

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: 2/15/2008  
Re: SEH Loss Ratio and Refund Reports for 2006

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

Attached is a summary of the SEH Loss Ratio Reports for 2006. 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, 2007. 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 \$3.41 billion (compared to \$3.24 billion last year). Total premium grew about 5.2%, compared to a 9.5% growth rate last year. Enrollment decreased from 924,000 to 907,000 employees and dependents. (For 2006, 907,000 is the estimated average enrollment. Year end 2006 enrollment was 903,000.)

The 2006 average loss ratio of 81.8% (including refunds), is 0.5% higher than the 2005 average loss ratio of 81.3%. For a number of years, the average loss ratio in the SEH market has been about 80%, in excess of the statutory minimum of 75%. DOBI has not investigated whether the variation around 80% or the apparent increasing trend is statistically significant.

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

Refunds (or dividends) are payable if a carrier has a loss ratio below 75%; in 2006, refunds were paid in the standard market by Aetna Life (\$1.8 million), Nippon Life (\$ 0.4 million) , and Oxford Health Plans (NJ) (\$10.2 million). Oxford Health Insurance made standard market refunds of \$0.1 million for purchasing alliances only.

Loss ratios were higher in the non-standard market, averaging 89.8% (after refunds). This market consists of coverage that was in place prior to small group insurance reform in the early 1990s. Total premium was stable in 2006, at about \$53 million. Three carriers paid refunds in total of \$1.6 million, an increase from last year. The amount of refunds was 3.0% of total premium, also an increase from last year.

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)
Aetna	33.5%	82.6%
Horizon	30.5%	82.6%
United/Oxford	19.2%	78.1%
Health Net	7.1%	77.5%
AmeriHealth	7.1%	86.8%

All other carriers (CIGNA is the largest) accounted for 2.6% of premiums.

The average premium per covered person in the standard market is \$3,739, or a bit more than \$310 a month. This average includes the premium for dependent children, which is lower than the cost for a single adult. Typically, the indicated cost of covering a single adult might be 120% of this, or more than \$370 a month. 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 2006 estimated from quarterly reports. 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  
2006

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>INDEMNITY AND SERVICE CARRIERS</b>						
<b>Aetna Life</b>						
Premiums	\$ 7,771,660	0.2%	\$7,426,607	0.2%	\$ 345,053	0.6%
Claims	\$ 4,009,595	51.6%	\$3,744,229	50.4%	\$ 265,367	76.9%
Dividends	\$ 1,825,727	23.5%	\$ 1,825,727	24.6%	\$ -	0.0%
Enrollment	3,031	0.3%	2,988	0.3%	43	0.5%
			\$2,486		\$7,955	
<b>AmeriHealth Insurance Company</b>						
Premiums	\$ 75,101,110	2.2%	\$ 75,101,110	2.2%		
Claims	\$ 67,701,718	90.1%	\$ 67,701,718	90.1%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	16,789	1.9%	16,789	1.9%		
			\$4,473			
<b>Connecticut General Life</b>						
Premiums	\$ 17,563,272	0.5%	\$ 17,563,272	0.5%		
Claims	\$ 13,203,944	75.2%	\$ 13,203,944	75.2%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	4,122	0.5%	4,122	0.5%		
			\$4,261			
<b>Guardian Life</b>						
Premiums	\$ 9,359,250	0.3%	\$ 880,869	0.0%	\$ 8,478,381	15.9%
Claims	\$ 9,223,392	98.5%	\$ 994,477	112.9%	\$ 8,228,915	97.1%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	751	0.1%	82	0.0%	669	7.0%
			\$10,726		\$12,673	
<b>Horizon BCBS</b>						
Premiums	\$ 799,853,472	23.5%	\$ 780,942,439	23.3%	\$ 18,911,033	35.5%
Claims	\$ 677,471,229	84.7%	\$ 658,498,061	84.3%	\$ 18,973,167	100.3%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	203,779	22.5%	200,189	22.3%	3,590	37.7%
			\$3,901		\$5,268	
<b>Nippon Life</b>						
Premiums	\$ 3,825,188	0.1%	\$ 3,825,188	0.1%		
Claims	\$ 2,481,438	64.9%	\$ 2,481,438	64.9%		
Dividends	\$ 387,453	10.1%	\$ 387,453	10.1%		
Enrollment	654	0.1%	654	0.1%		
			\$5,850			
<b>Oxford Health Insurance</b>						
Premiums	\$ 414,209,414	12.2%	\$ 395,180,298	11.8%	\$ 19,029,116	35.7%
Claims	\$ 329,824,174	79.6%	\$ 317,121,855	80.2%	\$ 12,702,320	66.8%
Dividends	\$ 1,665,130	0.4%	\$ 95,613	0.0%	\$ 1,569,517	8.2%
Enrollment	95,691	10.6%	92,074	10.3%	3,617	38.0%
			\$4,292		\$5,262	
<b>Trustmark Insurance</b>						
Premiums	\$ 2,888,722	0.1%			\$ 2,888,722	5.4%
Claims	\$ 3,286,635	113.8%			\$ 3,286,635	113.8%
Dividends	\$ -	0.0%			\$ -	0.0%
Enrollment	813	0.1%			813	8.6%
					\$3,552	

