

REPORT ON EXAMINATION
OF THE
EMPIRE HEALTHCHOICE ASSURANCE, INC.
AS OF
DECEMBER 31, 1999

DATE OF REPORT

NOVEMBER 6, 2002

EXAMINER

WAI WONG

TABLE OF CONTENTS

| <u>ITEM NO</u> | | <u>PAGE NO</u> |
|----------------|---|----------------|
| | Introduction | |
| 1. | Scope of examination | 2 |
| 2. | Description of Company | 3 |
| | A. Management | 4 |
| | B. Territory and plan of operation | 6 |
| | C. Significant ratios | 8 |
| | D. Holding company system | 9 |
| 3. | Financial statements | 15 |
| | A. Balance sheet | 15 |
| | B. Underwriting and investment exhibit | 17 |
| 4 | Summary of comments and recommendations | 19 |



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

George E. Pataki
Governor

Gregory V. Serio
Superintendent

Date: November 6, 2002

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the provisions of the New York Insurance Law and acting in accordance with directions contained in Appointment Number 21511 dated March 6, 2000 and annexed hereto, I have made an examination into the financial condition and affairs of Empire HealthChoice Assurance, Inc., a for-profit accident and health insurer licensed under Article 42 of the New York Insurance Law.

Whenever the terms "the Company" or "Empire" appear herein without qualification, they should be understood to mean Empire HealthChoice Assurance, Inc.

1. SCOPE OF EXAMINATION

A report on organization on Empire HealthChoice Assurance, Inc. was previously completed as of March 31, 1996. The current examination covered the period from April 1, 1996 through December 31, 1999. Transactions occurring subsequent to this period were reviewed where deemed appropriate.

The examination comprised a verification of assets and liabilities as of December 31, 1999, and a review of income and disbursements deemed necessary to accomplish such verification and utilized, to the extent considered appropriate, work performed by Empire's independent certified public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

- History of the Company
- Management and control
- Corporate records
- Territory and plan of operation
- Growth of Corporation
- Loss experience
- Accounts and records

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Empire HealthChoice Assurance, Inc. is a New York corporation which is licensed under Article 42 of the New York State Insurance Law as a for-profit accident and health insurer. The company is a wholly owned subsidiary of the holding company Empire Healthcare, Inc. which in turn is wholly owned by Empire Blue Cross and Blue Shield.

At inception the company had authorized capital of \$300,000 consisting of 1,000 shares of \$300 par value common stock. The company issued 1,000 shares of common stock to the holding company for a consideration of \$19,000,000. This amount consists of \$300,000 of paid in capital and \$18,700,000 of gross paid in and contributed surplus.

As of December 31, 1999 Empire HealthChoice Assurance, Inc. had capital stock of \$300,000 and surplus of \$4,652,398.

The table below shows significant financial data of the Company in thousands (\$000 omitted) for the years covered by this exam and the year 2000, as reflected in the annual statements filed with this Department:

| Year | Direct Premiums Written | Admitted Assets | Liabilities | Capital and Surplus |
|------|----------------------------|-----------------|-------------|------------------------|
| 1996 | \$ 0 | \$ 19,865 | \$ 737 | \$ 18,828 |
| 1997 | \$ 0 | \$ 17,187 | \$ 3,457 | \$ 13,730 |
| 1998 | \$ 0 | \$ 12,791 | \$ 3,407 | \$ 9,384 |
| 1999 | \$ 14,541 | \$ 15,049 | \$ 10,096 | \$ 4,952 |

2000 \$ 89,450 \$ 39,169 \$ 24,203 \$ 14,966

A. Management

The by-laws in effect as of the examination date provide for a board of directors consisting of at least thirteen and not more than twenty-five members. At all times a majority of the directors shall be citizens and residents of the United States and not less than three directors shall be residents of the State of New York. Each director shall be at least 18 years of age and a director need not be a shareholder of the corporation.

