenses	\$26,602	\$25,776	\$18,842	\$18,131	\$18,365	\$18,138	\$17,448	\$16,773	\$16,748	\$16,324
Total Underwriting Deductions	\$217,214	\$208,885	\$189,712	\$188,553	\$185,187	\$183,250	\$187,700	\$182,890	\$178,187	\$168,931
Net Underwriting Gain/(Loss)	(\$1,972)	\$93	\$4,023	\$4,159	\$6,987	\$5,731	\$1,137	\$3,923	\$4,779	\$6,632
Loss Ratio	85.1%	84.0%	84.5%	84.8%	83.3%	83.9%	86.5%	85.3%	84.5%	83.3%
Admin Expense Ratio	15.8%	15.9%	13.4%	13.0%	13.1%	13.1%	12.9%	12.6%	12.9%	12.9%
Combined Ratio	100.9%	100.0%	97.9%	97.8%	96.4%	97.0%	99.4%	97.9%	97.4%	96.2%
Net Premium PMPM	\$365.04	\$347.45	\$318.60	\$309.09	\$302.61	\$289.90	\$276.29	\$266.46	\$254.11	\$244.04
Claims PMPM	\$312.36	\$293.55	\$270.62	\$263.53	\$253.11	\$243.56	\$239.60	\$227.85	\$249.38	\$204.30
Enrollment	48	49	50	52	53	53	56	58	60	61
Medicare Supplement	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$9,126	\$8,690	\$8,162	\$8,088	\$7,811	\$7,735	\$7,553	\$7,546	\$7,444	\$7,575
Total Hospital & Medical Exp	\$7,348	\$6,910	\$6,457	\$6,460	\$6,336	\$6,229	\$6,202	\$6,178	\$6,163	\$6,136
Claims Adj. Expenses	\$418	\$378	\$399	\$385	\$397	\$375	\$394	\$360	\$375	\$383
General Admin. Expenses	\$1,185	\$1,077	\$948	\$937	\$937	\$883	\$836	\$752	\$748	\$688
Total Underwriting Deductions	\$8,995	\$8,157	\$7,847	\$7,815	\$7,608	\$7,513	\$7,602	\$7,235	\$7,327	\$7,196
Net Underwriting Gain/(Loss)	\$114	\$564	\$304	\$258	\$195	\$200	(\$52)	\$319	\$114	\$370
Loss Ratio	81.1%	76.9%	79.8%	80.4%	80.4%	81.1%	84.4%	81.1%	83.4%	81.0%
Admin Expense Ratio	17.6%	16.7%	16.5%	16.4%	17.1%	16.3%	16.3%	14.7%	15.1%	14.2%
Combined Ratio	98.7%	93.5%	96.3%	96.8%	97.5%	97.4%	100.7%	95.8%	98.5%	95.1%
Net Premium PMPM	\$181.65	\$181.40	\$182.65	\$180.48	\$176.52	\$172.92	\$167.19	\$162.16	\$151.88	\$150.01
Claims PMPM	\$147.47	\$139.47	\$145.81	\$145.28	\$141.93	\$140.25	\$141.10	\$131.45	\$126.63	\$121.43
Enrollment	4	4	4	4	4	4	4	4	4	4
Dental	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$12,479	\$11,753	\$10,449	\$9,995	\$9,327	\$8,732	\$8,332	\$7,624	\$7,240	\$6,813
Total Hospital & Medical Exp	\$9,760	\$9,132	\$8,059	\$7,789	\$7,389	\$6,993	\$6,673	\$6,086	\$5,735	\$5,398
Claims Adj. Expenses	\$489	\$427	\$384	\$407	\$412	\$381	\$397	\$355	\$329	\$308
General Admin. Expenses	\$1,823	\$1,680	\$1,282	\$1,206	\$1,091	\$989	\$988	\$863	\$869	\$772
Total Underwriting Deductions	\$12,072	\$11,234	\$9,722	\$9,403	\$8,895	\$8,363	\$8,059	\$7,305	\$6,935	\$6,479
Net Underwriting Gain/(Loss)	\$747	\$765	\$856	\$703	\$532	\$427	\$300	\$339	\$348	\$364
Loss Ratio	76.1%	76.1%	76.2%	77.1%	78.4%	79.6%	79.8%	79.6%	78.8%	78.9%
Admin Expense Ratio	18.0%	17.6%	15.7%	16.0%	15.9%	15.6%	16.6%	15.9%	16.5%	15.8%
Combined Ratio	94.2%	93.6%	91.9%	93.0%	94.4%	95.1%	96.4%	95.6%	95.2%	94.7%
Net Premium PMPM	\$25.31	\$25.46	\$25.99	\$24.95	\$24.14	\$22.25	\$21.11	\$21.72	\$21.55	\$21.29
Claims PMPM	\$19.81	\$19.76	\$20.03	\$19.45	\$19.13	\$17.84	\$16.90	\$17.34	\$17.09	\$16.87
Enrollment	41	40	34	33	32	33	33	29	28	27
Vision	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>(In Millions, Except PMPM)</i>										
Net Earned Premium	\$2,300	\$2,148	\$1,694	\$1,606	\$1,500	\$1,402	\$1,414	\$1,337	\$1,240	\$985
Total Hospital & Medical Exp	\$1,832	\$1,703	\$1,364	\$1,312	\$1,223	\$1,149	\$1,186	\$1,112	\$997	\$790
Claims Adj. Expenses	\$46	\$37	\$32	\$30	\$25	\$22	\$23	\$20	\$22	\$16
General Admin. Expenses	\$388	\$369	\$234	\$220	\$211	\$181	\$181	\$180	\$174	\$127
Total Underwriting Deductions	\$2,272	\$2,109	\$1,629	\$1,559	\$1,463	\$1,345	\$1,385	\$1,316	\$1,195	\$949
Net Underwriting Gain/(Loss)	\$182	\$178	\$181	\$182	\$149	\$162	\$126	\$111	\$118	\$104
Loss Ratio	74.9%	74.5%	75.3%	75.2%	76.1%	75.8%	78.1%	78.2%	76.1%	76.5%
Admin Expense Ratio	17.7%	17.7%	14.7%	14.4%	14.7%	13.5%	13.5%	14.1%	14.9%	13.6%
Combined Ratio	92.6%	92.2%	90.0%	89.5%	90.8%	89.3%	91.6%	92.2%	91.0%	90.1%
Net Premium PMPM	\$6.44	\$6.29	\$5.60	\$5.51	\$5.49	\$5.36	\$5.35	\$5.27	\$4.97	\$4.87
Claims PMPM	\$5.14	\$4.99	\$4.51	\$4.49	\$4.49	\$4.35	\$4.46	\$4.39	\$4.01	\$3.98
Enrollment	30	29	25	25	23	22	22	21	20	17

