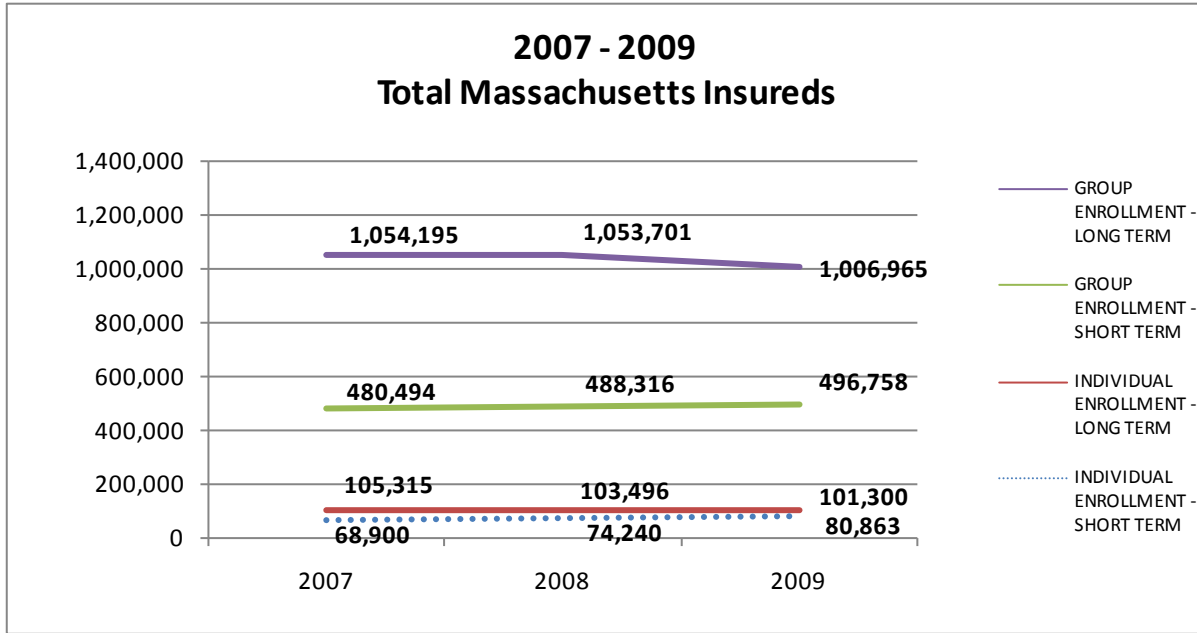


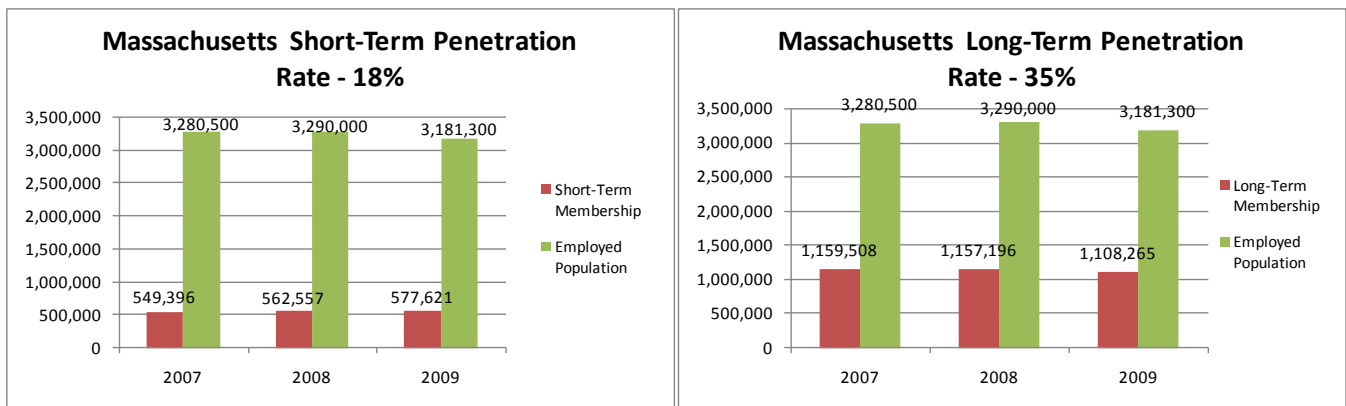
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## I. EXECUTIVE SUMMARY

A. As of December 31, 2009, there were 1.686 million Massachusetts<sup>1</sup> disability income (“DI”) policies in-force; this is a slight decline from the 1.709 million in force as of December 31, 2007. Eighty-nine (89) percent of 2009 DI policies were written through employment groups. Thirty-four (34) percent of 2009 DI policies were short-term plans providing benefits for less than two years.



In 2009, 18% of working<sup>2</sup> adults in Massachusetts had short-term DI coverage and 35% had long-term DI coverage purchased either individually or through their employment.



