

NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE
LIFE & HEALTH ACTUARIAL

To: Ellen DeRosa, Executive Director, IHC and SEH Boards
From: R. Neil Vance, Managing Actuary, NJ DOBI
Re: Summary of Exhibit J (IHC Loss Ratio Reports) for 2011
Date: September 7, 2012

The above reports were due on August 15, 2012. Substantially complete and accurate reports were received from all 6 IHC carriers (Aetna, AmeriHealth, Celtic, CIGNA, Horizon, and United HealthCare including Health Net and Oxford).

The IHC market in 2011 had premiums of \$626.0 mm, claims of \$548.2 mm, and a loss ratio of 87.6%. For comparison, the 2010 figures were premium of \$534.6 mm, claims of \$461.1 mm, and the identical loss ratio of 87.6%.

Three carriers reported loss ratios lower than 80% and thus will pay refunds to policyholders. Refunds are calculated as a percentage of premium equal to the difference between 80% and the reported ratio.

Carrier	Premium	Loss Ratio	Refund
Celtic	\$ 18,336	0.0%	\$ 14,670
CIGNA	\$ 472,365	41.9%	\$ 179,967
Horizon	\$ 441,491,037	78.6%	\$ 6,362,803

In the IHC market, refund liability is calculated on an affiliated carrier basis. So "Horizon" represents the combined results of Horizon BCBS and Horizon HC.

The Department intends to complete its review and direct payment of these refunds around September 15.

The other carriers have loss ratios well in excess of the 80%. AmeriHealth about 92%, Oxford is 109%, and Aetna is 152%.

I note that the Affordable Care Act has provisions such as reinsurance, due to become effective in 2014, that would tend to average out the differences between carrier experience and thus tend to move carrier loss ratios more towards the average (currently 87.6%).

RNV