Enrollment and Premium Revenues

Enrollment increased 3.9% to 212.1 million due primarily to a 10.0% (2.6 million) increase in Medicaid, an 8.0% (1.8 million) increase in Medicare Part D, a 3.6% (1.4 million) increase in dental coverage, a 4.9% (1.4 million) increase in vision coverage, and a 13.1% (1.3 million) increase in the Medicare line of business. These items were partially offset by a 5.1% (1.8 million) decrease in the group comprehensive line of business. **Figure 4** illustrates the percentage of enrollment by line of business for 2015.

Health entities reported premium per member per month (PMPM) of \$232 and claims PMPM of \$199. Direct written premium increased 10.5% (\$56.0 billion) to \$589.0 billion. **Figure 5** illustrates the mix of direct written premium for 2015. During the last several years, there has been a gradual shift in the allocation of premium between the lines of business. In comparison to 2014, direct comprehensive medical decreased to 36.7% of total premium from 40.3%, while Medicaid increased

to 25.2% from 21.7% and Medicare increased to 24.8% from 24.1%. It appears that the shift in business concentration is due to an increase in the number of insureds becoming eligible for either Medicare and/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 2014 are most evident in a 27.7% (\$32.1 billion) increase in Medicaid, a 13.2% (\$17.1 billion) increase in Medicare, and a 27.1% (\$11.8 billion) increase in the individual comprehensive line of business. The group comprehensive line of business experienced a 3.4% (\$5.6 billion) decrease. In a 10-year comparison to 2006, the most significant increases in written premium also the Medicaid (\$118.1 billion), Medicare (\$100.0 billion) and individual comprehensive (\$40.0 billion) lines of business.