The following individuals were members of the board of directors as of December 31, 1999:

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|---|---|
| Michael A. Stocker, MD, Chairman New York, NY | President and CEO Empire Blue Cross and Blue Shield |
| Joseph Berado, Jr. Sea Girt, NJ | Senior Vice President, Chief Sales Officer Empire Blue Cross and Blue Shield |
| Deborah Bohren Scarsdale, NY | Vice President, Public Affairs Empire Blue Cross and Blue Shield |
| Angelo V. Dascoli Rutherford, NJ | Vice President, Utilization Management Empire Blue Cross and Blue Shield |
| John F. Early Danbury, CT | Vice President, Strategic Initiatives Empire Blue Cross and Blue Shield |
| Michael W. Fedyna Maple Glen, PA | Vice President, Chief Actuary Empire Blue Cross and Blue Shield |
| John M. Feehan New York, NY | Vice President, Chief Underwriter Empire Blue Cross and Blue Shield |

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|---|---|
| John M. Furka Denville, NJ | Vice President, Auditing Empire Blue Cross and Blue Shield |
| Kenneth O. Klepper Jersey City, NJ | Senior Vice President, Systems Empire Blue Cross and Blue Shield |
| Peter Liria Jr., Esq. Florida, NY | Vice President, Compliance and Corporate Secretary Empire Blue Cross and Blue Shield |
| Gloria M. McCarthy Blauvelt, NY | Senior Vice President, Operations and Managed Care Empire Blue Cross and Blue Shield |
| William B. O'Loughlin Greenlawn, NY | Senior Vice President, Chief Information Officer Empire Blue Cross and Blue Shield |
| William J. Osheroff, M.D. New York, NY | Vice President, Chief Medical Officer Empire Blue Cross and Blue Shield |
| Louis Parisi Pittstown, NJ | Vice President, Fraud Investigation & Detection Empire Blue Cross and Blue Shield |
| Connie C. Poirier Jersey City, NJ | Senior Vice President, Medical Delivery Systems and Medicare Risk Empire Blue Cross and Blue Shield |
| Donna R. Ratliff Upper Montclair, NJ | Senior Vice President, Human Resources and Services Empire Blue Cross and Blue Shield |
| John W. Remshard Lower Gwynedd, PA | Senior Vice President, Chief Financial Officer Empire Blue Cross and Blue Shield |
| Jack Allen Smith Darien, CT. | Senior Vice President, Chief Marketing Officer Empire Blue Cross and Blue Shield |
| David Snow, Jr. Darien, CT. | Executive Vice President and Chief Operating Officer Empire Blue Cross and Blue Shield |
| Linda V. Tiano, Esq. Larchmont, NY | Senior Vice President, General Counsel Empire Blue Cross and Blue Shield |

The following individuals resigned as officers of Empire Blue Cross and Blue Shield in 2000 and relinquished their position on the board of this entity; Joseph Berardo, Jr., John M. Feehan, John M. Furka, William J. Osheroff, M.D., Louis Parisi, and Donna R. Ratliff.

The principal officers of the Company at December 31, 1999 were as follows:

| | |
|--------------------------|--|
| Michael A. Stocker, M.D. | President and CEO |
| David B. Snow, Jr. | Executive Vice President and COO |
| Gloria M. McCarthy | Senior Vice President, Operations and Managed Care |
| John Remshard | Senior VP and CFO |
| Linda V. Tiano, Esq. | Senior Vice President and General Counsel |
| Michael Della Iacono | Vice President and Treasurer |
| Michael Palmateer | Vice President and Controller |
| Peter Liria, Jr., Esq. | Vice President, Compliance and Corporate Secretary |

B. Territory and Plan of Operation

Empire HealthChoice, Assurance, Inc. is an accident and health corporation licensed in the State of New York under Article 42 of the New York Insurance Law. Empire underwrites contracts providing hospital, basic medical, major medical, Medicare supplementary, dental and prescription drug benefits to subscribers.

At the end of 1999, the Company provided health insurance coverage to 10,311 subscribers. Of this amount, approximately 1,247 subscribers have community-rated coverage through employer-

sponsored groups of 3 to 50 employees. Under the community-rated contracts, all subscribers are charged the same rates, regardless of sex, age, and health status that are based upon the performance of similar contracts aggregated into pools for rating purposes. Under these contracts, subscribers are billed premium rates and issued contracts of coverage, that are subject to prior approval by the Department.

