

IV. COVERAGE IN INDIVIDUAL PLANS

This section describes those who buy DI coverage on an individual basis and the features of the coverage that they purchased. In general, those buying coverage on an individual basis tend to (1) be older, (2) buy richer plans, and (3) pay higher premiums than those buying through groups.

A. Average Age of Individual DI Policyholders

For individual DI plans, the average ages of Massachusetts and national policyholders are similar.

- The average age of Massachusetts persons with short-term⁹ DI plans was **44.2** in 2007¹⁰ and 2009¹¹. The average age of Massachusetts DI policyholders in long-term plans was **49.5** in 2007¹² and **50.0** in 2009¹³.
- Nationally, the average age of DI policyholders in short-term plans was **43.9** in 2007¹⁴ and **44.8** in 2009¹⁵. The average age of national DI policyholders in long-term plans was **47.1** in 2007¹⁶ and **47.3** in 2009¹⁷.

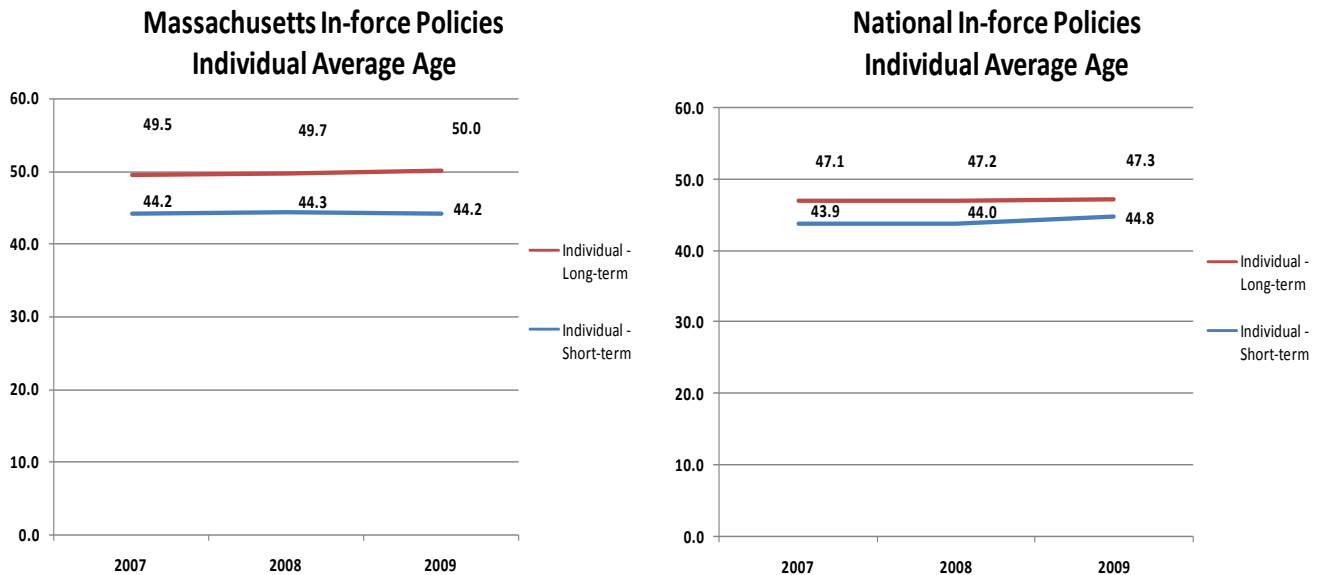


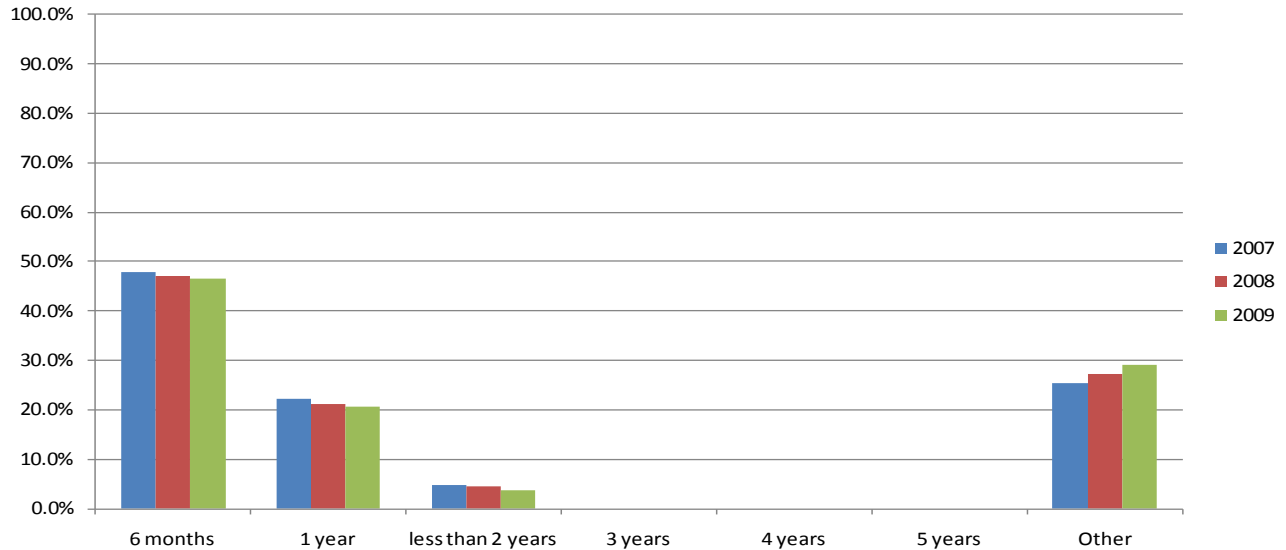
Exhibit 5

- 9 For the purposes of this report, short-term DI policies represent those policies that have been marketed as covering less than two years of DI benefits. Long-term DI policies represent those policies that have been marketed as coverage of two or more years of DI benefits.
- 10 All but five of the thirty-one DI companies could provide relevant information; the remaining five companies either were no longer offering coverage in Massachusetts in 2007 or provided insufficient/incomplete information and were not included in the summary statistics.
- 11 All but five of the thirty-one companies could provide relevant information; the remaining five companies either were no longer offering coverage in Massachusetts in 2009 or provided incomplete information and were not included in the summary statistics.
- 12 All but four of the forty-four companies could provide relevant information; the remaining four companies either were no longer offering coverage in Massachusetts in 2007 or provided incomplete information and were not included in the summary statistics.
- 13 All but four of the forty-four companies could provide relevant information; the remaining four companies either were no longer offering coverage in Massachusetts in 2009 or provided incomplete information and were not included in the summary statistics.
- 14 All but two of the thirty-one companies could provide relevant information; the remaining two companies either were no longer offering coverage nationally in 2007 or provided incomplete information and were not included in the summary statistics.
- 15 All but three of the thirty-one companies could provide relevant information; the remaining three companies either were no longer offering coverage Nationally in 2009 or provided incomplete information and were not included in the summary statistics.
- 16 All but four of the forty-four companies could provide relevant information; the remaining four companies either were no longer offering coverage Nationally in 2007 or provided incomplete information and were not included in the summary statistics.
- 17 All but four of the forty-four companies could provide relevant information; the remaining four 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

When policyholders apply for coverage, they choose how long the benefits under the plan will apply after they meet eligibility and waiting period rules. The following represents companies' commonly sold maximum benefit periods in Massachusetts for short-term^{18,19} and long-term^{20,21} disability plans:

