

NEW JERSEY DEPT. OF BANKING AND INSURANCE  
MEMORANDUM

To: Ellen DeRosa, Executive Director, SEH/IHC Boards  
From: R. Neil Vance, FSA, Managing Actuary, Life & Health Actuarial  
Avnee Parekh, ASA, Actuarial Analyst, Life & Health Actuarial  
Date: August 5, 2009  
Re: SEH Loss Ratio and Refund Reports for 2007

xc: Gale Simon, Asst. Commissioner, Life & Health

Attached is a summary of the SEH Loss Ratio Reports for 2007. These reports are required pursuant to NJAC 11:21-7A.1 through 11:21-7A.5 and implement the minimum loss ratio and refund requirements of NJSA 17B:27A-25.g. These reports were due August 1, 2008. This summary and memorandum can be distributed to the SEH Board. The SEH Loss Ratio Reports, as well as this Memorandum and the Attached Summary, are public documents.

The summary shows total premium of \$3.45 billion (compared to \$3.41 billion last year). Total premium was essentially flat. Total premium grew by about 5.2% in 2006 and 9.5% in 2005. Average enrollment decreased from 907,000 (in 2006) to 895,000 (in 2007) employees and dependents. This enrollment was 829,000 at the end of 1<sup>st</sup> quarter 2009. There are many contributing factors to this declining enrollment; they are beyond the scope of this report.

The 2007 average loss ratio of 84.5% is significantly higher than the 2006 average loss ratio of 81.8% (including refunds) and the 2005 average loss ratio of 81.3%. Horizon (BCBS and HMO), the largest carrier in the market on a combined basis, had a significant effect on the average loss ratio, with a loss ratio of 87.9%.

Year	Loss Ratio (after refunds)
2002	79.1%
2003	79.4%
2004	82.4%
2005	81.3%
2006	81.8%
2007	84.5%

Refunds (or dividends) are payable if a carrier has a loss ratio below 75%; in 2007, refunds were paid in the standard market by Health Net Life and Nippon Life. Oxford Health Insurance paid standard market refunds for purchasing alliances only. Standard market refunds were less than \$ 1 million in total.

Loss ratios were higher in the non-standard market, averaging 91.3% (after refunds), up slightly from last years 89.8%. This market consists of coverage that was in place prior to small group insurance reform in the early 1990s. Total premium was stable in 2007, at about \$52 million. Two carriers paid small refunds (less than \$100,000 in total).

The SEH market has 5 significant carriers (on a combined ownership basis). (See last page.)  
The following table summarizes the market share (by premium) and loss ratio:

Carrier	Market Share	Loss Ratio (after refunds)
Horizon	39.3%	87.9%
Aetna	25.6%	84.2%
United/Oxford	19.0%	78.0%
Health Net	7.1%	81.3%
AmeriHealth	6.6%	84.9%

All other carriers (CIGNA is the largest) accounted for 2.4% of premiums.

The average premium per covered person in the standard market is \$3,838 or about \$320 a month. This is an increase of about 2.5% from 2006. This indicates (as in past years) that employers are trying to control health coverage costs through benefit changes. These include greater cost sharing, limiting some forms of benefits, and using a "pure" HMO plan rather than a POS or PPO plan. This average includes the premium for dependent children, which is lower than the cost for a single adult. On a carrier by carrier basis, the average premiums vary based on the plans offered, the covered population, and the carrier's expense and profit structure.

The attached summary gives more detail of each carrier's report in the standard and non-standard markets. Enrollment is average enrollment over 2007 estimated from quarterly reports submitted to the SEH program. The percentages next to premiums and enrollment are market shares on these two bases. The percentages next to claims or dividends are the loss ratios or dividend percentages, respectively. Also, the last page of the summary gives statistics on a combined basis for affiliated carriers.