<sup>1</sup> A “Massachusetts” DI policy is a policy written to a Massachusetts resident.

<sup>2</sup> Figures for “employed population” received from the Bureau of Labor Statistics.

## B. Summary of Massachusetts Covered Lives

| <b>Number of Insureds</b>   | <b><u>2007</u></b> | <b><u>2008</u></b> | <b><u>2009</u></b> |
|---|--------------------|--------------------|--------------------|
| <i>Individual Market<sup>3</sup> – Short-term<sup>4</sup></i>               | 68,902             | 74,241             | 80,863             |
| <i>Individual Market – Long-term<sup>5</sup></i>                            | <u>105,313</u>     | <u>103,495</u>     | <u>101,300</u>     |
| <i>Subtotal of Individual Policies</i>                                      | <i>174, 215</i>    | <i>175,736</i>     | <i>182,163</i>     |
| <br>  |                    |                    |                    |
| <i>Group<sup>6</sup> Market – Short-term</i>                                | 480,494            | 488,316            | 496,758            |
| <i>Group Market – Long-term</i>   | <u>1,054,195</u>   | <u>1,053,701</u>   | <u>1,006,965</u>   |
| <i>Subtotal of Group Policies</i>   | <u>1,535,689</u>   | <u>1,542,017</u>   | <u>1,503,723</u>   |
| <i>Total</i>  | 1,708,904          | 1,719,753          | 1,685,886          |
| <br>  |                    |                    |                    |
| <b>Average Annual Premium for Plans Sold in Particular Year<sup>7</sup></b> | <b><u>2007</u></b> | <b><u>2008</u></b> | <b><u>2009</u></b> |
| <i>Individual Market – Short-term</i>                                       | \$696              | \$719              | \$649              |
| <i>Individual Market – Long-term</i>  | \$1,589            | \$1,588            | \$1,440            |
| <i>Group Market – Short-term</i>  | \$276              | \$267              | \$278              |
| <i>Group Market – Long-term</i>   | \$237              | \$271              | \$243              |
| <br>  |                    |                    |                    |
| <b>Average Age of Massachusetts Insureds</b>                                | <b><u>2007</u></b> | <b><u>2008</u></b> | <b><u>2009</u></b> |
| <i>Individual Market – Short-term</i>                                       | 44.2               | 44.3               | 44.2               |
| <i>Individual Market – Long-term</i>  | 49.5               | 49.7               | 50.0               |
| <i>Group Market – Short-term</i>  | 43.2               | 43.2               | 43.5               |
| <i>Group Market – Long-term</i>   | 43.3               | 44.2               | 44.3               |
| <br>  |                    |                    |                    |
| <b>Percent Purchasing Inflation Benefit in Massachusetts</b>                |                    |                    | <b><u>2009</u></b> |
| <i>Individual Market – Long-term</i>  |                    |                    | 50.8%              |
| <i>Group Market – Long-term</i>   |                    |                    | 8.1%               |

### Individually Written Plans

- The number of individuals holding short-term DI coverage *increased* by 11,961 (17.4%) from 68,902 in 2007 to 80,863 in 2009. The number of individuals holding long-term DI coverage *decreased* by 4,013 (3.8%) from 105,313 in 2007 to 101,300 in 2009.
- The average age of short-term policyholders was 44.2 both in 2007 and 2009. The average age of long-term policyholders *increased* from 49.5 in 2007 to 50.0 in 2009.

3 In this report, the term “individual” refers both to policies written by a disability income (“DI”) insurance company to an individual policyholder, and coverage written to an individual certificateholder through a non-employment based group association or group trust.

4 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.

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

6 In this report, the term “group” refers to policies written by a disability income (“DI”) insurance company through an employment-based group.

7 Average annual premiums in the “group” market represent the total annual premium, and therefore includes both the employer and employee contribution.

- The average annual short-term DI premium *decreased* from \$696 in 2007 to \$649 in 2009. The average annual long-term DI premium *decreased* from \$1,589 in 2007 to \$1,440 in 2009.
- Almost 51% of long-term DI policies bought in 2009 included some type of inflation protection.

#### Group Coverage Written Through Employment-Based Plans

- The number of certificateholders that had short-term DI employer group coverage *increased* by 16,264 (3.4%) from 480,494 in 2007 to 496,758 in 2009. The number of certificateholders that had long-term DI employer group coverage *decreased* by 47,230 (4.5%) from 1,054,195 in 2007 to 1,006,965 in 2009.
- The average age of short-term certificateholders *rose* from 43.2 in 2007 to 43.5 in 2009. The average age of long-term certificateholders *rose* from 43.3 in 2007 to 44.3 in 2009.
- The average annual short-term DI premium *increased* from \$276 in 2007 to \$278 in 2009. The average annual long-term DI premium *increased* from \$237 in 2007 to \$243 in 2009.
- Only 8% of long-term DI coverage bought in 2009 included some type of inflation protection.