STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

BOARD OF BENEFITS SERVICES OF THE REFORMED CHURCH IN AMERICA

AS OF

SEPTEMBER 30, 2002

DATE OF REPORT:	NOVEMBER 26, 2003
EXAMINER:	ELKIN WOODS

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

George E. Pataki
Governor

Gregory V. Serio
Superintendent

November 26, 2003

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

Sir:

In accordance with instructions contained in Appointment No. 22060, dated June 19, 2003 and annexed hereto, an examination has been made into the condition and affairs of Board of Benefits Services of the Reformed Church in America hereinafter referred to as "the Pension Fund," at its home office located at 475 Riverside Drive, New York, New York 10115.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The Pension Fund understated its liabilities “Accumulated contributions of members” and “Benefits due and unpaid” by $585,280 and $385,271, respectively. As a result, the amount reported for “Excess of admitted assets over net liabilities” was overstated by $970,551. (See item 5 of this report)

The Pension Fund violated Section 243.2(b)(4) of Department Regulation No. 152 by failing to maintain claim records as required by the Regulation. (See item 7 of this report)

The Pension Fund violated Section 2108(a)(4) of the New York Insurance Law by paying fees to a third party administrator for acting as an independent insurance adjuster without having an independent adjuster’s license. (See item 8 of this report)

The examiner recommends that the Pension Fund develop a written plan to provide adequate funding for the Annuity Bond Fund, Pension Support Fund and Pension Investment Fund. The examiner also recommends that the Pension Fund submit the plan to the Department once it has been developed. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1997. This examination covers the period from January 1, 1998 through September 30, 2002. As necessary, the examiner reviewed transactions occurring subsequent to September 30, 2002 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of September 30, 2002 to determine whether the Pension Fund's 2002 filed annual statement fairly presents its financial condition. The examiner reviewed the Pension Fund's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Pension Fund history
Management and control
Corporate records
Fidelity bond and other insurance
Officers' and employees' welfare and pension plans
Territory and plan of operation
Market conduct activities
Growth of Pension Fund
Accounts and records
Financial statements

The examiner reviewed the prior report on examination, which did not contain any violations, recommendations or comments.

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

3. DESCRIPTION OF PENSION FUND

A. History

The Board of Benefits Services of the Reformed Church in America was established by the General Synod of the Reformed Church and incorporated by an act of legislature of the State of New York on April 16, 1923 under the original name of The Ministers' Fund of the Reformed Church in America, Inc. ("Ministers' Fund"). In June 1923, the General Synod designated the Minister's Fund as one of the regular boards of the Reformed Church. The original charter was amended by an act of legislature on March 23, 1938 in order that a retirement fund could be established for the benefit of lay workers of the Reformed Church. On March 19, 1954, the Pension Fund officially changed its name from The Ministers' Fund of the Reformed Church in America, Inc. to The Board of Pensions of the Reformed Church in America, Inc. On July 1, 2000, the Pension Fund changed its name to The Board of Benefits Services of the Reformed Church in America in order to reflect more accurately the duties and responsibilities of the Pension Fund.

According to the Pension Fund's constitution and rules, the purpose of the Pension Fund is to provide retirement income, supplemental pensions, assistance grants, insurance benefits and personnel support services for all ordained ministers and their families, and for other employees of the Reformed Church.

The Pension Fund's bill of incorporation states, in part:

> "Such corporation is not established, and shall not be maintained or conducted for pecuniary profit, and shall have the status of a religious, educational and benevolent corporation."

The Pension Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

B. Management

The Pension Fund's constitution and rules, amended and restated as of January 1, 2002, provide that the management of the affairs of the Pension Fund shall be vested in its board of directors, which shall be comprised of 16 directors. Five directors from the General Synod are elected for a period of one year by the General Synod Council, and 11 directors are elected for a period of three years by the General Synod Council. As of September 30, 2002, the board of directors consisted of 16 members. Meetings of the board are held semi-annually or as often as called by the President of the Pension Fund.

