

Underwriting Results

Figure 1 below illustrates the decrease in both net earnings and profit margin. The decrease in the industry's underwriting results can be attributed to a 7.1% (\$24.5 billion) increase in total hospital and medical expenses to \$370.5 billion and a 3.9% (\$1.4 billion) increase in administrative expenses. However, the industry partially offset these items with a 5.4% (\$22.3 billion) increase in net earned premium to \$431.6 billion. The industry also recorded realized capital gains of \$1.3 billion in 2012.

Table 2 below provides an analysis of operations by line of business for 2012. The comprehensive hospital & medical and the Medicare lines of business were the

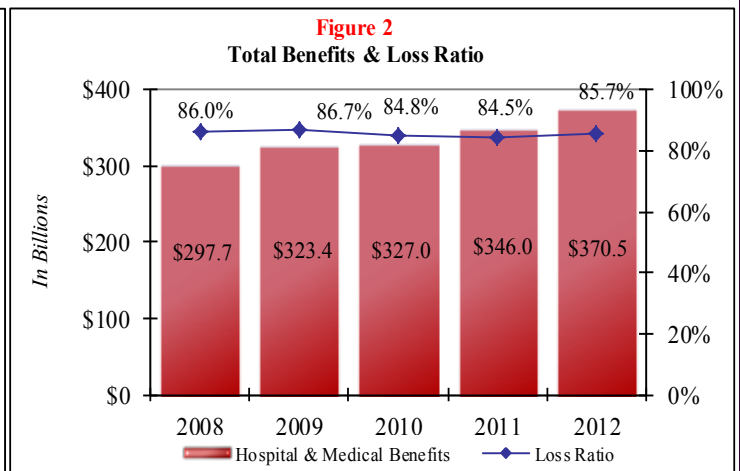
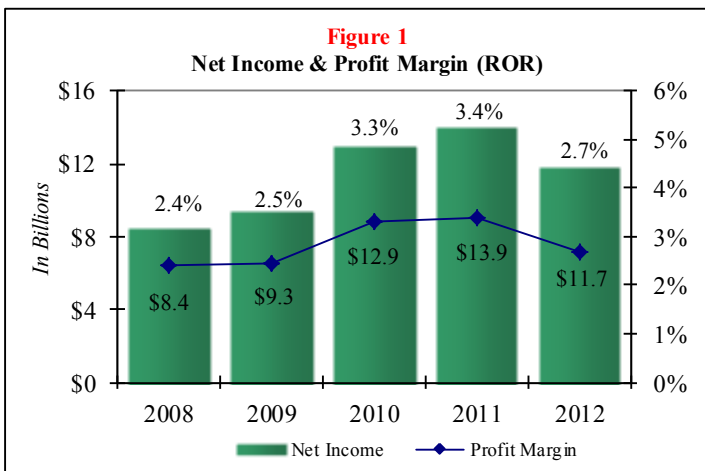
most profitable reporting underwriting gains of over \$4.1 billion each.

Figure 2 below illustrates an increase in total hospital and medical benefits and the 1.2 percentage point increase in the loss ratio to 85.7% in 2012. Historically, the industry has reported increases in hospital and medical benefits. But during 2012, net earned premium increased at a lower rate than total hospital and medical benefits, thus the loss ratio experienced a moderate increase. In addition, as indicated on **Table 1**, the industry reported a marginal decrease in the administrative expense ratio to 11.8%.

