# Accident and Health Insurance Market Report for 2006

State of West Virginia
Offices of the Insurance Commissioner

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## **Executive Summary**

The Accident and Health Insurance Market Report for 2006 examines the high-volume products sold in West Virginia's commercial insurance markets. These products are: comprehensive major medical, disability, Medicare supplement and long-term care policies. Both group and individual policies are reviewed for each product line.

The findings of the report indicate that the accident and health market is relatively stable by the measures of carrier entry and exit, premium volume, and number of covered lives. There is evidence of a significant drop in the number of covered lives by comprehensive major medical carriers. Also, there appears to be a trend towards carrier consolidation at the top and a loss of small firms on the fringe.

#### I. Introduction

Health care costs and health insurance are always in the news. These expenditures have become more visible as medical treatments and drug therapies improve, and as health care becomes a bigger fraction of U.S. Gross Domestic Product. Today, health care spending accounts for about 16 percent of national output and this fraction is growing. This growth, coupled with a multi-part delivery system, makes analysis of this industry difficult. Complexity is added to health care discussions because national, state, and even local-level issues are often combined. To help focus the discussion, the Offices of the West Virginia Insurance Commissioner produce this Accident and Health Insurance Report to provide state-specific information about the health insurance market. The purpose of this report is to inform consumers and policymakers of the availability, market concentration and trends affecting various health and accident insurance products.

The data for this report come from several sources. The main data source is survey responses from companies licensed to sell health and accident insurance products in West Virginia in 2005. Additional data were collected from national medical organizations and the NAIC (National Association of Insurance Commissioners). Occasionally, information from many sources is hard to interpret because some terms are not defined uniformly. The report has tried to resolve any definitional inconsistencies that arise, and it is our belief that this report substantially represents current market conditions.

#### Health Care Insurance Markets

Health care insurance markets are characterized by a patchwork of private and government providers. Moreover, coverage levels are influenced by age, work status, income and other factors. A first step to understanding health care markets in West Virginia is to distinguish between the sector of the market that is regulated by the Insurance Commissioner and that which is not. The Commissioner only regulates private carriers which are in the business of selling insurance. A schematic diagram of insurance markets is shown below in Figure 1.

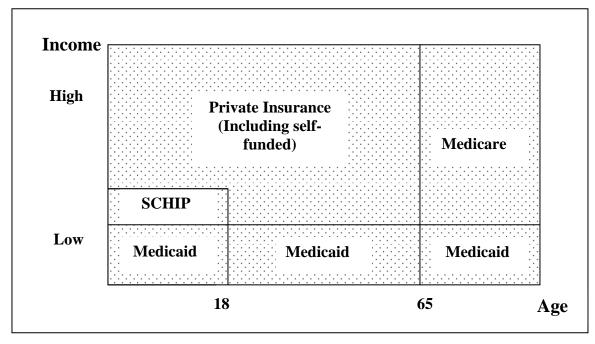


Figure 1. Schematic of Private and Government-Sponsored Insurance Providers

Notes: (1) "SCHIP" stands for State Children's Health Insurance Program; (2) Excluded from this schematic are those without health insurance. That group is estimated to be around 16 percent of the population (U.S. Census Bureau, 2005); (3) The 65-and-over age group also buys private Medicare supplement products; (4) Self-funded includes ERISA (Employee Retirement Income Security Act) plans and public plans such as PEIA (Public Employees Insurance Agency).

Figure 1 shows that the private sector and the government sector are intertwined in the provision of health insurance. Various government agencies provide health insurance to the poor and the aged. The non-poor and the working age population are largely covered by employer-based private insurance. Indeed, estimates made by the U.S. Bureau of the Census (2005) suggest that total health care expenses can be broken down into 70 percent private and 30 percent public. Private market insurance is the focus of this report.

#### Organization of the Report

The report is organized around four major health and accident products that are sold in West Virginia's private insurance market: 1) Comprehensive major medical coverage; 2) Disability coverage; 3) Medicare supplement products; and 4) Long-Term care insurance. For each of these major products we evaluate the availability, major carriers, market stability and costs for both group and individual policies.

