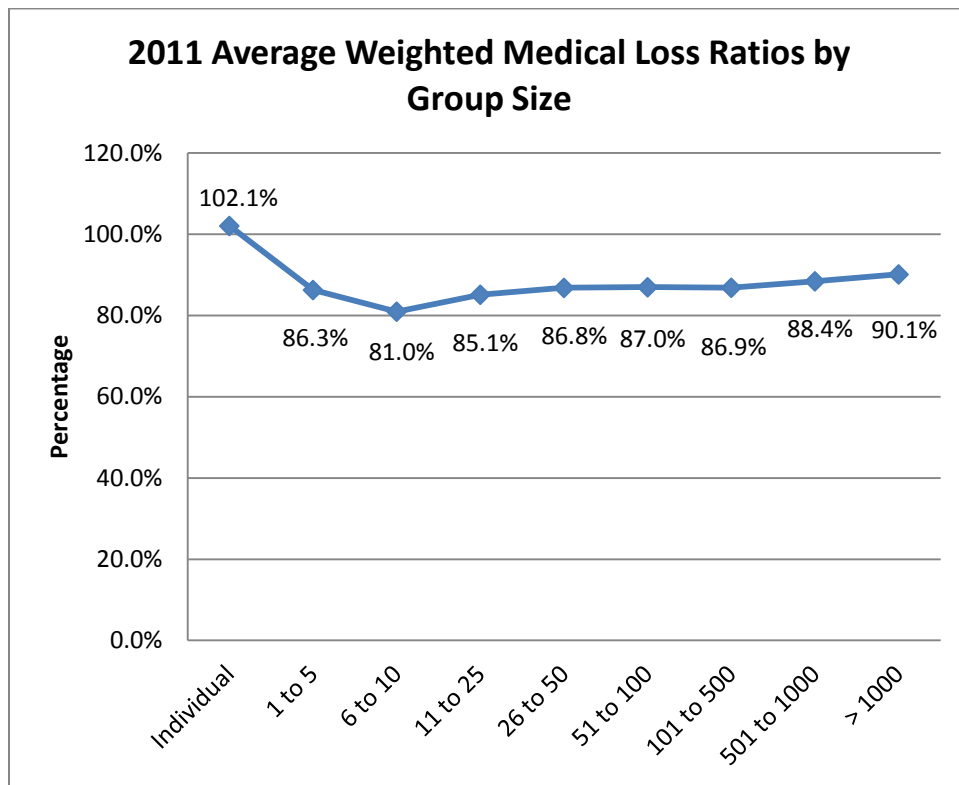


FINANCIAL SUMMARY OF THE 2011 MARKET FOR HEALTH INSURANCE^{1,2}
(Commercial Accounts, excluding Medicare, Medicaid and Commonwealth Care business)

- Massachusetts carriers earned \$10.4 billion in health care premiums and paid \$9.0 billion in health care claims payments to hospitals, doctors and other providers in 2011. Carriers spent \$1.24 billion in administrative expenses and had net income of \$0.16 billion in 2011.

Medical Loss Ratios

- The carriers’ average weighted Medical Loss Ratio (MLR) was 88.0% in 2011.
- 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 102.1% in 2011, the average weighted MLR for all types of small groups was under 87.0%. In the large group market, the average weighted MLR was close to 86.9% for employers with between 51 and 500 employees and 88.4% 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 2011 annual summary report, carriers reported an average MLR of 88.0% across all their lines of coverage. Separate from the annual report, on May 31 each year, carriers are required to submit 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. Based on our review of the actual 2011 experience, in late June 2012, the Massachusetts DOI authorized carriers to release \$56 million in rebates to individuals and small businesses.

FINANCIAL SUMMARY OF THE 2011 MARKET FOR HEALTH INSURANCE^{4,5}
(Commercial Accounts, excluding Medicare, Medicaid and Commonwealth Care business)

Administrative Expenses

• Carriers' total 2011 administrative expenses were:		% of all Admin Expenses
○ Financial Administrative	\$ 45.7 million	3.7%
○ Marketing and Sales	\$ 145.7 million	11.7%
○ Distribution Expenses	\$ 205.6 million	16.6%
○ Claims Administration	\$ 107.6 million	8.7%
○ Medical Administration	\$ 148.8 million	12.0%
○ Network Operational	\$ 29.2 million	2.4%
○ Charitable Expense	\$ 11.1 million	0.1%
○ Taxes, Assessments & Fines	\$ 85.0 million	6.8%
○ General Administration	\$ 392.8 million	31.6%
○ Miscellaneous Expenses	\$ 18.8 million	1.5%
○ <u>Capital Expenses and Depreciation</u>	<u>\$ 52.2 million</u>	<u>4.2%</u>
Total Administrative Expenses	\$1,242.5 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: 2011