Table 2
Analysis of Operations by Lines of Business

<i>(In Millions, Except PMPM)</i>	Comp					Other		
	Hospital & Medical	Medicare Suppl	Dental	Vision	FEHBP	Medicare	Medicaid	Health
Net Earned Premium	\$191,446	\$8,088	\$9,995	\$1,606	\$31,601	\$97,810	\$77,730	\$13,181
Total Hospital & Medical Exp	\$163,315	\$6,459	\$7,788	\$1,312	\$29,578	\$83,362	\$68,203	\$10,538
Claims Adj. Expenses	\$6,993	\$385	\$407	\$30	\$704	\$2,696	\$2,271	\$778
General Admin. Expenses	\$18,147	\$941	\$1,208	\$218	\$1,078	\$7,531	\$6,587	\$969
Total Underwriting Deductions	\$188,542	\$7,819	\$9,405	\$1,557	\$31,358	\$93,654	\$77,178	\$12,287
Net Underwriting Gain/(Loss)	\$4,147	\$254	\$702	\$184	\$254	\$4,162	\$743	\$1,155
Loss Ratio	84.8%	80.4%	77.1%	75.2%	93.6%	85.3%	87.7%	78.4%
Admin Expense Ratio	13.0%	16.4%	16.0%	14.3%	5.6%	10.5%	11.4%	13.0%
Combined Ratio	97.8%	96.8%	93.1%	89.4%	99.2%	95.7%	99.0%	91.4%
Net Premium PMPM	\$309	\$180	\$25	\$6	\$357	\$934	\$268	\$49
Claims PMPM	\$263	\$145	\$19	\$4	\$334	\$797	\$235	\$40
Enrollment	52	4	33	25	7	9	25	22

Note: Aggregate results include only health entities who file annual statements with the NAIC.
As of April 3, 2013, approximately 99% of expected health entities reported.



Premium Revenues

Enrollment increased 5.2% to 177.0 million due primarily to a 19.4% (3.7 million) increase in Medicare Part D, a 9.7% (2.2 million) increase in Medicaid, a 7.5% (1.7 million) increase in vision insurance, a 3.6% (1.1 million) increase in dental insurance and an 8.1% (670 thousand) increase in Medicare. These items were partially offset by a 2.7% (1.2 million) decrease in the group comprehensive line of business.

Health entities reported premium per member per month (PMPM) of \$205 and claims PMPM of \$176. Direct written premium increased moderately 5.6% to \$442.0 billion. **Figure 3** illustrates the mix of direct written premium for 2012. During the last several years, there has been a gradual shift in the allocation of premium between the lines of business. In comparison to 2011, direct comprehensive medical dropped to 45.0% of total premium from 47.5%, while Medicare increased to 22.6% from 22.0% and Medicaid increased to 17.5% from 15.8%. 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.

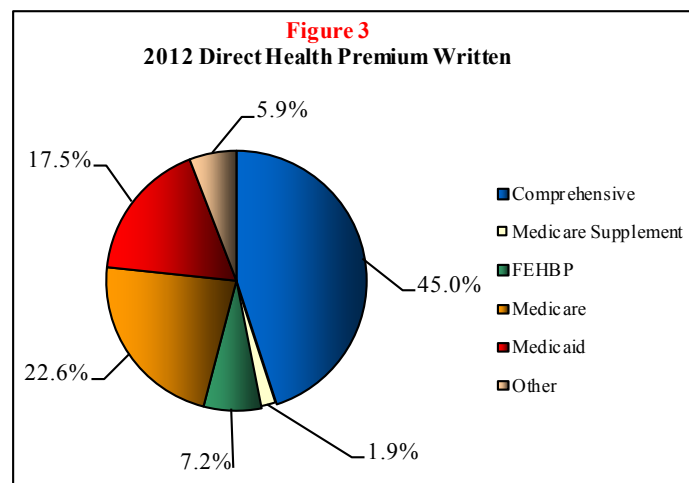


Table 3 provides a break out of direct written premium by line of business. The largest dollar increase in written premium was a 17.0% increase in the Medicaid line of business.

Table 3

Direct Written Premium by Lines of Business

<i>(In Millions)</i>	Chg.	2012	2011	2010	2009	2008
Individual Comprehensive	3.2%	\$23,344	\$22,624	\$20,690	\$19,372	\$18,041
Group Comprehensive	(0.4)%	\$175,230	\$175,856	\$174,692	\$176,070	\$174,004
Medicare Supplement	3.7%	\$8,439	\$8,138	\$8,077	\$7,825	\$7,788
Vision	7.1%	\$1,550	\$1,448	\$1,344	\$1,354	\$1,281
Dental	5.5%	\$10,114	\$9,587	\$9,100	\$8,733	\$7,713
FEHBP	1.5%	\$31,670	\$31,194	\$29,378	\$27,784	\$26,657
Medicare	8.9%	\$99,703	\$91,517	\$81,101	\$79,180	\$66,080
Medicaid	17.0%	\$77,146	\$65,963	\$58,281	\$51,208	\$42,885
Other Health	24.8%	\$14,192	\$11,373	\$10,278	\$10,094	\$8,286