The remaining 9,064 subscribers hold either incentive-rated or experience-rated contracts. Incentive-rated groups are defined as groups from 50 to 249 subscribers whereby a combination of the actual experience of the individual group and the average experience of all incentive-rated groups determine the premium rates. Experience-rated business is defined as groups with 250 or more subscribers whereby Empire sets premiums based upon each group's experience and a retention formula approved by the Department.

The table below shows the annual premiums written by market segment for 1999 and 2000:

| | <u>1999</u> | <u>2000</u> |
|------------------------------|----------------------|----------------------|
| Small Group Community-rated | \$ 2,633,538 | \$ 3,570,645 |
| Large Group Experience-rated | <u>12,660,419</u> | <u>85,695,475</u> |
| Total premiums written | <u>\$ 15,293,957</u> | <u>\$ 89,266,120</u> |

Subscribers may utilize the facilities of area hospitals, which have entered into participating hospital agreements. In 1996, the New York Public Health Law was amended to allow, effective January 1, 1997, payors of inpatient hospital services to negotiate the reimbursement rates they pay to

hospitals rather than utilizing the DRG rates set under NYPHRM, which expired on December 31, 1996.

When a subscriber utilizes a non-participating hospital, Empire is obligated to pay benefits for covered services as determined by the issued contract's provisions. Subscribers may utilize the services of physicians who have signed participating physician agreements with Empire. These physicians accept payment for services rendered based on fees set forth in agreed upon schedules. Non-participating physicians bill the subscriber directly and Empire reimburses subscribers up to the amount allowed for covered services in accordance with usual, customary and reasonable charge schedules as determined by Empire or with a schedule of allowance.

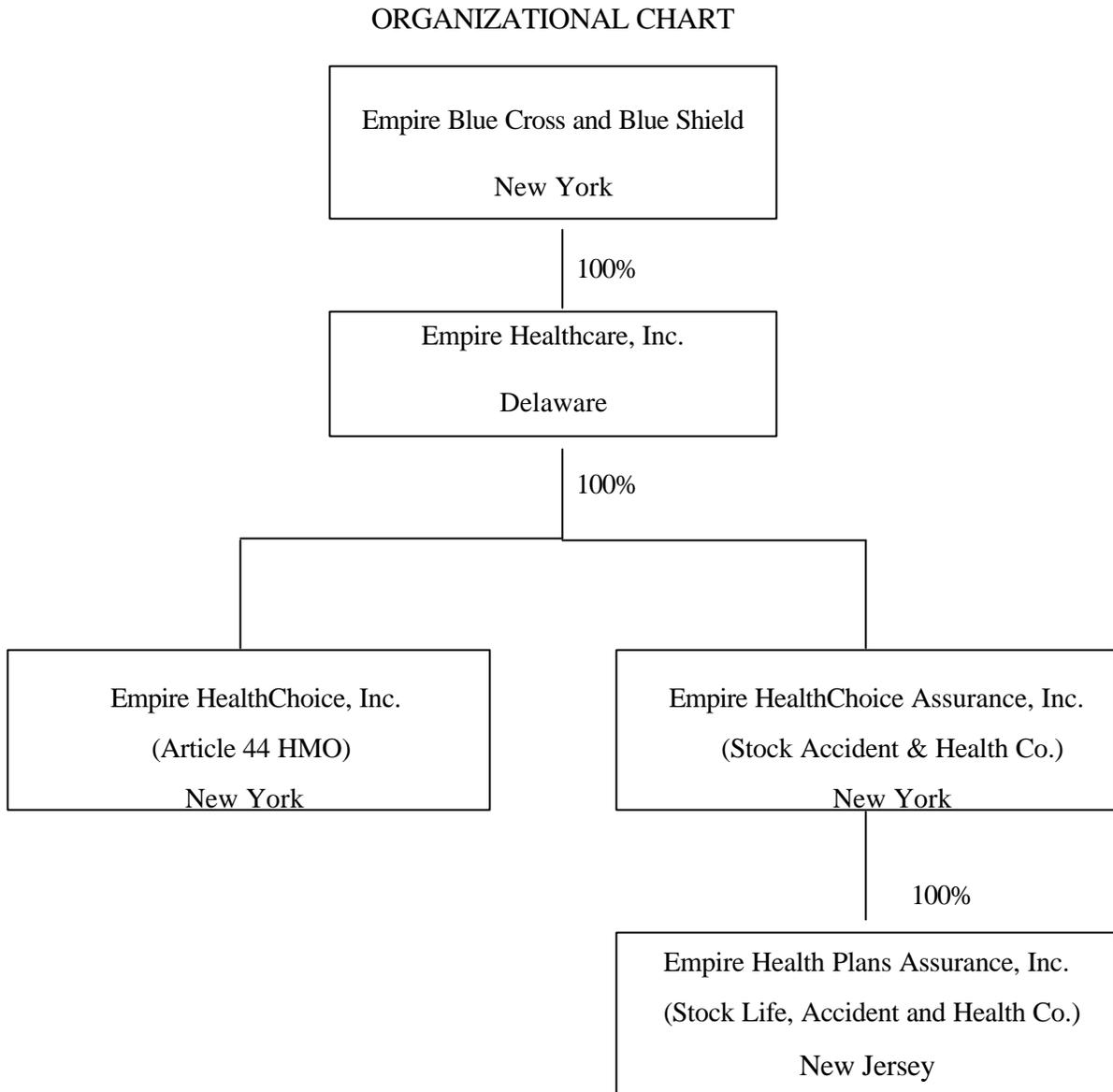
C. Significant Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the period covered by this examination.