The 16 board members and their principal business affiliation, as of September 30, 2002, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Mary Bauman Grand Rapids, MI	Attorney	2000
Thomas Bos Grand Rapids, MI	Pastor Orchard Hill Reformed Church	2001
Steven Brooks Colorado Springs, CO	Pastor Springs Communication Church	2000
John Chang Staten Island, NY	Vice President General Synod	2001
Harry De Bruyn Orland Park, IL	Vice President Pension Fund Attorney	1993
Gordon Dobson Wyckoff, NJ	Insurance Executive G.F. Dobson & Co. LLC	2000
Carolyn Jones-Assini Schenectady, NY	Medical Doctor Ellis Hospital	1995
Eugene Ligtenberg Rochester, NY	Treasurer Classis of Rochester	2001
Donald Nash Colts Neck, NJ	Retired	2000
Craig Neckers Grand Rapids, MI	Attorney Smith Haughey Rice & Roegge, PC	2000
P. Okke Postma Hastings-on-Hudson, NY	Pastor First Reformed Church	1999

Name and Residence	Principal Business Affiliation	Year First Elected
William Rockhold South Haven, MI	Retired	2000
Nancy Ryan Fort Plain, NY	Senior Pastor Reformed Church of Fort Plain	2001
David Schutt Carmichael, CA	Pastor Christ Community Church	2002
Kurt Van Genderen Holland, MI	Investment Advisor Branch Capital Management	2000
Robert White Schenectady, NY	President Pension Fund Pastor First Reformed Church	1999

In July 2003, Nancy Ryan resigned from the board. As of the date of this report, she has not been replaced.

In October 2003, Steven Brooks, William Rockhold and Kurt Van Genderen were replaced by Merle Prins, Jeff Tolsma and Steven Vander Molen.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of the meetings.

The following is a listing of the principal officers of the Pension Fund as of September 30, 2002:

Name	Title
Robert White	President
Harry De Bruyn	Vice President
Wesley Granberg-Michaelson	Secretary
Kenneth Bradsell	Assistant Secretary
Susan Converse	Treasurer

In October 2003, Thomas Bos replaced Harry De Bruyn as Vice President, and Kenneth Bradsell replaced Wesley Granberg-Michaelson as Secretary.

C. Pension Benefits

The operations of the Pension Fund are divided into three major funds: the Reformed Church Annuity Fund; the General Fund; and the Insurance Fund.

Reformed Church Annuity Fund ("Annuity Fund")

This fund maintains four types of accounts for its members as described below.

1. Nonqualified Deferred Compensation Plan ("NDCP") – This plan came into effect on January 1, 2001. The rules governing this plan contain similar provisions to the prior plan it replaced. The prior plan was known as the Church Account and that plan was a defined contribution plan. The NDCP is now the primary pension plan for the Reformed Church Annuity Fund; it is a defined contribution plan designed to provide retirement income to ministers and lay workers that the Reformed Church employs in its various churches and within the organization. The employer, which in most cases is the local church, either contributes the greater of 11% of the Effective Buying Power Household ("EBPH"), which amounted to $5,265 in 2002, or a certain percentage of the employee's actual salary (11% for ordained ministers and national employees and 8% for lay employees). The Board approves from time to time the investment options available to the plan participants. Each plan participant receives a quarterly statement from Fidelity Investments Institutional Operations Company, Inc. ("Fidelity"). The plan allows participants to receive in-service withdrawals upon attaining age 59½ with proof of hardship. Ordained ministers can receive 10% of their account balance upon demonstrating intent to purchase housing. Plan participants, upon retirement, can opt to withdraw funds pursuant to either an individualized withdrawal plan or a commercial annuity. Both options are irrevocable after the commencement of payments.
2. Reformed Church 403(b) Pension Plan –This plan also came into effect on January 1, 2001. This is a 403(b) deferred compensation plan that is available to new enrollees in the Pension Fund. Participants in this plan can also participate in the NDCP and can have accumulated contribution balances in both plans. Contributions to this account are completely voluntary and are initiated by plan participants pursuant to a Salary Deferral Agreement. Plan participants can contribute up to the annual elective deferral limit under Section 402(g) of the Internal Revenue Code ($11,000 for 2002) but can exceed this limit based on certain catch-

up provisions. Plan participants can receive withdrawals in the same manner as in the NDCP.