Benefit Periods - Individual Short-Term



Benefit Periods - Individual Long-Term

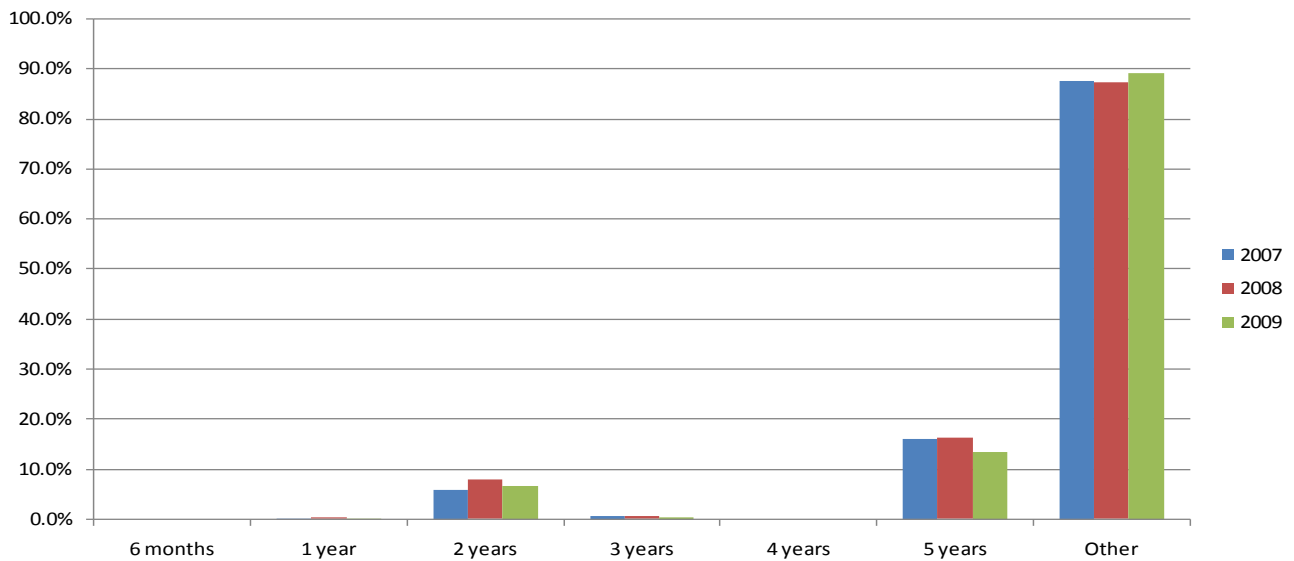


Exhibit 6

18 Twenty-three 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.

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

20 Twenty-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.

21 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

When policyholders apply for coverage, they 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, 50.8%²² of individual long-term disability policies initially issued in 2009 included inflation protection.
- Nationally, 44.5%²³ of individual long-term disability policies initially issued in 2009 included inflation protection.

