

## V. COVERAGE IN GROUP PLANS

This section describes those who obtain DI coverage through employment and the features of the coverage that they purchased. In general, those obtaining coverage through groups tend to (1) be younger, (2) obtain less rich plans, and (3) pay lower premiums than those buying as individuals.

### A. Age of Insureds in Group Plans

For group DI plans, the average age of Massachusetts and national policyholders are similar.

- The average age of Massachusetts DI policyholders in short-term plans was **43.2** in 2007<sup>27</sup> and **43.5** in 2009<sup>28</sup>. The average age of Massachusetts DI policyholders in long-term plans was **43.3** in 2007<sup>29</sup> and **44.3** in 2009<sup>30</sup>.
- Nationally, the average age of DI policyholders in short-term plans was **42.5** in 2007<sup>31</sup> and **42.8** in 2009<sup>32</sup>. The average age of national DI policyholders in long-term plans was **43.4** in 2007<sup>33</sup> and **43.7** in 2009<sup>34</sup>.

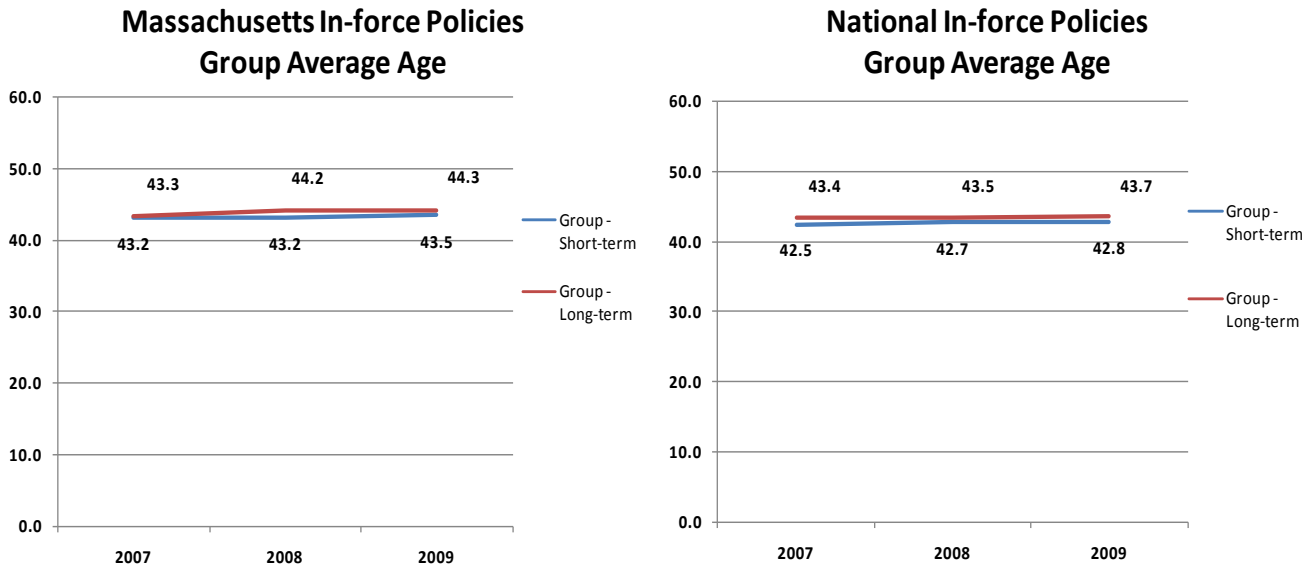


Exhibit 11

27 Twenty-three companies could provide relevant information; the remaining companies either were no longer offering coverage in Massachusetts in 2007 or provided incomplete information and were not included in the summary statistics.

28 Twenty-five companies could provide relevant information; the remaining companies either were no longer offering coverage in Massachusetts in 2009 or provided incomplete information and were not included in the summary statistics.

29 Twenty companies could provide relevant information; the remaining companies either were no longer offering coverage in Massachusetts in 2007 or provided incomplete information and were not included in the summary statistics.

