

GROUP TERM LIFE



2023 U.S. Group Term Life Rate and Risk Management Survey
Summary Report

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BACKGROUND

Gen Re is pleased to present results from our 2023 *U.S. Group Term Life Rate & Risk Management Survey*. First conducted in 1999, the comprehensive survey focuses on rates for Employer-Paid and Employee-Paid Group Term Life, as well as AD&D. It offers participants a unique opportunity to benchmark their underwriting, pricing, and claims management practices with those of their industry peers.

Seventeen carriers participated in the survey, and each received a customized report detailing the aggregate responses to each question, as well as their own company's responses.

The full report is available to participating companies only; no part may be shared with other organizations, redistributed, reproduced or reprinted in whole or in part without Gen Re's written permission.

PARTICIPATING COMPANIES

Dearborn Group

Guardian Life

The Hartford

Kansas City Life

MetLife

OneAmerica

Principal Financial Group

Prudential

Reliance Standard

Renaissance Life

The Standard

Sun Life Financial

Symetra

Transamerica

UnitedHealthcare

US Alliance

Voya Financial

Standard Guarantee Issue Limits and Plan Maximum Limits

For employer-paid coverage, standard guarantee issue (GI) limits averaged \$113,500 for a case with 10 lives and nearly \$1.1 million for a case with 10,000 lives. Standard plan maximum limits averaged \$265,000 for the smallest case size and just over \$1.1 million for the largest case size.

Average GI and Plan Maximum Limits for Employer-Paid Coverage



Percentage of Sold Cases Outside Standard Limit Tables



On average, 8% of sold cases were outside the standard GI limit table in 2022, slightly higher than in 2021, while 4% of sold cases were outside the maximum limit table for both years.

The highest GI limit sold on an employer-paid case averaged \$1.0 million in 2022, while the highest maximum limit sold on a case averaged \$1.8 million. The number of lives associated with those cases averaged 3,900 and 17,000, respectively.

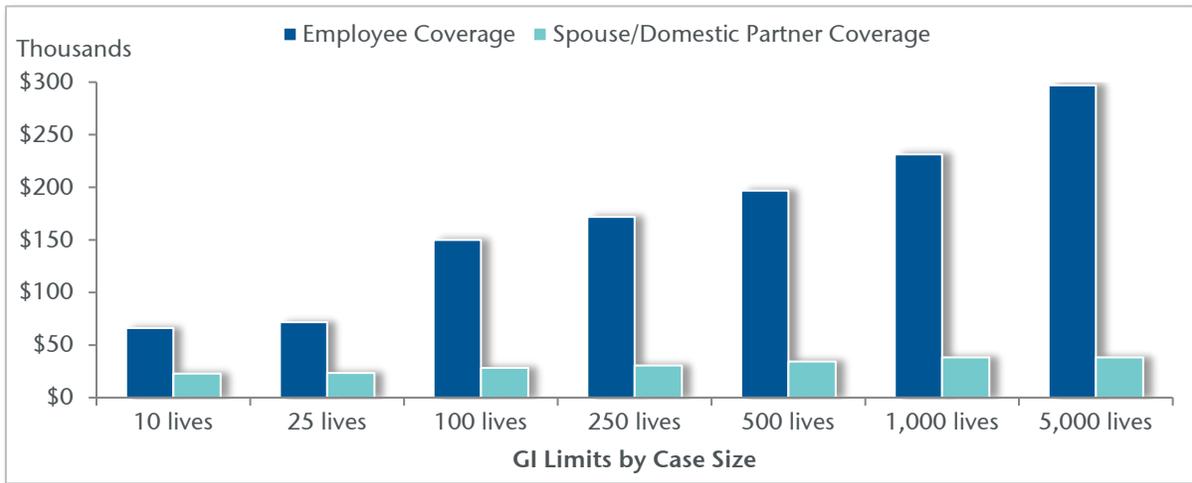
Highest Limits Sold on a Case in 2022

	Average Highest Limit	Average Number of Lives
GI Limit	\$1,001,923	3,938
Maximum Limit	\$1,768,846	17,101

