

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: April 19, 2010  
Re: SEH Loss Ratio and Refund Reports for 2008

Attached is a summary of the SEH Loss Ratio Reports for 2008. 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 to be submitted to the Department by August 1, 2009. 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 \$3.49 billion (compared to \$3.45 billion in 2007). Total premium grew very slowly (by about 1%) in both 207 and 2008. (In contrast, total premium grew by about 5.2% in 2006 and 9.5% in 2005). Average enrollment decreased from 895,000 (in 2007) to 873,000 (in 2008) employees and dependents. This enrollment was 793,000 at the end of 2009. There are many contributing factors to this declining enrollment; they are beyond the scope of this report.

The 2008 average loss ratio was 86.1%, an increase over the 84.5% in 2007. Historically, loss ratios have been closer to 80%. The 2006 average loss ratio was 81.8% (including refunds) and the 2005 average loss ratio was 81.3%. Horizon (BCBS and HMO), the largest carrier in the market on a combined basis with almost 50% market share by premium, had a loss ratio of 89.2%.

Year	Loss Ratio (after refunds)
2002	79.1%
2003	79.4%
2004	82.4%
2005	81.3%
2006	81.8%
2007	84.5%
2008	86.1%

Refunds (or dividends) are payable if a carrier has a loss ratio below 75% (80% beginning with the experience of 2009); in 2008, refunds were paid in the standard market by CIGNA and Nippon Life. Oxford Health Insurance paid standard market refunds for purchasing alliances only. Standard market refunds were about \$700,000 in total.

Loss ratios were higher in the non-standard market, averaging 89.2% (after refunds), down slightly from 2007's 91.3%. This market largely consists of coverage that was in place prior to small group insurance reform in the early 1990s. Total premium declined in 2008, to about \$46 million. Two carriers paid small refunds (of about \$150,000 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	48.1%	89.2%
Aetna	21.5%	84.3%
United/Oxford	16.7%	80.6%
Health Net	6.6%	80.6%
AmeriHealth	5.4%	88.5%

All other carriers accounted for 1.7% of premiums.

In 2008, the average premium per covered person in the standard market is \$3,997\$3,838 or about \$333 a month. This is an increase of about 4.1% from 2007. This suggests (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 2008 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.

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SEH LOSS RATIO REPORTS  
2008

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>INDEMNITY AND SERVICE CARRIERS</b>						
<b>Aetna Life</b>						
Premiums	\$ 7,396,806	0.2%	\$6,976,143	0.2%	\$ 420,663	0.9%
Claims	\$ 6,641,004	89.8%	\$6,248,667	89.6%	\$ 392,337	93.3%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	2,380	0.3%	2,322	0.3%	58	0.7%
			\$3,004		\$7,316	
<b>AmeriHealth Insurance Company</b>						
Premiums	\$ 81,652,299	2.3%	\$ 81,652,299	2.4%		
Claims	\$ 70,797,642	86.7%	\$ 70,797,642	86.7%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	18,163	2.1%	18,163	2.1%		
			\$4,495			
<b>Connecticut General Life</b>						
Premiums	\$ 51,558,617	1.5%	\$ 51,558,617	1.5%		
Claims	\$ 46,910,413	91.0%	\$ 46,910,413	91.0%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	8,197	0.9%	8,197	0.9%		
			\$6,290			
<b>Guardian Life</b>						
Premiums	\$ 5,209,125	0.1%	\$ 324,310	0.0%	\$ 4,884,815	10.5%
Claims	\$ 4,673,452	89.7%	\$ 425,063	131.1%	\$ 4,248,389	87.0%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	360	0.0%	6	0.0%	354	4.3%
			\$55,202		\$13,794	
<b>Health Net Life</b>						
Premiums	\$ 942,893	0.0%	\$ 942,893	0.0%		
Claims	\$ 1,393,024	147.7%	\$ 1,393,024	147.7%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	47	0.0%	47	0.0%		
			\$20,223			
<b>Horizon BCBS</b>						
Premiums	\$ 1,063,975,443	30.5%	\$ 1,047,017,075	30.4%	\$ 16,958,368	36.6%
Claims	\$ 972,850,702	91.4%	\$ 956,894,391	91.4%	\$ 15,956,311	94.1%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	254,317	29.1%	251,491	29.1%	2,826	34.6%
			\$4,163		\$6,001	
<b>Nippon Life</b>						
Premiums	\$ 3,207,800	0.1%	\$ 3,207,800	0.1%		
Claims	\$ 2,200,665	68.6%	\$ 2,200,665	68.6%		
Dividends	\$ 205,185	6.4%	\$ 205,185	6.4%		
Enrollment	517	0.1%	517	0.1%		
			\$6,202			
<b>Oxford Health Insurance</b>						
Premiums	\$ 322,700,665	9.3%	\$ 300,637,320	8.7%	\$ 22,063,345	47.6%
Claims	\$ 261,125,394	80.9%	\$ 242,241,369	80.6%	\$ 18,884,025	85.6%
Dividends	\$ 20,593	0.0%	\$ 20,593	0.0%	\$ -	0.0%
Enrollment	62,743	7.2%	58,296	6.7%	4,446	54.5%