In addition, this report evaluates the condition of health insurance in West Virginia, including a discussion of trends affecting our health insurance market.

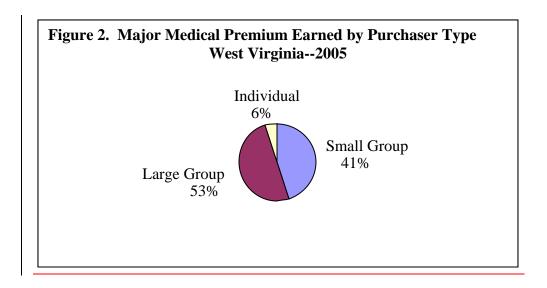
## II. Comprehensive Major Medical Insurance

The biggest market for health care products is the comprehensive major medical line of business. We think of this product when we refer to "health insurance." For the purposes of this report, this line of business is defined as insurance coverage that provides hospitalization, physician services, lab services and medications. In West Virginia, this line of business earned premium revenue of \$646 million in 2005 and covered nearly 201,300 lives.

#### Group Coverage

Major medical coverage is insurance that is provided primarily by employers as a part of a worker's benefits package. The history for linking insurance to the job dates back over 50 years. After World War II, employers found they could circumvent price freezes on wages by adding a non-wage benefit to employees' pay. This gives a tax advantage insofar as a dollar's pay could buy more health care pre-tax than after tax. Additionally, there are much lower administrative costs when employers buy insurance in bulk as opposed to individuals buying their own. Over time, more tax advantages have been built into employer-provided insurance. Because employer-based medical insurance is so common, we have organized this report according to the buyer of insurance. By our definition, major medical insurance sold by the state's commercial providers is broken down into policies for large groups of employees (over 50), small groups of employees (2 to 50), and individuals. A chart of purchasing patterns of these sectors is shown in Figure 2.

The pie chart shows that most major medical policies are purchased by employer groups and relatively few by individuals. Ninety-four percent of major medical policies are purchased by employers. As long as the tax advantages remain, this buying pattern is expected to continue. It should be mentioned, however, that this purchasing tendency has a downside in that when employees tend to become heavily locked into their employers,



job mobility is reduced. The 1996 federal legislation called "HIPAA" (Health Care Insurance Portability and Accountability Act) was created, in part, to increase the portability of health care benefits when workers separated from their employers (Rosen, 2004). This legislation, however, seems to have done little to change the purchasing patterns of health and accident policies and workers still move cautiously from job-to-job trying to maintain health insurance.

In West Virginia, 2005 was marked by relative stability in the major medical lines of business. West Virginia's top five companies for large group sales account for 89 percent of premium earned. A small rate of exit occurred among minor carriers in this line; the count of active carriers fell from 31 to 26. This trend is a continuation of what has occurred in the past three years.

The small group market was relatively stable, but there was a small loss in the total number of carriers as the number fell from 31 to 27. Earned premium volume increased only one percent for the combined sales of large and small groups which leads us to believe that exits had no unfavorable effect on the availability of this product. Detail on the group major medical market is found in Tables 1-2.

As one evaluates these tables, it is helpful to remember that people continually move in and out of health insurance markets. For example, as incomes change, the eligibility for Medicaid and SCHIP is affected. As people change jobs they move in and out of group plans, and as people reach 65 they become eligible for Medicare. In some cases, people move from uninsured to insured and vice-versa. A special part of the health

Table 1. Top 10 Carriers of Large Group Major Medical Coverage

Earned	Сотрапу	Certificates	Covered
Premium (\$)			Lives
137,214,476	Mountain State Blue Cross Blue Shield, Inc.	20,615	40,134
74,627,361	Health Plan of the Upper Ohio Valley	12,921	25,216
56,571,199	Carelink Health Plans	8,774	17,732
21,584,629	United Health Care Insurance Company	353	6,283
16,612,997	Optimum Choice	18	4,092
9,458,696	Mamsi Life and Health Insurance Company	128	4,185
5,044,703	State Farm Mutual Auto Ins. Company	2	1,264
4,366,552	Aetna Life Insurance Company	210	1,356
3,467,895	THP Insurance Company	1,071	1,622
3,336,117	Guardian Life Insurance Company	4	1,081
11,399,963	Others (16)	545	5,040
343,684,588	Totals (26)	44,641	108,005