Standard GI Limits and Plan Maximum Limits, *continued*

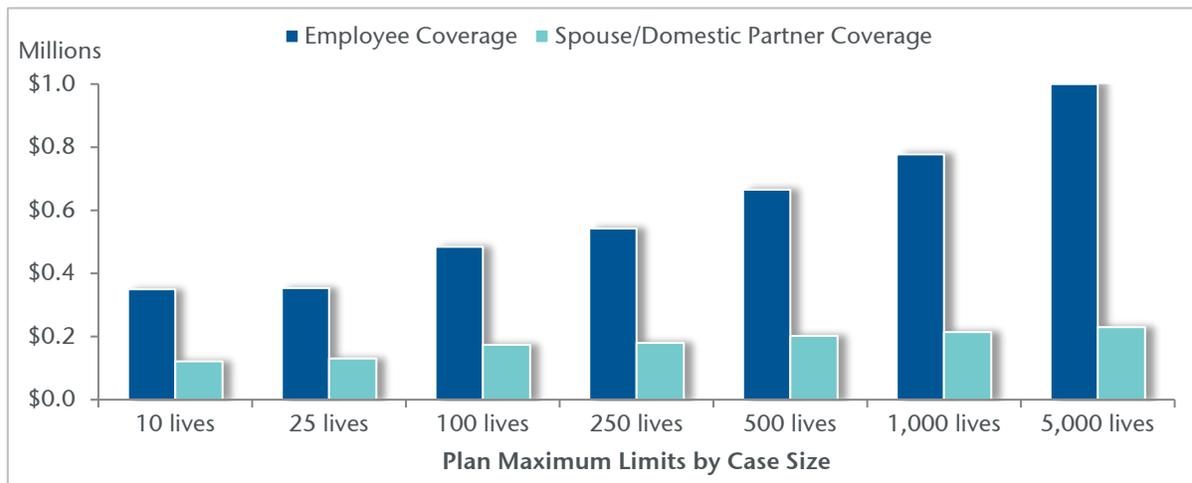
For a case with 10 lives, standard GI limits averaged \$66,000 for employee coverage and about \$23,000 for spouse/domestic partner coverage. For a case with 5,000 lives, GI limits averaged \$297,000 for employees compared to \$38,300 for spouses/domestic partners.

Average Standard GI Limits by Case Size



For the smallest case size, standard plan maximums averaged \$350,000 for employees and about \$122,000 for spouses/domestic partners. For a case with 5,000 lives, plan maximums averaged \$1.0 million for employees compared to \$230,000 for spouses/domestic partners.

Average Standard Plan Maximum Limits by Case Size



In 2022, 17% of sold cases were outside standard GI limits and 11% were outside standard maximum limits for employee-paid coverage, compared to 15% and 12%, respectively, in 2021.

% of Sold Cases Outside Standard Limit Tables

	2021	2022
GI Limit	15.2%	16.7%
Maximum Limit	12.0%	11.4%

Group Term Life (GTL) Manual Rates

For the manual rating section, Gen Re provided a data file with 15 employer-paid censuses and one employee-paid census; a summary of the plan designs is shown in the table below. Using the core plan design, participating companies reported their claim rate per \$1,000 of coverage, final manual rate per \$1,000 of coverage, initial quote rate and lowest quote rate.

