

III. GENERAL INFORMATION

A. Time in Market ⁶

On average, a majority of the companies indicate they have been marketing long-term care insurance for more than ten years; however, a significant number of new companies began offering individual coverage after 1997. Companies in both the group and individual markets, started marketing long-term care insurance as follows:

GROUP MARKET

<u>Date</u>	<u>Companies</u>
Pre - 1986	1
1986 - 1989	10
1990 - 1992	3
1993 - 1996	0
1997 – 2000	1
2001 - 2004	0

INDIVIDUAL MARKET

<u>Date</u>	<u>Companies</u>
Pre - 1986	5
1986 - 1989	10
1990 - 1992	8
1993 - 1996	2
1997 – 2000	11
2001 - 2004	1

⁶

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

B. Number of Insureds and Premium Data

National⁷

According to the companies responding, as of December 31, 2004, **5,272,878** persons nationally held either individual or group long-term care insurance plans issued by those companies who had Massachusetts insureds and responded to the survey (see Exhibit 1); the number of insureds increased at an average annual rate of **9.3%** from 2001 to 2004. Companies report long-term care plans (group and individual) generated over **\$6.9** billion in premium revenue in 2004; premium revenue increased at an average annual rate of **12.7%** from 2001 to 2004.

Regarding national group business, **1,630,038** persons held group long-term care insurance plans issued by those companies who had Massachusetts insureds and responded to the group survey; the number of insureds increased **13.0%** on an annual average basis from 2001 to 2004. Companies reported group plans generated over **\$911** million in premium revenue in 2004; this revenue increased at an average annual rate of **11.6%** from 2001 to 2004.

Regarding national individual business, **3,642,840** million persons held individual long-term care insurance plans issued by those companies who had Massachusetts insureds and responded to the individual survey; the number of insureds increased **7.8%** on an annual average basis from 2001 to 2004. Companies report that individual plans generated over **\$6** billion in premium revenue in 2004; premium revenue increased at an average annual rate of **12.9%** from 2001 to 2004.

Massachusetts⁸

As of December 31, 2004, **136,287** persons in Massachusetts held either individual or group long-term care insurance plans issued by those companies who had Massachusetts insureds and responded to the survey (see Exhibit 2); this is approximately **2.6%** of the total sold nationally. In Massachusetts, the number of plans increased by an average annual rate of **10%** from 2001 to 2004. Companies report that long-term care insurance plans (group and individual) generated over **\$211** million in premium revenue in 2004; premium revenue increased at an average annual rate of **14.2%** from 2001 to 2004.

Regarding Massachusetts-based group business, **46,538** persons held group long-term care insurance plans issued by those companies who had Massachusetts insureds and responded to the survey; the number of insureds increased **7.3%** on an annual average basis from 2001 to 2004. Companies reported that long-term care insurance plans generated over **\$36.7** million in premium revenue in 2004; premium revenue increased at an average annual rate of **10.5%** from 2001 to 2004.

⁷ All of the forty companies could respond to this question. National membership statistics represent carriers that participated in the 2001 survey but no longer actively market products in Massachusetts, as well as carriers currently marketing products as of December 31, 2004.

⁸ All of the forty companies could respond to this question. Massachusetts membership statistics represents carriers that participated in the 2001 survey but no longer actively market products in Massachusetts, as well as carriers currently marketing products as of December 31, 2004.

Regarding Massachusetts-based individual business, **89,749** persons held individual long-term care insurance plans issued by Massachusetts licensed companies responding to the survey; the number of insureds increased **11.7%** on an annual average basis between 2001 and 2004. Companies reported that long-term care insurance plans generated over **\$174** million in premium revenue in 2004; premium revenue increased by an annual rate of **15.1%** from 2001 to 2004.