Figure 4
Enrollment by Line of Business

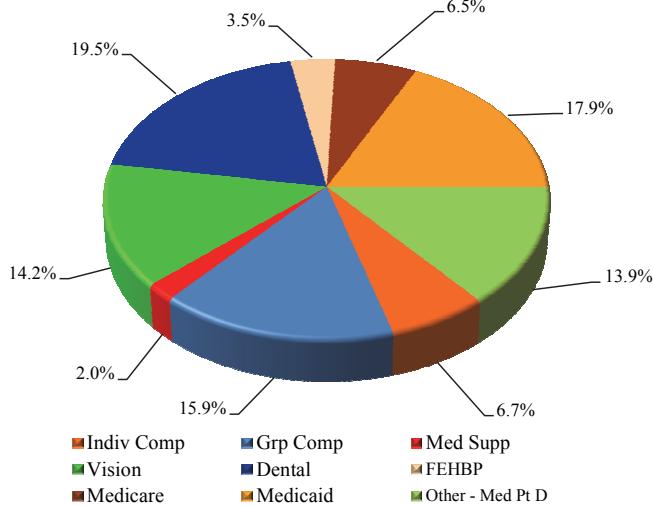


Figure 5
2015 Direct Health Premium Written

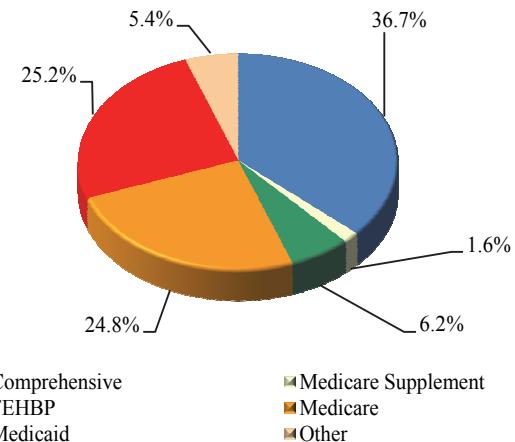


Table 3

Direct Written Premium by Lines of Business

(In Millions)	Chg.	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Individual Comprehensive	27.1%	\$55,164	\$43,388	\$24,713	\$23,389	\$22,624	\$20,690	\$19,372	\$18,041	\$17,365	\$15,174
Group Comprehensive	(3.4)%	\$160,736	\$166,375	\$172,220	\$174,959	\$175,843	\$174,692	\$176,070	\$174,004	\$169,751	\$163,890
Medicare Supplement	5.2%	\$9,578	\$9,105	\$8,531	\$8,439	\$8,138	\$8,077	\$7,825	\$7,788	\$8,334	\$7,810
Vision	5.2%	\$2,054	\$1,952	\$1,635	\$1,550	\$1,448	\$1,344	\$1,354	\$1,281	\$1,184	\$952
Dental	4.5%	\$12,560	\$12,017	\$10,046	\$10,113	\$9,587	\$9,100	\$8,733	\$7,713	\$7,200	\$6,710
FEHBP	6.0%	\$36,176	\$34,140	\$32,061	\$31,669	\$31,209	\$29,378	\$27,784	\$26,657	\$24,602	\$23,145
Medicare	13.2%	\$145,956	\$128,890	\$105,917	\$99,981	\$91,519	\$81,101	\$79,180	\$66,080	\$54,497	\$45,992
Medicaid	27.7%	\$148,056	\$115,977	\$89,069	\$78,535	\$65,994	\$58,281	\$51,208	\$42,885	\$37,523	\$29,925
Other Health	2.5%	\$17,330	\$16,900	\$14,111	\$14,194	\$11,373	\$10,278	\$10,094	\$8,286	\$9,315	\$8,785

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, A&H, health, fraternal or property/casualty financial statements.

