

NEW JERSEY DEPT. OF BANKING AND INSURANCE  
MEMORANDUM

To: Ellen DeRosa, Executive Director, SEH/IHC Boards  
 From: Avnee Parekh, ASA, Managing Actuary, Life & Health Actuarial  
 Date: April 1, 2016  
 Re: SEH Loss Ratio and Refund Reports for 2014

Attached is a summary of the SEH Loss Ratio Reports for 2014. 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. Originally these reports were to be submitted to the Department by August 1, 2015. However, the Department extended the deadline to October 30, 2015 due to uncertainty about when CMS would finalize the 2014 Risk Corridors payments, which carriers need to calculate their loss ratios. 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 around \$2.83 billion in 2014, compared to \$3.20 billion in 2013 and \$3.22 billion in 2012 and 2011. Total premiums declined by 11.4% in 2014. The declines were 0.7% in 2013 and 0.002% in 2012.

The 2014 average loss ratio was 84.7% (before refunds), compared to 82.8% (before refunds) in 2013. Loss ratios were around 81% in 2012 and 83% 2011. Horizon (BCBS and HMO), the largest carrier in the market on a combined basis, with around 54% market share by premium, had a loss ratio of 80.8%.

The SEH market now has 6 carriers on a combined ownership basis. Health Republic entered the SEH market in 2014. Connecticut General Life left the market, while CIGNA Health & Life entered the market. The next table summarizes the market share (by premium) and loss ratio.

Carrier	Market Share	Loss Ratio (before refunds)
Horizon	53.9%	80.8%
- Horizon BCBS		80.3%
- Horizon HC of NJ		98.7%
Oxford	18.6%	80.9%
- Oxford Health Insurance		77.9%
- Oxford Health Plans		84.2%
AmeriHealth	14.1%	92.2%
- AmeriHealth HMO		94.7%
- AmeriHealth Insurance		89.4%
Aetna	13.3%	97.7%
- Aetna Health		99.0%
- Aetna Life		87.0%
CIGNA	0.0%*	86.0%
- CIGNA HealthCare		35.5%
- CIGNA Health & Life		93.9%
Health Republic	0.0%**	63.9%

\* CIGNA market share rounded from 0.038%.

\*\* Health Republic market share rounded from 0.025%.

Refunds (or dividends) are payable if a carrier has a loss ratio below 80%. There is also a Federal 80% loss ratio requirement. This memo addresses refunds as required under NJ law and does not address refunds, if any, under Federal law. The Federal calculation method for the loss ratio is different than the State calculation method. Carriers are permitted to take credit for New Jersey refunds when calculating their Federal liability.

In the standard market the average loss ratio was 84.7% (before refunds) for 2014, up from 82.7% for 2013. Standard market refunds declined from \$7.9 million for 2013 to \$5.9 million for 2014. The bulk of the refunds, about \$5.7 million, were paid by Oxford Health Insurance. The rest of the refunds were paid by Health Republic, \$114,000; CIGNA HealthCare, \$64,000; and Oxford Health Plans, \$26,000, for its purchasing alliance.

The non-standard market consisted of coverage that was in place prior to small group insurance reform in the early 1990s and is no longer being sold. No carriers collected premiums for the non-standard market in 2014. Aetna Life released its remaining reserves by paying a final refund of \$1,197. Horizon made premium adjustments and paid a small amount of run-out claims.

The attached summary gives more detail of each carrier's report in the standard and non-standard markets. The percentages next to premiums give the market shares. The percentages next to claims or dividends are the loss ratios or dividend percentages, respectively. Following the detailed carrier information are statistics on a combined basis for affiliated carriers and statistics for purchasing alliances. Oxford Health Plans had the only purchasing alliance, which was in run-out status until it ended in June 2014.