Table 2. Top 10 Carriers of Small Group Major Medical Coverage

Earned	Сотрапу	Certificates	Covered
Premium (\$)			Lives
150,131,574	Mountain State Blue Cross Blue Shield, Inc.	25,326	45,705
32,996,878	Carelink Health Plans	4,919	8,960
23,359,727	Mamsi Life and Health Insurance Company	482	6,372
8,180,125	Health Plan of the Upper Ohio Valley	1,355	2,764
6,577,344	Principal Life Insurance Company	87	1,927
6,461,624	Central Reserve Life Insurance Company	121	2,458
5,791,041	United Security Insurance Company	139	1,769
4,096,600	Optimum Choice Inc.	126	814
3,684,484	John Alden Life Insurance Company	111	958
3,628,577	American Medical Security Life Ins. Co.	68	902
17,652,451	Others (17)	1,188	6,017
262,560,425	Totals (27)	33,922	78,646

insurance literature is devoted to these movements. One topic of current interest is the movement from private to government-sponsored insurance as public programs are expanded. This is called "crowding out," suggesting that increased levels of public assistance induce people to drop or reduce their private health care coverage and take publicly-provided benefits. This is a popular topic of current research although it is beyond the scope of this report.

Table 3. Top 10 Carriers of Individual Major Medical Coverage

Earned	Сотрапу	Certificates	Covered
Premium (\$)			Lives
31,898,510	Mountain State Blue Cross Blue Shield, Inc.	6,913	10,147
2,982,108	Time Insurance Company	885	1,413
1,273,704	Continental General Insurance Company	156	224
1,069,814	Health Plan of the Upper Ohio Valley	174	324
666,514	John Alden Life Insurance Company	277	431
453,170	American Republic Insurance Company	69	91
297,217	Aetna Life Insurance Company	173	206
237,059	Prudential Insurance Company of America	448	527
165,519	AXA Equitable Life Insurance Company	32	61
123,510	Physicians Mutual Insurance Company	25	30
595,975	Others (27)	1,145	1,190
39,763,100	Totals (37)	10,297	14,644

#### Individual Coverage

The final topic in the major medical section is the individual buyer of major medical coverage. As shown in Table 3, this type of business is a small relative to group, but an important nonetheless. Its importance comes from the fact that individual buyers are generally different when compared with the group market: the individual buyer may not have a job, is almost certainly not covered by Medicare, and may be healthier and younger than the group buyer. These differences may create an *adverse selection* problem. This problem occurs when people with high health care needs gravitate towards jobs where they receive health benefits with little underwriting. The healthier and the younger people will either go without insurance altogether or buy lower levels of coverage. Thus, we expect the coverages would be smaller and the underwriting tighter on individual policies.

Careful comparison of Table 3 with Tables 1-2 indicates that the sellers of individual major medical insurance, except Mountain State Blue Cross/Blue Shield, are different carriers than the sellers of group policies. This specialization among companies is a consequence of the different underwriting and business plans of individual policies vis-à-vis group policies. In 2005, premium revenue was up sharply and number of active carriers increased from 31 last year to 37 this year. Covered lives increased by 8.7 percent. This may be due to the increased awareness of "high deductible" health insurance products.

Table 4. Active Carriers in the Major Medical Coverage Market

Policy Type	Carriers Writing	Carriers Renewing
	New Business	Existing Business
Large Group	33	44
Small Group	24	31
Individual	16	65
Totals	73	140

#### Market Stability

Another way to evaluate major medical markets is to look at the concentration of carriers. Tables 1-3 indicate that, in West Virginia, sales are concentrated in a few major carriers although many firms sell the product. This market structure is characterized by heavy concentration at the top and a large "competitive fringe." Some fringe firms are renewing existing business but not writing new business. Thus, they do not show up as exits from the market, but they are not available to write new policies either. Other firms are writing new policies after a period of non-activity. Table 4 gives evidence about the total number of carriers in the West Virginia health care insurance market writing any kind of major medical coverage.