3. Annuity Bond Fund – This fund is a defined contribution plan that was established to purchase government securities with the proceeds of the pension funds for participants that decided not to begin withdrawals from their individual accounts after attaining age 65. This fund has only six participants and is no longer permitting new enrollees.
4. Pension Support and Pension Investment Funds – These are defined contribution plans that were established to provide lifetime annuity payments with a guaranteed interest rate of 4% after a participant reaches retirement age. The assets in these funds are held in the Reformed Church in America Fund ("RCA Fund"). The RCA Fund is a pooled account for various organizations under the Reformed Church. The Pension Support and Pension Investment Funds have a combined total of 18 participants and are no longer permitting new enrollees.

General Fund

Through this fund, the Pension Fund provides supplemental pension benefits and allowances for retirees. In addition, supplemental assistance to qualified members, children's benefits, accident or illness benefits and death related benefits are provided in accordance with the rules set forth in the Pension Fund's constitution and rules.

Insurance Fund

Through this fund the Pension Fund provides various insurance coverages, including medical, dental, long-term disability, long-term care and life insurance for ordained ministers, General Program Council Missionaries, and lay employees of the Reformed Church in America. The benefits and administration of these plans are financed through premium payments from the member organizations.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operation of the Pension Fund during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following tables indicate the financial growth of the Pension Fund during the period under review:

	December 31, 1997	September 30, 2002	Increase (Decrease)
Admitted assets	$280,995,444	$254,160,202	$(26,835,242)
Reserves	$270,289,312	$252,224,289*	$(18,065,022)
Liabilities	1,746,425	1,841,151*	94,726
Excess of admitted assets over total net reserves and liabilities	8,959,706	94,762*	(8,864,944)
Total liabilities and Equities	$280,995,444	$254,160,202	$(26,835,242)

*As per examiner, see Section 5 for further details

As of September 30, 2002, the Pension Fund's invested assets were mainly comprised of mutual funds (98.3%). In December 2000, the Pension Fund converted its entire securities portfolio into mutual funds.

The decrease in admitted assets from 1997 to 2002 was due primarily to the decrease in the value of mutual funds after the conversion of the securities portfolio from bonds and stocks to mutual funds, especially during the years 2000 to 2002 when the stock market performed poorly. The decrease in liabilities was due primarily to the decrease in the value of accumulated contributions of members resulting from the decrease in mutual funds.

(000's Omitted)
Fiscal Year Ending

	1998	1999	2000	2001	2002
Receipts	$41,306	$48,585	$31,508	$ 50,364	$29,961
Disbursements	25,856	39,842	34,003	62,096	29,108
Net receipts	$15,450	$ 8,743	$ (2,495)	$(11,732)	$ 853

The significant decrease in gross receipts in 2000 was due primarily to the inclusion of only nine months of income resulting from the change to a fiscal year status ending in September. The increase in gross receipts in 2001 from 2000 was due primarily to the gain on disposal of securities resulting from the conversion of the securities portfolio to mutual funds. Similarly, the increase in disbursements in 2001 was due primarily to the loss on disposal of securities due to the conversion of the securities to mutual funds. The conversion of securities to mutual funds occurred in December 2000 (fiscal year 2001).

The following table indicates the membership of the Pension Fund as of the beginning and closing dates of this examination:

	December 31, 1997	September 30, 2002	Change
Active members	2,023	2,569	546
All other pensioners	212	27	(185)
Total members	2,235	2,596	361

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities and equities of the Pension Fund for the fiscal year ending September 30, 2002 and the comparative statements of income and disbursements for each of the fiscal years under review.

A. STATEMENT OF ASSETS, LIABILITIES AND EQUITIES AS OF SEPTEMBER 30, 2002

	Examination	Company	Increase (Decrease)
Assets			
Real property owned	$ 153,052	$ 153,052	$ 0
Book value of mutual funds	285,119,318	285,119,318	0
Cash on deposit - not at interest	(440,291)	(440,291)	0
Cash on deposit - at interest	4,547,479	4,547,479	0
Other assets	786,464	786,464	0
Insurance premiums receivable	128,995	128,995	0
Market value of real estate over book value	129,259	129,259	0
Book value of mutual funds over market value	(36,264,074)	(36,264,074)	0
Total admitted assets	$254,160,202	$254,160,202	$ 0
Liabilities and Equities			
Accumulated contributions of Members	$252,224,289*	$251,639,009	$ 585,280
Benefits due and unpaid	1,535,197*	1,149,926	385,271
Expenses due and accrued	305,954	305,954	0
Total liabilities	$254,065,440	$253,094,889	$ 970,551
Excess of admitted assets over total reserves and all other liabilities	94,762*	1,065,314	(970,551)
Total liabilities and equities	$254,160,202	$254,160,202	$ 0

* The examiner adjusted these figures based on findings noted during the examination (see below).