SEH LOSS RATIO REPORTS  
2006

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>United HealthCare Insurance Company</b>						
Premiums	\$ 2,461,475	0.1%	\$ 2,461,475	0.1%		
Claims	\$ 1,735,014	70.5%	\$ 1,735,014	70.5%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	1,858	0.2%	1,858	0.2%		
			\$1,325			
<b>Wellchoice Insurance Co.</b>						
Premiums	\$ 2,132,180	0.1%	\$ 2,132,180	0.1%		
Claims	\$ 2,196,091	103.0%	\$ 2,196,091	103.0%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	517	0.1%	517	0.1%		
			\$4,124			
<b>TOTAL OF INDEMNITY AND SERVICE CARRIERS</b>						
Premiums	\$ 1,335,165,743	39.2%	\$ 1,285,513,438	38.3%	\$ 49,652,305	93.2%
Claims	\$ 1,111,133,232	83.2%	\$ 1,067,676,827	83.1%	\$ 43,456,404	87.5%
Dividends	\$ 3,878,310	0.3%	\$ 2,308,793	0.2%	\$ 1,569,517	3.2%
Enrollment	328,005	36.2%	319,273	35.6%	8,732	91.8%

SEH LOSS RATIO REPORTS  
2006

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>HMO CARRIERS</b>						
<b>Aetna Health</b>						
Premiums	\$ 1,132,991,026	33.2%	\$ 1,131,560,602	33.7%	\$ 1,430,424	2.7%
Claims	\$ 936,024,153	82.6%	\$ 934,959,785	82.6%	\$ 1,064,368	74.4%
Dividends	\$ 8,450	0.0%	\$ -	0.0%	\$ 8,450	0.6%
Enrollment	314,572	34.7%	314,309	35.0%	264	2.8%
			\$3,600		\$5,429	
<b>AmeriHealth HMO</b>						
Premiums	\$ 167,664,257	4.9%	\$ 167,664,257	5.0%		
Claims	\$ 143,026,230	85.3%	\$ 143,026,230	85.3%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	46,711	5.2%	46,711	5.2%		
			\$3,589			
<b>Cigna HealthCare</b>						
Premiums	\$ 38,294,335	1.1%	\$ 38,294,335	1.1%		
Claims	\$ 34,530,275	90.2%	\$ 34,530,275	90.2%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	6,632	0.7%	6,632	0.7%		
			\$5,774			
<b>Horizon HC of NJ</b>						
Premiums	\$ 237,961,110	7.0%	\$ 235,992,408	7.0%	\$ 1,968,702	3.7%
Claims	\$ 179,928,022	75.6%	\$ 178,335,045	75.6%	\$ 1,592,976	80.9%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	73,508	8.1%	73,036	8.1%	472	5.0%
			\$3,231		\$4,169	
<b>Oxford Health Plans (NJ), Inc.</b>						
Premiums	\$ 239,007,677	7.0%	\$ 238,799,175	7.1%	\$ 208,502	0.4%
Claims	\$ 169,019,167	70.7%	\$ 168,901,053	70.7%	\$ 118,114	56.6%
Dividends	\$ 10,236,591	4.3%	\$ 10,198,328	4.3%	\$ 38,263	18.4%
Enrollment	72,946	8.0%	72,903	8.1%	43	0.5%
			\$3,276		\$4,835	
<b>Health Net (PHS)</b>						
Premiums	\$ 243,513,819	7.1%	\$ 243,513,819	7.3%		
Claims	\$ 188,731,889	77.5%	\$ 188,731,889	77.5%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	61,277	6.8%	61,277	6.8%		
			\$3,974			
<b>Wellchoice HMO of New Jersey</b>						
Premiums	\$ 13,108,747	0.4%	\$ 13,108,747	0.4%		
Claims	\$ 10,140,141	77.4%	\$ 10,140,141	77.4%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	2,929	0.3%	2,929	0.3%		
<b>TOTAL OF HMO CARRIERS</b>						
Premiums	\$ 2,072,540,971	60.8%	\$ 2,068,933,343	61.7%	\$ 3,607,628	6.8%
Claims	\$ 1,661,399,877	80.2%	\$ 1,658,624,419	80.2%	\$ 2,775,458	76.9%
Dividends	\$ 10,245,041	0.5%	\$ 10,198,328	0.5%	\$ 46,713	1.3%
Enrollment	578,576	63.8%	577,797	64.4%	779	8.2%