30 Twenty-one companies could provide relevant information; the remaining companies either were no longer offering coverage in Massachusetts in 2009 or provided incomplete information and were not included in the summary statistics.

31 Twenty-four companies could provide relevant information; the remaining companies either were no longer offering coverage Nationally in 2007 or provided incomplete information and were not included in the summary statistics.

32 Twenty-five companies could provide relevant information; the remaining companies either were no longer offering coverage Nationally in 2009 or provided incomplete information and were not included in the summary statistics.

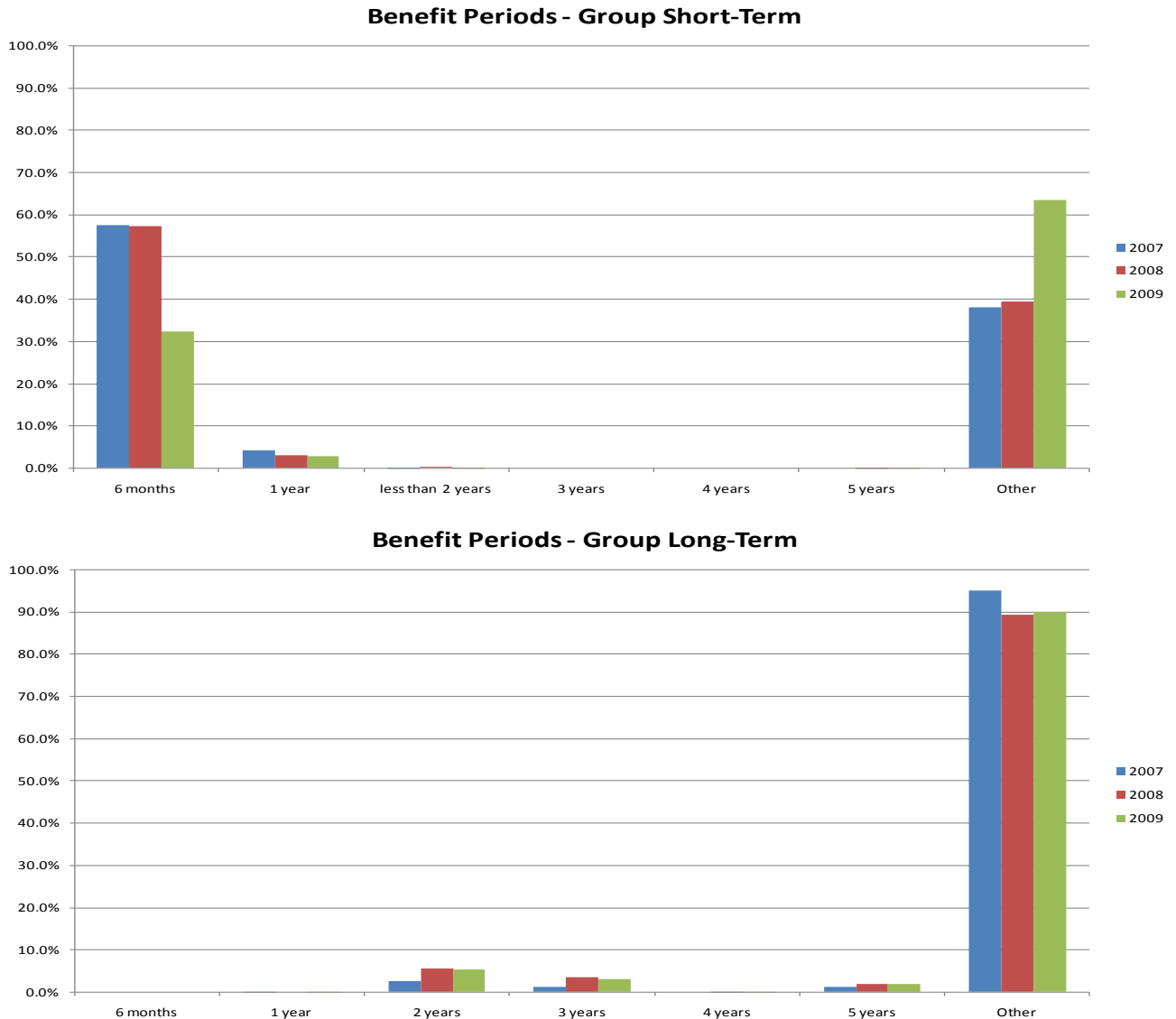
33 Twenty-two companies could provide relevant information; the remaining companies either were no longer offering coverage Nationally in 2007 or provided incomplete information and were not included in the summary statistics.