| | <u>Amounts</u> | <u>Ratios</u> |
|--|-----------------------------|--------------------|
| Health Benefits and Changes in Reserves | \$ 11,635,038 | 80.02% |
| Commissions and other expenses net of reinsurance allowances | \$ 15,067,009 | 103.62% |
| Underwriting Gain/(Loss) | <u>\$ (12,161,059)</u> | <u>(83.64%)</u> |
| Premium Income | <u><u>\$ 14,540,988</u></u> | <u><u>100%</u></u> |

D. Holding Company System

The following shows the Company's organizational chart at December 31, 1999:



On February 14, 1997 Empire HealthChoice Assurance, Inc. (EHCA) purchased Central National Life Insurance Company, a life and accident and health company domiciled in New Jersey. The company was subsequently renamed Empire Health Plans Assurance, Inc. (EHPA) and in January 2001 the name was changed again to WellChoice Insurance of New Jersey, Inc.

Section 1603(a) of the New York State Insurance Law states:

"No acquisition of a majority of any corporation's outstanding common shares shall be made pursuant to this article unless a notice of intention of such proposed acquisition shall have been filed with the superintendent not less than ninety days, or such shorter period as may be permitted by the superintendent, in advance of such proposed acquisition, nor shall any such acquisition be made if the superintendent at any time prior thereto finds that the proposed acquisition is contrary to law or determines that such proposed acquisition would be contrary to the best interests of the parent insurer's policyholders or of the people of this state. "

Contrary to the above, Empire failed to provide the 90-day advance notice to the New York State Insurance Department for the acquisition of Empire Health Plans Assurance, Inc. by Empire HealthChoice Assurance, Inc. which is in violation of this section of the law. Empire HealthChoice Assurance, Inc. (an Article 42 corporation) has since requested retroactive Insurance Department approval of its investment in WellChoice Insurance of New Jersey, Inc. (formerly Empire Health Plans Assurance, Inc.), pursuant to an agreement to settle this matter. EHCA believed that the investment by EHCA in EHPA (now WINJ) was governed by Article 17 of the Insurance Law, not Article 16, therefore permission was not sought under Section 1603(a) until agreement was reached with the Insurance Department on the applicable law. EHCA agrees to comply with Section 1603(a) going forward. The examiner notes that Empire did not make the notice of acquisition filing required by Section 1701(b) of Article 17.

It is recommended that Empire HealthChoice Assurance, Inc. continue to comply with the requirements of Article 16 of the New York State Insurance Law.