SEH LOSS RATIO REPORTS  
2006

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<b>TOTAL OF INDEMNITY AND SERVICE CARRIERS</b>						
Premiums	\$ 1,335,165,743	39.2%	\$ 1,285,513,438	38.3%	\$ 49,652,305	93.2%
Claims	\$ 1,111,133,232	83.2%	\$ 1,067,676,827	83.1%	\$ 43,456,404	87.5%
Dividends	\$ 3,878,310	0.3%	\$ 2,308,793	0.2%	\$ 1,569,517	3.2%
Enrollment	328,005	36.2%	319,273	35.6%	8,732	91.8%
<b>TOTAL OF HMO CARRIERS</b>						
Premiums	\$ 2,072,540,971	60.8%	\$ 2,068,933,343	61.7%	\$ 3,607,628	6.8%
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Dividends	\$ 10,245,041	0.5%	\$ 10,198,328	0.5%	\$ 46,713	1.3%
Enrollment	578,576	63.8%	577,797	64.4%	779	8.2%
<b>GRAND TOTAL OF ALL CARRIERS</b>						
Premiums	\$ 3,407,706,714	100.0%	\$ 3,354,446,781	100.0%	\$ 53,259,933	100.0%
Claims	\$ 2,772,533,108	81.4%	\$ 2,726,301,246	81.3%	\$ 46,231,862	86.8%
Dividends	\$ 14,123,351	0.4%	\$ 12,507,121	0.4%	\$ 1,616,230	3.0%
Enrollment	906,580	100.0%	897,069	100.0%	9,511	100.0%

SEH LOSS RATIO REPORTS  
2006

COMPANY & DATA	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>COMBINED GROUP BASIS</b>						
<b>AETNA (Aetna Life, Aetna Health)</b>						
Premiums	\$ 1,140,762,686	33.5%	\$ 1,138,987,209	34.0%	\$ 1,775,477	3.3%
Claims	\$ 940,033,749	82.4%	\$ 938,704,014	82.4%	\$ 1,329,735	74.9%
Dividends	\$ 1,834,177	0.2%	\$ 1,825,727	0.2%	\$ 8,450	0.5%
Enrollment	317,604	35.0%	317,297	35.4%	307	3.2%
<b>HORIZON (Horizon BCBS, Horizon HC (HMO))</b>						
Premiums	\$ 1,037,814,582	30.5%	\$ 1,016,934,847	30.3%	\$ 20,879,735	39.2%
Claims	\$ 857,399,251	82.6%	\$ 836,833,107	82.3%	\$ 20,566,144	98.5%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Enrollment	277,287	30.6%	273,225	30.5%	4,062	42.7%
<b>UNITED/OXFORD (Oxford Health Ins, Oxford Health Plan (NJ), United HeathCare Ins)</b>						
Premiums	\$ 655,678,566	19.2%	\$ 636,440,948	19.0%	\$ 19,237,618	36.1%
Claims	\$ 500,578,356	76.3%	\$ 487,757,922	76.6%	\$ 12,820,433	66.6%
Dividends	\$ 11,901,721	1.8%	\$ 10,293,941	1.6%	\$ 1,607,780	8.4%
Enrollment	170,495	18.8%	166,835	18.6%	3,660	38.5%
<b>HEALTHNET (HealthNet of NJ)</b>						
Premiums	\$ 243,513,819	7.1%	\$ 243,513,819	7.3%		
Claims	\$ 188,731,889	77.5%	\$ 188,731,889	77.5%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	61,277	6.8%	61,277	6.8%		
<b>AMERIHEALTH (Amerihealth HMO, Amerihealth Ins of NJ)</b>						
Premiums	\$ 242,765,367	7.1%	\$ 242,765,367	7.2%		
Claims	\$ 210,727,948	86.8%	\$ 210,727,948	86.8%		
Dividends	\$ -	0.0%	\$ -	0.0%		
Enrollment	63,500	7.0%	63,500	7.1%		
<b>ALL OTHERS</b>						
Premiums	\$ 87,171,694	2.6%	\$ 75,804,591	2.3%	\$ 11,367,103	21.3%
Claims	\$ 75,061,916	86.1%	\$ 63,546,366	83.8%	\$ 11,515,550	101.3%
Dividends	\$ 387,453	0.4%	\$ 387,453	0.5%	\$ -	0.0%
Enrollment	16,418	1.8%	14,936	1.7%	1,482	15.6%
<b>TOTAL -- ALL CARRIERS</b>						
Premiums	\$ 3,407,706,714	100.0%	\$ 3,354,446,781	100.0%	\$ 53,259,933	100.0%
Claims	\$ 2,772,533,108	81.4%	\$ 2,726,301,246	81.3%	\$ 46,231,862	86.8%
Dividends	\$ 14,123,351	0.4%	\$ 12,507,121	0.4%	\$ 1,616,230	3.0%
Enrollment	906,580	100.0%	897,069	100.0%	9,511	100.0%
Ave Premium	\$ 3,759		\$ 3,739		\$ 5,600	
Ave Claim	\$ 3,058		\$ 3,039		\$ 4,861	