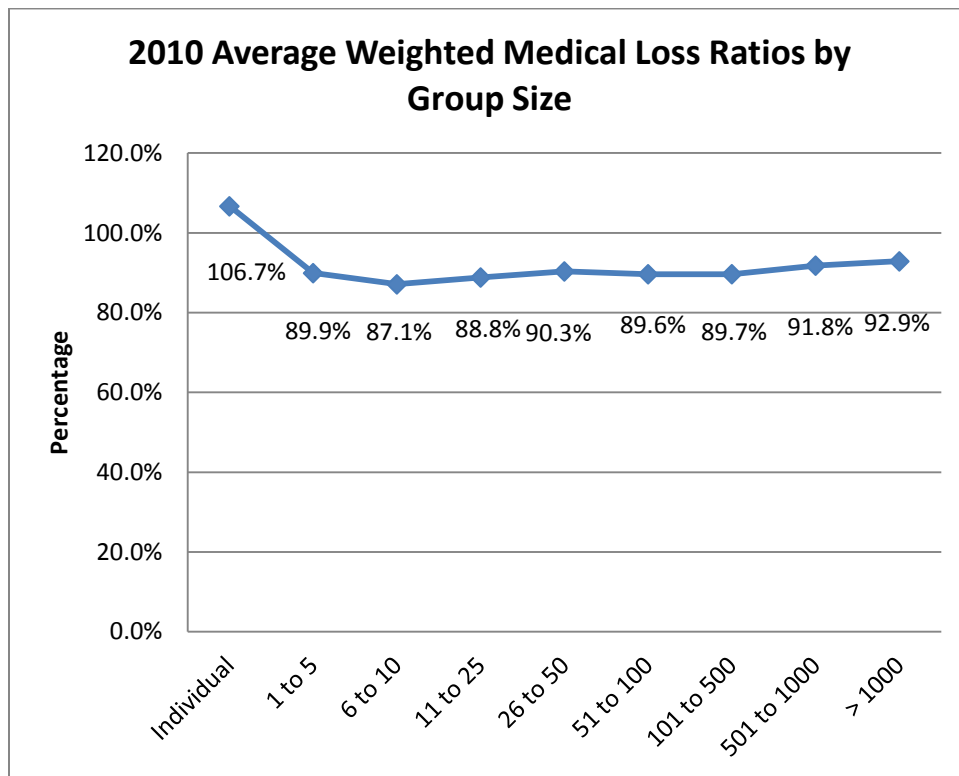


FINANCIAL SUMMARY OF THE 2010 MARKET FOR HEALTH INSURANCE^{1,2}
(Commercial Accounts, excluding Medicare, Medicaid and Commonwealth Care business)

- Massachusetts carriers earned \$10.1 billion in health care premiums and paid \$9.0 billion in health care claims payments to hospitals, doctors and other providers in 2010. Carriers spent \$1.08 billion in administrative expenses and had net income of \$0.02 billion in 2010.

Medical Loss Ratios

- The carriers’ average weighted Medical Loss Ratio (MLR) was 91.2% in 2010.
- MLRs differed from one carrier to another, as well as by product and by size of the groups in a sub-market. While the average weighted MLR for individual coverage was 106.7% in 2010, the average weighted MLR for most types of small groups were under 90.0%. In the large group market, the average weighted MLR was close to 89.7% for employers with between 51 and 500 employees and 91.8% for groups with between 501-1000 employees.³



¹ During the preparation of this report, we were provided with, and relied upon, various data and information from the health insurance industry. We did not audit the data or information provided, but reviewed it for reasonableness.

² Reported MLRs reflect an average of the actual MLRs reported by health insurance carriers. Individual carriers have ratios that are higher or lower than the reported average and some may be subject to mandatory rebates.

³ The Massachusetts statutes for individual/small group health coverage require that carriers meet the following MLR thresholds:
 88% for rates effective between 10/1/2010 and 12/31/2011
 90% for rates effective between 1/1/2012 and 12/31/2013
 89% for rates effective between 1/1/2014 and 12/31/2014
 88% for rates effective on and after 1/1/2015

According to the 2010 annual summary report, carriers reported an average MLR of 91.2% across all their lines of coverage. Although carriers are required to submit, separate from the annual report, MLR rebate calculation worksheets which are used to determine whether carriers are required to rebate premiums from the prior calendar year to individuals and small employers, rebate calculation worksheets were not required until the 2011 calendar year.