Section 1408(a) of the New York State Insurance Law states:

"Any insurer which makes investments under the authority of subsection (c) of section one thousand four hundred three of this article and which meets the requirements of such subsection and section one thousand four hundred two of this article, may invest in, or otherwise acquire, the shares, including voting trust certificates, certificates of deposits interim receipts and other similar instruments representing such shares, of any other insurance companies, including for purposes of this section any corporation having a majority of its assets invested in one or more insurance companies, in an amount which, together with its present holdings and with any indirect or proportionate interest in insurance company shares held by it through any intermediate subsidiary, shall not exceed in value thirty-five percent of the surplus to policyholders of such acquiring insurer, or fifty percent of its surplus over and above its liabilities and capital, whichever is greater. No United States branch of an alien insurer shall be permitted to acquire or hold any shares of any alien insurance corporation. "

Empire HealthChoice Assurance, Inc. made the following surplus infusions into its subsidiary Empire Health Plan Assurance, Inc. for the years 1998 to 2001:

| | |
|------|-------------|
| 1998 | \$5,949,714 |
| 1999 | \$1,760,268 |
| 2000 | \$1,000,000 |
| 2001 | \$8,000,000 |

During 1998 EHCA made a surplus infusion of \$5,949,714 into EHPA. As shown in the table below the section 1408(a) NYIL-investment limitations would have limited the 1998 surplus infusion to \$4,038,352. As of December 31, 1999, the investment limitation prohibited all of EHCA's 1999 surplus infusion into EHPA of \$1,760,268 and reduced the permitted 1998 surplus infusion of \$4,038,35 to \$2,277,401. At December 31, 2000, the investment limitation excluded all of EHCA's surplus infusions into EHPA due to EHCA's negative surplus to policyholders at December 31, 1999.

At December 31, 2001, \$7,958,860 out of \$16,709,982 in surplus infusions made by EHCA into EHPA from 1998 through 2001 were allowed under the section 1408(a) NYIL-investment limitation.

| <u>Year of Infusion</u> | <u>Surplus Infusion into EHPA</u> | <u>Total Value of EHPA with infusion</u> | <u>§1408(a) NYIL limit</u> | <u>Disallowed amount cumulative totals</u> |
|-------------------------|-----------------------------------|--|----------------------------|--|
| 1998 | \$5,949,714 | \$ 8,626,131 | \$6,714,769 | \$1,911,362 |
| 1999 | \$1,760,268 | \$ 9,018,960 | \$3,586,379 | \$5,432,581 |
| 2000 | \$1,000,000 | \$ 8,359,066 | \$ 0 | \$8,359,066 |
| 2001 | \$8,000,000 | \$11,904,355 | \$3,153,233 | \$8,751,122 |

The disallowed investments reduces EHCA's surplus to policyholders to the following amounts for the examination years 1998 to 1999 and the two years subsequent:

| <u>Year</u> | <u>EHCA surplus to policyholders</u> | <u>EHCA restated surplus to policyholders</u> | <u>Increase/Decrease</u> |
|-------------|--------------------------------------|---|--------------------------|
| 1998 | \$ 9,384,120 | \$ 7,472,758 | (\$1,911,362) |
| 1999 | \$ 4,952,398 | \$ (480,183) | (\$5,432,581) |
| 2000 | \$ 14,965,531 | \$ 6,606,465 | (\$8,359,066) |
| 2001 | \$ 58,261,235 | \$ 49,510,113 | (\$8,751,122) |

The Empire HealthChoice Assurance, Inc. investments in Empire Health Plans Assurance, Inc. exceeded the investment limitations prescribed by §1408(a) of the New York State Insurance Law for the years 1999 through 2001.

The management of Empire HealthChoice Assurance, Inc. failed to adequately oversee that investments in its subsidiary, Empire Health Plans Assurance, Inc., did not exceed the investment limitations of §1408(a) of the New York State Insurance Law. As of

December 31, 1999 Empire HealthChoice Assurance, Inc's admitted assets decreased by \$5,432,581 due to its excess investment in Empire Health Plans Assurance, Inc.

Section 1408(b) of the New York State Insurance Law states:

"This section shall not prohibit the acquisition of insurance company shares by the acceptance of a stock dividend nor prohibit the owner of previously lawfully acquired shares of an insurance company from making a contribution, with the approval of the superintendent, to such other insurance company's surplus. Notwithstanding any other provisions of this chapter, any domestic insurer or United States branch of an alien insurer, which, prior to January first, nineteen hundred forty, acquired shares of other insurance companies in accordance with law in force at the time of such acquisition, may continue to hold them. In determining the financial condition of a domestic insurer shares of other insurance companies shall be valued in accordance with subsection (c) of section one thousand four hundred fourteen of this article but in no event shall their aggregate value be allowed as an admitted asset in excess of fifty per centum of the surplus to policyholders or sixty per centum of the surplus of such insurer, whichever is greater. "