RNV  
APP

SEH LOSS RATIO REPORTS  
2007

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
INDEMNITY AND SERVICE CARRIERS						
<b>Aetna Life</b>						
Premiums	\$ 7,616,894	0.2%	\$7,173,458	0.2%	\$ 443,436	0.9%
Claims	\$ 6,245,622	82.0%	\$5,945,789	82.9%	\$ 299,833	67.6%
Dividends	\$ 32,744	0.4%	\$ -	0.0%	\$ 32,744	7.4%
Enrollment	2,736	0.3%	2,692	0.3%	44	0.5%
<i>Ave. Premium</i>			\$2,665		\$10,165	
<b>AmeriHealth Insurance Company</b>						
Premiums	\$ 86,630,277	2.5%	\$ 86,630,277	2.5%		
Claims	\$ 75,346,444	87.0%	\$ 75,346,444	87.0%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	20,286	2.3%	20,286	2.3%		
<i>Ave. Premium</i>			\$4,270			
<b>Connecticut General Life</b>						
Premiums	\$ 57,432,889	1.7%	\$ 57,432,889	1.7%		
Claims	\$ 52,596,864	91.6%	\$ 52,596,864	91.6%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	11,391	1.3%	11,391	1.3%		
<i>Ave. Premium</i>			\$5,042			
<b>Guardian Life</b>						
Premiums	\$ 8,977,057	0.3%	\$ 498,676	0.0%	\$ 8,478,381	16.4%
Claims	\$ 8,853,999	98.6%	\$ 625,084	125.3%	\$ 8,228,915	97.1%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	536	0.1%	30	0.0%	505	5.4%
<i>Ave. Premium</i>			\$16,485		\$16,776	
<b>Health Net Life</b>						
Premiums	\$ 61,542	0.0%	\$ 61,542	0.0%		
Claims	\$ 23,240	37.8%	\$ 23,240	37.8%		
Dividends	\$ 22,916	37.2%	\$ 22,916	37.2%		
Enrollment	0	0.0%		0.0%		
<i>Ave. Premium</i>						
<b>Horizon BCBS</b>						
Premiums	\$ 927,267,622	26.9%	\$ 909,960,422	26.8%	\$ 17,307,200	33.4%
Claims	\$ 835,412,844	90.1%	\$ 816,549,084	89.7%	\$ 18,863,760	109.0%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	232,358	26.0%	229,062	25.9%	3,296	35.2%
<i>Ave. Premium</i>			\$3,973		\$5,251	
<b>Nippon Life</b>						
Premiums	\$ 3,679,361	0.1%	\$ 3,679,361	0.1%		
Claims	\$ 2,058,585	55.9%	\$ 2,058,585	55.9%		
Dividends	\$ 700,936	19.1%	\$ 700,936	19.1%		
Enrollment	601	0.1%	601	0.1%		
<i>Ave. Premium</i>			\$6,118			

SEH LOSS RATIO REPORTS  
2007

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>Oxford Health Insurance</b>						
Premiums	\$ 383,828,752	11.1%	\$ 362,805,406	10.7%	\$ 21,023,346	40.6%
Claims	\$ 304,960,620	79.5%	\$ 288,615,806	79.6%	\$ 16,344,814	77.7%
Dividends	\$ 111,519	0.0%	\$ 111,519	0.0%	\$ -	0.0%
Enrollment	82,049	9.2%	77,531	8.8%	4,518	48.3%
<i>Ave. Premium</i>			\$4,680		\$4,653	
<b>Trustmark Insurance</b>						
Premiums	\$ 1,664,641	0.0%			\$ 1,664,641	3.2%
Claims	\$ 1,261,859	75.8%			\$ 1,261,859	75.8%
Dividends	\$ -	0.0%			\$ -	0.0%
Enrollment	453	0.1%			453	4.8%
<i>Ave. Premium</i>					\$3,675	
<b>Wellchoice Insurance Co.</b>						
Premiums	\$ 877,023	0.0%	\$ 877,023	0.0%		
Claims	\$ 998,946	113.9%	\$ 998,946	113.9%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	88	0.0%	88	0.0%		
<i>Ave. Premium</i>			\$10,023			
<b>TOTAL OF INDEMNITY AND SERVICE CARRIERS</b>						
Premiums	\$ 1,477,974,516	42.8%	\$ 1,429,119,054	42.0%	\$ 48,917,004	94.5%
Claims	\$ 1,287,735,783	87.1%	\$ 1,242,759,843	87.0%	\$ 44,999,181	92.0%
Dividends	\$ 845,199	0.1%	\$ 835,371	0.1%	\$ 32,744	0.1%
Enrollment	350,498	39.2%	341,681	38.6%	8,816	94.2%