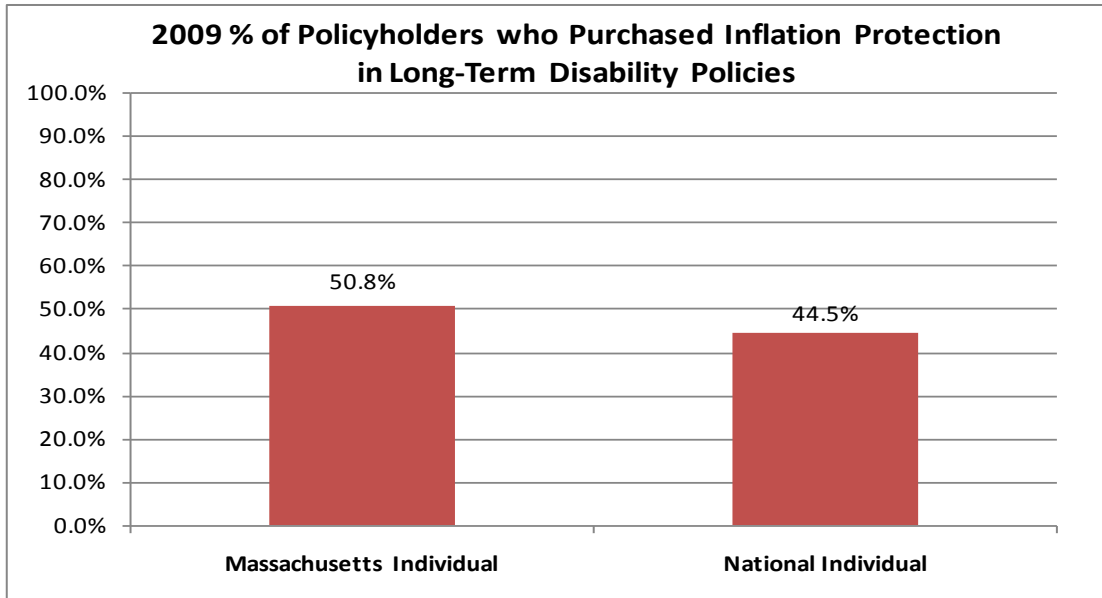


Exhibit 7

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

MA	National	
2.9%	2.3%	of new insureds purchased protection based on 3% simple interest rate;
0.0%	0.0%	of new insureds purchased protection based on 5% simple interest rate;
0.0%	0.0%	of new insureds purchased protection based on 10% simple interest rate;
20.5%	20.9%	of new insureds purchased protection based on the consumer price index;
16.3%	11.2%	of new insureds purchased protection based on 3% compound interest rate;
0.7%	0.9%	of new insureds purchased protection based on 5% compound interest rate;
0.0%	0.3%	of new insureds purchased protection based on 10% compound interest rate;
5.1%	5.5%	of new insureds purchased protection based on a guaranteed future purchase option;
5.3%	3.4%	of new insureds purchased protection based on some other basis; and
49.2%	55.5%	of new insureds did not purchase any inflation protection.

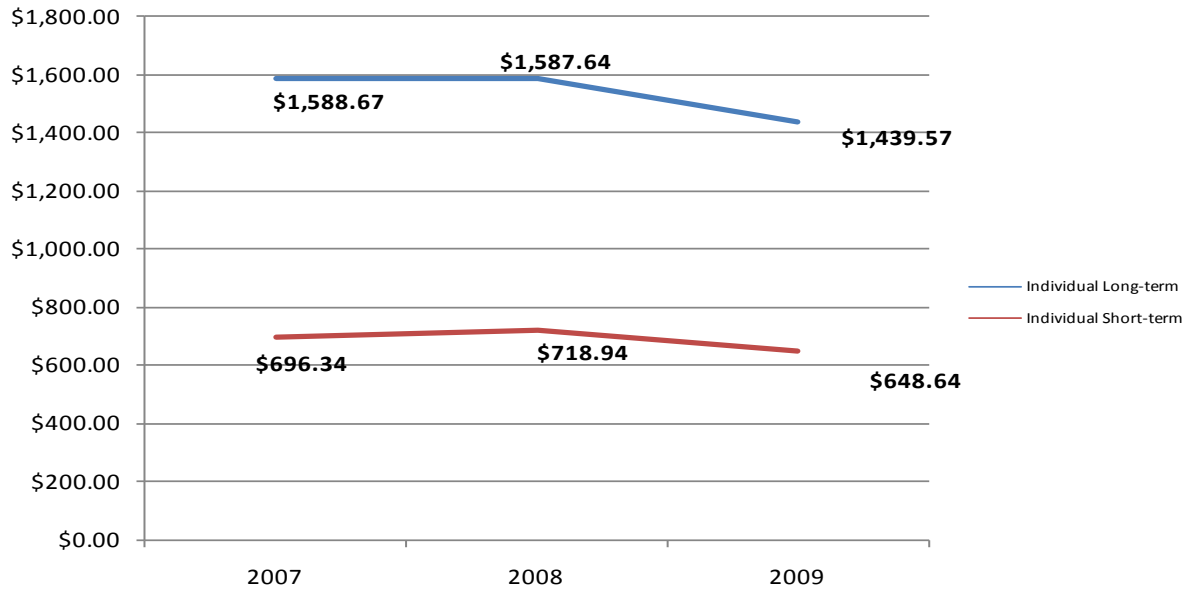
²² Twenty-one companies could provide relevant information; the remaining companies were either no longer offering coverage in Massachusetts, or provided incomplete information and were not included in the summary statistic.

