

REPORT ON ORGANIZATION

OF THE

CHAUTAUQUA COUNTY MUNICIPAL

MEDICAL BENEFITS PLAN

AS OF

DECEMBER 31, 2001

DATE OF REPORT

JULY 12, 2001

EXAMINER

ROBERT W. MCLAUGHLIN, CFE, CIE

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

July 12, 2001

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, NY 12257

Sir:

Pursuant to instructions contained in Appointment Number 21896 dated June 4, 2002, and attached hereto, I have made an on-organization examination of the Chautauqua County Municipal Medical Benefits Plan and respectfully submit the following report thereon.

Whenever the term, "Plan" appears herein without qualification, it should be understood to refer to the Chautauqua County Municipal Medical Benefits Plan.

1. ORGANIZATION

The Chautauqua County Municipal Medical Benefits Plan (CCMMBP) commenced business on January 1, 1979. The Plan is a self-insured consortium established by municipal corporations to provide for the efficient and economical evaluation, administration and payment of health claims of employees, retirees and their dependents of the participating school districts. Each municipal corporation agrees to share the costs and assume the liabilities for hospital, physician, surgical, prescription drug, chiropractic and major medical benefits provided under the Plan to covered members to covered members.

The Plan has applied to the Superintendent of Insurance for a Certificate of Authority pursuant to Article 47 of the New York Insurance Law.

The Plan has its main administrative office at 143 Gerace Building, Mayville, New York 14757. Currently, the Plan has a total of thirty-five (35) municipal corporation participants.

It was noted that, as of the examination date, the Plan had failed to notify this Department of all additions and terminations of its municipal corporation participants.

It is recommended that the Plan notify this Department of all additions and terminations of its municipal corporation participants.

In this regard, the Plan did not maintain signed participation agreements with all of its current municipal corporation participants at the time of the examination.

It is recommended that the Plan maintain signed participation agreements with all of its municipal participants.

Members of the Plan's Administrative Committee, as of December 31, 2001 were as follows:

<u>Municipal Corporation</u>	<u>Administrative Committee Member and Title</u>
Village of Lakewood 20 West Summit Street, Lakewood, New York 14750	Anthony C. Caprino, Mayor
Town of Chautauqua 11 South Erie Street, Mayville, New York 14757	James Weidman, III, Supervisor
Village of Westfield 23 Elm Street, Westfield, New York 14787	Richard D. Catalano, Mayor
Chautauqua County Soil and Water Conservation District. Frank W. Bratt Agriculture Center, 3542 Turner Road Jamestown, New York 14701	Debra Kelley, Superintendent
Town of Portland 87 West Main Street, Brockton, New York 14716	Gary Miller, Supervisor
Town of Hanover 68 Hanover Street, Silver Creek, New York 14136	Donald K. Dalrymple, Supervisor
Town of North Harmony Community Building, Stow, New York 14785	William Reynolds, III, Supervisor

The above municipal corporations cover the geographic areas of Chautauqua County of New York State. The Plan's enrollment of members as of December 31, 2001 was 971.

The officers of the Plan as of December 31, 2001 were as follows:

President:	Anthony Caprino
Chief Financial Officer:	James Weidman, III
Secretary:	Debra Kelley

The Plan's Administrative Committee has designated Frederick Larson as the Plan's Attorney-in-Fact. Debra Kelley, Secretary of the Plan, is the holder of the Plan's reports, records, and statements except for financial records. Jean Blackmore, Chautauqua County Director of Finance, is the holder of the Plan's financial records.

2. SCOPE OF EXAMINATION

The examination was conducted at the Plan's office located at 143 Gerace Building, Mayville, New York.

The examination comprised a verification of the assets and liabilities of the Plan as of December 31, 2001. A review was also made of the following items:

- Plan documents
- Financial documents
- Service provider contracts
- Board of Directors' meeting minutes
- Reinsurance agreements
- Fidelity bond

3. REINSURANCE

At December 301 2001, the Plan had the following reinsurance program for medical and prescription drug benefits under terms of the Plan Agreement in effect with an authorized reinsurer.

<u>Type</u>	<u>Limits</u>
Excess of loss one layer	100% of \$1,930,000 excess of \$70,000 of loss per contract holder, per contract year.
Aggregate	\$2,000,000 with a loss limit per individual of \$100,000 per contract period.

The Plan's two reinsurance agreements in effect at December 31, 2001 did not include the wording prescribed by Section 1308(a)(2)(A)(i) of the New York Insurance Law.

Section 1308(a)(2)(A)(i) of the New York Insurance Law states in part,

...”reinsurance shall be payable by the assuming insurer on the basis of the liability of the ceding insurer under the contracts reinsured without diminution because of the insolvency of the ceding insurer”...

It is recommended that the Plan amend its reinsurance contracts to include the wording prescribed by Section 1308(a)(2)(A)(i) of the New York Insurance Law.

4. ADMINISTRATIVE AGREEMENT

As of December 31, 2001, the Plan maintained an administrative agreement with The County of Chautauqua whereby the County of Chautauqua provided specified services to the Plan. Such services included premium billing, financial record keeping and claims processing.