#### Cost of Major Medical Coverage

To better interpret this highly aggregated data, some perspective is helpful. Namely, what does it mean to have a \$646 million private major medical market? Some context can be given to these numbers by calculating monthly earned premium per covered life. This gives a rough approximation of what an individual or family spends per month on health insurance. Using this approximation, we estimate the average annual cost for each insured is \$3,182 in a large group, \$3,338 in a small group, and \$2,715 for an individual. While we would not expect these policies to have exactly the same coverages, these numbers do serve as useful benchmarks. Considering a family of four, we estimate that total premium is about \$12,700 per year, or about \$1,061 a month under a large group policy. Since this amount is much higher than most workers spend out-of-pocket on their policies, employers absorb much of this cost. Employers must then reduce wages to pay for benefits. But this cost sharing should not obscure the central point: major medical health care expenses are a significant portion of the family budget.

## **III.** Disability Insurance

Our society considers major medical insurance essential to financial security. Disability insurance, however, is considered desirable but not essential. Thus, premium volume and the number of carriers writing this product are smaller when compared with major medical insurance. In West Virginia, disability insurance sales were \$61.1 million in 2005, up 1.5 percent from the previous year. Disability insurance generates only one tenth of the premium volume of major medical coverage.

Disability insurance is sold to both groups and individuals. A disability policy provides income replacement for those unable to work. A "short-term" policy normally provides benefits over a disability period of 13 to 26 weeks, whereas a "long-term" disability policy provides benefits beyond 26 weeks. In West Virginia during 2005, about 87,000 lives were covered by short-term policies and about 147,000 lives were covered by long-term policies.

Since disability insurance pays benefits when a person is unable to work, it is helpful to estimate the percentage of the labor force covered. The U.S. Bureau of Labor Statistics estimated that West Virginia's civilian labor force was 812,000 in 2005. From the policy counts above, it is clear that only a small fraction of these workers have disability coverage. There are several reasons for this. One reason is many workers are covered by sick leave benefits that provide income in the event of disability or long-term illness. Another reason is that Social Security provides small disability payments, and so does Workers' Compensation if the loss of income is due to an on-the-job injury. A final reason, perhaps less rational, is people may misjudge the likelihood of injury and illness. A 2004 study by America's Health Insurance Plans found considerable underestimation of the probability of disability and considerable overestimation of the resources available when disability occurs.

#### Group Disability Coverage

Disability coverage sold to employee groups accounted for a \$39.3 million in sales in 2005, or about 64 percent of the total disability premium. Group premiums were up 1.3 percent from the previous year. Tables 4 and 5 below show the premium of the top five group carriers in West Virginia for this line of business.

Table 5. Top 5 Carriers of Group Coverage: Short-Term Disability

Earned	Company	Policies	Covered
Premium (\$)			Lives
1,645,470	Unum Life Insurance Company of America	64	4,785
887,236	Fort Dearborn Life Insurance Company	114	3,714
634,601	Monumental Life Insurance Company	4,231	4,231
600,851	Prudential Insurance Company of America	10	111
537,131	Guardian Life Insurance Company	89	2,965
5,435,869	Others (68)	1,056	38,147
9,741,158	Totals (73)	5,564	56,953

Table 6. Top 5 Carriers of Group Coverage: Long-Term Disability

Earned	Company	Policies	Covered
Premium (\$)			Lives
7,653,740	Unum Life Insurance Company of America	169	25,325
4,627,189	Standard Insurance Company	99	12,489
2,188,728	Metropolitan Life Insurance Company	63	15,284
1,875,929	Hartford Life and Accident Ins. Company	50	4,881
1,583,287	Prudential Insurance Company of America	5	1,523
11,665,824	Others (52)	837	74,972
29,594,697	Totals (57)	1,223	134,474

The tables show: 1) group disability sales are much larger than individual sales; 2) the top five carriers in the short-term market (except Unum Life and Prudential Insurance) are different from those is the long-term market, which suggests the products are specialized and companies tend to sell one or the other, but rarely both; and 3) the major carriers often have "Life" in their title; this suggests a dichotomy in accident and health lines of business such that disability products are more closely associated with life insurance sales, whereas the major medical policies are more closely associated with casualty products.