SEH LOSS RATIO REPORTS  
2014

	TOTAL	%	STANDARD	%	NONSTANDARD	%
<b>Aetna Health</b>						
Premiums	\$ 338,726,649	12.0%	\$ 338,726,649	12.0%		
Claims	\$ 335,230,323	99.0%	\$ 335,230,323	99.0%		
Dividends	\$ -	0.0%	\$ -	0.0%		
<b>Aetna Life</b>						
Premiums	\$ 38,855,872	1.4%	\$ 38,855,872	1.4%	\$ -	0.0%
Claims	\$ 33,805,998	87.0%	\$ 33,807,195	87.0%	\$ (1,197)	#DIV/0!
Dividends	\$ 1,197	0.0%	\$ -	0.0%	\$ 1,197	#DIV/0!
<b>AmeriHealth HMO</b>						
Premiums	\$ 206,545,839	7.3%	\$ 206,545,839	7.3%		
Claims	\$ 195,612,781	94.7%	\$ 195,612,781	94.7%		
Dividends	\$ -	0.0%	\$ -	0.0%		
<b>AmeriHealth Insurance</b>						
Premiums	\$ 191,170,290	6.8%	\$ 191,170,290	6.8%		
Claims	\$ 170,962,847	89.4%	\$ 170,962,847	89.4%		
Dividends	\$ -	0.0%	\$ -	0.0%		
<b>CIGNA HealthCare</b>						
Premiums	\$ 144,546	0.0%	\$ 144,546	0.0%		
Claims	\$ 51,279	35.5%	\$ 51,279	35.5%		
Dividends	\$ 64,358	44.5%	\$ 64,358	44.5%		
<b>CIGNA Health &amp; Life</b>						
Premiums	\$ 928,178	0.0%	\$ 928,178	0.0%		
Claims	\$ 871,387	93.9%	\$ 871,387	93.9%		
Dividends	\$ -	0.0%	\$ -	0.0%		
<b>Health Republic</b>						
Premiums	\$ 708,672	0.0%	\$ 708,672	0.0%		
Claims	\$ 452,741	63.9%	\$ 452,741	63.9%		
Dividends	\$ 114,197	16.1%	\$ 114,197	16.1%		
<b>Horizon BCBS</b>						
Premiums	\$ 1,481,574,866	52.4%	\$ 1,481,581,241	52.4%	\$ (6,375)	77.4%
Claims	\$ 1,189,397,053	80.3%	\$ 1,189,396,305	80.3%	\$ 749	-11.7%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
<b>Horizon HC of NJ</b>						
Premiums	\$ 43,628,286	1.5%	\$ 43,630,151	1.5%	\$ (1,865)	22.6%
Claims	\$ 43,043,705	98.7%	\$ 43,043,431	98.7%	\$ 274	-14.7%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
<b>Oxford Health Insurance</b>						
Premiums	\$ 272,789,030	9.6%	\$ 272,789,030	9.6%		
Claims	\$ 212,537,000	77.9%	\$ 212,537,000	77.9%		
Dividends	\$ 5,694,224	2.1%	\$ 5,694,224	2.1%		
<b>Oxford Health Plans</b>						
Premiums	\$ 254,585,975	9.0%	\$ 254,585,975	9.0%		
Claims	\$ 214,256,655	84.2%	\$ 214,256,655	84.2%		
Dividends	\$ 26,499	0.0%	\$ 26,499	0.0%		

SEH LOSS RATIO REPORTS  
2014

	TOTAL	%	STANDARD	%	NONSTANDARD	%
		COMBINED GROUP BASIS				
<b>HORIZON (Horizon BCBS, Horizon HC of NJ)</b>						
Premiums	\$ 1,525,203,152	53.9%	\$ 1,525,211,392	53.9%	\$ (8,240)	100.0%
Claims	\$ 1,232,440,758	80.8%	\$ 1,232,439,736	80.8%	\$ 1,023	-12.4%
Dividends	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
<b>OXFORD (Oxford Health Insurance, Oxford Health Plans)</b>						
Premiums	\$ 527,375,005	18.6%	\$ 527,375,005	18.6%		
Claims	\$ 426,793,655	80.9%	\$ 426,793,655	80.9%		
Dividends	\$ 5,720,723	1.1%	\$ 5,720,723	1.1%		
<b>AMERIHEALTH (AmeriHealth HMO, AmeriHealth Insurance)</b>						
Premiums	\$ 397,716,129	14.1%	\$ 397,716,129	14.1%		
Claims	\$ 366,575,629	92.2%	\$ 366,575,629	92.2%		
Dividends	\$ -	0.0%	\$ -	0.0%		
<b>AETNA (Aetna Life, Aetna Health)</b>						
Premiums	\$ 377,582,522	13.3%	\$ 377,582,522	13.3%	\$ -	0.0%
Claims	\$ 369,036,321	97.7%	\$ 369,037,518	97.7%	\$ (1,197)	#DIV/0!
Dividends	\$ 1,197	0.0%	\$ -	0.0%	\$ 1,197	#DIV/0!
<b>CIGNA (CIGNA HealthCare, Connecticut General Life)</b>						
Premiums	\$ 1,072,724	0.0%	\$ 1,072,724	0.0%		
Claims	\$ 922,666	86.0%	\$ 922,666	86.0%		
Dividends	\$ 64,358	6.0%	\$ 64,358	6.0%		
<b>Health Republic</b>						
Premiums	\$ 708,672	0.0%	\$ 708,672	0.0%		
Claims	\$ 452,741	63.9%	\$ 452,741	63.9%		
Dividends	\$ 114,197	16.1%	\$ 114,197	16.1%		
<b>TOTAL -- ALL CARRIERS</b>						
Premiums	\$ 2,829,658,203	100.0%	\$ 2,829,666,443	100.0%	\$ (8,240)	100.0%
Claims	\$ 2,396,221,769	84.7%	\$ 2,396,221,944	84.7%	\$ (175)	2.1%
Dividends	\$ 5,900,475	0.2%	\$ 5,899,278	0.2%	\$ 1,197	-14.5%

SEH LOSS RATIO REPORTS  
2014

	TOTAL	%	STANDARD	%	NONSTANDARD	%
			Purchasing Alliances			
<b>Oxford Health Plans - Purchasing Alliance</b>						
Premiums	\$ 43,440	0.0%	\$ 43,440	0.0%		
Claims	\$ 8,253	19.0%	\$ 8,253	19.0%		
Dividends	\$ 26,499	61.0%	\$ 26,499	61.0%		
<b>Oxford Health Plans - Non-Purchasing Alliance</b>						
Premiums	\$ 254,542,535	9.0%	\$ 254,542,535	9.0%		
Claims	\$ 214,248,402	84.2%	\$ 214,248,402	84.2%		
Dividends	\$ -	0.0%	\$ -	0.0%		
<b>Oxford Health Plans - Total</b>						
Premiums	\$ 254,585,975	9.0%	\$ 254,585,975	9.0%		
Claims	\$ 214,256,655	84.2%	\$ 214,256,655	84.2%		
Dividends	\$ 26,499	0.0%	\$ 26,499	0.0%		