EXHIBIT 1

LONG-TERM CARE INSURANCE

MARKET OVERVIEW - NATIONAL

TOTAL IN FORCE PLANS

December 31	2001	2002	2003	2004
# of Plans	4,043,347	4,615,702	5,023,267	5,272,878
% increase		14.2%	8.8%	5.0%
\$ Revenue	\$4,855,682,697	\$5,632,184,443	\$6,413,830,880	\$6,949,850,273
% increase		16.0%	13.9%	8.4%

IN FORCE GROUP PLANS

December 31	2001	2002	2003	2004
# of Plans	1,135,353	1,389,338	1,516,824	1,630,038
% increase		22.4%	9.2%	7.5%
\$ Revenue	\$655,515,624	\$733,492,618	\$830,253,768	\$911,660,892
% increase		11.9%	13.2%	9.8%

IN FORCE INDIVIDUAL PLANS

December 31	2001	2002	2003	2004
# of Plans	2,907,994	3,226,364	3,506,443	3,642,840
% increase		10.9%	8.7%	3.9%
\$ Revenue	\$4,200,167,073	\$4,898,691,825	\$5,583,577,112	\$6,038,189,381
% increase		16.6%	14.0%	8.1%

NOTE: Totals are taken from survey data reported by those long-term care insurers with Massachusetts insureds. Data from companies that do not have Massachusetts insureds are not reflected in totals.

EXHIBIT 2

LONG-TERM CARE INSURANCE

MARKET OVERVIEW – MASSACHUSETTS

TOTAL IN FORCE PLANS

December 31	2001	2002	2003	2004
# of Plans	102,340	114,802	124,013	136,287
% increase		12.2%	8.0%	9.9%
\$ Revenue	\$142,199,021	\$169,426,749	\$190,390,949	\$211,634,116
% increase		19.1%	12.4%	11.2%

IN FORCE GROUP PLANS

December 31	2001	2002	2003	2004
# of Plans	37,821	39,234	40,647	46,538
% increase		3.7%	3.6%	14.5%
\$ Revenue	\$27,301,841	\$31,403,544	\$34,059,580	\$36,791,058
% increase		15.0%	8.5%	8.0%

IN FORCE INDIVIDUAL PLANS

December 31	2001	2002	2003	2004
# of Plans	64,519	75,568	83,366	89,749
% increase		17.1%	10.3%	7.7%
\$ Revenue	\$114,897,180	\$138,023,206	\$156,331,370	\$174,843,059
% increase		20.1%	13.3%	11.8%

NOTE: Totals are taken from survey data reported by those long-term care insurers with Massachusetts insureds.

C. Number of Insureds Who Purchased a Federally Tax-Qualified Plan

National
2001⁹

According to the companies responding to the question about federally tax-qualified plans for 2001, **92.2%** of their new long-term care insurance insureds purchased these plans in 2001.

In the national group market, **97.9%** of new insureds purchased federally tax-qualified plans; in the national individual market, **90.6%** of new insureds purchased these plans in 2001.

2004¹⁰

According to the companies responding to the question about federally tax-qualified plans for 2004, **95.8%** of their new long-term care insurance insureds purchased these plans in 2004.

In the national group market, **94.3%** of new insureds purchased federally tax-qualified plans; in the national individual market, **96.9%** of new insureds purchased these plans in 2004.

Massachusetts
2001¹¹

According to the companies who could responding to the question about federally tax-qualified plans for 2001, **94.7%** of their new long-term care insurance insureds purchased these plans in 2001.

In the Massachusetts group market, **98.9%** of new insureds purchased federally tax-qualified plans; in the Massachusetts individual market, **91.9%** of new insureds purchased these plans in 2001.

2004¹²

According to the companies responding to the question about federally tax-qualified plans for 2004, **96.0%** of their new long-term care insurance insureds purchased these plans in 2004.

In the Massachusetts group market, **90.7%** of new insureds purchased federally tax-qualified plans; in the Massachusetts individual market, **99.7%** of new insureds purchased these plans in 2004.

⁹ Twenty-nine companies could respond to this question; the remaining companies either were no longer offering coverage nationally in 2001 or they provided insufficient information and their data were not included in the summary statistics.

¹⁰ Thirty-three companies could respond to this question; the remaining companies either were no longer offering coverage nationally in 2004 or they provided insufficient information and their data were not included in the summary statistics.

¹¹ Thirty companies could respond to this question; the remaining companies either were no longer offering coverage in Massachusetts in 2001 or they provided insufficient information and their data were not included in the summary statistics.

¹² Twenty-seven companies could respond to this question; the remaining companies either were no longer offering coverage in Massachusetts in 2004 or they provided insufficient information and their data were not included in the summary statistics.