The examiner adjusted the amount reported for "Excess of admitted assets over total net reserves and all other liabilities" by ($970,551). The adjustment is comprised of the items described below.

The Pension Fund understated "Accumulated contributions of members" of the Annuity Fund by $585,280. The understatement was partly due to an accounting error in the amount of $386,926. The error involved five annuity contracts that the Pension Fund purchased on behalf of its participants. The Pension Fund's supporting workpapers included both an asset and a liability for the same amount for this transaction, but the liability was not reported in the annual statement. The remaining portion of the understatement was the result of $198,354 in payments made to the wrong participant.

The Pension Fund also understated "Benefits due and unpaid" by $385,271 in the Insurance Fund. This understatement resulted from failing to include the estimate for incurred but not reported claims.

The examiner noted in reviewing the Pension Fund's accounts that there were numerous differences in the account totals between the Pension Fund's trial balance and the annual statement. Neither the Pension Fund nor its certified public accountant were able to explain a significant number of these differences.

The examiner recommends that the Pension Fund take greater care in maintaining annual statement workpapers and in preparing the annual statement.

B. STATEMENT OF INCOME AND DISBURSEMENTS

	Fiscal Year Ending				
	1998	1999	2000	2001	2002
Ledger assets, prior year	$279,474,700	$294,925,216	$303,668,502	$301,173,659	$289,441,736
Income					
From Members					
Regular contributions or payments	$ 88,580	$ 120,236	$ 78,253	$ 16,896	$ 0
Insurance premiums	8,371,525	9,326,410	7,319,590	10,806,418	13,192,409
Miscellaneous	293,267	190,725	15,799	24,893	22,080
From employer					
Organizations	6,935,452	6,743,971	4,847,455	6,548,344	7,740,682
From Interest					
Gross interest on collateral loans per Schedule C	0	3,104	1,991	2,162	302
Gross interest on bonds	10,763,661	9,132,142	5,954,830	1,825,600	0
Gross dividends on stocks	1,020,010	1,077,603	777,400	4,954,778	7,134,631
Gross interest on cash on deposit per Schedule E	1,433,731	1,334,587	587,625	352,059	110,859
Deposits with insurance company	905,166	619,910	441,843	123,281	0
Canadian pension assets	172,089	0	0	0	0
Investment transfer adjustment	0	3,625,060	0	0	0
From Other Sources					
Donations and legacies	330,152	189,198	54,828	124,329	331,659
Net increases – accounts payable	400,384	626,250	549,374	454,297	(178,893)
General synod assessment	280,694	277,294	195,946	260,892	272,185

	1998	1999	2000	2001	2002
Gross profit on sale of bonds	$ 2,340,517	$ 821,474	$ 502,913	$ 2,961,946	$ 39,838
Gross profit on sale of stocks	2,390,534	7,019,590	7,220,178	20,353,934	1,293
Gross increase by adjustment on book value of bonds	4,320,818	5,899,793	2,130,138	619,302	0
For administrative expenses not included above	1,259,836	1,577,784	829,772	934,977	1,294,065
Total income	$ 41,306,416	$ 48,585,132	$ 31,507,933	$ 50,364,108	$ 29,961,111
Amounts carried forward	$320,781,116	$343,510,348	$335,176,435	$351,537,768	$319,402,847