FINANCIAL SUMMARY OF THE 2010 MARKET FOR HEALTH INSURANCE^{4,5}
(Commercial Accounts, excluding Medicare, Medicaid and Commonwealth Care business)

Administrative Expenses

• Carriers' total 2010 administrative expenses were:		% of all Admin Expenses
○ Financial Administrative	\$ 36.2 million	3.3%
○ Marketing and Sales	\$ 119.7 million	11.1%
○ Distribution Expenses	\$ 204.0 million	18.9%
○ Claims Administration	\$ 87.9 million	8.1%
○ Medical Administration	\$ 158.9 million	14.7%
○ Network Operational	\$ 30.9 million	2.9%
○ Charitable Expense	\$ 3.0 million	0.1%
○ Taxes, Assessments & Fines	\$ 82.7 million	7.7%
○ General Administration	\$ 300.9 million	27.9%
○ Miscellaneous Expenses	\$ 13.1 million	1.2%
○ <u>Capital Expenses and Depreciation</u>	\$ 44.6 million	4.1%
Total Administrative Expenses	\$1,081.9 million	100.0%

⁴ During the preparation of this report, we were provided with, and relied upon, various data and information from the health insurance industry. We did not audit the data or information provided, but reviewed it for reasonableness.

⁵ Reported MLRs reflect an average of the actual MLRs reported by health insurance carriers. Individual carriers have ratios that are higher or lower than the reported average and some may be subject to mandatory rebates.

**Massachusetts Division of Insurance
ANNUAL COMPREHENSIVE FINANCIAL STATEMENT
FOR CARRIERS' INSURED HEALTH PLANS
COVER SHEET**



Enter NAIC# Reporting Year: 2010

Company Name: GRAND TOTAL

Enter Line of Business from list below: All Lines of Business

- 1 Closed Network Plans
- 2 Preferred Network Plans
- 3 Open Network Plans
- 4 Student Health Insurance Plans
- 5 Medicare Advantage
- 6 Other Medicare
- 7 Commonwealth Care
- 8 Young Adult Plans
- 9 Medicaid (MassHealth)
- 10 Group Insurance Commission (GIC)
- 11 Federal Employee Health Benefit Plans (FEHBP)

	Accumulated Surplus *
Common Stock	160,949,551
Preferred Stock	0
Gross Paid In	4,032,807,630
Contributed Surplus	2,486,841,876
Surplus Notes	939,911,506
Unassigned Funds	16,924,068,323
Other C&S Items	683,668,298
Total Surplus	25,228,247,184

Risk-Based Capital Ratio *
0.00%

* Total for Company

**ANNUAL COMPREHENSIVE FINANCIAL STATEMENT
FOR CARRIERS' INSURED HEALTH PLANS ENROLLMENT INFORMATION**

NAIC#: 0 Reporting Year: 2010

Company Name: GRAND TOTAL

Line of Business: All Lines of Business

Market Group Size	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Group Total
Number of Distinct Employment-Based Groups Covered on December 31st of Reporting Year	0	51,816	10,695	16,264	15,627	3,186	3,375	1,321	1,191	103,476
Number of Subscriber Members Covered on December 31st of Reporting Year	507,701	109,047	47,782	89,983	71,726	114,696	209,412	94,155	324,985	1,569,487
Number of Subscriber Member Months Covered in Reporting Year	5,537,452	1,391,255	578,698	1,082,612	909,279	1,397,347	2,532,424	1,104,772	3,832,757	18,366,594
Average Number of Subscriber Members Covered in Reporting Year	461,454	115,938	48,225	90,218	75,773	116,446	211,035	92,064	319,396	1,530,550
Number of Total Subscriber & Dependent Covered Lives on December 31st of Reporting Year	539,128	228,156	96,433	184,435	151,763	241,329	443,631	202,356	543,530	2,630,761
Number of Total Subscriber & Dependent Covered Life Months covered in Reporting Year	5,887,470	2,872,970	1,167,022	2,220,501	1,812,404	2,930,171	5,339,429	2,368,440	6,494,621	31,093,030
Average Number of Subscriber & Dependent Covered Lives in Reporting Year	490,623	239,414	97,252	185,042	151,034	244,181	444,952	197,370	541,218	2,591,086

**ANNUAL COMPREHENSIVE FINANCIAL STATEMENT
FOR CARRIERS' INSURED HEALTH PLANS BALANCE SHEET**

NAIC#: 0

Reporting Year: 2010

Company Name: GRAND TOTAL

Line of Business: All Lines of Business

Group	Accumulated Reserves										
	Member Size	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Claim Reserves		392,413,119	131,152,667	47,668,876	87,846,659	70,589,586	125,896,986	235,292,658	106,457,669	239,017,052	1,436,335,272
Premium Reserves		25,190,609	29,282,975	11,979,701	21,913,532	17,622,289	29,926,448	58,197,343	27,547,270	53,393,383	275,053,550
Contract Reserves		68,212,458	3,173,569	1,422,084	2,935,471	2,402,863	4,603,338	7,965,646	2,565,336	55,145,592	148,426,357
Total Reserves		485,816,186	163,609,211	61,070,661	112,695,662	90,614,738	160,426,772	301,455,646	136,570,275	347,556,027	1,859,815,178