SEH LOSS RATIO REPORTS  
2007

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>HMO CARRIERS</b>						
<b>Aetna Health</b>						
Premiums	\$ 874,364,805	25.3%	\$ 873,375,735	25.7%	\$ 989,070	1.9%
Claims	\$ 736,742,790	84.3%	\$ 735,962,711	84.3%	\$ 780,079	78.9%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	230,433	25.7%	230,315	26.0%	118	1.3%
Ave. Premium			\$3,792		\$8,364	
<b>AmeriHealth HMO</b>						
Premiums	\$ 142,431,729	4.1%	\$ 142,431,729	4.2%		
Claims	\$ 119,100,158	83.6%	\$ 119,100,158	83.6%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	39,756	4.4%	39,756	4.5%		
Ave. Premium			\$3,583			
<b>Cigna HealthCare</b>						
Premiums	\$ 5,950,436	0.2%	\$ 5,950,436	0.2%		
Claims	\$ 4,650,802	78.2%	\$ 4,650,802	78.2%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	909	0.1%	909	0.1%		
Ave. Premium			\$6,547			
<b>Horizon HC of NJ</b>						
Premiums	\$ 429,611,390	12.4%	\$ 427,837,515	12.6%	\$ 1,773,875	3.4%
Claims	\$ 357,917,144	83.3%	\$ 356,490,880	83.3%	\$ 1,426,264	80.4%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	131,784	14.7%	131,395	14.8%	389	4.2%
Ave. Premium			\$3,256		\$4,559	
<b>Oxford Health Plans (NJ), Inc.</b>						
Premiums	\$ 270,566,218	7.8%	\$ 270,485,406	8.0%	\$ 80,812	0.2%
Claims	\$ 205,774,255	76.1%	\$ 205,755,586	76.1%	\$ 18,669	23.1%
Dividends	\$ 41,940	0.0%	\$ -	0.0%	\$ 41,940	51.9%
Enrollment	80,362	9.0%	80,325	9.1%	36	0.4%
Ave. Premium			\$3,367		\$2,229	
<b>Health Net (PHS)</b>						
Premiums	\$ 246,251,873	7.1%	\$ 246,251,873	7.2%		
Claims	\$ 200,234,405	81.3%	\$ 200,234,405	81.3%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	60,312	6.7%	60,312	6.8%		
Ave. Premium			\$4,083			
<b>Wellchoice HMO of New Jersey</b>						
Premiums	\$ 3,867,985	0.1%	\$ 3,867,985	0.1%		
Claims	\$ 4,040,696	104.5%	\$ 4,040,696	104.5%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	1,037	0.1%	1,037	0.1%		
Ave. Premium			\$3,730			

SEH LOSS RATIO REPORTS  
2007

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>TOTAL OF HMO CARRIERS</b>						
Premiums	\$ 1,973,044,436	57.2%	\$ 1,970,200,679	58.0%	\$ 2,843,757	5.5%
Claims	\$ 1,628,460,250	82.5%	\$ 1,626,235,238	82.5%	\$ 2,225,012	78.2%
Dividends	\$ 41,940	0.0%	\$ -	0.0%	\$ 41,940	1.5%
Enrollment	544,592	60.8%	544,048	61.4%	544	5.8%
<b>TOTAL OF INDEMNITY AND SERVICE CARRIERS</b>						
Premiums	\$ 1,477,974,516	42.8%	\$ 1,429,119,054	42.0%	\$ 48,917,004	94.5%
Claims	\$ 1,287,735,783	87.1%	\$ 1,242,759,843	87.0%	\$ 44,999,181	92.0%
Dividends	\$ 845,199	0.1%	\$ 835,371	0.1%	\$ 32,744	0.1%
Enrollment	350,498	39.2%	341,681	38.6%	8,816	94.2%
<b>TOTAL OF HMO CARRIERS</b>						
Premiums	\$ 1,973,044,436	57.2%	\$ 1,970,200,679	58.0%	\$ 2,843,757	5.5%
Claims	\$ 1,628,460,250	82.5%	\$ 1,626,235,238	82.5%	\$ 2,225,012	78.2%
Dividends	\$ 41,940	0.0%	\$ -	0.0%	\$ 41,940	1.5%
Enrollment	544,592	60.8%	544,048	61.4%	544	5.8%
<b>GRAND TOTAL OF ALL CARRIERS</b>						
Premiums	\$ 3,451,018,952	100.0%	\$ 3,399,319,733	100.0%	\$ 51,760,761	100.0%
Claims	\$ 2,916,196,033	84.5%	\$ 2,868,995,081	84.4%	\$ 47,224,193	91.2%
Dividends	\$ 887,139	0.0%	\$ 835,371	0.0%	\$ 74,684	0.1%
Enrollment	895,090	100.0%	885,730	100.0%	9,360	100.0%