Census Characteristics

Employer-Paid	Average Age	Gender % Male/Female	Number of Lives	Total Volume	Active/Retired
Census 1, Core Plan	39	60%/40%	100	\$5,000,000	Active
Census 2	25	0%/100%	100	\$5,000,000	Active
Census 3	35	0%/100%	100	\$5,000,000	Active
Census 4	45	0%/100%	100	\$5,000,000	Active
Census 5	55	0%/100%	100	\$5,000,000	Active
Census 6	65	0%/100%	100	\$5,000,000	Active
Census 7	75	0%/100%	100	\$5,000,000	Active
Census 8	75	0%/100%	100	\$5,000,000	Retired
Census 9	25	100%/0%	100	\$5,000,000	Active
Census 10	35	100%/0%	100	\$5,000,000	Active
Census 11	45	100%/0%	100	\$5,000,000	Active
Census 12	55	100%/0%	100	\$5,000,000	Active
Census 13	65	100%/0%	100	\$5,000,000	Active
Census 14	75	100%/0%	100	\$5,000,000	Active
Census 15	75	100%/0%	100	\$5,000,000	Retired
Employee-Paid	39	60%/40%	400	N/A	Active

For 25-year-old males and females, final manual rates averaged \$0.07 and \$0.03, respectively. Rates gradually increased and averaged \$2.29 and \$1.42, respectively, for 75-year-old males and females.

Final manual rates averaged \$3.36 for retired males and were 47% higher than those aged 75 and not retired. For retired females, rates averaged \$2.20 and were 55% higher than those 75 and not retired.

Average GTL Employer-Paid Final Manual Rates



GTL Manual Rates, *continued*

Overall, the commission percentage assumed for the 15 cases averaged 10.2%. Commissions were lowest for 75-year-old males and females at 7.8% and 8.0%, respectively, and highest for 25-year-old males and females at 11.6% and 11.8%, respectively.

When using the core plan design and replacing the waiver provision to either “eligible at age 60, coverage to age 70 or eligible at age 60, coverage to Social Security Normal Retirement Age (SSNRA),” the final manual rates didn’t change. Both rates averaged \$0.11 and ranged from \$0.04 to \$0.16. For lifetime coverage, the average rate saw a slight increase to \$0.12.

Final Manual Rate of Core Plan With Waiver Provisions Replaced

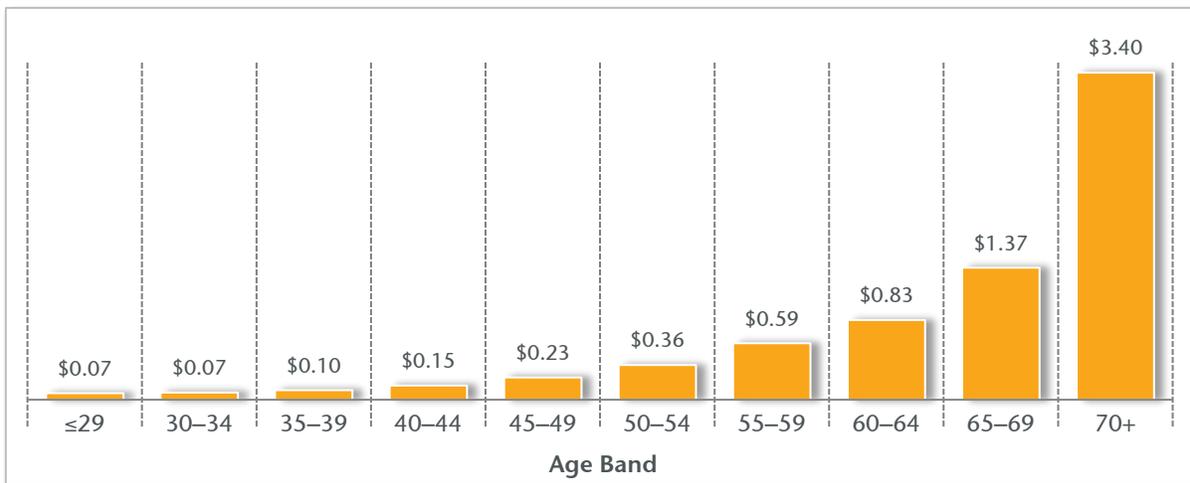
	Average	Range
No waiver	\$0.102	\$0.040–\$0.149
Eligible to age 60, coverage to age 70	\$0.113	\$0.042–\$0.164
Eligible to age 60, coverage to SSNRA	\$0.114	\$0.041–\$0.164
Eligible to age 60, lifetime coverage	\$0.118	\$0.044–\$0.167

When removing the waiver provision altogether, the final manual rate averaged \$0.10 and ranged from \$0.04 to \$0.15.