34 Twenty-two companies could provide relevant information; the remaining companies either were no longer offering coverage Nationally in 2009 or provided incomplete information and were not included in the summary statistics.

## B. Benefit Periods

All group plans must choose how long the benefits under the plan will apply after they meet eligibility and waiting period rules. More specifically, all group DI plans have a maximum benefit period of some length, generally elected by the employer sponsoring the plan, though in rare instances, elected by individuals opting for employee-paid coverage under the plan.

The following represents companies' commonly sold benefit periods in Massachusetts for short-term<sup>35,36</sup> and long-term<sup>37,38</sup> plans when sold through associations or employment-based policies:



### Exhibit 12

35 Thirty-seven companies could provide relevant information; the remaining companies were either no longer offering coverage in Massachusetts, or provided incomplete information and were not included in the summary statistic.

36 The "Other" column for short-term plans includes benefit periods of 13 weeks or 26 weeks.

37 Thirty-eight companies could provide relevant information; the remaining companies were either no longer offering coverage in Massachusetts, or provided incomplete information and were not included in the summary statistic.

38 The "Other" column for long-term plans includes benefit periods to age 65, to age 70, to Social Security Normal Retirement age, and lifetime benefit periods.

**C. Inflation Protection Benefits**

All group plans must choose a percentage of income or stated dollar amount of coverage under the plan; unless the policyholder buys inflation protection, the covered amount will be fixed and will not keep pace with changes in the cost of living.

- In Massachusetts, 8.1%<sup>39</sup> of new group long-term disability policies written in 2009 included inflation protection.
- Nationally, 3.6%<sup>40</sup> of new group long-term disability policies written in 2009 included inflation protection.

