

VII. MARKETING PRACTICES

All DI carriers that are operating in Massachusetts are required to comply with all relevant marketing and advertising requirements of the Massachusetts law and regulation.⁵⁸

A. *Time in Market*⁵⁹

A majority of the carriers indicate they have been marketing DI for more than twenty years. Companies in both the group and individual markets, started marketing DI as follows:

INDIVIDUAL MARKET – SHORT-TERM

<u>Date</u>	<u>Companies</u>
Pre - 1986	15
1986 - 1989	1
1990 - 1992	1
1993 - 1996	5
1997 - 2000	2
2001 - 2008	5

GROUP MARKET – SHORT-TERM

<u>Date</u>	<u>Companies</u>
Pre - 1986	18
1986 - 1989	3
1990 - 1992	4
1993 - 1996	5
1997 - 2000	7
2001 - 2008	6

INDIVIDUAL MARKET – LONG-TERM

<u>Date</u>	<u>Companies</u>
Pre - 1986	35
1986 - 1989	0
1990 - 1992	2
1993 - 1996	0
1997 - 2000	2
2001 - 2008	1

GROUP MARKET – LONG-TERM

<u>Date</u>	<u>Companies</u>
Pre - 1986	23
1986 - 1989	2
1990 - 1992	3
1993 - 1996	4
1997 - 2000	5
2001 - 2008	4

B. *States Where Marketed*

Most of the companies marketing disability income insurance in Massachusetts offer in many other states as well. The following chart illustrates how many states each company operates within:

Individual		Group		
<u>Short-term</u>	<u>Long-term</u>	<u>Short-term</u>	<u>Long-term</u>	
12	16	25	26	Number of companies writing DI in all 50 states;
12	7	12	7	Number of companies writing DI in 40-49 states;
0	1	1	1	Number of companies writing DI in 26-39 states;
1	1	3	3	Number of companies writing DI in 11-25 states; and
8	19	6	10	Number of companies writing DI in 0-10 states.

⁵⁸ 211 CMR 40.00 (“Marketing of Insured Health Plans”) outlines required standards that apply to the marketing of insured accident and sickness plans. Carriers are also subject to the requirements of M.G.L. c. 176D where appropriate.

⁵⁹ Information is based on the earliest date that a carrier initially began marketing nationally or in Massachusetts.

C. Methods of Marketing Products

Among those marketing individual DI policies in 2009, companies used the following sales channels:

Short-term	Long-term	
2	7	Number using captive agents for 100% of marketing;
0	0	Number using direct marketing for 100% of marketing;
17	5	Number using producers for 100% of marketing;
0	0	Number using associations to market product;
4	8	Number using combination of captive agents, direct marketing, and producers.

Among those marketing group DI policies in 2009, companies used the following sales channels:

Short-term	Long-term	
2	3	Number using captive agents for 100% of marketing;
0	1	Number using direct marketing for 100% of marketing;
22	17	Number using producers for 100% of marketing;
4	4	Number using associations to market products;
9	8	Number using combination of captive agents, direct marketing, and producers.

D. Commission Levels

According to responding companies, 2009 initial commissions for Massachusetts individual⁶⁰ plans ranged from 10% - 90% of premium and for group⁶¹ DI plans ranged from 0% - 60%⁶² of premium. Please note that the commissions for group DI plans includes worksite-based plans where the employee pays the entire premium.