Accident & Health

Table 4 below provides 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 2.9% (\$17.1 billion) increase in direct earned premium to \$611.9 billion and a 4.5% (\$21.3 billion) increase in incurred claims in 2012. These increases are most evident on the Medicaid and Medicare lines of business which, in total, represents 31.0% of total earned premium. Medicaid reported a 17.7% (\$11.2 billion) increase in earned premium to \$74.1 billion and a 22.1% (\$11.8 billion) increase in incurred claims to \$65.3 billion. Medicare reported a 4.7% (\$5.2 billion) increase in earned premium to \$115.9 billion and a 4.9% (\$4.6 billion) increase in incurred claims to \$98.3 billion. However, the number of covered lives decreased 1.3% (9.3 million) to 712.7 million as reflected in a 5.1% (17.8 million) decrease on the other A&H line of business partially offset by a 13.8% (4.0 million) increase in stop loss business and a 2.5% (1.5 million) increase in disability income.

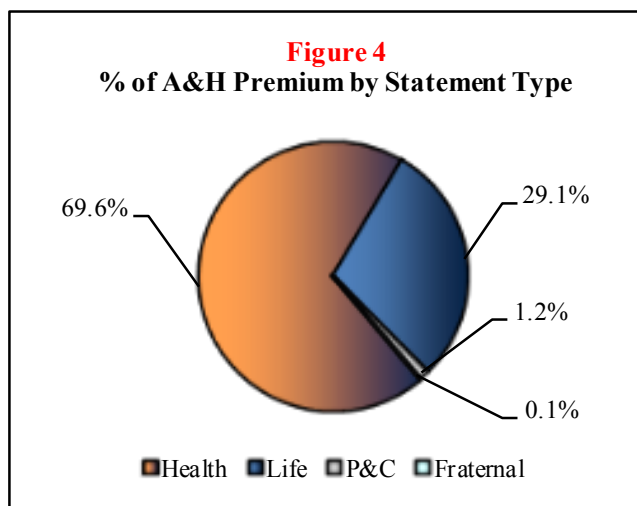


Figure 4 above illustrates the percentage of A&H business written by those insurers who file the health annual statement blank and represents over 69% of the total A&H business filed with the NAIC.

Table 4

A&H Policy Experience Exhibit as of December 31, 2012

(\$ In Millions)	Line of Business		2012			2011			2012		2011	
	% of Total	% Chg.	Premium Earned	Premium Earned	% Chg.	Claims	Claims	% Chg.	Covered Lives	Covered Lives		
Comp - Individual	4.1%	2.7%	\$25,150	\$24,486	5.3%	\$21,043	\$19,992	(2.5)%	9,112,130	9,341,922		
Comp - Group	34.7%	(1.6)%	\$212,566	\$216,074	(0.1)%	\$177,028	\$177,123	(2.5)%	54,396,313	55,799,613		
Medicare	18.9%	4.7%	\$115,907	\$110,745	4.9%	\$98,275	\$93,690	(2.4)%	10,373,645	10,632,073		
Medicaid	12.1%	17.7%	\$74,064	\$62,901	22.1%	\$65,299	\$53,460	(8.9)%	20,511,681	22,512,565		
FEHBP	5.2%	4.3%	\$31,838	\$30,537	4.6%	\$29,762	\$28,460	(20.9)%	7,383,394	9,336,073		
Disability Income	3.4%	4.1%	\$21,055	\$20,231	5.0%	\$17,503	\$16,677	2.5%	63,532,445	61,987,351		
Dental	3.6%	9.6%	\$21,777	\$19,878	7.8%	\$16,418	\$15,230	(1.6)%	56,200,565	57,106,293		
Medicare Supplement	3.7%	6.0%	\$22,637	\$21,351	2.7%	\$17,591	\$17,129	(0.3)%	10,489,175	10,515,590		
Medicare Part D	3.4%	1.6%	\$20,815	\$20,496	1.6%	\$16,645	\$16,381	(20.4)%	16,000,701	20,112,401		
Other Group Care	1.0%	(29.2)%	\$5,931	\$8,371	(26.3)%	\$4,090	\$5,548	(6.9)%	29,646,239	31,853,484		
Stop Loss	1.4%	2.0%	\$8,805	\$8,633	1.6%	\$6,471	\$6,371	13.8%	33,231,900	29,202,217		
Non-U.S. Policy Forms	2.6%	(12.5)%	\$16,060	\$18,346	(6.8)%	\$7,953	\$8,532	(8.5)%	40,236,973	43,983,025		
Other Business	7.2%	(3.7)%	\$35,461	\$36,831	1.0%	\$23,305	\$23,081	(5.1)%	327,440,037	345,198,039		
Total A&H Business	100.0%	2.9%	\$611,947	\$594,803	4.5%	\$500,621	\$479,273	(1.3)%	712,722,915	722,041,972		