Premium revenue is up 1.5 percent from the previous year for group disability coverage. Regarding the stability of the group disability market, the number of carriers is down slightly compared to last year, falling from 144 to 130 active carriers. There is a slight trend away from consolidation among the leading firms even as small carriers leave this line of business.

Table 7. Top 5 Carriers of Individual Coverage: Short-Term Disability

Earned	Company	Policies	Covered
Premium (\$)			Lives
2,584,466	AFLAC	5,971	5,971
1,878,632	Combined Insurance Company of America	7,204	7,204
1,499,357	Provident Life and Accident Insurance Co.	1,782	1,782
1,400,320	Massachusetts Mutual Life Insurance Co.	1,388	1,388
1,246,378	Paul Revere Life Insurance Company	752	752
4,884,336	Others (39)	10,992	13,166
13,493,489	Totals (44)	28,089	30,263

Table 8. Top 5 Carriers of Individual Coverage: Long-Term Disability

Earned Premium (\$)	Company	Policies	Covered Lives
4,005,742	Northwestern Mutual Life Insurance Co.	4,392	4,392
593,202	AXA Equitable Life Insurance Company	329	329
421,830	Assurity Life Insurance Company	904	904
379,160	New York Life Insurance Company	508	508
345,799	Berkshire Life Insurance Co. of America	154	154
3,929,516	Others (67)	5,419	6,233
9,675,249	Totals (72)	11,706	12,520

#### Individual Disability Coverage

About 36 percent of the disability insurance sales are made directly to individuals. This product is especially attractive to the self-employed and workers without sick leave benefits. Like other accident and health products, sales of individual disability coverage are heavily concentrated in a few leading firms. The competitive fringe is large, and has changed only slightly from the previous year. On net, six carriers exited the short-term market and one firm entered long-term sales. This seems to be the normal ebb-and-flow of economic adjustment because, combining short-term and long-term individual disability premiums, the total increased 8.0 percent over the past year. Thus, it appears there is adequate availability of this product and the number of covered lives has grown in both short-term and long-term products.

## IV. Medigap Insurance

Like the name suggests, Medigap (a.k.a. Medicare Supplement) insurance fills the gaps in Medicare coverage for those aged 65 and older. This coverage cannot duplicate a benefit

Table 9. Top 10 Carriers of Individual Medigap Coverage

Earned	Company	Policies	Covered
Premium (\$)			Lives
27,415,396	Mountain State Blue Cross Blue Shield, Inc.	10,240	10,240
24,771,215	Health Plan of the Upper Ohio Valley	3,922	3,922
7,688,153	Mutual of Omaha Insurance Company	3,664	3,664
5,827,094	Bankers Life and Casualty Ins. Company	2,638	2,748
5,045,285	United American Insurance Company	1,852	1,852
3,844,174	Bankers Fidelity Life Insurance Company	1,530	1,530
3,621,110	United Teacher Associates Ins. Company	5,695	5,695
3,202,150	State Farm Mutual Auto Ins. Company	1,860	1,860
1,474,122	Continental General Insurance Co.	930	930
1,307,038	Combined Insurance Company of Am.	494	520
9,140,948	Others (50)	9,450	13,849
93,336,685	Totals (60)	42,275	46,810