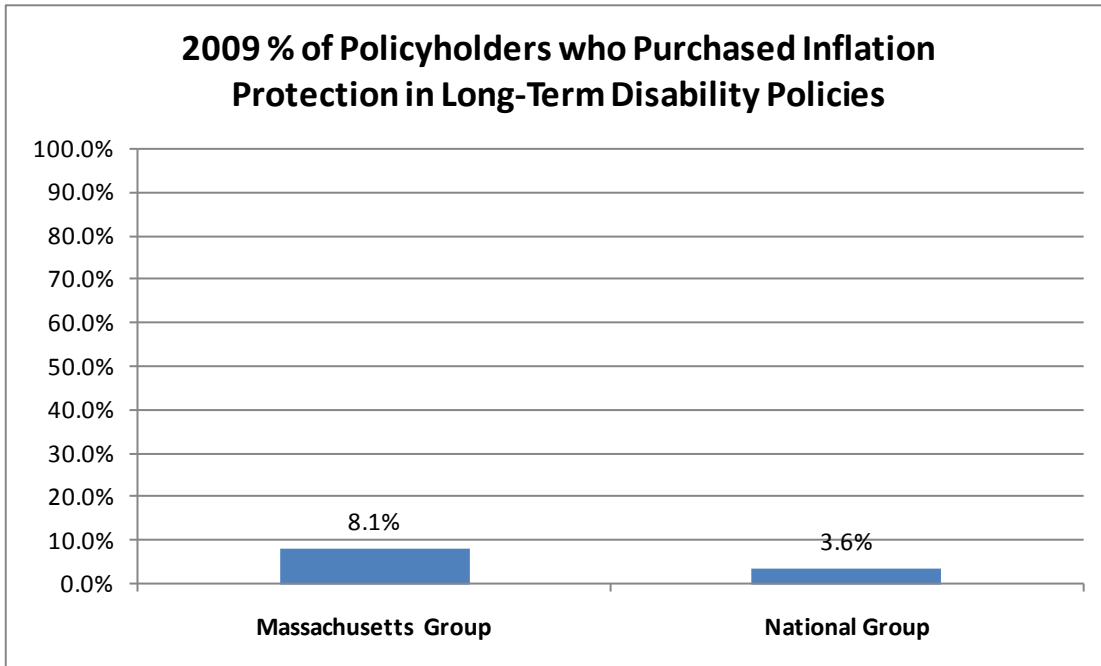


Exhibit 13

Among group long-term disability plans initially issued during 2009, persons with inflation protection chose the following types of inflation protection:

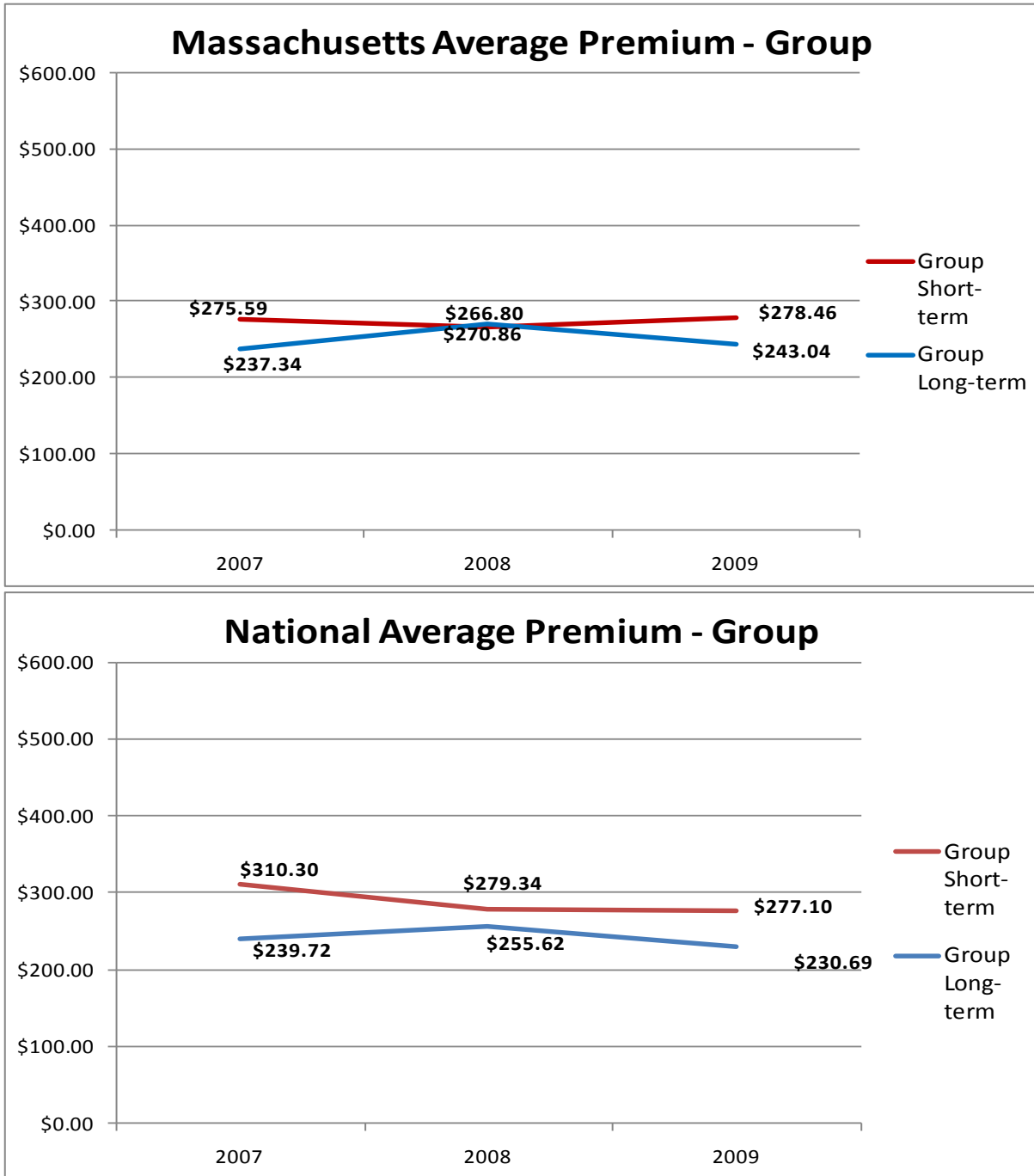
MA	National	
3.8%	0.9%	with inflation protection based on 3% simple interest rate;
0.0%	0.0%	with inflation protection based on 5% simple interest rate;
0.0%	0.0%	with inflation protection based on 10% simple interest rate;
1.0%	1.4%	with inflation protection based on the consumer price index;
3.2%	0.9%	with inflation protection based on 3% compound interest rate;
0.0%	0.0%	with inflation protection based on 5% compound interest rate;
0.0%	0.0%	with inflation protection based on 10% compound interest rate;
0.0%	0.0%	with inflation protection based on a guaranteed future purchase option;
0.1%	0.4%	with inflation protection based on some other type of inflation protection; and
91.9%	96.4%	without any inflation protection.