It would appear that Empire HealthChoice Assurance, Inc. exceeded the overall limitation on the acquisition of insurance company shares in 1998, 1999, 2000 and 2001 without approval from the Superintendent to exceed these limitations. However, as noted above, Empire believed that the applicable statutory provisions governing the investment by Empire HealthChoice Assurance Inc. (EHCA) in Empire Health Plans Assurance Inc. (EHPA(WINJ)) did not contain such limitation. Empire indicated that the investment by EHCA into EHPA (WINJ) was made pursuant to Article 17 of the Insurance Law. When the investment in EHPA (WINJ) was made, EHCA believed that this investment was governed by Article 17 section 1704 (c) of the Insurance Law and that there was no limit on the amount that could be invested in EHPA (WINJ); though the Department did not agree with Empire's position. After subsequent discussions with the Department in early 2002, EHCA requested and received Insurance Department approval of the investments by EHCA into EHPA (WINJ) under Insurance Law Section 1603(a). However the disallowance for EHCA's excess investment in EHPA (WINJ) pursuant to the provisions of section 1408 of the Insurance Law are still applicable.

The management of Empire HealthChoice Assurance, Inc. should be mindful of the maximum limits governing investments in the shares of other insurance companies (including subsidiaries) as set forth in §1408(b).

It is recommended that Empire HealthChoice Assurance, Inc. continue to comply with the requirements of §1408 NYIL regarding additional contributions to the surplus of its insurer and HMO subsidiaries.

As noted above in letters to the Department dated February 27, 2002 and April 4, 2002 Empire requested retroactive permission for EHCA's investment in EHPA pursuant to Section 1603(a) of the New York Insurance Law. In addition the EHCA requested retroactive approval from the superintendent to make additional contributions to EHPA (WINJ), but the maximum limitations in §1408(b) still require a disallowance for excess investments in insurance companies, whether or not the insurer is a subsidiary.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and total reserves and unassigned funds as determined by this examination and as reported by the Company as of December 31, 1999.

| | EXAMINATION | | | | COMPANY | |
|---|---------------------|----------------------|------------------------|------------------------|------------------------|-----------------------------------|
| | Ledger Assets | Non-Ledger Assets | Not Admitted Assets | Net Admitted Assets | Net Admitted Assets | Surplus Increase (Decrease) |
| <u>Assets</u> | | | | | | |
| Common Stock | \$9,018,954 | | \$5,432,581 | \$3,586,373 | \$9,018,954 | \$(5,432,581) |
| Cash | (345,910) | | | (345,910) | (345,910) | 0 |
| Short-term investments | 1,111,056 | | | 1,111,056 | 1,111,056 | 0 |
| Accident and health premiums due and Unpaid | 4,583,967 | | | 4,583,967 | 4,583,967 | 0 |
| Miscellaneous-Accounts receivable | <u>680,585</u> | | | <u>680,585</u> | <u>680,585</u> | <u>0</u> |
| Total assets | <u>\$15,048,652</u> | | <u>\$5,432,581</u> | <u>\$9,616,071</u> | <u>\$15,048,652</u> | <u>\$(5,432,581)</u> |

| <u>Liabilities and Surplus</u> | <u>Examination</u> | <u>Company</u> | <u>Surplus Increase (Decrease)</u> |
|--|----------------------------|-----------------------------|--|
| <u>Liabilities</u> | | | |
| Accident and Health Claims unpaid | \$ 2,432,261 | \$ 2,432,261 | \$ 0 |
| Premiums and annuity received in advance | 752,969 | 752,969 | 0 |
| Taxes, licenses and fees | (4,386) | (4,386) | 0 |
| Payable to parent, subsidiaries and affiliates | 6,878,535 | 6,878,535 | 0 |
| Miscellaneous accounts payable | <u>36,875</u> | <u>36,875</u> | <u>0.00</u> |
| Total liabilities | <u>\$ 10,096,254</u> | <u>\$ 10,096,254</u> | <u>\$ 0</u> |
| <u>Reserves and unassigned funds</u> | | | |
| Common capital stock | \$ 300,000 | \$ 300,000 | 0 |
| Gross paid in and contributed surplus | 18,700,000 | 18,700,000 | 0 |
| Unassigned funds (surplus) | <u>(19,480,183)</u> | <u>(14,047,602)</u> | <u>\$ (5,432,581)</u> |
| Surplus | <u>\$ (780,183)</u> | <u>\$ 4,652,398</u> | <u>\$ (5,432,581)</u> |
| Total surplus and capital stock | <u>\$ (480,183)</u> | <u>\$ 4,952,398</u> | <u>\$ (5,432,581)</u> |
| Total liabilities and surplus | <u><u>\$ 9,616,071</u></u> | <u><u>\$ 15,048,652</u></u> | <u><u>\$ (5,432,581)</u></u> |