SEH LOSS RATIO REPORTS  
2007

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>COMBINED GROUP BASIS</b>						
<b>AETNA (Aetna Life, Aetna Health)</b>						
Premiums	\$ 881,981,699	25.6%	\$ 880,549,193	25.9%	\$ 1,432,506	2.8%
Claims	\$ 742,988,413	84.2%	\$ 741,908,501	84.3%	\$ 1,079,912	75.4%
Dividends	\$ 32,744	0.0%	\$ -	0.0%	\$ 32,744	2.3%
Enrollment	233,169	26.0%	233,007	26.3%	162	1.7%
<b>HORIZON (Horizon BCBS, Horizon HC (HMO))</b>						
Premiums	\$ 1,356,879,012	39.3%	\$ 1,337,797,937	39.4%	\$ 19,081,075	36.9%
Claims	\$ 1,193,329,988	87.9%	\$ 1,173,039,964	87.7%	\$ 20,290,024	106.3%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	364,142	40.7%	360,457	40.7%	3,685	39.4%
<b>UNITED/OXFORD (Oxford Health Ins, Oxford Health Plan (NJ), United HeathCare Ins)</b>						
Premiums	\$ 654,394,970	19.0%	\$ 633,290,812	18.6%	\$ 21,104,158	40.8%
Claims	\$ 510,734,875	78.0%	\$ 494,371,392	78.1%	\$ 16,363,483	77.5%
Dividends	\$ 153,459	0.0%	\$ 111,519	0.0%	\$ 41,940	0.2%
Enrollment	162,410	18.1%	157,856	17.8%	4,554	48.7%
<b>HEALTHNET (HealthNet of NJ)</b>						
Premiums	\$ 246,313,415	7.1%	\$ 246,313,415	7.2%		
Claims	\$ 200,257,646	81.3%	\$ 200,257,646	81.3%		
Dividends	\$ 22,916	0.0%	\$ 22,916	0.0%		
Enrollment	60,312	6.7%	60,312	6.8%		
<b>AMERIHEALTH (Amerihealth HMO, Amerihealth Ins of NJ)</b>						
Premiums	\$ 229,062,006	6.6%	\$ 229,062,006	6.7%		
Claims	\$ 194,446,602	84.9%	\$ 194,446,602	84.9%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	60,042	6.7%	60,042	6.8%		
<b>ALL OTHERS</b>						
Premiums	\$ 82,449,392	2.4%	\$ 72,306,370	2.1%	\$ 10,143,022	19.6%
Claims	\$ 74,461,751	90.3%	\$ 64,970,976	89.9%	\$ 9,490,774	93.6%
Dividends	\$ 700,936	0.9%	\$ 700,936	1.0%	\$ -	0.0%
Enrollment	15,015	1.7%	14,056	1.6%	958	10.2%
<b>TOTAL -- ALL CARRIERS</b>						
Premiums	\$ 3,451,080,494	100.0%	\$ 3,399,319,733	100.0%	\$ 51,760,761	100.0%
Claims	\$ 2,916,219,274	84.5%	\$ 2,868,995,081	84.4%	\$ 47,224,193	91.2%
Dividends	\$ 910,055	0.0%	\$ 835,371	0.0%	\$ 74,684	0.1%
Enrollment	895,090	100.0%	885,730	100.0%	9,360	100.0%
Ave Premium	\$ 3,856		\$ 3,838		\$ 5,530	
Ave Claim	\$ 3,258		\$ 3,239		\$ 5,045	