Fiscal Year Ending

	1998	1999	2000	2001	2002
Disbursements					
Payments on account of retirements:					
Annual or periodic payments	$ 1,451	$ 1,727,064	$ 0	$ 0	$ 0
Retirement annuities	7,206,043	6,374,550	9,850,909	9,652,482	13,299,707
Refunds	2,879,092	3,358,597	431,343	1,157,690	0
Assistance grants	734,209	772,549	561,223	739,581	665,367
Administrative expenses, per Schedule H	2,667,957	4,300,134	3,225,578	3,298,859	3,399,413
Insurance premiums	9,142,614	8,850,413	8,181,458	12,352,565	9,166,226
Net decreases – accounts payable	0	517,342	0	1,191,363	46,327
Gross loss on disposal of bonds	995,932	4,308,984	3,137,469	4,557,719	0
Gross loss on disposal of stocks	1,824,521	3,352,295	8,449,355	29,105,220	2,530,789
Gross decrease by adjustment in book value of bonds	229,198	3,736,510	165,440	40,553	0
Loss on foreign exchange	174,883	0	0	0	0
Transfer of Canadian assets	0	2,543,408	0	0	0
Total disbursements	$ 25,855,900	$ 39,841,846	$ 34,002,776	$ 62,096,032	$ 29,107,830
Ledger assets, current year	$294,925,216	$303,668,502	$301,173,659	$289,441,736	$290,295,017

6. EXCESS OF ADMITTED ASSETS OVER NET RESERVES AND ALL OTHER LIABILITIES

The amount reported for "Excess of Admitted Assets over Net Reserves and all other Liabilities" for the Annuity Fund was $(1,196,503) as of September 30, 2002. The examiner has determined that the amount was actually $(1,781,783). The breakdown of the amount by account is as follows:

2002	NDCP	403(b) Plan	Annuity Bond Fund	Pension Support Fund	Pension Investment Fund	Total
Assets	$ 229,416,084	$ 19,861,240	$ 161,865	$ 611,846	$ 282,842	$ 250,333,877
Liabilities	(229,416,084)	(19,861,240)	(536,201)	(1,555,227)	(746,908)	(252,115,660)
Excess of Admitted Assets over Net Reserves and all other Liabilities	$ 0	$ 0	$(374,336)	$ (943,381)	$(464,066)	$ (1,781,783)

The reason for the difference between the Pension Fund and examiner calculations is that the Pension Fund mistakenly understated the liability for "Accumulated contributions of members" by $585,280. As a result, the amount reported as the "Excess of Admitted Assets over Net Reserves and all other Liabilities" for the Annuity Fund was overstated by the same amount.

The following table shows the development of the "Excess of Admitted Assets over Net Reserves and all other Liabilities" for all accounts in the Annuity Fund for the entire examination period:

	1998	1999	2000	2001	2002
Annuity Bond Fund					
Assets	$ 2,391,768	$ 1,725,524	$ 1,820,610	$ 207,727	$ 161,865
Liabilities	(1,790,652)	(1,074,617)	(1,053,709)	(536,201)	(536,201)
Excess of Admitted Assets over Net Reserves and all Other Liabilities	$ 601,116	$ 650,907	$ 766,901	$ (328,474)	$ (374,336)
Pension Support Fund					
Assets	$ 23,716,684	$ 31,442,500	$ 31,321,648	$ 565,817	$ 611,846
Liabilities	(21,625,180)	(27,510,458)	(28,971,545)	(1,642,452)	(1,555,227)
Excess of Admitted Assets over Net Reserves and all Other Liabilities	$ 2,091,504	$ 3,932,042	$ 2,350,103	$(1,076,635)	$ (943,381)
Pension Investment Fund					
Assets	$ 11,913,235	$ 12,725,595	$ 12,784,900	$ 272,270	$ 282,842
Liabilities	(11,559,381)	(13,040,836)	(13,557,932)	(746,908)	(746,908)
Excess of Admitted Assets over Net Reserves and all Other Liabilities	$ 353,854	$ (315,241)	$ (773,032)	$ (474,638)	$ (464,066)
Contributory Annuity Fund					
Assets	$ 250,286,118	$ 263,440,820	$ 269,750,121	$ 0	$ 0
Liabilities	(243,053,316)	(261,338,997)	(267,358,900)	0	0
Excess of Admitted Assets over Net Reserves and all Other Liabilities	$ 7,232,802	$ 2,101,823	$ 2,391,221	$ 0	$ 0

