

III. GENERAL INFORMATION

A. Time in Market ⁶

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

GROUP MARKET ⁷

<u>Date</u>	<u>Respondents</u>
Pre - 1986	2
1986 - 1989	5
1990 - 1992	0
1993 - 1996	1
1997 - 1999	1
2000	0
2001	0

INDIVIDUAL MARKET

<u>Date</u>	<u>Respondents</u>
Pre - 1986	4
1986 - 1989	6
1990 - 1992	4
1993 - 1996	1
1997 - 1999	8
2000	3
2001	0

⁶ Information is based on the earliest date that a carrier initially began marketing nationally or in Massachusetts.

⁷ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

B. Number of Policyholders and Premium Data

National⁸

As of December 31, 2001, **4,031,296** persons nationally held either individual or group long-term care insurance policies issued by carriers responding to the survey (see Exhibit 1); the number of policyholders increased at an average annual rate of **11.2%** from 1996 to 2001. Respondents report long-term care policies (group and individual) generated over **\$4.8** billion in premium revenue in 2001; premium revenue increased at an average annual rate of **15.0%** from 1996 to 2001.

In the group market, as of December 31, 2001, **1,131,847** persons held group long-term care insurance policies issued by carriers responding to the survey; the number of policyholders increased **12.4%** on average from 1996 to 2001. Respondents report group policies generated over **\$649** million in premium revenue in 2001; premium revenue increased at an average annual rate of **12.4%** from 1996 to 2001.

In the individual market, as of December 31, 2001, **2,899,449** million persons held long-term care insurance policies issued by carriers responding to the survey; the number of policyholders increased **10.7%** from 1996 to 2001. Respondents report that individual policies generated over **\$4.2** billion in premium revenue in 2001; premium revenue increased at an average annual rate of **15.4%** from 1996 to 2001.

Massachusetts⁹

As of December 31, 2001, **102,340** persons in Massachusetts held either individual or group long-term care insurance policies issued by carriers responding to the survey (see Exhibit 2); this is approximately **2.5%** of the total sold nationally. In Massachusetts, the number of policies increased by an average annual rate of **16.1%** from 1996 to 2001. Respondents report that long-term care insurance policies (group and individual) generated over **\$145** million in premium revenue in 2001; premium revenue increased at an average annual rate of **17.9%** from 1996 to 2001.

In the Massachusetts group market, as of December 31, 2001, **37,521** persons held long-term care insurance policies issued by carriers responding to the survey; the number of policyholders increased **11.1%** on average from 1996 to 2001. Respondents reported that long-term care insurance policies generated over **\$26.7** million in premium revenue in 2001; premium revenue increased at an average annual rate of **4.3%** from 1996 and 2001.

⁸ National 1996 membership statistics have been revised since the publication of the 1997 "Report On Long-Term Care Insurance – The Results of a 1996 Survey" based on the Division's inquiries concerning inconsistencies when comparing year-end 1996 membership statistics with year-end 1997 membership statistics reported in the 2001 survey. National membership statistics represent carriers that participated in the 1996 survey but no longer actively market products in Massachusetts, as well as carriers currently marketing products as of December 31, 2001.

⁹ Massachusetts 1996 membership statistics have been revised since the publication of the 1997 "Report On Long-Term Care Insurance The Results of a 1996 Survey" based on the Division's membership inquiries concerning inconsistencies when comparing year-end 1996 membership statistics with year-end 1997 membership statistics reported in the 2001 survey. Massachusetts membership statistics represents carriers that participated in the 1996 survey but no longer actively market products in Massachusetts, as well as carriers currently marketing products as of December 31, 2001. Of those surveyed, two carriers are active only in the group market in Massachusetts.

In the Massachusetts individual market, as of December 31, 2001, **64,819** persons held long-term care insurance policies issued by carriers responding to the survey; the number of policyholders increased **19.4%** on average between 1996 and 2001. Respondents reported that long-term care insurance policies generated over **\$118** million in premium revenue in 2001; premium revenue increased by an annual rate of **22.4%** between 1996 and 2001.