	Accumulated Surplus *
Common Stock	160,949,551
Preferred Stock	0
Gross Paid In	4,032,807,630
Contributed Surplus	2,486,841,876
Surplus Notes	939,911,506
Unassigned Funds	16,924,068,323
Other C&S Items	683,668,298
Total Surplus	25,228,247,184

Risk-Based Capital Ratio *
0%

* Total for Company

**ANNUAL COMPREHENSIVE FINANCIAL STATEMENT FOR CARRIERS' INSURED HEALTH PLANS
INCOME STATEMENT**

NAIC#: _____ Reporting Year: 2010

Company Name: GRAND TOTALS

Line of Business: All Lines of Business

<i>Net Premium Earned</i> 211 CMR 149.06 (2) (b) 1	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	3,531,777,439	1,190,018,427	461,154,175	832,739,334	659,556,794	1,176,052,296	2,179,183,413	997,332,726	2,512,237,830	13,540,052,434

<i>Incurred Claims</i> 211 CMR 149.06 (2) (b) 2	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	3,266,626,448	1,046,862,746	393,695,280	723,941,951	584,474,687	1,029,802,497	1,912,573,097	896,974,077	2,306,001,171	12,160,951,952

<i>Medical Loss Ratio=(Incurred Claims + Expenses for Improving HealthCare Quality + Deductible Fraud and Abuse Detection/Recovery Expenses) / (Premiums - Taxes - Assessments) 211 CMR 149.06 (2) (b)</i>	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	93.5%	89.9%	87.2%	88.9%	90.4%	89.7%	89.7%	91.8%	92.8%	91.3%

<i>Investment Gains and Losses</i> 211 CMR 149.06 (2) (b) 4	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Investment Income	35,094,042	10,769,452	3,869,700	7,598,905	6,627,409	8,618,681	18,059,297	7,855,903	18,593,841	117,087,229
Net Realized Capital Gains and Losses	8,993,617	2,032,929	674,019	1,411,778	1,087,417	1,314,627	4,553,558	1,843,573	1,815,540	23,727,057
Totals	44,087,659	12,802,381	4,543,719	9,010,683	7,714,826	9,933,307	22,612,855	9,699,476	20,409,380	140,814,287

<i>Financial Administration Expenses</i> 211 CMR 149.06 (2) (b) 5	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	18,779,538	4,407,761	1,774,903	3,287,294	2,670,528	4,318,934	7,082,189	3,097,201	8,437,510	53,855,859

<i>Marketing and Sales Expenses</i> 211 CMR 149.06 (2) (b) 6	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Billing & Member Enrollment	5,967,459	2,187,489	784,158	1,308,590	960,144	1,800,908	2,861,378	1,175,978	2,476,864	19,522,968
Customer Service & Member Relations	13,776,338	4,241,810	1,529,608	2,653,533	1,977,178	4,023,768	5,930,802	2,438,943	8,021,592	44,593,572

Product Management, Marketing & Sales	27,288,994	8,580,177	3,517,980	6,426,440	5,134,707	8,375,981	14,046,522	6,160,678	13,632,533	93,164,013
Product Development	2,146,458	626,556	253,514	410,455	278,674	696,637	900,222	323,236	1,736,457	7,372,209
Marketing and Sales Expenses Totals	49,179,249	15,636,032	6,085,260	10,799,018	8,350,704	14,897,293	23,738,924	10,098,835	25,867,447	164,652,762

Distribution Expenses 211 CMR 149.06 (2) (b) 7	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	10,422,434	29,356,373	11,405,377	21,032,956	16,251,574	25,913,615	45,893,248	19,788,242	28,742,343	208,806,162

Claims Operations Expenses 211 CMR 149.06 (2) (b) 8	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
All costs associated with claims adjudication & adjustment of claims less Deductible Fraud & Abuse Detection/Recovery Expenses	31,746,873	10,383,958	3,681,169	6,419,110	4,835,391	9,577,515	17,038,732	7,943,498	20,705,460	112,331,706
Claims Operations Expenses Totals	32,418,555	11,301,118	3,993,124	6,992,991	5,320,719	10,269,339	18,005,102	8,445,617	21,833,956	118,580,519