The insurance industry reported a 7.6% (\$53.1 billion) increase in direct earned premium to \$755.1 billion and an 8.8% (\$51.1 billion) increase in incurred claims in 2015. These increases are most evident on the Medicaid and Medicare lines of business which, in total, represents 39.4% of total earned premium. Medicaid reported a 28.4% (\$31.4 billion) increase in earned premium to \$141.9 billion and a 27.5% (\$26.0 billion) increase in incurred claims to \$120.7 billion. Medicare reported an 8.2% (\$11.8 billion) increase in earned premium to \$155.8 billion and an 8.3% (\$10.3 billion) increase in incurred claims to \$134.2 billion. The individual comprehensive line of business, repre-

senting only 7.6% of total A&H business, reported a 28.5% (\$12.7 billion) increase in earned premium to \$57.2 billion and a 34.8% (\$15.3 billion) increase in incurred claims to \$59.1 billion.

The total number of covered lives increased 5.4% (45.9 million) to 897.8 million as reflected in a 4.6% (19.8 million) increase in the other A&H line of business, a 14.3% (7.7 million) increase in stop loss, a 16.3% (7.5 million) increase in Non-U.S. Policy Forms, an 18.4% (5.2 million) increase in Medicaid, a 4.2% (2.8 million) increase in dental coverage, a 5.6% (2.3 million) increase in other group care business, a 1.9% (1.3 million) increase in disability income, and a 9.7% (1.3 million) increase in the Medicare line of business. These items were partially offset by a 7.4% (3.4 million) decrease in the group comprehensive line of business.

Table 4
A&H Policy Experience Exhibit as of December 31, 2015

(\$ In Millions) Except Covered Lives	Line of Business		2015		2014				2015		2014	
	% of Total	% Chg.	Premium Earned	Premium Earned	% Chg.	Claims	Claims	% Chg.	Covered Lives	Covered Lives	Covered Lives	Covered Lives
Comp - Individual	7.6%	28.5%	\$57,208	\$44,512	34.8%	\$59,138	\$43,856	5.6%	13,802,837	13,075,388		
Comp - Group	26.3%	(2.9)%	\$198,823	\$204,732	(2.9)%	\$163,012	\$167,959	(7.4)%	43,017,836	46,437,841		
Medicare	20.6%	8.2%	\$155,849	\$144,010	8.3%	\$134,235	\$123,892	9.7%	15,023,290	13,698,847		
Medicaid	18.8%	28.4%	\$141,876	\$110,508	27.5%	\$120,673	\$94,657	18.4%	33,385,747	28,189,635		
FEHBP	4.8%	4.2%	\$36,570	\$35,092	3.7%	\$33,209	\$32,020	3.3%	7,616,997	7,376,501		
Disability Income	3.1%	3.4%	\$23,593	\$22,824	(1.3)%	\$18,105	\$18,337	1.9%	72,707,394	71,379,460		
Dental	3.2%	2.4%	\$24,356	\$23,790	2.7%	\$18,157	\$17,680	4.2%	69,507,252	66,680,059		
Medicare Supplement	3.5%	5.3%	\$26,128	\$24,807	7.0%	\$20,397	\$19,067	(1.1)%	11,930,303	12,059,480		
Medicare Part D	2.6%	(0.8)%	\$19,584	\$19,743	(6.6)%	\$15,220	\$16,298	2.7%	20,068,576	19,537,724		
Other Group Care	0.8%	4.5%	\$6,027	\$5,768	8.6%	\$4,255	\$3,919	5.6%	42,448,124	40,186,409		
Stop Loss	1.9%	15.1%	\$14,216	\$12,349	16.9%	\$10,726	\$9,175	14.3%	61,504,072	53,805,213		
Non-U.S. Policy Forms	1.3%	(8.2)%	\$9,708	\$10,570	(11.5)%	\$5,170	\$5,845	16.3%	53,738,508	46,200,209		
Other Business	5.9%	(4.8)%	\$41,176	\$43,273	5.6%	\$29,319	\$27,768	4.6%	453,090,100	433,283,478		
Total A&H Business	100.0%	7.6%	\$755,115	\$701,976	8.8%	\$631,616	\$580,472	5.4%	897,841,036	851,910,244		

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

Supplemental Health Care Exhibit

Table 5 illustrates the insurance industry's aggregate business subject to the ACA medical loss ratio (MLR) experience for insurers filing the Supplemental Health Care Exhibit (SHCE) on the life, A&H, health, fraternal or property/casualty financial statements. The percentage of the total business reported by those insurers who file the health annual statement blank represents approximately 83% of the total accident and health business subject to the MLR filed with the NAIC in 2015.