The above agreement was not formally renewed upon expiration on February 4, 2002. However, the County of Chautauqua has continued to provide the specified administrative services to the Plan. In addition, at the time of this writing, July, 2002, the Plan had not requested approval from the Superintendent of Insurance for the renewal of this administrative agreement.

The Plan's administrative agreement with the County of Chautauqua states in part,

“The parties may renew such Agreement for an additional five (5) year term upon the approval of the New York State Insurance Superintendent. Any application for renewal shall be submitted at least ninety (90) days prior to the expiration of the existing term.”

It is recommended that, if it is the intention of the Plan's Administrative Committee that the administrative agreement with the County of Chautauqua be renewed, that the Plan submit its administrative agreement with the County of Chautauqua to the Superintendent of Insurance for approval.

5. BALANCE SHEET

The following balance sheet sets forth the Plan's financial condition as of December 31, 2001 as determined by this examination.

<u>Assets</u>	<u>Plan</u>	<u>Examination</u>	<u>Net Worth Increase (Decrease)</u>
Cash and cash equivalents	\$ 5,288	\$ 5,288	\$ 0
Short-term investments	1,897,880	1,897,880	0
Premiums receivable	32,719	32,719	0
Due from Chautauqua County	50,428	50,428	0
Prepaid insurance	<u>6,417</u>	<u>6,417</u>	<u>0</u>
Total assets	<u>\$ 1,992,732</u>	<u>\$ 1,992,732</u>	<u>\$ 0</u>
 <u>Liabilities</u>			
Accounts payable	\$ 8,053	\$ 8,053	\$ 0
Claims payable	645,000	645,000	0
Unearned premiums	<u>34,831</u>	<u>34,831</u>	<u>0</u>
Total liabilities	<u>\$ 687,884</u>	<u>\$ 687,884</u>	<u>\$ 0</u>
 <u>Net worth</u>			
Contingency reserves	\$ 130,349	\$ 130,349	\$ 0
Retained earnings	<u>1,174,499</u>	<u>1,174,499</u>	<u>0</u>
Total net worth	<u>\$ 1,304,848</u>	<u>\$ 1,304,848</u>	<u>\$ 0</u>
Total liabilities and net worth	<u><u>\$ 1,992,732</u></u>	<u><u>\$ 1,992,732</u></u>	<u><u>\$ 0</u></u>

As of December 31, 2001, the Plan maintained checking and money market accounts with Key Bank, Albany, NY, a checking account with M&T Bank, Mayville, NY and a Treasury Direct account with the Federal Reserve Bank, Boston, MA.

It was noted that the Plan maintained the above accounts under names other than its current name, "Chautauqua County Municipal Medical Benefits Plan".

It is recommended that the Plan maintain its cash and investment accounts under its legal name, "Chautauqua County Municipal Medical Benefits Plan".

6. FIDUCIARY BOND

As of the time of examination, July, 2002, the Plan did not maintain a fiduciary bond covering the Plan's chief fiscal officer.

Section 4703(b)(2) of the New York Insurance Law states in part:

“The governing board... shall provide to the satisfaction of the superintendent the following:...evidence that the plan's chief fiscal officer is adequately bonded in a manner acceptable to the superintendent...”

It is recommended that the Plan comply with Section 4703(b)(2) of the New York Insurance Law and maintain a fiduciary bond for the Plan's chief fiscal officer in a manner acceptable to the Superintendent of Insurance.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A.	2.
<p>It is recommended that the Plan notify this Department of all additions and terminations of its municipal corporation participants.</p>	
B.	2.
<p>It is recommended that the Plan maintain signed participation agreements with all of its municipal corporation participants.</p>	
C..	7.
<p>It is recommended that the Plan amend its reinsurance contracts to include the wording prescribed by Section 1308(a)(2)(A)(I) of the New York Insurance Law.</p>	
D.	8.
<p>It is recommended that, if it is the intention of the Plan's Administrative Committee that the administrative services agreement with the County of Chautauqua be renewed, that the Plan submit its administrative services agreement with the County of Chautauqua to the Superintendent of Insurance for approval.</p>	
E.	10.
<p>It is recommended that the Plan maintain its cash and investment accounts under its legal name, 'Chautauqua County Municipal Medical Benefits Plan'.</p>	
F.	11.
<p>It is recommended that the Plan comply with Section 4703(b)(2) of the New York Insurance Law and maintain a fiduciary bond for the Plan's chief fiscal officer in a manner acceptable to the Superintendent of Insurance.</p>	

Appointment No. 21896

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Robert McLaughlin

as a proper person to examine into the affairs of the
Chatauqua County Municipal Medical Benefits Plan

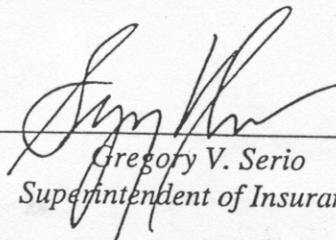
and to make a report to me in writing of the said

Company

with such information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal
of this Department, at the City of New York.*

this 4th day of June 2002



Gregory V. Serio
Superintendent of Insurance