SEH LOSS RATIO REPORTS  
2008

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>TOTAL OF INDEMNITY AND SERVICE CARRIERS</b>						
Premiums	\$ 1,535,700,755	44.0%	\$ 1,492,316,457	43.4%	\$ 44,327,191	95.5%
Claims	\$ 1,365,199,271	88.9%	\$ 1,327,111,232	88.9%	\$ 39,481,062	89.1%
Dividends	\$ 225,779	0.0%	\$ 225,779	0.0%	\$ -	0.0%
Enrollment	346,723	39.7%	339,039	39.2%	7,684	94.2%

SEH LOSS RATIO REPORTS  
2008

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>HMO CARRIERS</b>						
<b>Aetna Health</b>						
Premiums	\$ 740,737,519	21.2%	\$ 740,403,716	21.5%	\$ 333,803	0.7%
Claims	\$ 624,157,201	84.3%	\$ 624,040,019	84.3%	\$ 117,182	35.1%
Dividends	\$ 133,171	0.0%	\$ -	0.0%	\$ 133,171	39.9%
Enrollment	188,511	21.6%	188,461	21.8%	50	0.6%
			\$3,929		\$6,626	
<b>AmeriHealth HMO</b>						
Premiums	\$ 107,596,519	3.1%	\$ 107,596,519	3.1%		
Claims	\$ 96,648,074	89.8%	\$ 96,648,074	89.8%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	27,983	3.2%	27,983	3.2%		
			\$3,845			
<b>Cigna HealthCare</b>						
Premiums	\$ 1,041,120	0.0%	\$ 1,041,120	0.0%		
Claims	\$ 306,588	29.4%	\$ 306,588	29.4%		
Dividends	\$ 474,252	45.6%	\$ 474,252	45.6%		
Enrollment	199	0.0%	199	0.0%		
			\$5,225			
<b>Horizon HC of NJ</b>						
Premiums	\$ 611,991,838	17.6%	\$ 610,309,523	17.7%	\$ 1,682,315	3.6%
Claims	\$ 522,877,555	85.4%	\$ 521,240,079	85.4%	\$ 1,637,476	97.3%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	181,436	20.8%	181,035	20.9%	401	4.9%
			\$3,371		\$4,197	
<b>Oxford Health Plans (NJ), Inc.</b>						
Premiums	\$ 259,488,468	7.4%	\$ 259,438,523	7.5%	\$ 49,945	0.1%
Claims	\$ 208,256,481	80.3%	\$ 208,238,183	80.3%	\$ 18,298	36.6%
Dividends	\$ 19,161	0.0%	\$ -	0.0%	\$ 19,161	38.4%
Enrollment	71,343	8.2%	71,318	8.3%	25	0.3%
			\$3,638		\$2,008	
<b>Health Net</b>						
Premiums	\$ 230,264,811	6.6%	\$ 230,264,811	6.7%		
Claims	\$ 184,884,299	80.3%	\$ 184,884,299	80.3%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	56,361	6.5%	56,361	6.5%		
			\$4,086			
<b>TOTAL OF HMO CARRIERS</b>						
Premiums	\$ 1,951,120,275	56.0%	\$ 1,949,054,212	56.6%	\$ 2,066,063	4.5%
Claims	\$ 1,637,130,198	83.9%	\$ 1,635,357,243	83.9%	\$ 1,772,955	85.8%
Dividends	\$ 626,584	0.0%	\$ 474,252	0.0%	\$ 152,332	7.4%
Enrollment	525,832	60.3%	525,356	60.8%	476	5.8%