The insurance industry reported a 2.8% (\$7.5 billion) increase in total aggregate adjusted premium earned (net of federal, state insurance & premium taxes and regulatory licenses & fees) subject to the MLR to \$278.2 billion and a 4.8% (\$11.8 billion) increase in total incurred claims to \$256.4 billion in 2015. This led to a 1.8 percentage point increase in the preliminary MLR¹ to 93.1% from 91.3% in 2014.

The increase in adjusted earned premium is most evident on the individual comprehensive line of business which, in total, represents 20.2% of total earned premium with a 26.3% (\$11.9 billion) increase in adjusted earned premium to \$57.2 billion. This line of business reported a 32.2% (\$14.8 billion) increase in incurred claims to \$60.9 billion resulting in an increase in the preliminary MLR to 107.4% from 102.7% in 2014.

The small group employer comprehensive medical line of business reported a 7.1% (\$4.6 billion) decrease in adjusted earned premium to \$59.9 billion which represents 21.8% of total earned premium. This line of business reported a 7.0% (\$3.9 billion) decrease in incurred claims to \$51.0 billion. However, the preliminary MLR remained steady at 86.1%.

Table 5
Business Subject to MLR

(\$ in Thousands)	Adjusted Premium Earned		Total Incurred Claims		Total of Defined Expenses Incurred		Preliminary Medical Loss Ratio	
	2015		2014		2015		2014	
	\$ 57,203,597	\$ 45,305,798	\$ 60,885,566	\$ 46,056,623	\$ 511,822	\$ 447,869	107.4%	102.7%
Comprehensive								
Individual	\$ 57,203,597	\$ 45,305,798	\$ 60,885,566	\$ 46,056,623	\$ 511,822	\$ 447,869	107.4%	102.7%
Small Group Employer	\$ 59,900,214	\$ 64,458,925	\$ 51,040,862	\$ 54,887,555	\$ 529,294	\$ 588,877	86.1%	86.1%
Large Group Employer	\$ 158,002,448	\$ 157,717,680	\$ 142,098,270	\$ 141,155,319	\$ 1,310,102	\$ 1,328,263	90.8%	90.4%
Mini-Med Plans								
Individual	\$ 50,206	\$ 122,108	\$ 34,037	\$ 75,855	\$ 119	\$ 305	68.0%	62.4%
Small Group Employer	\$ 97	\$ 322	\$ 605	\$ (750)	\$ -	\$ 4	625.0%	-232.1%
Large Group Employer	\$ 7,550	\$ 72,483	\$ 3,133	\$ 31,077	\$ 0	\$ 871	41.5%	44.1%
Expatriate Plans								
Small Group	\$ 393	\$ 295	\$ 113	\$ 105	\$ -	\$ -	28.7%	35.6%
Large Group	\$ 1,076,850	\$ 1,030,780	\$ 731,407	\$ 734,528	\$ 5,050	\$ 3,447	68.4%	71.6%
Student HealthPlan								
Total	\$ 278,167,536	\$ 270,630,147	\$ 256,413,801	\$ 244,618,047	\$ 2,370,649	\$ 2,383,752	93.1%	91.3%

¹The preliminary MLR is not meant to represent or replicate the MLR calculated by HHS/CMS in its MLR reporting form for actual rebate purposes.

Long-term Care

Figure 5 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.

The insurance industry had maintained consistent growth of long-term care insurance as evidenced by increases in the growth of earned premium as well as the number of covered lives up through 2013. However, for 2014, direct earned premium decreased by less than 1.0% (\$14.7 million) to \$11.5 billion. Claims increased more significantly by 22.1% (\$1.7 billion) in 2014.

For 2015, earned premium increased 1.4% (\$158.0 million) to \$11.7 billion. Claims increased 3.9%

(\$370.0 million) to \$9.9 billion. Covered lives decreased modestly by 1.2% (94 thousand) to just under 7.5 million.

