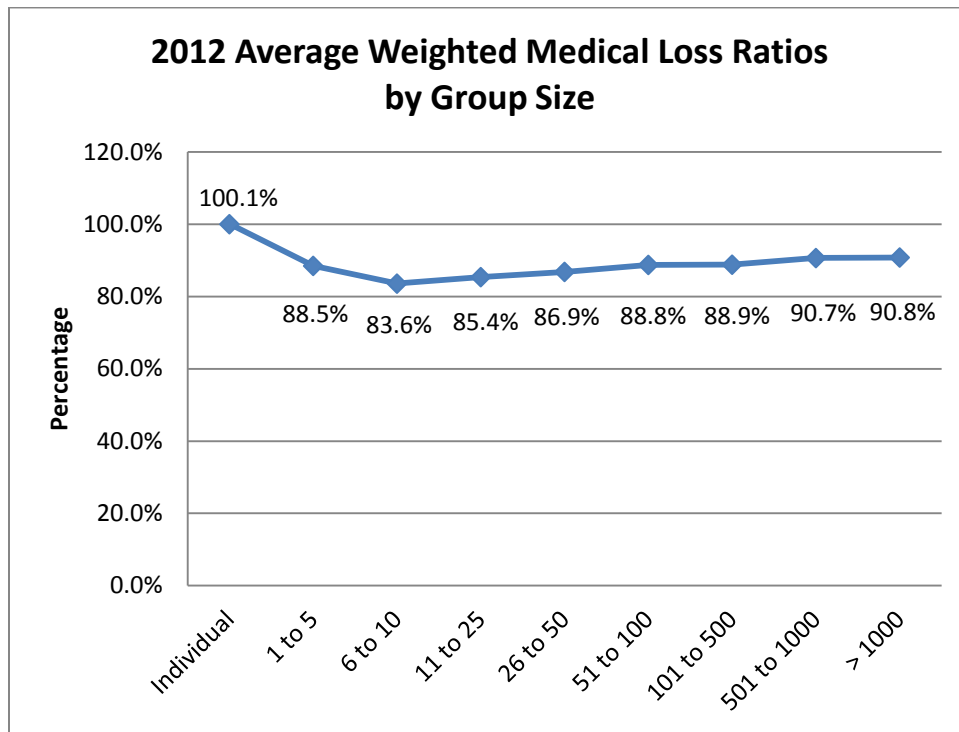


FINANCIAL SUMMARY OF THE 2012 MARKET FOR HEALTH INSURANCE^{1,2}
(Commercial Accounts, excluding Medicare, Medicaid and Commonwealth Care business)

- 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 2012. Carriers spent \$1.19 billion in administrative expenses and had net income of \$0.21 billion in 2012.

Medical Loss Ratios

- The carriers’ average weighted Medical Loss Ratio (MLR) was 89.4% in 2012.
- 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 100.1% in 2012, the average weighted MLR for most types of small groups was under 87.0%. In the large group market, the average weighted MLR was close to 88.9% for employers with between 51 and 500 employees and 90.7% 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 2012 annual summary report, carriers reported an average MLR of 89.4% 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 2012 experience, in late June 2013, the Massachusetts DOI authorized carriers to release \$57 million in rebates to individuals and small businesses.

FINANCIAL SUMMARY OF THE 2012 MARKET FOR HEALTH INSURANCE^{4,5}
(Commercial Accounts, excluding Medicare, Medicaid and Commonwealth Care business)

Administrative Expenses

• Carriers' total 2012 administrative expenses were:		% of all Admin Expenses
○ Financial Administrative	\$ 49.9 million	4.2%
○ Marketing and Sales	\$ 160.0 million	13.4%
○ Distribution Expenses	\$ 203.0 million	17.0%
○ Claims Administration	\$ 137.2 million	11.6%
○ Medical Administration	\$ 169.7 million	14.2%
○ Network Operational	\$ 23.0 million	1.9%
○ Charitable Expense	\$ 7.4 million	0.6%
○ Taxes, Assessments & Fines	\$ 130.5 million	10.9%
○ General Administration	\$ 261.9 million	22.0%
○ Miscellaneous Expenses	\$ 1.3 million	1.1%
○ <u>Capital Expenses and Depreciation</u>	\$ 48.0 million	4.0%
Total Administrative Expenses	\$1,192.0 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: 2012

