

**2011 REPORT OF
DISABILITY INCOME INSURANCE
IN MASSACHUSETTS:
RESULTS OF A 2010 EXAMINATION**



JOSEPH G. MURPHY
COMMISSIONER OF INSURANCE

Acknowledgement

The enclosed report was prepared by the Health Care Access Bureau and Policy Form Review staff of the Massachusetts Division of Insurance (“Division”) in order to examine the current state of disability income coverage in the Commonwealth of Massachusetts as of the end of 2009, including the relative number of persons covered through individual or group plans and covered in short-term and long-term disability plans.

In this report, individual coverage includes policies written by a disability income (“DI”) insurance company to an individual policyholder, as well as coverage written to an individual certificateholder through a non-employment based group association or group trust. Group DI coverage in this report represents coverage written by a DI insurance company through an employment-based policy.

In this report, short-term DI coverage – whether individual or group coverage – represents coverage that was marketed to provide benefits based on disability for a period of less than two years. Long-term DI coverage – whether individual or group coverage – represents coverage that was marketed to provide benefits based on disability for a period lasting two or more years.

This report was developed by Maryanne Walsh, Research Analyst, Health Care Access Bureau, Daniel Smith, Multi-Line Examiner, Policy Form Review Unit and Kevin P. Beagan, Deputy Commissioner of the Health Care Access Bureau. The report is based on responses certified by insurance company officers reflecting the experience of their companies in the DI market in Massachusetts. Although staff has taken time to review the reasonableness of information provided by the individual companies, staff has not audited or otherwise verified that the submitted responses are accurate.

TABLE OF CONTENTS

I.	EXECUTIVE SUMMARY	5
	A. Report Material	
	B. Summary of Massachusetts Covered Lives	
II.	OVERVIEW	8
III.	PERSONS COVERED BY DI	9
	A. Massachusetts	
	B. National	
IV.	COVERAGE IN INDIVIDUAL PLANS	11
	A. Average Age of Individual DI Policyholders	
	B. Benefit Periods	
	C. Inflation Protection Benefits	
	D. Average Premiums	
	E. Benefit Amounts	
	F. Average Income	
V.	COVERAGE IN GROUP PLANS	18
	A. Age of Insureds in Group Plans	
	B. Benefit Periods	
	C. Inflation Protection Benefits	
	D. Average Premiums	
	E. Benefit Amounts	
	F. Average Income	
VI.	ELIGIBILITY FOR BENEFITS – DEFINITIONS OF DISABILITY	25
	A. Total Disability	
	B. Partial Disability	
	C. Residual Disability	
	D. Presumptive/Permanent Disability	
	E. Limitations and Exclusions	
	F. Social Security Offset Features	
VII.	MARKETING PRACTICES	35
	A. Time in Market	
	B. States Where Marketed	
	C. Methods of Marketing Products	
	D. Commission Levels	
	E. Group Products	
VIII.	CONCLUSION	38

APPENDIX A – GLOSSARY OF COMMON DISABILITY INCOME TERMINOLOGY

APPENDIX B – PART A OF THE SURVEY ISSUED ON JULY 9, 2010

APPENDIX C – PART B OF THE SURVEY ISSUED ON JULY 9, 2010

APPENDIX D - LIST OF COMPANIES RESPONDING TO THE SURVEY