As shown in **Table 6** below, the top ten states accounted for 50.4% of total direct LTC premiums led by California with \$989.8 million. For these ten states, direct earned premium decreased 3.4% (\$193.5 million) to \$5.5 billion in 2015. Florida experienced the most significant increase in premiums, up 13.0% (\$77.4 million) to \$674.9 million, representing 6.2% of market share. North Carolina reported an 8.1% (\$26.0 million) increase to \$346.8 million, representing 3.2% of market share. New York experienced the most significant decrease in premiums, down 18.0% (\$168.0 million) to \$764.9 million, representing 7.0% of market share.

Figure 5
Long-Term Care
Direct Earned LTC Premiums and Claims
From LTC Exhibit Form 2C Summary

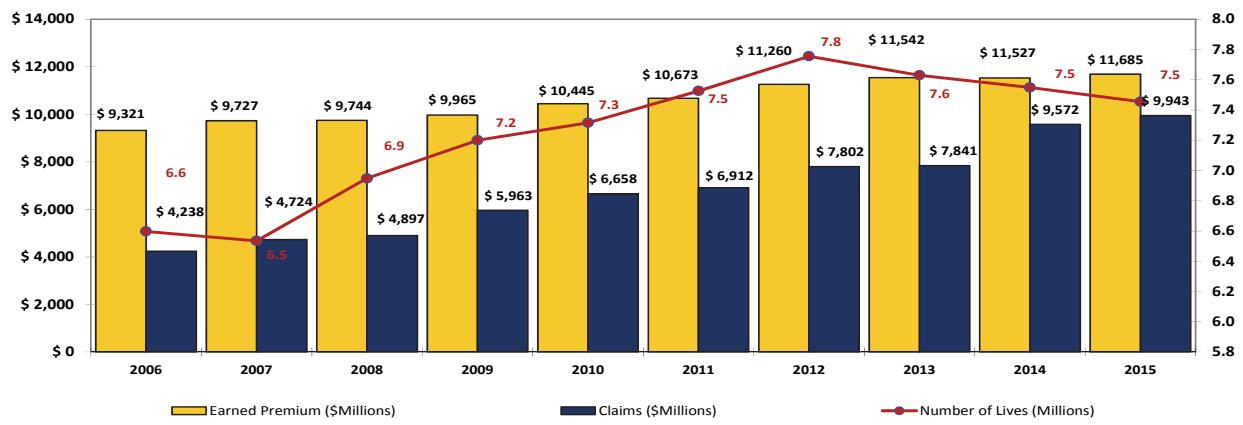


Table 6
Top 10 Long-term Care Premium by State
(In Thousands)

State	Market								
	Share	% Chg	\$ Chg	2015	2014	2013	2012	2011	
CA	9.0%	(0.1)%	(\$1,475)	989,814	991,289	1,018,161	990,785	926,449	
NY	7.0%	(18.0)%	(\$168,049)	764,942	932,991	844,387	862,749	719,042	
FL	6.2%	13.0)%	\$77,423	674,935	597,513	683,171	665,475	663,243	
TX	5.9%	0.9)%	\$5,971	648,203	642,233	649,204	620,794	598,010	
IL	4.5%	(4.3)%	(\$21,987)	494,155	516,142	494,696	469,396	467,017	
PA	4.2%	(2.4)%	(\$11,266)	464,307	475,573	467,340	451,615	436,271	
NJ	3.7%	(10.5)%	(\$47,121)	403,642	450,763	407,743	386,791	360,381	
VA	3.5%	(5.6)%	(\$22,607)	378,841	401,448	394,915	373,657	350,419	
OH	3.3%	(7.9)%	(\$30,414)	356,212	386,626	360,151	349,574	353,893	
NC	3.2%	8.1)%	\$26,020	346,837	320,817	346,079	337,574	316,288	
Total Top 10	50.4%	(3.4)%	(\$193,506)	\$5,521,889	\$5,715,395	\$5,665,847	\$5,508,411	\$5,191,014	
% of Total				50.4%	51.6%	50.9%	51.2%	50.8%	
Total Written in All States		(0.4)%	(\$49,745)	\$10,957,295	\$11,082,722	\$11,132,467	\$10,764,643	\$10,224,432	