EXHIBIT 1

LONG-TERM CARE INSURANCE

MARKET OVERVIEW - NATIONAL

TOTAL POLICIES

December 31	1996	1997	1998	1999	2000	2001
# of Responses	33	36	40	42	45	46
# of Policies	2,225,922	2,511,016	2,772,430	3,145,866	3,598,564	4,031,296
% increase		11.4%	9.4%	11.9%	12.6%	10.7%
\$ Revenue	\$2,152,348,817	\$2,627,477,777	\$3,030,440,621	\$3,485,646,889	\$4,153,519,290	\$4,855,682,697
% increase		18.1%	13.3%	13.1%	16.1%	14.5%

GROUP POLICIES

December 31	1996	1997	1998	1999	2000	2001
# of Responses	13	13	13	13	13	14
# of Policies	579,928	619,548	688,144	815,086	963,886	1,131,847
% increase		6.4%	10.0%	15.6%	15.4%	14.8%
\$ Revenue	\$ 333,268,629	\$ 402,577,094	\$ 437,790,711	\$ 487,161,658	\$ 541,362,173	\$ 649,204,824
% increase		17.2%	8.0%	10.1%	10.0%	16.6%

INDIVIDUAL POLICIES

December 31	1996	1997	1998	1999	2000	2001
# of Responses	20	23	27	29	32	32
# of Policies	1,645,994	1,891,468	2,084,286	2,330,780	2,634,678	2,899,449
% increase		13.0%	9.3%	10.6%	11.5%	9.1%
\$ Revenue	\$1,819,080,188	\$2,224,900,683	\$2,592,649,910	\$2,998,485,231	\$3,612,157,117	\$4,206,477,873
% increase		18.2%	14.2%	13.5%	17.0%	14.1%

EXHIBIT 2

LONG-TERM CARE INSURANCE

MARKET OVERVIEW - MASSACHUSETTS

TOTAL POLICIES

December 31	1996	1997	1998	1999	2000	2001
# of Responses	33	36	36	39	45	48
# of Policies	42,480	54,597	65,928	76,945	88,297	102,340
% increase		22.2%	17.2%	14.3%	12.9%	13.7%
\$ Revenue	\$ 54,101,488	\$ 69,979,535	\$ 91,659,329	\$ 108,224,086	\$ 126,366,408	\$ 145,554,115
% increase		22.7%	23.7%	15.3%	14.4%	13.2%

GROUP POLICIES

December 31	1996	1997	1998	1999	2000	2001
# of Responses	14	14	14	14	14	15
# of Policies	20,840	23,290	25,725	27,847	31,880	37,521
% increase		10.5%	9.5%	7.6%	12.7%	15.0%
\$ Revenue	\$ 21,083,572	\$ 21,153,653	\$ 26,514,069	\$ 25,920,088	\$ 25,887,316	\$ 26,761,841
% increase		0.3%	20.2%	-2.3%	-0.1%	3.3%

INDIVIDUAL POLICIES

December 31	1996	1997	1998	1999	2000	2001
# of Responses	19	22	22	25	31	33
# of Policies	21,640	31,307	40,203	49,098	56,417	64,819
% increase		30.9%	22.1%	18.1%	13.0%	13.0%
\$ Revenue	\$ 33,017,916	\$ 48,825,882	\$ 65,145,260	\$ 82,303,998	\$ 100,479,092	\$ 118,792,274
% increase		32.4%	25.1%	20.8%	18.1%	15.4%

C. Number of Policyholders Who Purchased a Federally Tax-Qualified Policy

National¹⁰
1998¹¹

As indicated in Exhibit 3, according to **26** respondents in the national market, **77.2%** of new long-term care insurance policyholders purchased federally tax-qualified policies in 1998.

In the national group market, **74.9%** of new policyholders purchased federally tax-qualified policies; in the national individual market, **78.7%** of new policyholders purchased federally tax-qualified policies in 1998.

2001¹²

As indicated in Exhibit 3, according to **29** respondents in the national market, **92.2%** of new long-term care insurance policyholders purchased federally tax-qualified policies in 2001.

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

Massachusetts¹³
1998¹⁴

As indicated in Exhibit 4, according to **20** respondents in the Massachusetts market, **87.3%** of new long-term care insurance policyholders purchased federally tax-qualified policies in 1998.

In the Massachusetts group market, **80.4%** of new policyholders purchased federally tax-qualified policies; in the Massachusetts individual market, **90.8%** of new policyholders purchased federally tax-qualified policies in 1998.

2001¹⁵

As indicated in Exhibit 4, according to **30** respondents in the Massachusetts market, **94.7%** of new long-term care insurance policyholders purchased federally tax-qualified policies in 2001.