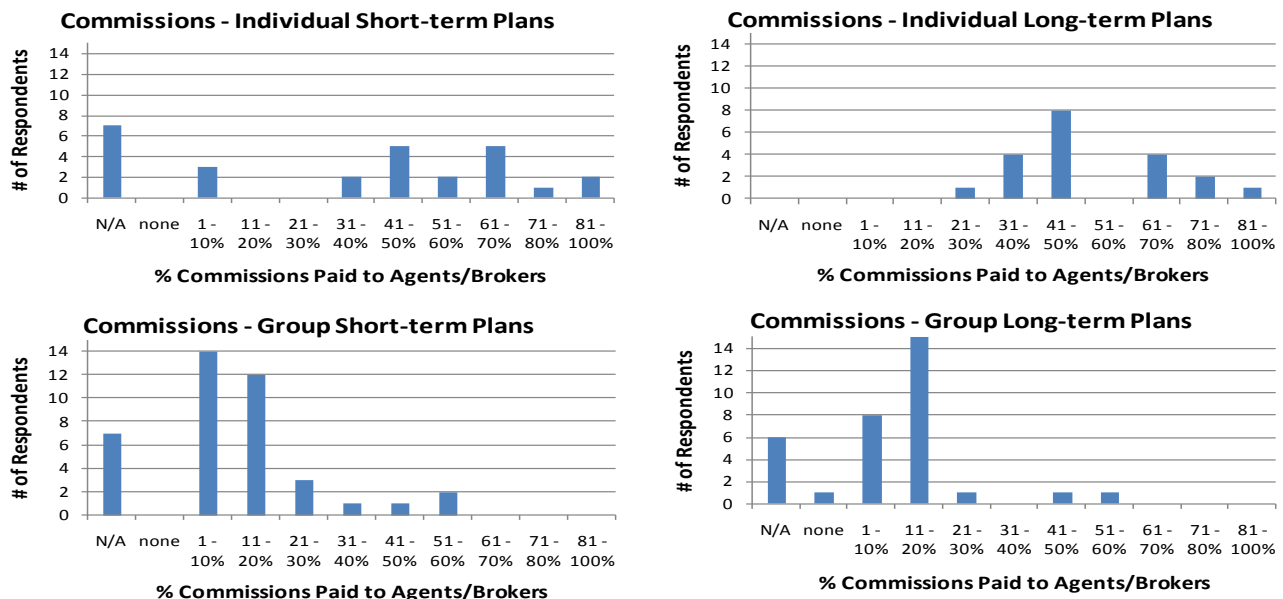


Exhibit 25

60 Twenty companies responded to this question; the remaining companies were no longer offering coverage in Massachusetts in 2009.
 61 Thirty-three companies responded about commissions; nonrespondents were no longer offering coverage in Massachusetts in 2009.
 62 One carrier writing group coverage indicated that the initial commission is 0% due to all policies being sold through direct sales that are made by salaried full-time staff who do not receive a commission.

E. Group Products

Group Plan Designs

In Massachusetts, group DI plans are not subject to state laws or regulations requiring that filings be submitted for review by the Division prior to use in Massachusetts.

Offering Coverage Through Employers

Of the companies offering group disability income insurance, all but six of the companies offer coverage only through employment-based plans for short-term plans⁶³, and all but eight of the companies offer coverage only through employment-based plans for long-term plans⁶⁴. Among the employment-sponsored plans, the group DI companies report that employers/unions have the following methods of paying the premium:

- Ten companies reported that the employee pays all of the premium for short-term plans, and three companies reported that the employee pays all of the premium for long-term plans;
- Three companies reported that the employer/union pays all of the premium for short-term plans, and four companies reported that the employer/union pays all of the premium for long-term plans; and
- Sixteen companies reported that their short-term plans are structured in various ways so that (1) the employee pays the entire premium; (2) the employer/union pays the entire premium, or (3) a premium sharing arrangement exists, and fourteen companies reported that their long-term plans are structured in various ways so that (1) the employee pays the entire premium; (2) the employer/union pays the entire premium, or (3) a premium sharing arrangement exists.
- For short-term plans, seven of the thirty-eight companies have a group conversion option for individuals when they leave the group. For long-term plans, thirteen of the thirty-four companies have a group conversion option for individuals when they leave the group.

⁶³ Thirty-eight companies responded to this question; the remaining companies did not sell any group plans in 2009.

⁶⁴ Thirty-four companies responded to this question; the remaining companies did not sell any group plans in 2009.