39 Thirty-four companies could provide relevant information; the remaining companies were either no longer offering coverage in Massachusetts, or provided incomplete information and were not included in the summary statistic.

40 Thirty-four companies could provide relevant information; the remaining companies were either no longer offering coverage Nationally, or provided incomplete information and were not included in the summary statistic.

**D. Average Premiums**

A DI group plan’s premiums vary based upon the ages of the individuals to be covered under the policy and the level of benefits (*i.e.*, lifetime maximum benefit period, inflation protection, benefit amounts, etc.) included in the coverage. Massachusetts annual premiums are similar compared to those of national plans for both short-term<sup>41</sup> and long-term<sup>42</sup> disability plans.



**Exhibit 14**

41 Thirty-eight companies could provide relevant information; the remaining companies were either no longer offering coverage, or provided incomplete information and were not included in the summary statistic.

42 Thirty-one companies could provide relevant information; the remaining companies were either no longer offering coverage, or provided incomplete information and were not included in the summary statistic.

Among group disability plans initially issued during 2009 in Massachusetts, carriers used the following restrictions on rate changes:

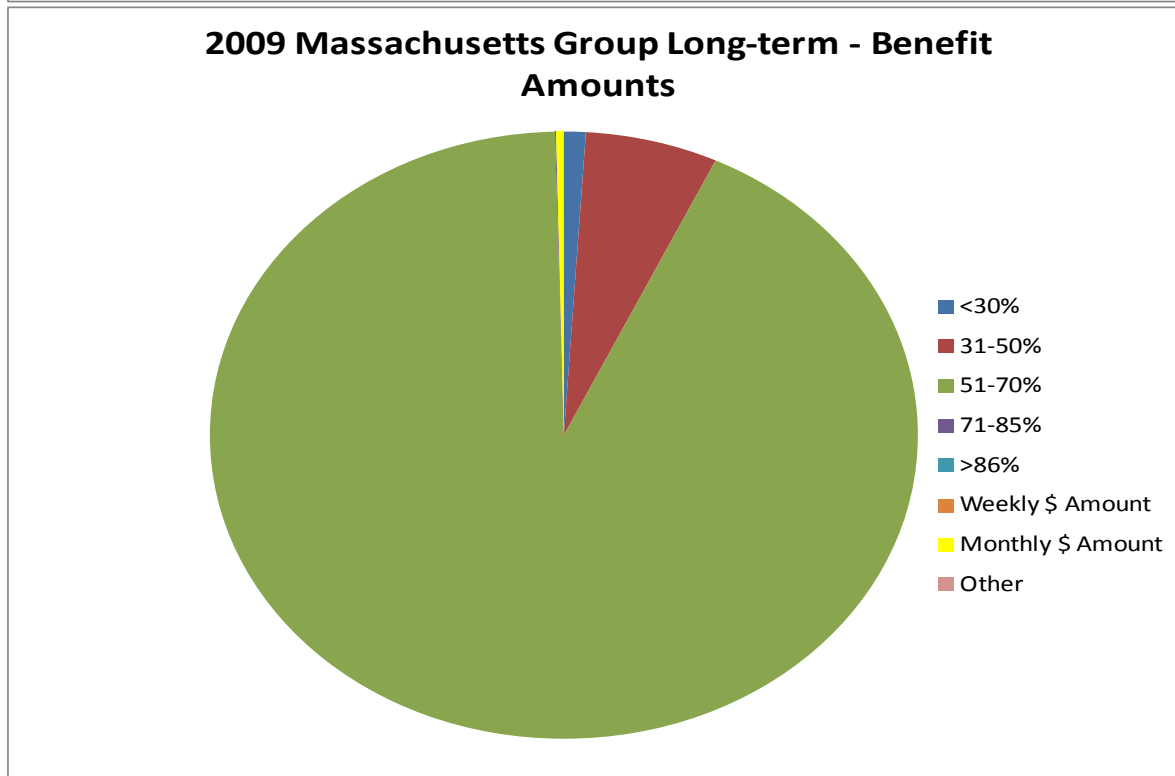
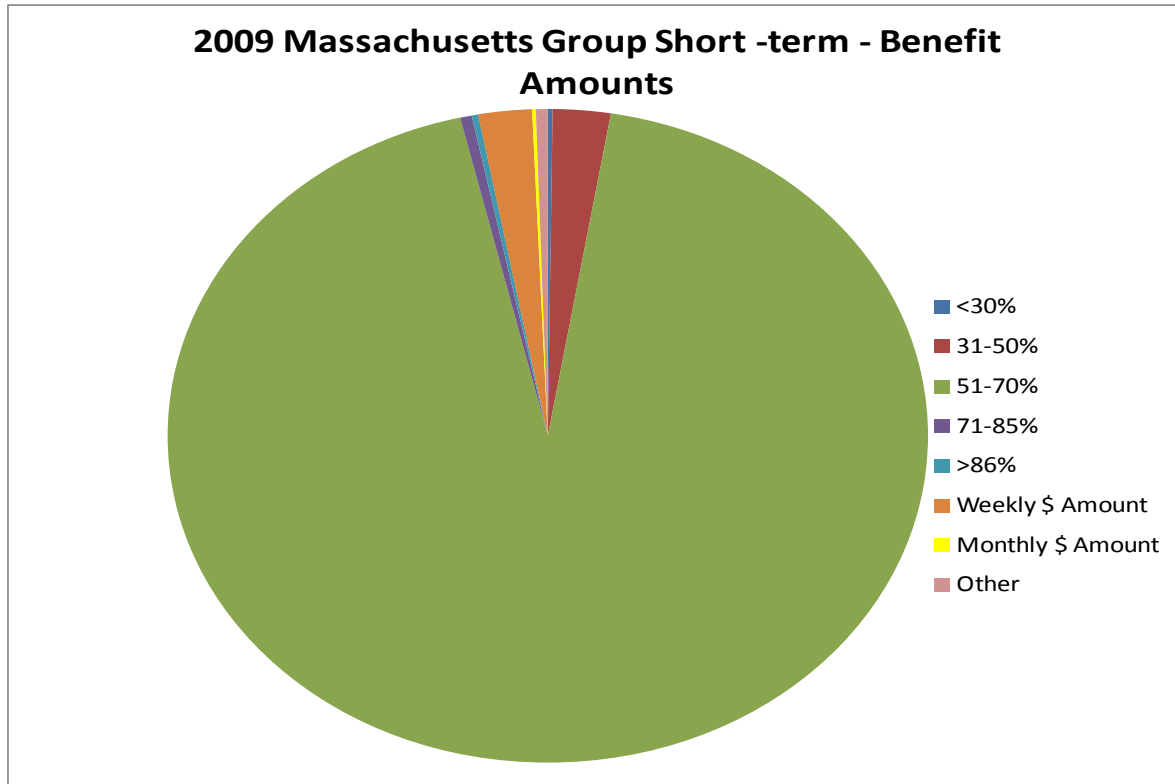
<u>Short-term</u>	<u>Long-term</u>	
<b>0</b>	<b>0</b>	Number of companies that offer non-cancelable <sup>43</sup> policies;
<b>26</b>	<b>24</b>	Number of companies whose policies had a limited rate guarantee;
<b>9</b>	<b>5</b>	Number of companies whose policies used attained age;
<b>2</b>	<b>2</b>	Number of companies that had restrictions on the magnitude of allowable increases (such as flex bands); and
<b>2</b>	<b>2</b>	Number of companies that used some other restriction.