B. Underwriting and Investment Exhibit

Reserves and unassigned funds decreased \$14,047,602 during the four-year examination period February 28, 1996 through December 31, 1999, detailed as follows:

Statement of Income

Underwriting Income

| | | | |
|--|----|----------------|------------------------|
| Premium and annuity consideration | | \$ | 14,540,988 |
| Deductions: | | | |
| Disability benefits and benefits under accident and health policies | \$ | 11,635,038 | |
| General Insurance Expense | | 14,584,398 | |
| Commissions on premiums, annuity considerations and deposit type funds | | 179,501 | |
| Insurance taxes, licenses and fees excluding federal income taxes | | <u>303,110</u> | |
| Total underwriting deductions | | | \$ <u>(26,702,047)</u> |
| Net underwriting gain (loss) | | | \$ (12,161,059) |

Investment Income

| | | | |
|--|----|---------------|----------------|
| Net investment income earned | \$ | (3,771,530) | |
| Amortization of interest maintenance reserve | | <u>18,064</u> | |
| Net investment gain | | | \$ (3,753,466) |

Other Income (Loss)

| | | | |
|---|----|--------------|--------------------|
| Tax Refunds | \$ | 139,245 | |
| Interest Income | | 5,628 | |
| Interest payment-prompt pay legislation | | <u>(694)</u> | |
| Net other income (loss) | | | \$ <u>144,179</u> |
| Net gain before federal income taxes | | | \$ (15,770,346) |
| Federal income taxes incurred | | | <u>(1,722,744)</u> |

Net income (loss) \$ (14,047,602)

Reserves and Unassigned Funds

Reserves and unassigned funds
February 28, 1996, per report on examination \$19,000,000

| | <u>Gains in reserves and unassigned funds</u> | <u>Losses in reserves and unassigned funds</u> |
|--------------------------------------|---|--|
| Net income | | \$ 14,047,602 |
| Change in asset valuation reserve | \$ 194,811 | \$ 194,811 |
| Total increases and decreases | <u>\$ 194,811</u> | <u>\$ 14,242,413</u> |

Net increase to reserves and
Unassigned funds \$ (14,047,602)

Reserves and unassigned funds
December 31, 1999, per report on examination \$ 4,952,398

4. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM NO.

PAGE NO.

Holding Company

- | | | |
|----|---|----|
| A. | It is recommended that Empire HealthChoice Assurance, Inc. continue to comply with the requirements of Article 16 of the New York State Insurance Law. | 10 |
| B. | The management of Empire HealthChoice Assurance, Inc. should be mindful of the maximum limits governing investments in the shares of other insurance companies (including subsidiaries) as set forth in §1408(b). | 14 |
| C. | It is recommended that Empire HealthChoice Assurance, Inc. continue to comply with the requirements of §1408 NYIL regarding additional contributions to the surplus of its insurer and HMO subsidiaries. | 14 |

Respectfully submitted,

Wai Wong

Associate Insurance Examiner

STATE OF NEW YORK)

) SS.

)

COUNTY OF NEW YORK)

WAI WONG, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

Wai Wong

Subscribed and sworn to before me

this _____ day of _____ 2003.

Appointment No. 21511

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, NEIL D. LEVIN, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Wai Wong

as a proper person to examine into the affairs of the

Empire HealthChoice Assurance, Inc.

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

Company

with such other 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 6th day of March 2000



NEIL D. LEVIN

Superintendent of Insurance

A handwritten signature in black ink, appearing to be "Wai Wong", written over a horizontal line.

(by) Deputy Superintendent