EXHIBIT 3

LONG-TERM CARE INSURANCE

PLANS ISSUED IN CALENDAR YEAR 2001 AND 2004 INTENDED TO QUALIFY AS A FEDERALLY TAX-QUALIFIED PLAN – NATIONAL

NEW TOTAL PLANS

December 31	2001	2004
# of Plans Issued In that Year	620,970	527,577
# of Plans Federally Tax-Qualified	576,807	505,489
% Federally Tax-Qualified	92.9%	95.8%

NEW GROUP PLANS

December 31	2001	2004
# of Plans Issued In that Year	194,783	224,748
# of Plans Federally Tax-Qualified	190,771	212,007
% Federally Tax-Qualified	97.9%	94.3%

NEW INDIVIDUAL PLANS

December 31	2001	2004
# of Plans Issued In that Year	426,187	302,829
# of Plans Federally Tax-Qualified	386,036	293,482
% Federally Tax-Qualified	90.6%	96.9%

NOTE: Totals are taken from survey data reported by those long-term care insurers with Massachusetts insureds. Data from companies that do not have Massachusetts insureds are not reflected in totals.

EXHIBIT 4

LONG-TERM CARE INSURANCE

PLANS ISSUED IN CALENDAR YEAR 2001 AND 2004 INTENDED TO QUALIFY AS A FEDERALLY TAX-QUALIFIED PLAN – MASSACHUSETTS

TOTAL PLANS

December 31	2001	2004
# of Plans Issued In that Year	19,629	15,944
# of Plans Federally Tax-Qualified	18,597	15,309
% Federally Tax-Qualified	94.7%	96.0%

GROUP PLANS

December 31	2001	2004
# of Plans Issued In that Year	7,954	6,581
# of Plans Federally Tax-Qualified	7,867	5,970
% Federally Tax-Qualified	98.9%	90.7%

INDIVIDUAL PLANS

December 31	2001	2004
# of Plans Issued In that Year	11,625	9,363
# of Plans Federally Tax-Qualified	10,730	9,339
% Federally Tax-Qualified	91.9%	99.7%

NOTE: Totals are taken from survey data reported by those long-term care insurers with Massachusetts insureds.

D. Number of Insureds Who Purchased a Plan Intended to Qualify for Certain MassHealth Exemptions

Massachusetts

2001¹³

According to the companies responding to the question about MassHealth exemptions for 2001, **59.8%** of their new long-term care insurance insureds in 2001 purchased plans intended to qualify for certain MassHealth exemptions.

In the Massachusetts group market, **28.2%** of new insureds in 2001 purchased plans intended to qualify for certain MassHealth exemptions; in the Massachusetts individual market, **79.7%** of new insureds in 2001 purchased plans intended to qualify for certain MassHealth exemptions.

2004¹⁴

According to the companies responding to the question about MassHealth exemptions for 2004, **64.6%** of their new long-term care insurance insureds in 2004 purchased plans intended to qualify for certain MassHealth exemptions.

In the Massachusetts group market, **31.5%** of new insureds in 2004 purchased plans intended to qualify for certain MassHealth exemptions; in the Massachusetts individual market, **94.8%** of new insureds in 2004 purchased plans intended to qualify for certain MassHealth exemptions.

¹³ Thirty companies could respond to this question; the remaining companies either were no longer offering coverage in Massachusetts in 2001 or they provided insufficient information and their data were not included in the summary statistics.

¹⁴ Twenty-eight companies could respond to this question; the remaining companies either were no longer offering coverage in Massachusetts in 2004 or they provided insufficient information and their data were not included in the summary statistics.

EXHIBIT 5

LONG-TERM CARE INSURANCE

PLANS ISSUED IN CALENDAR YEAR 2001 AND 2004 INTENDED TO QUALIFY FOR CERTAIN MASSHEALTH EXEMPTIONS – MASSACHUSETTS

TOTAL PLANS

December 31	2001	2004
# of Plans Issued	18,201	13,813
# of Plans Intended to Qualify	10,886	8,733
% of Plans Intended to Qualify	59.8%	64.6%

GROUP PLANS

December 31	2001	2004
# of Plans Issued	7,015	6,581
# of Plans Intended to Qualify	1,976	2,072
% of Plans Intended to Qualify	28.2%	31.5%

INDIVIDUAL PLANS

December 31	2001	2004
# of Plans Issued	11,186	7,232
# of Plans Intended to Qualify	8,910	6,857
% of Plans Intended to Qualify	79.7%	94.8%

NOTE: Totals are taken from survey data reported by those long-term care insurers with Massachusetts insureds.