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	163,350,634
Preferred Stock	0
Gross Paid In	3,078,400,023
Contributed Surplus	3,074,135,386
Surplus Notes	938,196,609
Unassigned Funds	11,422,377,608
Other C&S Items	783,182,359
Total Surplus	19,459,642,619

Risk-Based Capital Ratio *
0.00%

* Total for Company

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

NAIC#: 0 Reporting Year: 2011

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	43,436	9,977	14,756	8,053	3,602	3,386	1,318	1,155	85,683
Number of Subscriber Members Covered on December 31st of Reporting Year	458,784	104,175	43,887	81,640	57,481	126,996	206,322	89,103	330,270	1,498,658
Number of Subscriber Member Months Covered in Reporting Year	5,465,161	1,338,945	491,570	1,000,339	805,682	1,318,778	2,379,295	1,062,855	4,002,329	17,864,954
Average Number of Subscriber Members Covered in Reporting Year	455,430	111,579	40,964	83,362	67,140	109,898	198,275	88,571	333,527	1,488,746
Number of Total Subscriber & Dependent Covered Lives on December 31st of Reporting Year	495,842	206,214	88,630	172,315	125,673	271,423	442,062	211,601	553,986	2,567,746
Number of Total Subscriber & Dependent Covered Life Months covered in Reporting Year	6,070,419	2,571,633	1,084,796	2,058,065	1,466,798	3,305,007	5,207,474	2,320,831	6,740,976	30,826,000
Average Number of Subscriber & Dependent Covered Lives in Reporting Year	505,868	214,303	90,400	171,505	122,233	275,417	433,956	193,403	561,748	2,568,833

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

NAIC#: 0

Reporting Year: 2011

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		357,745,523	140,552,720	48,945,901	90,559,778	59,896,709	155,084,149	245,158,258	112,053,496	258,334,223	1,468,330,757
Premium Reserves		20,110,998	39,632,225	13,208,037	22,554,182	15,364,264	35,682,465	60,775,302	29,377,509	56,990,831	293,695,813
Contract Reserves		62,122,927	31,602,242	13,218,520	23,774,480	16,571,453	7,040,756	9,562,069	2,926,215	100,996,877	267,815,539
Total Reserves		439,979,449	211,787,187	75,372,458	136,888,440	91,832,426	197,807,369	315,495,629	144,357,220	416,321,930	2,029,842,109

	Accumulated Surplus *
Common Stock	163,350,634
Preferred Stock	0
Gross Paid In	3,078,400,023
Contributed Surplus	3,074,135,386
Surplus Notes	938,196,609
Unassigned Funds	11,422,377,608
Other C&S Items	783,182,359
Total Surplus	19,459,642,619

Risk-Based Capital Ratio *
0%

* Total for Company

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

NAIC#: _____ Reporting Year: 2011

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
	3,584,333,853	1,188,265,234	464,598,343	847,290,929	586,947,258	1,385,369,353	2,221,959,682	1,004,187,673	2,501,262,240	13,784,214,565

<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
	3,281,804,694	1,003,184,145	368,299,083	706,819,244	499,480,659	1,183,277,852	1,892,561,157	868,505,758	2,217,872,586	12,021,805,179

<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
	92.7%	86.3%	81.0%	85.2%	86.9%	87.1%	87.0%	88.6%	90.1%	88.8%

<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	26,838,816	8,640,346	3,362,532	6,540,954	4,908,094	9,388,560	15,727,775	7,348,251	15,769,114	98,524,442
Net Realized Capital Gains and Losses	12,614,979	3,596,784	1,504,315	3,154,240	2,164,366	4,636,435	7,638,576	3,404,907	4,185,565	42,900,168
Totals	39,453,795	12,237,130	4,866,847	9,695,194	7,072,461	14,024,995	23,366,351	10,753,157	19,954,680	141,424,610

<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
	22,296,416	6,204,015	2,602,063	5,194,287	3,696,196	4,992,128	7,522,740	3,076,444	9,528,521	65,112,809

<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	6,931,601	2,540,760	979,244	1,793,149	1,130,013	1,815,303	2,500,117	1,030,177	2,473,436	21,193,799
Customer Service & Member Relations	16,974,458	6,704,335	2,652,275	5,066,385	3,338,825	5,329,921	7,332,252	3,007,591	11,449,181	61,855,225

Product Management, Marketing & Sales	25,777,263	11,150,182	4,664,717	9,094,791	6,310,841	8,618,373	12,629,914	5,400,033	14,855,293	98,501,407
Product Development	3,188,793	1,277,453	538,674	841,121	484,198	1,492,168	1,563,006	454,820	2,078,389	11,918,623
Marketing and Sales Expenses Totals	52,872,116	21,672,730	8,834,910	16,795,447	11,263,877	17,255,765	24,025,289	9,892,622	30,856,299	193,469,053

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
	8,718,090	24,753,353	10,479,742	19,776,356	13,481,606	32,387,002	48,952,717	21,019,620	30,873,457	210,441,943