SEH LOSS RATIO REPORTS  
2008

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>TOTAL OF INDEMNITY AND SERVICE CARRIERS</b>						
Premiums	\$ 1,535,700,755	44.0%	\$ 1,492,316,457	43.4%	\$ 44,327,191	95.5%
Claims	\$ 1,365,199,271	88.9%	\$ 1,327,111,232	88.9%	\$ 39,481,062	89.1%
Dividends	\$ 225,779	0.0%	\$ 225,779	0.0%	\$ -	0.0%
Enrollment	346,723	39.7%	339,039	39.2%	7,684	94.2%
<b>TOTAL OF HMO CARRIERS</b>						
Premiums	\$ 1,951,120,275	56.0%	\$ 1,949,054,212	56.6%	\$ 2,066,063	4.5%
Claims	\$ 1,637,130,198	83.9%	\$ 1,635,357,243	83.9%	\$ 1,772,955	85.8%
Dividends	\$ 626,584	0.0%	\$ 474,252	0.0%	\$ 152,332	7.4%
Enrollment	525,832	60.3%	525,356	60.8%	476	5.8%
<b>GRAND TOTAL OF ALL CARRIERS</b>						
Premiums	\$ 3,486,821,030	100.0%	\$ 3,441,370,669	100.0%	\$ 46,393,254	100.0%
Claims	\$ 3,002,329,469	86.1%	\$ 2,962,468,475	86.1%	\$ 41,254,018	88.9%
Dividends	\$ 852,362	0.0%	\$ 700,030	0.0%	\$ 152,332	0.3%
Enrollment	872,555	100.0%	864,395	100.0%	8,160	100.0%

SEH LOSS RATIO REPORTS  
2008

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>COMBINED GROUP BASIS</b>						
<b>AETNA (Aetna Life, Aetna Health)</b>						
Premiums	\$ 748,134,325	21.5%	\$ 747,379,859	21.7%	\$ 754,466	1.6%
Claims	\$ 630,798,205	84.3%	\$ 630,288,686	84.3%	\$ 509,519	67.5%
Dividends	\$ 133,171	0.0%	\$ -	0.0%	\$ 133,171	17.7%
Enrollment	190,890	21.9%	190,783	22.1%	108	1.3%
<b>HORIZON (Horizon BCBS, Horizon HC (HMO))</b>						
Premiums	\$ 1,675,967,281	48.1%	\$ 1,657,326,598	48.2%	\$ 18,640,683	40.2%
Claims	\$ 1,495,728,257	89.2%	\$ 1,478,134,470	89.2%	\$ 17,593,787	94.4%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	435,753	49.9%	432,526	50.0%	3,227	39.5%
<b>UNITED/OXFORD (Oxford Health Ins, Oxford Health Plan (NJ), United HeathCare Ins)</b>						
Premiums	\$ 582,189,133	16.7%	\$ 560,075,843	16.3%	\$ 22,113,290	47.7%
Claims	\$ 469,381,875	80.6%	\$ 450,479,552	80.4%	\$ 18,902,323	85.5%
Dividends	\$ 39,754	0.0%	\$ 20,593	0.0%	\$ 19,161	0.1%
Enrollment	134,085	15.4%	129,614	15.0%	4,471	54.8%
<b>HEALTHNET (HealthNet of NJ)</b>						
Premiums	\$ 231,207,704	6.6%	\$ 231,207,704	6.7%		
Claims	\$ 186,277,323	80.6%	\$ 186,277,323	80.6%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	56,408	6.5%	56,408	6.5%		
<b>AMERIHEALTH (Amerihealth HMO, Amerihealth Ins of NJ)</b>						
Premiums	\$ 189,248,818	5.4%	\$ 189,248,818	5.5%		
Claims	\$ 167,445,716	88.5%	\$ 167,445,716	88.5%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	46,146	5.3%	46,146	5.3%		
<b>ALL OTHERS</b>						
Premiums	\$ 61,016,662	1.7%	\$ 56,131,847	1.6%	\$ 4,884,815	10.5%
Claims	\$ 54,091,117	88.6%	\$ 49,842,728	88.8%	\$ 4,248,389	87.0%
Dividends	\$ 679,437	1.1%	\$ 679,437	1.2%	\$ -	0.0%
Enrollment	9,273	1.1%	8,919	1.0%	354	4.3%
<b>TOTAL -- ALL CARRIERS</b>						
Premiums	\$ 3,487,763,923	100.0%	\$ 3,441,370,669	100.0%	\$ 46,393,254	100.0%
Claims	\$ 3,003,722,493	86.1%	\$ 2,962,468,475	86.1%	\$ 41,254,018	88.9%
Dividends	\$ 852,362	0.0%	\$ 700,030	0.0%	\$ 152,332	0.3%
Enrollment	872,555	100.0%	864,395	100.0%	8,160	100.0%
Ave Premium	\$ 3,997		\$ 3,981		\$ 5,685	
Ave Claim	\$ 3,442		\$ 3,427		\$ 5,056	