E. Age of Insureds

National

2001¹⁵

According to the companies responding to the question regarding insured age, among all persons who purchased long-term care insurance plans nationally, the average insured's age was **60.1** years of age. In the 2001 group market, the average insured's age was **49.3** years of age. In the 2001 individual market, the average insured's age was **64.9** years of age.

2004¹⁶

According to the companies responding to the question regarding insured age, among all persons who purchased long-term care insurance plans nationally, the average insured's age was **58.6** years of age. In the 2004 group market, the average insured's age was **49.3** years of age. In the 2004 individual market, the average insured's age was **63.0** years of age.

Massachusetts

2001¹⁷

According to the companies responding to the question regarding insured age, among all persons who purchased long-term care insurance plans in Massachusetts, the average insured's age was **58.7** years of age. In the 2001 group market, the average insured's age from 1994 through 1996 is **49.8** years of age. In the 2001 individual market, the average insured's age was **63.3** years of age.

2004¹⁸

According to the companies responding to the question regarding insured age, among all persons who purchased long-term care insurance plans in Massachusetts, the average insured's age was **57.4** years of age. In the 2004 group market, the average insured's age from 1994 through 1996 is **47.7** years of age. In the 2004 individual market, the average insured's age was **61.9** years of age.

¹⁵ Thirty-four companies could respond to this question; the remaining companies either were no longer offering coverage nationally in 2001 or they provided insufficient information and their data were not included in the summary statistics. Information filed by one National group carrier utilized in the 2002 report was restated for 1998 and 2001 enrollment data for this report.

¹⁶ All but four of the forty companies could respond to this question; the remaining companies either were no longer offering coverage nationally in 2004 or they provided insufficient information and their data were not included in the summary statistics.

¹⁷ Thirty-four companies could respond to this question; the remaining companies either were no longer offering coverage in Massachusetts in 2001 or they provided insufficient information and their data were not included in the summary statistics.

¹⁸ All but five of the forty companies could respond to this question; the remaining companies either were no longer offering coverage in Massachusetts in 2004 or they provided insufficient information and their data were not included in the summary statistics.

EXHIBIT 6

LONG-TERM CARE INSURANCE

AVERAGE AGE OF INSUREDS – NATIONAL

TOTAL PLANS

December 31	1998	2001	2004
Average Age	62.5	60.1	58.6
Increase/Decrease		(2.4)	(1.5)
Median Age	65.2	61.4	60.3

GROUP PLANS

December 31	1998	2001	2004
Average Age	54.9	49.3	49.3
Increase/Decrease		(5.6)	0.0
Median Age	51.5	51.0	53.0

INDIVIDUAL PLANS

December 31	1998	2001	2004
Average Age	68.1	64.9	63.0
Increase/Decrease		(3.2)	(1.9)
Median Age	66.0	62.0	61.1

NOTE: Totals are taken from survey data reported by those long-term care insurers with Massachusetts insureds. Data from companies that do not have Massachusetts insureds are not reflected in totals.

EXHIBIT 7

LONG-TERM CARE INSURANCE

AVERAGE AGE OF INSURED – MASSACHUSETTS

TOTAL PLANS

December 31	1998	2001	2004
Average Age	61.2	58.7	57.4
Increase/Decrease		(2.5)	(1.3)
Median Age	66.5	62.2	61.0

GROUP PLANS

December 31	1998	2001	2004
Average Age	55.5	49.8	47.7
Increase/Decrease		(5.7)	(2.1)
Median Age	57.0	53.0	54.9

INDIVIDUAL PLANS

December 31	1998	2001	2004
Average Age	65.7	63.3	61.9
Increase/Decrease		(2.4)	(1.4)
Median Age	67.0	62.4	61.5

NOTE: Totals are taken from survey data reported by those long-term care insurers with Massachusetts insureds.