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<sup>43</sup> The rate charged for non-cancelable policies must remain as stated in the policy at the time of issue.

**E. Benefit Amounts**

When policyholders apply for coverage, they choose a percentage of income or stated dollar amount of coverage under the plan. The following represents the benefit amounts chosen for group disability plans initially issued during 2009 in Massachusetts.



**Exhibit 15**

**F. Average Income**

The following represents the average income<sup>44</sup> of applicants that purchase newly issued group disability coverage in Massachusetts in 2009.

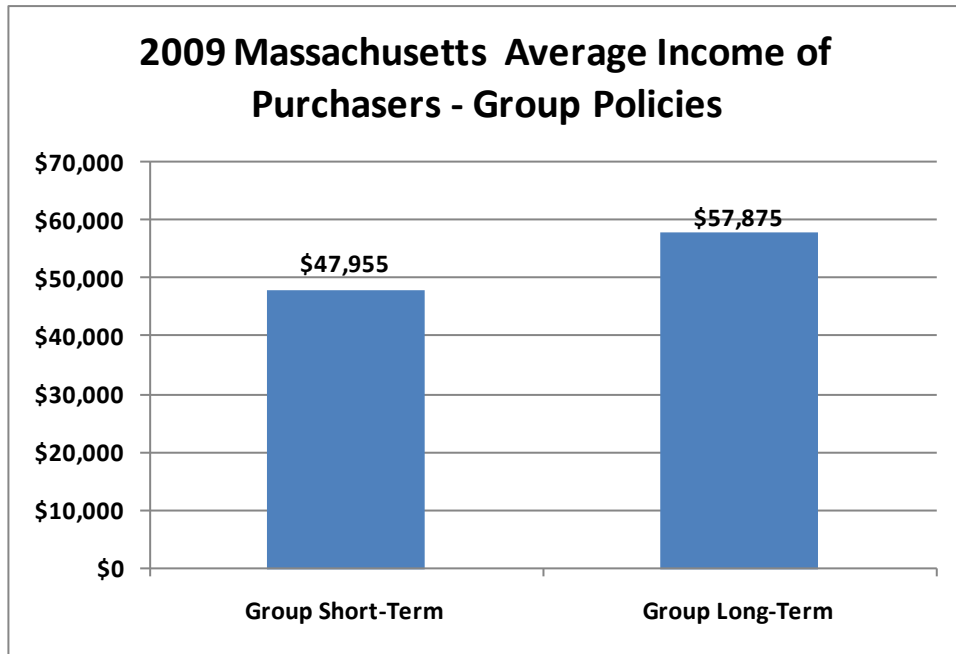


Exhibit 16

On average, those covered in short-term DI policies have a lower average income than those covered under long-term DI policies.

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<sup>44</sup> This question on the survey requested the earnings of the applicants. In some cases it is possible that a carrier reported covered earnings, rather than overall earnings.