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

Long-term Care

Figure 5 below 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 has maintained consistent growth of long-term care insurance as evidenced by increases in the growth of earned premiums as well as the number of covered lives in 2012. Direct earned premium increased 5.5% (\$587.3 million) to \$11.3 billion. Claims increased significantly by 12.9% (\$889.7 million) in 2012, which is a considerably higher increase than premium revenues. Covered lives increased moderately by 1.4% (98 thousand) to 7.0 million.

As shown in **Table 5** on the next page, the top 10 states accounted for 51.2% of total direct LTC premiums led by California with \$990.8 million. New York experienced the most significant increase in premiums in 2012, up 33.4% followed by Michigan with a 13.0% increase. New York also experienced the highest dollar change, up \$240.2 million, accounting for 8.9% of total LTC premium revenue in 2012. California experienced the next highest dollar change, up \$64.3 million and representing 9.2% of LTC premium.

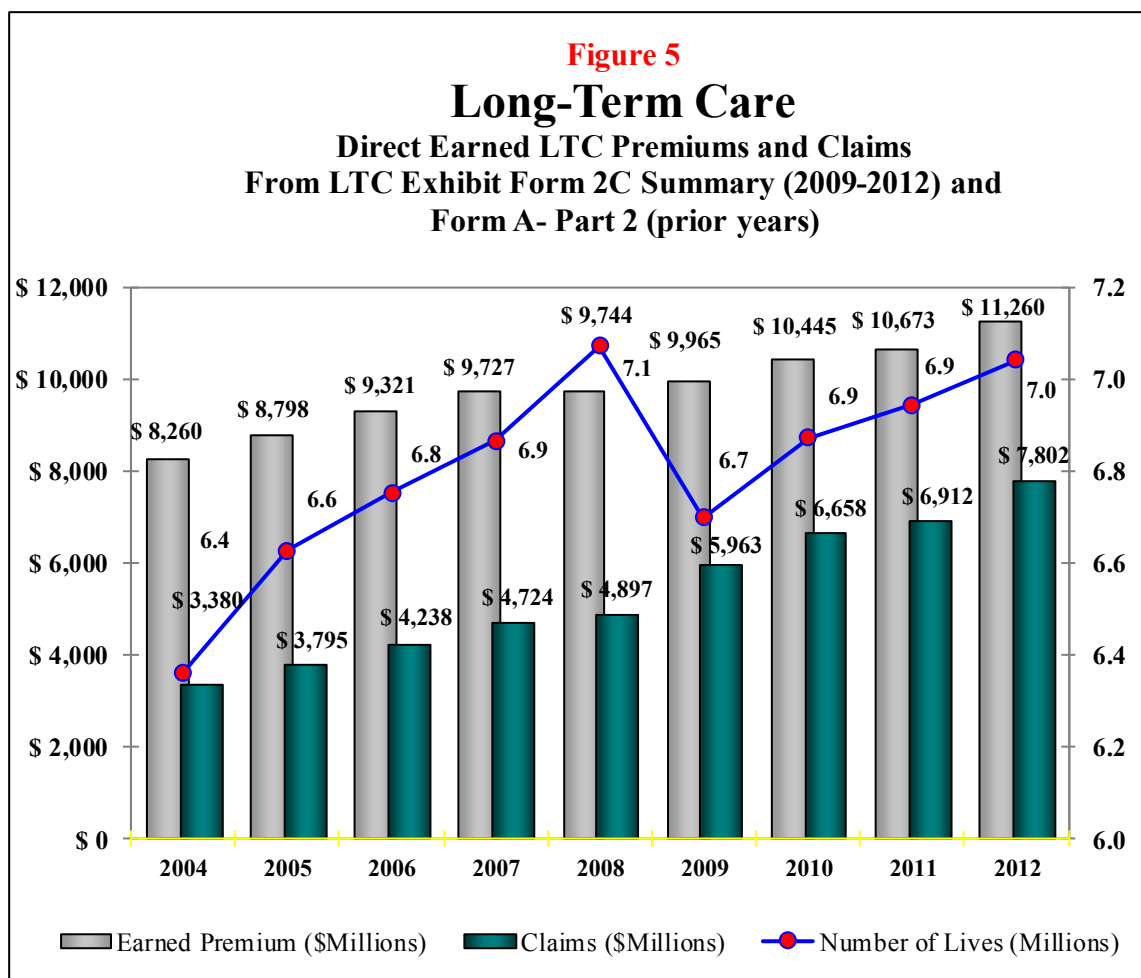


Table 5
Top 10 Long-term Care Writers by State

State	Market Share	% Chg	\$ Chg	2012	2011	2010	2009	2008
CA	9.2%	6.9%	64,335,834	990,785,246	926,449,412	947,047,485	1,800,827,014	945,446,617
NY	8.0%	20.0%	143,707,015	862,748,984	719,041,969	712,861,649	1,346,103,652	680,144,792
FL	6.2%	0.3%	2,232,311	665,474,910	663,242,599	684,752,547	1,336,225,918	705,238,792
TX	5.8%	3.8%	22,784,765	620,794,333	598,009,568	605,950,855	1,153,834,830	565,393,918