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	161,046,210
Preferred Stock	0
Gross Paid In	3,594,779,920
Contributed Surplus	3,078,538,336
Surplus Notes	908,481,713
Unassigned Funds	12,889,037,669
Other C&S Items	35,688,346
Total Surplus	20,667,572,194

Risk-Based Capital Ratio *
0.00%

* Total for Company

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

NAIC#: 0 Reporting Year: 2012
 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	56,135	42,521	9,611	14,196	8,031	3,397	3,230	1,270	1,279	139,670
Number of Subscriber Members Covered on December 31st of Reporting Year	1,027,005	91,270	42,667	80,969	58,702	124,364	205,171	91,353	338,195	2,059,696
Number of Subscriber Member Months Covered in Reporting Year	12,009,730	1,100,398	481,862	908,187	673,802	1,444,734	2,305,415	1,032,981	4,136,374	24,093,482
Average Number of Subscriber Members Covered in Reporting Year	1,000,811	91,700	40,155	75,682	56,150	120,394	192,118	86,082	344,698	2,007,790
Number of Total Subscriber & Dependent Covered Lives on December 31st of Reporting Year	1,068,075	196,214	86,759	168,205	127,069	260,443	428,777	193,860	548,952	3,078,354
Number of Total Subscriber & Dependent Covered Life Months covered in Reporting Year	12,390,941	2,432,893	1,023,786	1,983,341	1,511,654	3,136,227	5,065,588	2,292,863	6,777,180	36,614,473
Average Number of Subscriber & Dependent Covered Lives in Reporting Year	1,032,578	202,741	85,315	165,278	125,971	261,352	422,132	191,072	564,765	3,051,206

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

NAIC#: 0 Reporting Year: 2012

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		729,180,929	123,683,311	49,036,264	92,385,372	66,976,984	168,378,181	274,568,558	129,150,223	250,512,071	1,883,871,892
Premium Reserves		15,144,400	24,523,774	8,549,709	15,800,840	11,198,306	28,924,468	50,857,311	27,810,889	49,815,226	232,624,923
Contract Reserves		60,485,271	27,354,357	11,357,887	19,304,203	13,619,726	5,567,165	8,387,108	2,604,036	158,561,094	307,240,847
Total Reserves		804,810,600	175,561,443	68,943,860	127,490,414	91,795,016	202,869,813	333,812,977	159,565,148	458,888,391	2,423,737,661

	Accumulated Surplus *
Common Stock	161,046,210
Preferred Stock	0
Gross Paid In	3,594,779,920
Contributed Surplus	3,078,538,336
Surplus Notes	908,481,713
Unassigned Funds	12,889,037,669
Other C&S Items	35,688,346
Total Surplus	20,667,572,194

Risk-Based Capital Ratio *
0%

* Total for Company

All costs associated with claims adjudication & adjustment of claims less Deductible Fraud & Abuse (listed below)	64,262,741	15,267,472	6,334,912	12,517,676	9,630,477	15,172,369	25,660,210	12,701,225	34,242,783	195,789,864
Deductible Fraud & Abuse										
Detection/Recovery Expenses	312,718	633,100	181,912	389,704	388,599	448,315	619,471	258,589	659,060	3,891,468
Claims Operations Expenses										
Totals	64,575,459	15,900,571	6,516,824	12,907,380	10,019,076	15,620,684	26,279,681	12,959,814	34,901,842	199,681,332

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	50,858,825	11,501,424	4,943,991	9,413,703	7,141,247	13,877,965	20,420,453	8,479,996	20,382,620	147,020,224
All Other Quality Assurance & Cost Containment	41,423,982	6,347,524	2,478,103	5,110,112	3,646,985	8,379,169	16,697,736	8,946,948	14,410,535	107,441,095
Wellness & Health Education	28,338,680	302,872	178,544	266,249	186,163	342,523	560,670	231,266	1,498,499	31,905,467
Medical Research	2,143,994	176,674	72,873	135,293	100,055	145,369	272,420	139,349	287,584	3,473,610
Medical Administration Expenses Totals	122,765,481	18,328,494	7,673,511	14,925,357	11,074,451	22,745,026	37,951,279	17,797,559	36,579,238	289,840,396