	1998	1999	2000	2001	2002
Scudder Fund					
Assets	$ 3,474,148	$ 3,433,021	$ 3,001,245	$ 0	$ 0
Liabilities	(2,756,838)	(2,770,404)	(2,378,457)	0	0
Excess of Admitted Assets over Net Reserves and all Other Liabilities	$ 717,310	$ 662,617	$ 622,788	$ 0	$ 0
Canadian Fund					
Assets	$ 2,543,407	$ 2,978,900	$ 2,879,036	$ 0	$ 0
Liabilities	(2,543,407)	(2,978,900)	(2,879,036)	0	0
Excess of Admitted Assets over Net Reserves and all Other Liabilities	$ 0	$ 0	$ 0	$ 0	$ 0
NDCP					
Assets	$ 0	$ 0	$ 0	$242,799,552	$229,416,084
Liabilities	0	0	0	(242,799,552)	(229,416,084)
Excess of Admitted Assets over Net Reserves and all Other Liabilities	$ 0	$ 0	$ 0	$ 0	$ 0
403(b) Plan					
Assets	$ 0	$ 0	$ 0	$ 21,977,291	$ 19,861,240
Liabilities	0	0	0	(21,977,291)	(19,861,240)
Excess of Admitted Assets over Net Reserves and all Other Liabilities	$ 0	$ 0	$ 0	$ 0	$ 0
Total					
Assets	$294,325,360	$315,746,360	$321,557,560	$265,822,657	$250,333,877
Liabilities	(283,328,774)	(308,714,212)	(316,199,579)	(267,702,404)	(252,115,660)
Excess of Admitted Assets over Net Reserves and all Other Liabilities	$ 10,996,586	$ 7,032,148	$ 5,357,981	$ (1,879,747)	$ (1,781,783)

As indicated in the above table, the Annuity Bond Fund and the Pension Support Fund both developed a negative amount for the "Excess of Admitted Assets over Net Reserves and all Other Liabilities" ("Excess") in fiscal year 2001, the same year that the Pension Fund converted most of its members to the new NDCP plan. It was also the same year that the Pension Fund converted its entire investment portfolio of bonds and stocks into mutual funds. It is noted that the Pension Investment Fund actually developed a negative "excess" in fiscal year 1999. It would appear that the NDCP plan may have benefited from the plan conversion at the expense of the Annuity Bond Fund and the Pension Support Fund.

The examiner questioned the Pension Fund regarding a plan to cure the situation described above. The Pension Fund admitted that it currently does not have a written plan in place, but indicated that the matter was discussed at its last board meeting and it is currently considering various options.

The examiner recommends that the Pension Fund develop a written plan to provide adequate funding for the Annuity Bond Fund, Pension Support Fund and Pension Investment Fund. The examiner also recommends that the Pension Fund submit the plan to the Department once it has been developed.

7. TREATMENT OF MEMBERS

The examiner reviewed a sample of various types of retirement benefits, insurance claims and files relating to assistance grants to determine whether the members or beneficiaries were treated properly and efficiently, in accordance with the Pension Fund's constitution and rules. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Section 243.2(b) of Department Regulation No. 152 states, in part:

> "Except as otherwise required by law or regulation, an insurer shall maintain . . .
> (4) A claim file for six calendar years after all elements of the claim are resolved and the file is closed or until after the filing of the report on examination in which the claim file was subject to review, whichever is longer. . . . "

The examiner requested health claim files for the years 1998 through 2001. The Pension Fund stated that, during those years, Health Plan Management, Inc. ("HPM") was adjudicating claims on behalf of the Pension Fund. The Pension Fund's claims administration agreement with HPM required HPM to maintain claim files for one year after adjudication of each claim. The claim files were not maintained by HPM or the Pension Fund after one year. The Pension Fund determined that all claim records for the years 1998 through 2001 were destroyed based on the agreement with HPM. HPM ceased adjudicating health claims for the Pension Fund in October 2001, when a new claims administration agreement was entered into with Professional Benefit Administrators, Inc ("PBA").

The Pension Fund violated Section 243.2(b)(4) of Department Regulation No. 152 by failing to maintain claim records as required by the Regulation.

The new claims administration agreement with PBA does not include a provision to maintain claim files as required by Section 243.2(b) of Department Regulation No. 152. The examiner recommends that the Pension Fund amend this agreement to include such a provision.

The examiner reviewed a sample of assistance grant payments that were sent to recipients. While reviewing the sample, the examiner noted that the employee that approved the assistance grant payments also prepared and sent the checks to the recipients.

The examiner recommends that the Pension Fund segregate the duties of approving assistance grant payments and preparing and sending grant checks to recipients.