Employee-Paid Final Manual Rates

Employee-paid final manual rates ranged from a low of \$0.07 for individuals 29 and younger to \$3.40 for those 70 years and older. The final manual rate for individuals aged 70+ is nearly 150% higher than the rate (\$1.37) for individuals aged 65–69.

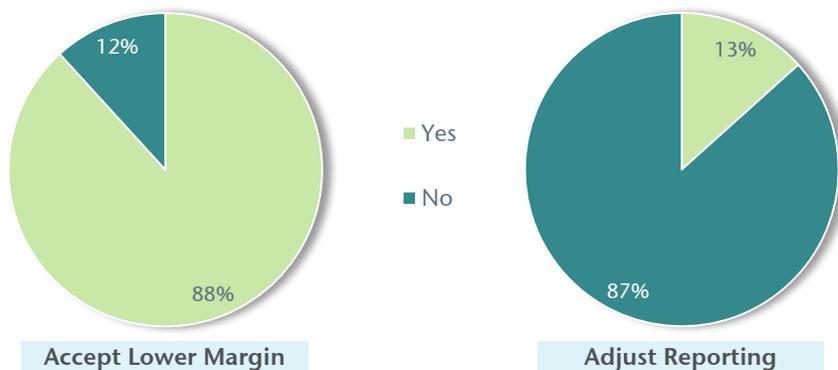
Average GTL Employee-Paid Final Manual Rates



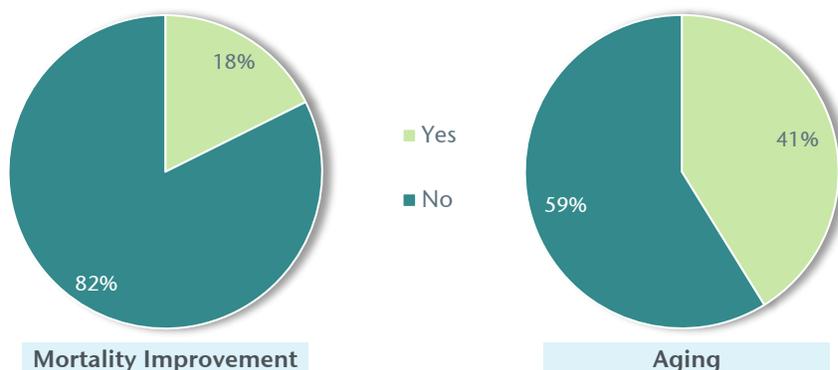
Employer-Paid Pricing

When underwriting a customer for GTL, 88% of the companies will accept a lower margin on one line if the deficiency is expected to be made up on another line. However, for those cross-line subsidies most companies do not adjust their management reporting and/or financial analysis.

Percentage That Accept Lower Margin and Adjust Reporting



Percentage That Price for Mortality Improvement and Aging



Over 80% of the companies do not explicitly price for mortality improvement and nearly 60% do not explicitly price for aging in their manual rate calculations.

On average 7,000 life years are assigned to a GTL case and almost 40,000 are assigned to an AD&D case that is 50% credible. Additionally, more than half (59%) of the companies base the credibility of a group life case on life years exposure and 41% base it on the number of claims; few base credibility on actual vs expected experience, age distribution, or male/female content.

Average Life Years Assigned by Credibility

Credibility	GTL	AD&D
20%	2,183	7,338
50%	7,035	39,888
75%	13,367	94,689
100%	23,798	190,502

Average Lives for Experience Rating Cases

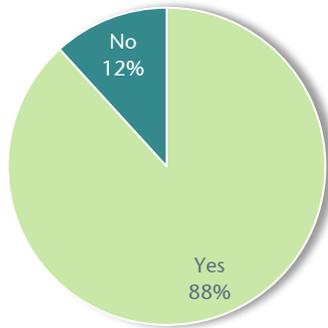
	GTL	AD&D
New Business	1,016	3,081
Renewals	878	3,081

Companies begin experience rating GTL cases at about 1,000 lives for new business and 900 lives for renewals. For AD&D, companies begin experience rating cases at about 3,000 lives for both new business and renewals.