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	32,289,426	15,567,875	5,704,428	10,103,615	6,262,609	11,952,419	17,229,261	7,358,846	25,249,587	131,718,065
	568,099	867,614	303,070	619,277	590,991	615,852	955,905	414,608	1,204,761	6,140,177
Claims Operations Expenses Totals	32,857,526	16,435,488	6,007,498	10,722,892	6,853,599	12,568,271	18,185,166	7,773,454	26,454,348	137,858,243

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	26,221,401	10,287,926	4,419,421	8,163,418	5,678,301	11,015,615	15,074,760	5,999,178	18,525,043	105,385,063
All Other Quality Assurance & Cost Containment	13,713,421	6,716,479	2,522,437	5,260,179	3,588,718	7,447,121	14,932,846	7,657,845	13,415,396	75,254,442
Wellness & Health Education	7,422,896	133,532	77,059	221,310	107,612	68,834	264,730	52,192	932,822	9,280,988
Medical Research	603,178	143,367	57,671	109,350	76,868	81,452	147,525	77,393	195,914	1,492,718
Medical Administration Expenses Totals	47,960,897	17,281,304	7,076,588	13,754,258	9,451,498	18,613,022	30,419,862	13,786,608	33,069,175	191,413,212

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
	11,263,200	3,889,473	1,539,373	2,911,022	1,944,840	3,087,986	4,494,088	1,827,770	8,687,014	39,644,766

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
	1,538,247	1,279,615	566,366	1,093,171	835,944	1,212,338	2,096,822	1,115,970	1,608,917	11,347,388

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	9,669,046	8,125,109	2,260,885	3,600,525	1,902,788	8,444,494	20,582,415	13,576,274	6,577,683	74,739,219
Assessments, Fees & Other Amounts paid to Government Agencies	1,002,613	2,197,815	942,561	1,952,321	1,843,247	2,322,387	3,502,622	1,434,645	4,282,871	19,481,083

Fines & Penalties paid to Government Agencies	0	0	0	0	0	0	0	0	0	0
Totals	10,671,659	10,322,925	3,203,446	5,552,847	3,746,034	10,766,881	24,085,037	15,010,919	10,860,553	94,220,302

<i>General Administration</i> 211 CMR 149.06 (2) (b) 13	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	12,579,540	3,424,509	1,280,746	2,820,429	2,242,024	2,159,513	3,954,166	1,953,574	6,235,202	36,649,704
Payroll Taxes	6,052,643	3,122,415	1,099,690	1,917,921	1,246,359	2,087,906	3,331,386	1,374,696	8,154,813	28,387,828
Real Estate Expenses	6,189,215	1,607,764	677,914	1,268,320	795,832	1,584,453	2,055,015	719,687	2,377,626	17,275,828
Regulatory Compliance & Government Relations	6,522,586	3,220,675	1,290,757	1,912,682	873,640	3,866,555	3,508,279	826,323	3,115,622	25,137,119
Board, Bureau or Association Fees	749,516	438,537	183,293	314,798	196,801	436,498	557,512	208,398	668,456	3,753,808
Other Administration	85,732,154	38,526,114	16,434,037	33,169,085	22,457,741	37,984,968	61,260,296	27,070,041	59,955,352	382,589,787
Reimbursement from Uninsured Plans	737	3,084	0	0	0	0	0	0	0	3,821
General Administration Totals	117,826,391	50,343,097	20,966,437	41,403,235	27,812,397	48,119,893	74,666,653	32,152,720	80,507,071	493,797,895
# of Employees on Carriers' Payroll on December 31st of Reporting Year	1,507	605	228	308	212	373	466	177	693	4,568

<i>Detailed Miscellaneous Expenses</i> 211 CMR 149.06 (2) (b) 14	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	870,076	3,188,091	1,243,743	1,709,500	741,500	3,752,956	3,235,093	697,386	3,815,816	19,254,161

<i>Capital Expenses & Depreciation</i> 211 CMR 149.06 (2) (b) 15	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	14,509,390	7,520,162	3,097,464	5,979,347	4,488,840	5,630,444	8,245,541	3,408,365	11,196,065	64,075,618
Capital Acquisitions	100,205	524	628	2,592	968	190	2,538	3	10,581	118,230
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	14,609,596	7,520,686	3,098,092	5,981,939	4,489,808	5,630,634	8,248,078	3,408,369	11,206,646	64,193,848

<i>Net Income (Net Premiums Earned + Investment Gains & Losses) - (Claims Incurred + Expenses)</i> 211 CMR 149.06 (2) (b) 16	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	20,498,740	34,427,442	35,547,848	25,271,927	10,221,760	57,729,619	106,833,331	36,673,190	55,876,517	383,080,375

Total administrative expense 321,484,214 162,890,777 65,618,259 124,894,952 84,317,299 158,386,876 245,931,545 109,761,881 247,467,817 1,520,753,620