8. THIRD PARTY ADMINISTRATORS

The Pension Fund entered into a claims administration agreement with PBA that took effect on October 1, 2001. This agreement provides for PBA to perform various administrative functions on behalf of the Pension Fund. These functions include reviewing, servicing, adjusting and adjudicating claims, as well as responding to inquiries from the Pension Fund's Insurance Fund participants.

Section 2101(g)(1) of the New York Insurance Law states, in part:

> "The term 'independent adjuster' means any person, firm, association or corporation who, or which, for money, commission or any other thing of value, acts in this state on behalf of an insurer in the work of investigating and adjusting claims arising under insurance contracts . . . "

Section 2108(a)(1) of the New York Insurance Law states:

> "Adjusters shall be licensed as independent adjusters or public adjusters."

Section 2108(a)(4) of the New York Insurance Law states, in part:

> "No insurer, agent or other representative of an insurer shall pay any fees or other compensation to any person, firm, association or corporation for acting as an independent adjuster except to a licensed independent adjuster . . . "

The examiner noted that the Pension Fund issued payments to PBA for adjudicating health claims on its behalf, and that PBA does not have an adjuster's license.

The Pension Fund violated Section 2108(a)(4) of the New York Insurance Law by paying fees to a third party administrator for acting as an independent insurance adjuster without an independent adjuster's license.

The examiner also noted that the Pension Fund failed to conduct periodic reviews of its third party administrators during the period under examination.

The examiner recommends that the Pension Fund conduct periodic reviews of all of its third party administrators to ascertain that the administrators are abiding by the terms of the contracts, and that they are treating the Pension Fund members fairly and equitably.

The Pension Fund entered into both a prescription drug plan with National Prescription Administrators, Inc. ("NPA") and a vision care plan with National Vision Administrators, Inc.

(“NVA”) that took effect on April 22, 1997. These plans provide the Pension Fund’s members and eligible dependents with prescription drugs and vision care benefits.

The Pension Fund also entered into a mail order pharmacy services agreement with CFI of New Jersey, Inc. (“CFI”) that took effect on April 22, 1997. This agreement provides for CFI to dispense prescriptions by mail order to the Pension Fund’s covered members and their dependents.

9. SUMMARY AND CONCLUSIONS

Following are the comment, violations and recommendations contained in this report:

Item	Description	Page No(s).
A	The Pension Fund understated its liabilities "Accumulated contributions of members" and "Benefits due and unpaid" by $585,280 and $385,271, respectively. As a result, the amount reported for "Excess of admitted assets over net liabilities" was overstated by $970,551.	12
B	The examiner recommends that the Pension Fund take greater care in maintaining annual statement workpapers and in preparing the annual statement.	12
C	The examiner recommends that the Pension Fund develop a written plan to provide adequate funding for the Annuity Bond Fund, Pension Support Fund and Pension Investment Fund. The examiner also recommends that the Pension Fund submit the plan to the Department once it has been developed.	19
D	The Pension Fund violated Section 243.2(b)(4) of Department Regulation No. 152 by failing to maintain claim records as required by the Regulation.	20
E	The examiner recommends that the Pension Fund amend the new claims administration agreement to include language which requires maintenance of claims files in accordance with Section 243.2(b)(4) of Department Regulation No.152.	20
F	The examiner recommends that the Pension Fund segregate the duties of approving assistance grant payments and preparing and sending grant checks to recipients.	21
G	The Pension Fund violated Section 2108(a)(4) of the New York Insurance Law by paying fees to a third party administrator for acting as an independent insurance adjuster without having an independent adjuster's license.	21
H	The examiner recommends that the Pension Fund conduct periodic reviews of all of its third party administrators to ascertain that the administrators are abiding by the terms of the contracts, and that they are treating the Pension Fund members fairly and equitably.	21

Respectfully submitted,

_______/S/_________________
Elkin Woods
Senior Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Elkin Woods, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_______/S/_________________
Elkin Woods

Subscribed and sworn to before me

this__________ day of ___________________2004.

APPOINTMENT NO. ***22060***

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:*

ELKIN WOODS

as a proper person to examine into the affairs of the

BOARD OF BENEFITS SERVICES OF THE REFORMED CHURCH IN AMERICA

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

PENSION FUND

with such other information as he shall deem requisite.

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

this *19th* *day of* *June,* *2003*

GREGORY V. SERIO
Superintendent of Insurance

Superintendent