Table 10. Top 10 Carriers of Group Medigap Coverage

Earned	Сотрапу	Policies	Covered
Premium (\$)			Lives
62,022,597	United Healthcare Insurance Company	50,188	50,188
11,215,970	Mountain State Blue Cross Blue Shield, Inc.	4,533	4,533
11,007,489	Health Plan of the Upper Ohio Valley	757	757
1,341,214	Bankers Life and Casualty Company	218	236
925,587	Life Investors Insurance Company	609	609
613,378	Principal Life Insurance Company	219	227
49,127	Monumental Life Insurance Company	19	19
11,953	Allianz Life Ins. Company of North Am.	5	13
11,477	Central States Health and Life of Omaha	7	7
11,098	American Republic Insurance Company	11	11
37,588	Others (8)	19	33
87,247,478	Totals (18)	56,585	56,633

provided by Medicare, but it may pay deductibles, co-payments, prescription drug costs and other non-covered expenses. In West Virginia this is a huge market with earned premiums of over \$180.6 million. This equates to about \$145 per month for each covered life. It is a well-known fact that West Virginia's population is older than the national average. The U.S. Census Bureau reports that the 2005 median age in West Virginia was 40.7 years compared to the national median of 36.4 years. Furthermore, the state's median age is projected to become even older over that next decade. Given the age distribution of the population, it is likely that Medigap sales will continue to grow.

Tables 8 and 9 show the major carriers, earned premium, policy counts and covered lives. Medigap group coverage requires more explanation than other group markets. This is because health insurance is typically employer-based, and coverage changes when retirement occurs. When Medicare eligibility begins at age 65, the take-up rate is nearly 100 percent (Rosen, p. 222). But Medicare does not cover all medical expenses so supplemental insurance may be desired. This creates a niche for Medigap and supplemental policies, which are typically bought by individuals. Occasionally groups form, the most popular being the American Association of Retired Persons (AARP) group. In West Virginia, AARP individual policies are marketed through the United Healthcare Insurance Company. In 2005, this company had earned premium of \$62.0 million, and insured over 50 thousand lives. This makes United Healthcare the largest seller of group Medigap policies in the state. To get a truer picture of the total volume of Medigap coverage in the state it is fitting to consider these as individual sales rather than group sales. If classified that way, United Healthcare would be the largest individual seller in the state too.

There has been noticeable exit from this market over the past year. Eleven carriers left the individual market and 13 exited the group market. Nevertheless, product availability is not lacking as shown by increasing premium volumes.

## V. Long-Term Care Insurance

As society ages, the insurance products it needs change too. One indication of these changes is the growth of long-term care products. Long-term care (LTC) insurance is designed to provide protection from unanticipated expenses associated with long life. Because we cannot perfectly predict either the length of our lives or the physical condition of our later years, LTC insurance is designed to provide financial support for late-in-life nursing home care and in-home medical care. As the average age of the U.S. population has increased, these types of policies have become more popular.

Furthermore, changes in the federal tax laws have motivated people to rethink LTC insurance. The 1996 Health Insurance Portability and Accountability Act (HIPAA) made it clear that long-term care is not to be funded by Medicare and suggested households need to provide their own funding. Many people have found LTC insurance

a good way to pre-fund these expenses. At the same time, HIPAA provided favorable tax treatment for LTC insurance products (discussed below). These products are a growing portion of West Virginia's health care insurance markets and presently generate premiums of \$19 million per year.

#### Long-Term Care Coverage

When talking about LTC insurance, we must distinguish between "Tax Qualified" and "Non Tax Qualified" products. The premiums paid to Tax Qualified plans, under Internal Revenue Service regulations, are treated as tax-deductible health care expenses. Conversely, Non Tax Qualified plans do not allow the deduction of LTC costs. Also, when evaluating the LTC market we only examine individual policies. This is because LTC products are typically purchased later in life and fewer of the buyers are working so employee groups are not commonplace. Tables 11 and 12 list the 2005 earned premiums, policy counts, and number of covered lives.

The data suggest three major themes. First, the policy counts and the covered lives are almost identical. This means that a typical policy only covers one person in contrast to family coverage that is popular in many other types of health insurance. Second, most policies are Tax Qualified and this fraction is growing. Third, none of the companies are in the top 10 in both products, which suggests there is specialization and carriers do not move as easily between product lines.