Network Operational Expenses 211	Individual	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 500	501 to 1000	> 1000	Total
	19,001,855	3,086,199	1,220,780	2,231,013	1,520,796	3,120,130	4,795,906	1,970,027	4,888,011	41,834,716

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
	700,497	579,979	234,974	486,447	324,212	748,864	1,988,091	1,444,229	1,442,990	7,950,283

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	(2,958,548)	6,130,958	1,780,496	3,701,689	3,509,211	8,548,467	19,302,229	11,091,220	10,825,700	61,931,421
Assessments, Fees & Other Amounts paid to Government Agencies	16,660,297	7,210,289	3,179,902	6,423,596	5,325,086	9,185,506	13,299,646	5,378,333	10,912,596	77,575,251
Fines & Penalties paid to Government Agencies	0	0	0	0	0	0	0	0	0	0
Totals	13,701,749	13,341,247	4,960,398	10,125,285	8,834,297	17,733,973	32,601,875	16,469,553	21,738,296	139,506,672

<i>General Administration</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
211 CMR 149.06 (2) (b) 13										
Payroll Administration										
Expenses less Payroll Taxes	25,591,966	2,920,553	1,100,312	2,328,808	2,153,272	2,620,971	4,167,455	1,929,040	5,955,023	48,767,400
Payroll Taxes	13,163,385	2,295,939	903,762	1,631,933	1,154,170	2,391,989	4,218,137	1,799,742	8,476,769	36,035,827
Real Estate Expenses	12,562,586	1,302,565	534,208	917,292	517,095	1,539,532	2,136,542	720,011	2,212,970	22,442,801
Regulatory Compliance & Government Relations	8,577,510	1,961,193	779,614	1,246,096	687,240	2,312,599	2,639,109	762,484	2,651,940	21,617,784
Board, Bureau or Association Fees	1,066,853	340,492	146,099	250,954	169,345	375,306	550,986	224,202	554,708	3,678,944
Other Administration	101,261,004	22,605,268	9,504,763	18,277,331	12,725,005	24,262,145	37,493,265	15,950,011	41,075,249	283,154,041
Reimbursement from Uninsured Plans	12,280,096	18,483	92,797	152,855	121,605	94,600	268,912	88,939	1,910,295	15,028,582
General Administration Totals	174,503,399	31,444,493	13,061,556	24,805,269	17,527,731	33,597,141	51,474,405	21,474,430	62,836,955	430,725,380
# of Employees on Carriers' Payroll on December 31st of Reporting Year	3,774	399	172	340	301	456	655	292	863	7,254

<i>Detailed Miscellaneous Expenses</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
211 CMR										
	659,649	160,295	76,546	116,880	69,808	164,311	199,823	89,445	1,139,383	2,676,140

<i>Capital Expenses & Depreciation</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
211 CMR 149.06 (2) (b) 15										
Depreciation	18,480,961	5,745,718	2,465,070	4,801,442	3,825,507	6,164,090	9,098,056	3,811,714	10,592,223	64,984,782
Capital Acquisitions	10,186,064	131	787	1,297	1,032	802	2,281	754	16,204	10,209,351
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	28,667,025	5,745,848	2,465,858	4,802,738	3,826,539	6,164,893	9,100,337	3,812,468	10,608,427	75,194,133

<i>Net Income (Net Premiums Earned + Investment Gains)</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
	56,037,100	19,998,406	28,050,385	34,687,681	17,452,770	43,292,922	73,275,752	17,703,068	60,259,216	350,757,300

Total administrative expense	554,097,151	138,793,501	58,017,152	113,131,876	85,964,599	156,986,644	250,846,324	112,866,738	246,986,908	1,717,690,892
------------------------------	-------------	-------------	------------	-------------	------------	-------------	-------------	-------------	-------------	---------------