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

¹⁰ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

¹¹ One group carrier and one individual carrier provided insufficient information.

¹² Three group carriers and three individual carriers provided insufficient information.

¹³ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

¹⁴ One group carrier and one individual carrier provided insufficient information.

¹⁵ Two group carriers and one individual carrier provided insufficient information.

EXHIBIT 3

LONG-TERM CARE INSURANCE

POLICIES ISSUED IN CALENDAR YEAR 1998 AND 2001 INTENDED TO QUALIFY AS A FEDERALLY TAX-QUALIFIED POLICY – NATIONAL ¹⁶

TOTAL POLICIES

December 31	1998	2001
# of Responses	26	29
# of Policies Issued	425,717	620,970
# of Policies Federally Tax Qualified	328,692	576,807
% Federally Tax Qualified	77.2%	92.9%

GROUP POLICIES

December 31	1998 ¹⁷	2001 ¹⁸
# of Responses	8	6
# of Policies Issued	164,273	194,783
# of Policies Federally Tax Qualified	123,055	190,771
% Federally Tax Qualified	74.9%	97.9%

INDIVIDUAL POLICIES

December 31	1998 ¹⁹	2001 ²⁰
# of Responses	18	23
# of Policies Issued	261,444	426,187
# of Policies Federally Tax Qualified	205,637	386,036
% Federally Tax Qualified	78.7%	90.6%

¹⁶ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

¹⁷ One group carrier with 3,604 policyholders was unable to provide sufficient information to be included within this statistical data.

¹⁸ Two group carriers with 14,872 policyholders were unable to provide sufficient information to be included within this statistical data.

¹⁹ Two individual carriers with 8,366 policyholders was unable to provide sufficient information to be included within this statistical data.

²⁰ Three group carriers with 18,842 policyholders were unable to provide sufficient information to be included within this statistical data.

EXHIBIT 4

LONG-TERM CARE INSURANCE

POLICIES ISSUED IN CALENDAR YEAR 1998 AND 2001 INTENDED TO QUALIFY AS A
FEDERALLY TAX-QUALIFIED POLICY – MASSACHUSETTS ²¹

TOTAL POLICIES

December 31	1998	2001
# of Responses	20	30
# of Policies Issued	13,432	19,629
# of Policies Federally Tax Qualified	11,725	18,597
% Federally Tax Qualified	87.3%	94.7%

GROUP POLICIES

December 31	1998 ²²	2001 ²³
# of Responses	8	6
# of Policies Issued	4,557	7,954
# of Policies Federally Tax Qualified	3,664	7,867
% Federally Tax Qualified	80.4%	98.9%

INDIVIDUAL POLICIES

December 31	1998 ²⁴	2001 ²⁵
# of Responses	12	24
# of Policies Issued	8,875	11,625
# of Policies Federally Tax Qualified	8,061	10,730
% Federally Tax Qualified	90.8%	91.9%

²¹ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

²² One group carrier with 670 policyholders were unable to provide sufficient information to be included within this statistical data.

²³ Two group carriers with 456 policyholders were unable to provide sufficient information to be included within this statistical data.

²⁴ Two individual carriers with 165 policyholders was unable to provide sufficient information to be included within this statistical data.

²⁵ Two individual carriers with 243 policyholders was unable to provide sufficient information to be included within this statistical data.

D. Number of Policyholders Who Purchased a Policy Intended to Qualify for Certain MassHealth Exemptions ²⁶

Massachusetts

2000 ²⁷

As indicated in Exhibit 5, according to **29** respondents in the Massachusetts market, **58.5%** of new long-term care insurance policyholders in 2000 purchased policies intended to qualify for certain MassHealth exemptions.

In the Massachusetts group market, **23.4%** of new policyholders in 2000 purchased policies intended to qualify for certain MassHealth exemptions; in the Massachusetts individual market, **78.7%** of new policyholders in 2000 purchased policies intended to qualify for certain MassHealth exemptions.

2001 ²⁷

As indicated in Exhibit 5, according to **30** respondents in the Massachusetts market, **59.8%** of new long-term care insurance policyholders in 2001 purchased policies intended to qualify for certain MassHealth exemptions.

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

²⁶ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

²⁷ Two group carriers and two individual carriers provided insufficient information and their members are not included in the statistics.