IL	4.4%	0.5%	2,378,978	469,396,339	467,017,361	486,718,992	902,708,686	426,917,789
PA	4.2%	3.5%	15,343,619	451,614,607	436,270,988	463,197,390	848,670,418	440,431,629
NJ	3.6%	7.3%	26,410,309	386,791,234	360,380,925	369,350,674	711,113,448	350,945,269
VA	3.5%	6.6%	23,237,650	373,657,062	350,419,412	338,879,670	668,821,840	337,782,008
OH	3.2%	-1.2%	(4,319,021)	349,574,183	353,893,204	365,728,847	682,470,120	363,407,432
NC	3.1%	6.7%	21,285,262	337,573,636	316,288,374	324,123,545	617,420,332	299,697,183
Total Top 10			\$317,396,722	\$5,508,410,534	\$5,191,013,812	\$5,298,611,654	\$10,068,196,258	\$5,115,405,429
% of Total	51.2%			51.2%	50.8%	50.0%	50.7%	51.0%
MA	2.9%	6.4%	18,730,956	312,563,956	293,833,000	285,758,448	549,770,100	266,204,221
MN	2.6%	-1.9%	(5,451,312)	283,486,791	288,938,103	331,524,824	550,601,322	266,875,416
MI	2.6%	13.0%	32,517,356	281,696,037	249,178,681	263,965,196	492,863,322	243,615,460
WA	2.6%	5.3%	14,168,625	281,188,544	267,019,919	278,975,093	522,388,994	264,087,244
MD	2.3%	6.9%	16,047,286	249,803,765	233,756,479	243,925,466	451,862,688	225,975,528
Total Top 15			\$393,409,633	\$6,917,149,627	\$6,523,739,994	\$6,702,760,681	\$12,635,682,684	\$6,382,163,298
% of Total	64.3%			64.3%	63.8%	63.3%	63.6%	63.7%
Total Written in All States			\$540,211,603	\$10,764,643,446	\$10,224,431,843	\$10,586,998,240	\$19,855,999,624	\$10,026,283,533

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.

DISCLAIMER

The NAIC 2012 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, 2012, 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.

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