Medical Administration Expenses 211 CMR 149.06 (2) (b) 9	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Total Defined Expenses Incurred for Improving HealthCare Quality	22,262,678	9,747,418	4,003,916	7,212,572	5,239,093	10,727,883	16,371,666	6,554,222	17,058,450	99,177,899
All Other Quality Assurance & Cost Containment	14,650,220	6,448,283	2,635,727	5,624,866	5,061,246	7,759,088	20,171,349	10,060,576	15,257,689	87,669,045
Wellness & Health Education	5,793,635	118,226	80,037	149,526	145,190	146,788	385,407	125,698	898,017	7,842,524
Medical Research	823,002	141,894	52,599	106,872	88,530	117,125	282,885	98,321	235,581	1,946,810
Medical Administration Expenses Totals	43,529,535	16,455,821	6,772,278	13,093,836	10,534,059	18,750,885	37,211,308	16,838,818	33,449,738	196,636,278

Network Operational Expenses 211 CMR 149.06 (2) (b) 10	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	9,258,313	4,002,119	1,591,261	2,850,867	2,246,884	3,905,385	6,026,496	2,651,211	7,418,458	39,950,994

Charitable Expense 211 CMR 149.06 (2) (b) 11	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	458,981	283,717	119,745	208,714	148,137	374,720	739,472	397,063	607,049	3,337,598

Taxes, Assessments & Fines paid to Federal, State or Local Government 211 CMR 149.06 (2) (b) 12	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Taxes (premium, real estate, other non payroll) Paid	6,904,412	10,759,702	3,126,831	6,696,896	4,208,539	11,898,254	23,508,696	9,694,617	(653,235)	76,144,711
Assessments, Fees & Other Amounts paid to Government Agencies	290,596	1,430,527	660,668	1,239,314	1,126,868	1,808,578	2,598,387	1,488,610	3,880,199	14,523,748

Fines & Penalties paid to Government Agencies	14	298	172	211	265	286	628	0	0	1,874
Totals	7,195,022	12,190,527	3,787,671	7,936,422	5,335,671	13,707,118	26,107,711	11,183,227	3,226,963	90,670,333

<i>General Administration</i> <i>211 CMR 149.06 (2) (b) 13</i>	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Payroll Administration Expenses less Payroll Taxes	13,307,670	3,605,100	1,135,628	2,286,509	1,865,329	2,577,986	5,276,991	2,569,524	8,007,086	40,631,822
Payroll Taxes	4,763,600	2,120,244	731,889	1,432,557	1,127,712	1,299,074	2,433,309	1,438,326	3,840,506	19,187,216
Real Estate Expenses	8,756,286	3,637,932	1,486,928	2,997,195	2,442,188	3,706,062	7,521,214	3,182,742	6,389,712	40,120,261
Regulatory Compliance & Government Relations	3,464,861	1,952,118	720,275	1,076,716	492,903	2,206,449	2,197,492	600,798	1,567,885	14,279,497
Board, Bureau or Association Fees	864,819	954,583	318,517	444,724	335,133	572,614	870,875	368,025	704,291	5,433,581
Other Administration	66,133,421	24,370,124	9,851,895	18,730,630	15,079,404	24,890,454	45,775,559	19,705,696	39,846,250	264,383,435
Reimbursement from Uninsured Plans	14,501,729	30,262	61,732	118,327	130,852	98,287	245,634	57,967	796,720	16,041,510
General Administration Totals	111,792,385	36,670,363	14,306,864	27,086,659	21,473,522	35,350,927	64,321,073	27,923,080	61,152,449	400,077,322
# of Employees on Carriers' Payroll on December 31st of Reporting Year	1,237	393	215	263	196	378	469	176	648	3,975

<i>Detailed Miscellaneous Expenses</i> <i>211 CMR 149.06 (2) (b) 14</i>	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	1,331,865	2,208,798	847,445	1,227,564	538,292	2,604,236	2,464,582	709,965	2,226,432	14,159,178

<i>Capital Expenses & Depreciation</i> <i>211 CMR 149.06 (2) (b) 15</i>	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
Depreciation	14,732,091	6,045,067	2,401,215	4,387,769	3,592,040	5,381,145	8,967,985	4,037,222	8,388,124	57,932,657
Capital Acquisitions	84,706	118	587	1,037	1,129	949	2,927	679	10,012	102,144
Capital Costs on behalf of the Hospital or Clinic	0	0	0	0	0	0	0	0	0	0
Other Capital Costs	0	0	0	0	0	0	0	0	0	0
Capital Expenses & Depreciation Totals	14,816,797	6,045,185	2,401,802	4,388,806	3,593,169	5,382,094	8,970,912	4,037,901	8,398,136	58,034,801

<i>Net Income (Net Premiums Earned + Investment Gains & Losses) - (Claims Incurred + Expenses)</i> <i>211 CMR 149.06 (2) (b) 16</i>	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	10,055,975	17,400,248	18,916,882	18,902,940	6,333,675	20,708,563	48,662,154	4,886,966	25,285,559	171,152,963

TOTAL EXPENSE 299,182,675 138,557,814 53,085,732 98,905,127 76,463,258 135,474,544 240,561,017 105,171,159 201,360,481 1,348,761,806