Employer-Paid Pricing, *continued*

Nearly 90% of the companies manage their sold block of business to a target percentage of the final manual rate. The target averaged 85% and ranged from 60% to 100%.

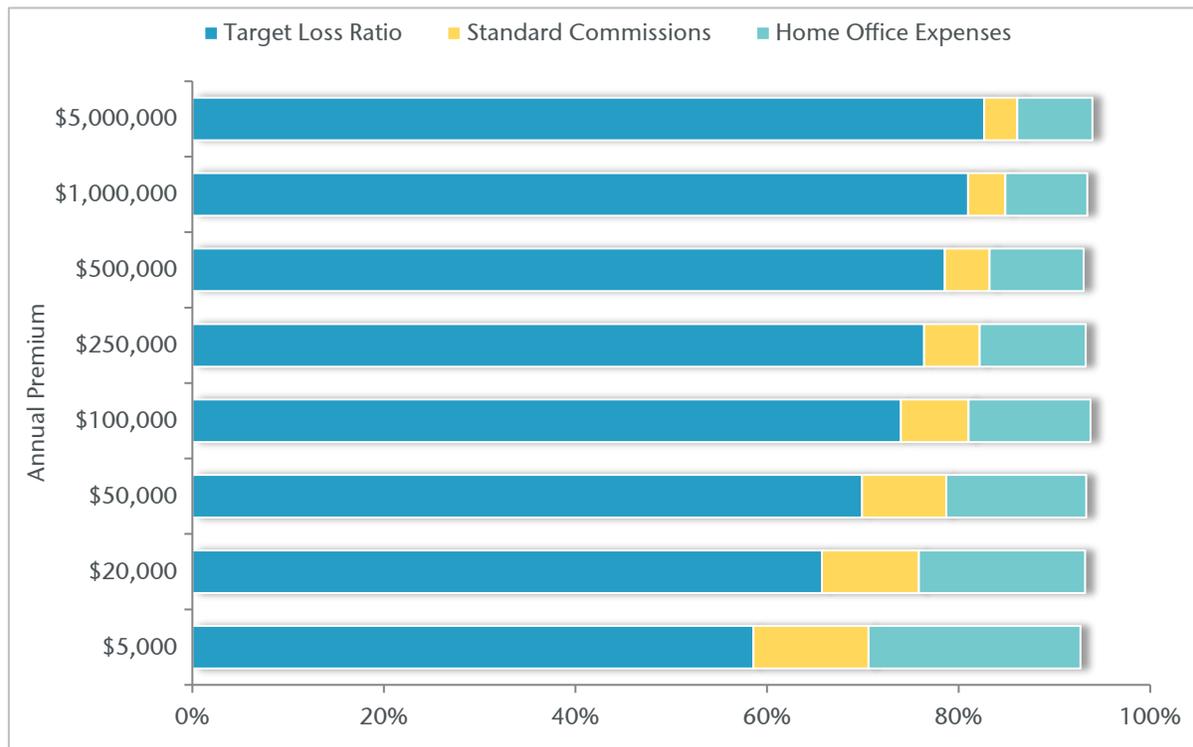
Percentage That Manage Their Sold Block to a Target Percentage of the Final Manual Rate



More than half of the companies reported that the target needs to be achieved by their overall sales force (71%) and/or the underwriting department (57%).

For a new employer-paid group life case sold in 2023 and assuming \$150 annual premium per insured, the target loss ratio averaged 59% for \$5,000 in annual premium and 83% for \$5 million in annual premium. Standard commissions and home office expenses averaged 12% and 22%, respectively, for \$5,000 in annual premium, but were considerably lower at 3% and 8%, respectively, for \$5 million in annual premium.