EXHIBIT 5

LONG-TERM CARE INSURANCE

POLICIES ISSUED IN CALENDAR YEAR 2000 AND 2001 INTENDED TO QUALIFY FOR CERTAIN MASSHEALTH EXEMPTIONS - MASSACHUSETTS ²⁸

TOTAL POLICIES

December 31	2000	2001
# of Responses	29	30
# of Policies Issued	16,732	18,201
# of Policies Intended to Qualify	9,792	10,886
% of Policies Intended to Qualify	58.5%	59.8%

GROUP POLICIES

December 31	2000 ²⁹	2001 ³⁰
# of Responses	6	6
# of Policies Issued	6,098	7,015
# of Policies Intended to Qualify	1,427	1,976
% of Policies Intended to Qualify	23.4%	28.2%

INDIVIDUAL POLICIES

December 31	2000 ³¹	2001 ³²
# of Responses	23	24
# of Policies Issued	10,634	11,186
# of Policies Intended to Qualify	8,365	8,910
% of Policies Intended to Qualify	78.7%	79.7%

²⁸ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

²⁹ Two group carriers with 864 policyholders were unable to provide sufficient information to be included within this statistical data.

³⁰ Two group carriers with 1,395 policyholders were unable to provide sufficient information to be included within this statistical data.

³¹ Two individual carriers with 211 policyholders were unable to provide sufficient information to be included within this statistical data.

³² Two individual carriers with 732 policyholders were unable to provide sufficient information to be included within this statistical data.

E. Age of Policyholders³³

National

As indicated in Exhibit 6, among all persons buying long-term care insurance policies nationally from those carriers responding to the survey in 2001, the average policyholder's age was **64.1** years of age. In the 2001 group market, the average policyholder's age was **51.2** years of age. In the 2001 individual market, the average policyholder's age was **64.9** years of age.

Massachusetts

As indicated in Exhibit 7, among all persons buying long-term care insurance policies in Massachusetts from those carriers responding to the survey in 2001, the average policyholder's age was **58.7** years of age. In the 2001 group market, the average policyholder's age from 1994 through 1996 is **49.8** years of age. In the 2001 individual market, the average policyholder's age was **63.3** years of age.

³³ Information data utilized in this section of the report represent data filed by those carriers marketing products between the period January 1, 1997 and December 31, 2001.

EXHIBIT 6

LONG-TERM CARE INSURANCE

AVERAGE AGE OF POLICYHOLDERS – NATIONAL ³⁴

TOTAL POLICIES

December 31	1996	1998	2001
# of Responses	31	28	34
Average Age	64.5	63.8	64.1
Inc. (Dec.)		(0.7)	0.3
Median Age	65.0	65.2	61.4
Range	40 - 72	41 - 73	42 - 75

GROUP POLICIES

December 31	1996	1998	2001
# of Responses	13	9	8
Average Age	61.1	57.8	51.2
Inc. (Dec.)		(3.3)	(6.6)
Median Age	56.0	51.5	51.0
Range	40 - 72	41 - 70	42 - 67

INDIVIDUAL POLICIES

December 31	1996	1998	2001
# of Responses	18	19	26
Average Age	67.6	68.1	64.9
Inc. (Dec.)		0.5	(3.2)
Median Age	66.0	66.0	62.0
Range	62 - 72	56 - 73	58 - 75

³⁴ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

EXHIBIT 7

LONG-TERM CARE INSURANCE

AVERAGE AGE OF POLICYHOLDERS - MASSACHUSETTS ³⁵

TOTAL POLICIES

December 31	1996	1998	2001
# of Responses	27	23	34
Average Age	62.4	61.2	58.7
Inc. (Dec.)		(1.2)	(2.5)
Median Age	65.0	66.0	62.0
Range	40 - 73	41 - 78	42 - 74

GROUP POLICIES

December 31	1996	1998	2001
# of Responses	12	9	8
Average Age	59.4	55.5	49.8
Inc. (Dec.)		(3.9)	(5.7)
Median Age	62.0	55.0	51.0
Range	40 - 73	41 - 70	42 - 68

INDIVIDUAL POLICIES

December 31	1996	1998	2001
# of Responses	15	14	26
Average Age	66.2	65.7	63.3
Inc. (Dec.)		(0.5)	(2.4)
Median Age	66.0	67.0	62.4
Range	62 - 72	60 - 78	58 - 74

³⁵ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.