²³ Twenty-one 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 policyholder's premiums vary based upon the age of the individual when the policy is first bought and the level of benefits (*i.e.*, lifetime maximum benefit period, inflation protection, benefit amounts, etc.) included in the coverage. Massachusetts annual premiums are higher than those of national plans for both short-term²⁴ and long-term²⁵ disability plans.

Massachusetts Average Premium - Individual



National Average Premium - Individual

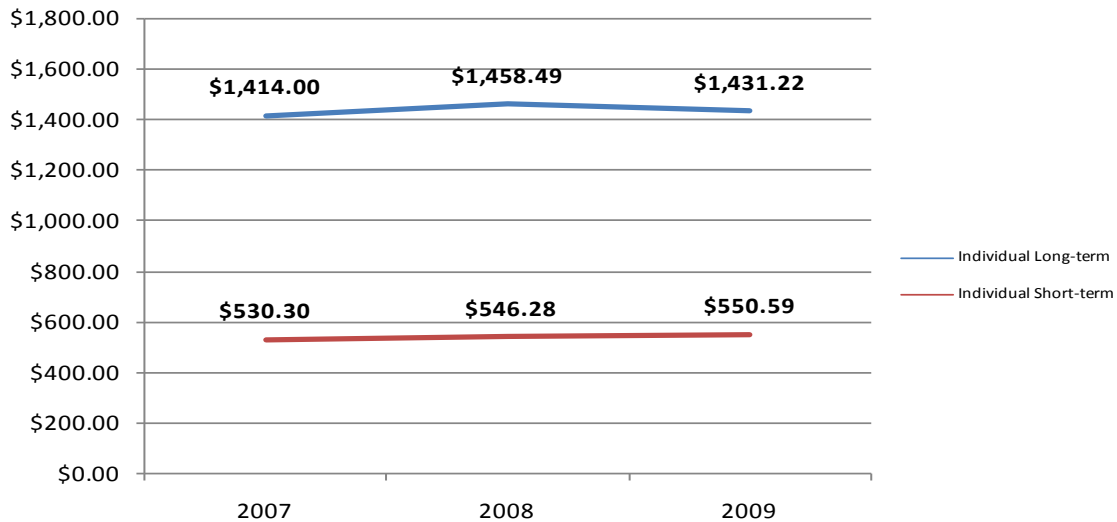


Exhibit 8

24 Twenty-two 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.

25 Twenty 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.

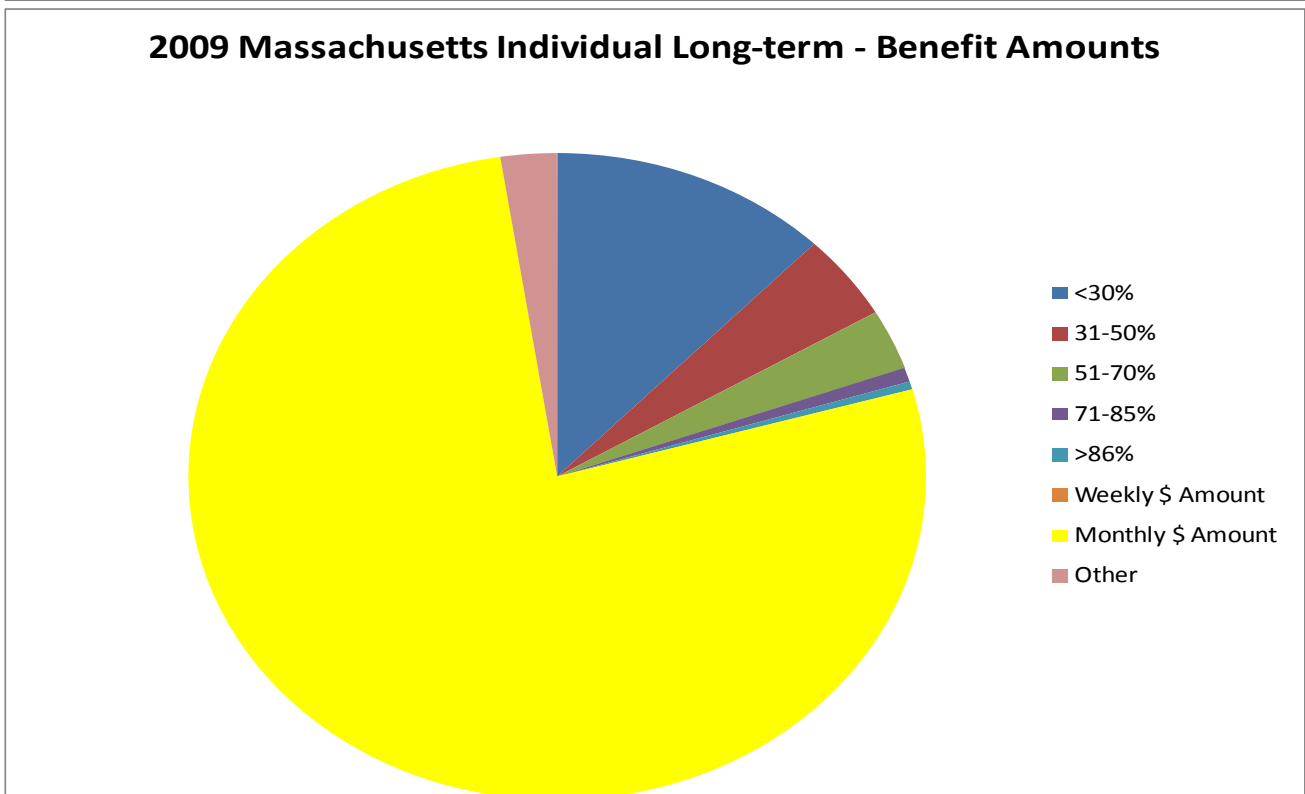
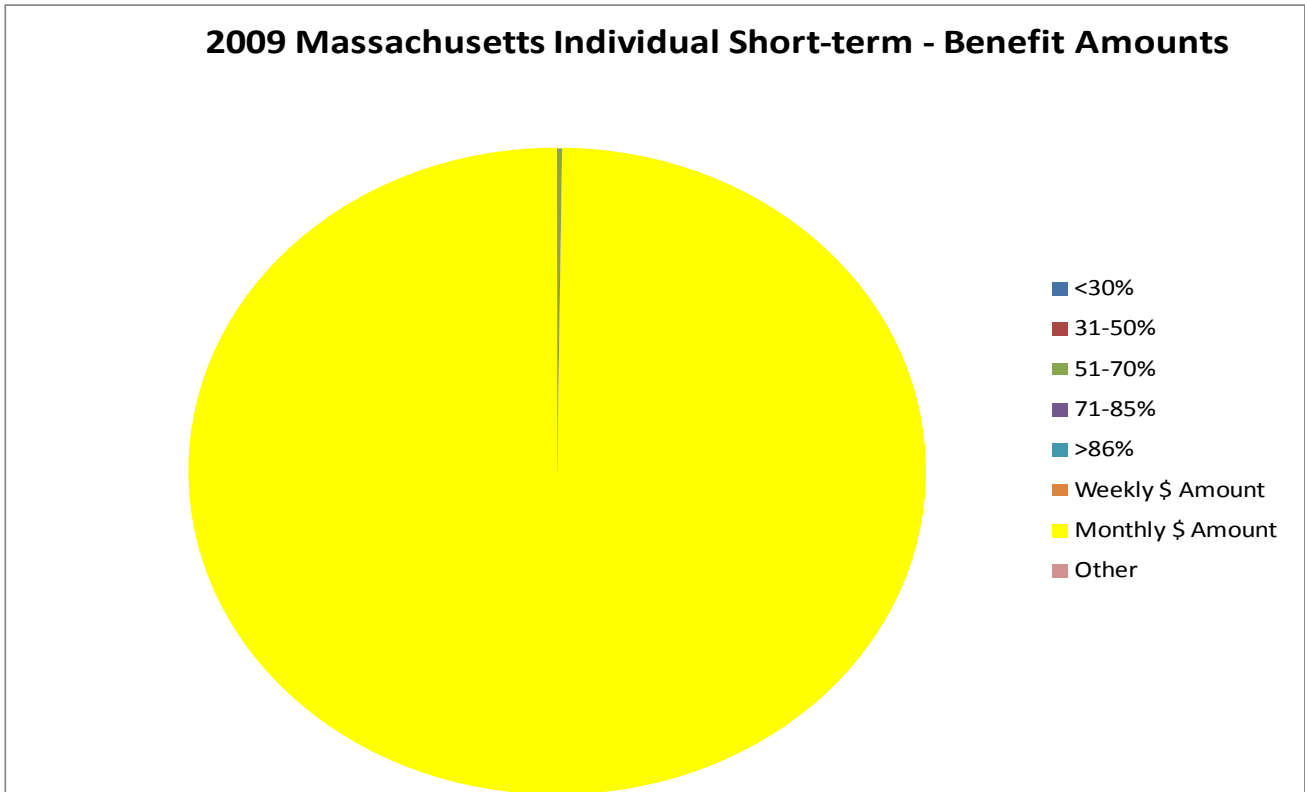
Among individual disability plans initially issued during 2009 in Massachusetts, carriers used the following restrictions on rate changes:

<u>Short-term</u>	<u>Long-term</u>	
8	32	Number of companies that offer non-cancelable ²⁶ policies;
4	8	Number of companies whose policies had a limited rate guarantee;
1	4	Number of companies whose policies used attained age;
0	0	Number of companies that had restrictions on the magnitude of allowable increases (such as flex bands); and
7	12	Number of companies that used some other restriction.

²⁶ 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 individual disability plans initially issued during 2009 in Massachusetts.



F. Average Income

The following represents the average income of applicants that purchase newly issued individual disability coverage in Massachusetts in 2009.

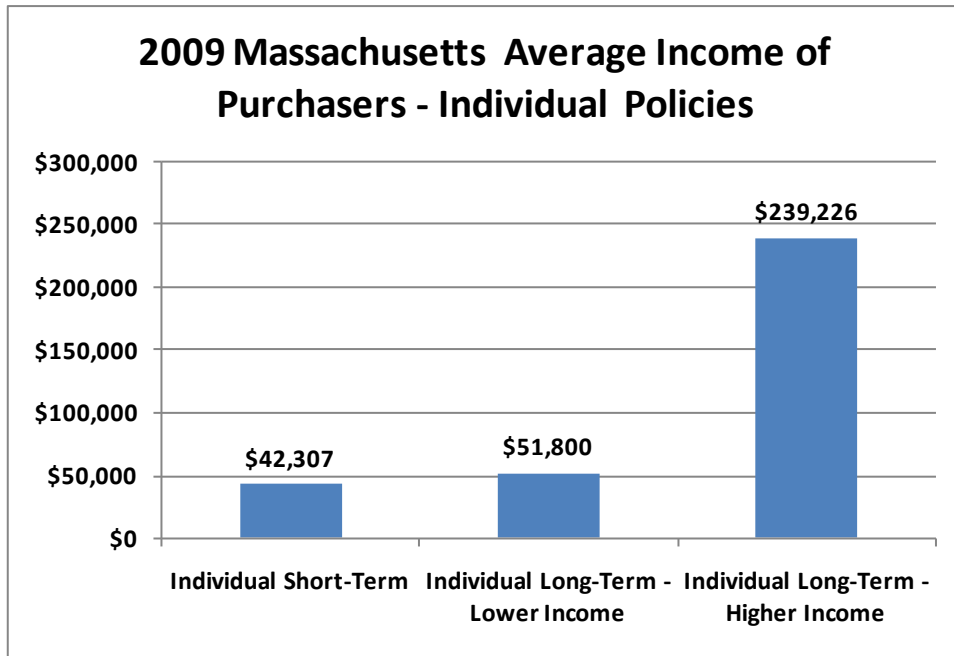


Exhibit 10

On average, those covered in short-term DI coverage have a lower average income than those covered under long-term DI coverage. In addition, for long-term DI coverage, four carriers appear to offer the product to lower income individuals and five carriers appear to offer the product to higher income individuals.