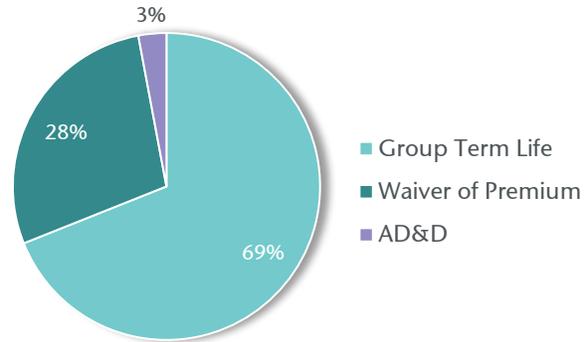
Average Expenses and Claim Costs



Claims Metrics

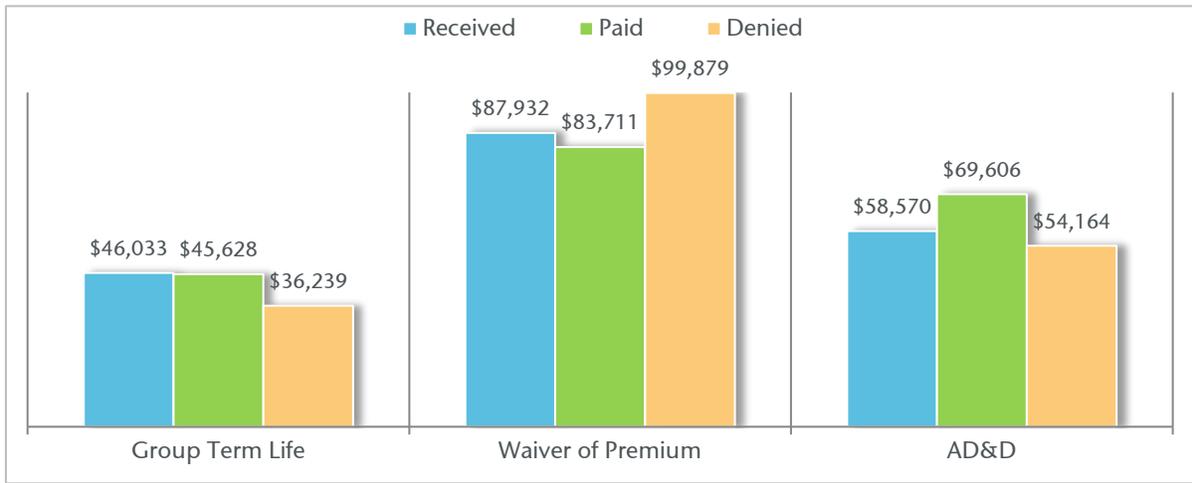
Of the total number of claims received by participating companies in 2022, Group Term Life claims accounted for 69%, Waiver of Premium claims accounted for 28% and AD&D accounted for the remainder.

Percentage of Claims Received by Product, 2022



For companies providing both the number and associated dollar amount for claims received, paid and denied, average face values were calculated. Across the three products, average face amounts were highest for Waiver of Premium claims.

Average Face Amounts by Product



Note: Results shown are for the industry, not an average of individual company results.

Seventy-three percent of the companies revisit Waiver of Premium claims annually.

All companies re-examine Attending Physician Statements and more than half revisit the functional ability to perform any occupation and updated medical records.

Often Revisited on Waiver of Premium Claims

	% of Cos.
Attending physician statements	100%
Functional ability to perform any occupation	73%
Updated medical records	67%
Functional status	47%
Transferable skills analysis	20%
Social security disability decision	13%
Functional capacities evaluation	13%
Tax returns	7%

Claims Risk Management

Seventy-three percent of the companies utilize their own Special Investigations Unit and while most expect staffing levels to stay the same, 27% expect an increase within the next year.