Table 11. Top 10 Carriers of Individual Long-Term Care Coverage, Tax Qualified

Earned	Company	Policies	Covered
Premium (\$)			Lives
6,835,977	Genworth Life Insurance Company	4,372	4,372
2,653,758	Bankers Life & Casualty Company	1,929	2,413
1,093,930	Northwestern Long Term Care Insurance Co.	735	735
982,601	John Hancock Life Insurance Company	582	582
765,079	Metropolitan Life Insurance Company	474	474
508,819	Unum Life Company of America	374	374
401,359	New York Life Insurance Company	343	343
370,616	Prudential Insurance Company of America	231	231
317,544	Mutual of Omaha Insurance Company	268	268
315,440	Teachers Insurance and Annuity Association	312	312
2,739,624	Others (43)	2,269	2,300
16,984,747	Totals (53)	11,889	12,404

Table 12. Top 10 Carriers of Individual Long-Term Care Coverage, Non Tax Oualified

Earned	Сотрапу	Policies	Covered
Premium (\$)			Lives
1,290,609	IDS Life Insurance Company	1,096	1,096
324,796	Mutual of Omaha Insurance Company	170	170
169,020	AFLAC	178	178
131,125	Continental General Insurance Company	53	77
84,019	United American Insurance Company	80	81
76,564	John Hancock Life Insurance Company	93	93
48,504	Kanawha Insurance Company	35	35
48,162	Physicians Mutual Insurance Company (NE)	42	42
35,903	Standard Life and Accident Insurance Co.	28	28
33,104	Union Security Insurance Company	25	25
223,367	Others (20)	659	854
2,465,173	Totals (30)	2,459	2,679

When compared to last year, the total number of carriers of LTC insurance fell by one. There is also a discernable movement from the Non Tax Qualified products to the Tax Qualified products. Premium revenue increased 12.6 percent in the Tax Qualified products whereas revenues fell 38.7 percent for the Non Tax Qualified products. Because of preferential tax treatments, we expect continued movement in this direction.

#### VI. Other Health Insurance Products

The products discussed to here are the most popular health care insurance coverages in West Virginia. However due to the large number of health exposures, other insurance coverages are available, many of which cover specific medical conditions. Although an analysis of these products goes beyond the scope of this report, several are listed below to demonstrate the many insurance options available.

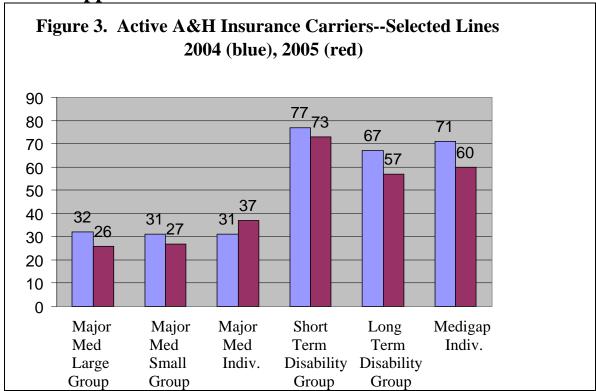
- Accident only insurance
- Association/Trust group insurance
- Dental insurance
- Group long-term care insurance
- Limited benefit insurance
- Named diseases (e.g., cancer) insurance
- Student health insurance

## VII. Summary

Like all active businesses, the insurance industry is constantly in flux. Change occurs as a result of economic conditions, health conditions, aging, economic activity, technology, the regulatory and tax environment, and much more. This report has summarized the product mix, revenues, policy counts, and key carriers in West Virginia's accident and health insurance market. The industry offers a wide array of products and is enjoying relatively stable market conditions. Although most lines of business are heavily concentrated when measured by sales, there are dozens of carriers in each line of business and there is active entry and exit. This entry and exit gives us some idea of which lines are profitable and thus are likely to induce changes in the number of carriers. This is the normal ebb and flow of a dynamic industry (see Appendix).

Finally, we note that the product mix in the accident and health lines is constantly changing. Recently, there has been a surge in products for the elderly. This follows from the aging of the U.S. population and the older-than-national-average population in West Virginia. We expect these trends to go on for many years.

VIII. Appendix



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Comments and questions about this report should be directed to:

Dr. Mark Wilson, Research Director West Virginia Offices of the Insurance Commissioner Charleston, WV 25305 mark.wilson@wvinsurance.gov Filename: AH report06

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