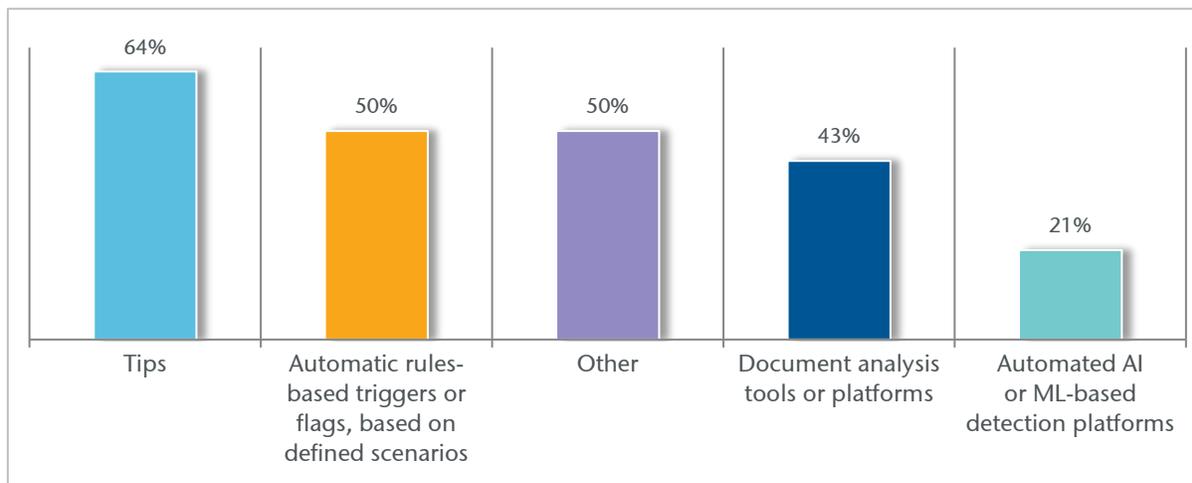
Although all participating companies utilize their in-house claims staff to facilitate suspicious claim investigations, more than 70% consult with an in-house or outside legal counsel, and nearly 60% utilize an outsourced vendor.

To identify suspicious claim indicators, 64% of the companies rely on tips, while 50% rely on automatic rules-based triggers or flags. Others may rely on the expertise of claims specialists, referrals from claims examiners, or use medical and/or court records to identify suspicious claims.

Resources Used in Claim Investigations

	% of Cos.
In-house claims staff	100%
Legal counsel (in-house or outside)	71%
Outsourced vendor	57%
Third party digital tools/platforms	43%
Open-source information	43%
Insurance industry groups	36%
Proprietary (in-house) data/information	29%

Identifying Suspicious Claims



Overall, the percentage of Waiver of Premium claims and death claims that involve risk intervention averaged 23% and 20%, respectively. Most companies rely upon nurses (86%) and/or managers (79%) to assess risks associated with waiver claims, compared to 50% and 64%, respectively, for death claims.

Claims Involving Risk Intervention

	% Involving Risk Intervention
Waiver of Premium claims	23%
Death claims	20%

Additionally, companies reported that on average, less than 2% of claims are litigated. The most frequently mentioned themes of claims litigation include policy terms and conditions not being met (80%), and beneficiary disputes (70%). Forty percent of the participants said claims litigation was due to policy administration or eligibility, while none of the claims were litigated because of non-disclosure/pre-ex or fraud.

ABOUT GEN RE

Gen Re, a Berkshire Hathaway Company, is one of the leading Life/Health and Property/Casualty reinsurers in the world. Our North American Life and Health reinsurance company, General Re Life Corporation, has superior financial strength ratings among Life and Health reinsurers.

A++ (Superior)

A.M. Best

AA+

Standard & Poor's

Aa1

Moody's

Through our research, we offer valuable information and insights to our clients about their markets. We deliver customized reinsurance programs and risk management solutions for the following lines of business:



Accident



**Critical
Illness**



**Individual
Disability Income**



**Group Life
and AD&D**



**Individual
Life**



**Medicare
Supplement**

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