

REPORT ON ORGANIZATION

OF THE

CATSKILL AREA

SCHOOL EMPLOYEES BENEFIT PLAN

AS OF

SEPTEMBER 30, 2000

DATE OF REPORT

EXAMINER

January 26, 2001

JOSEPH S. KRUG

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

January 26, 2001

Honorable Neil Levin
Superintendent of Insurance
Albany, NY 12257

Sir:

Pursuant to instructions contained in Appointment Number 21655 dated November 27, 2000, and attached hereto, I have made an examination "on organization" of Catskill Area Schools Employees Benefit Plan and the following report thereon is respectfully submitted.

Whenever the term, the "Plan" appears herein without qualification, it should be understood to refer to Catskill Area Schools Employees Benefit Plan.

1. ORGANIZATION

Catskill Board of Cooperative Educational Services (BOCES) and its seventeen original member school districts (plan members) formed a Consortium, effective July 1, 1981. The purpose of the Consortium was to provide for the efficient and economic evaluation, processing, administration and payment of health benefits through self-insurance (the Plan). The Plan provides benefits to covered employees and their eligible dependents as defined in the plan booklet.

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

Prior to the enactment of Article 47 of the New York Insurance Law, the Plan was governed by the Education Law, Article 5G Section 119-0 of the General Municipal Law, and subject to the rules of collective bargaining agreements. The Plan has not registered with the Secretary of State.

There are currently 17 school districts participating in the Plan. The Plan participants are as follows:

Andes Central SD	Margaretville Central SD
Charlotte Valley Central SD	Milford Central SD
Cherry Valley/Springfield Central SD	Otesgo-Northern Catskill –BOCES
Cooperstown Central SD	Roxbury Central SD
Delhi Central SD	South Kortright Central SD
Edmeston Central SD	Stamford Central SD
Gilboa/Conesville Central SD	Windham-Ashuand-Jewett Central SD
Hunter- Tannersville Central SD	Worcester Central SD
Jefferson Central SD	

The principal officers and the governing board of the Cooperative as of September 30, 2000 are as follows:

Officers

Jeffrey Hahn

Ed Roche

Marian O'Brien

Ike Lovelass

Fawn Jaeger

Title

Chairperson

Vice Chairperson

Treasurer

Manager

Secretary

Governing Board

Name

John Burkhart

Jerome Zack

Tom Marzeski

Mary Jo McPhail

Jim Polunci

Joe Beck

Joe Pezak

Ed Roche

Marcia Lamkin

Peter Livshin

Jim Proper

Ben Berliner

Bill Lister

Tom Wolf

Marylin Lubell

Municipality

Andes Central SD

Charlotte Valley Central SD

Cherry Valley/Springfield Central SD

Cooperstown Central SD

Edmeston Central SD

Gilboa/Conesville Central SD

Hunter-Tannersville Central SD

Jefferson Central SD

Margaretville Central SD

Milford Central SD

Roxbury Central SD

South Kortright Central SD

Stamford Central SD

Windham-Ashuand-Jewett Central SD

Worcester Central SD

The Plan provides health benefits in Otesgo, Delaware, Scholarie, and Green counties.

Marian O'Brien, the Treasurer, is covered by a fidelity bond with a maximum value of \$1,000,000.

2. SCOPE OF EXAMINATION

The examination was conducted at the Plan's office located at Frank W. Cyr Center, Rexmere Park, Stamford, New York 12167.

The examination comprised a verification of the assets and liabilities of the Plan as of September 30, 2000. A review was also made of the following items:

Plan Documents

Financial Documents

Service Provider Contracts

Board of Director meeting minutes

3. BALANCE SHEET

The following balance sheet sets forth the Company's financial condition as of September 30, 2000 as determined by this examination.

	<u>Plan</u>	<u>Examination</u>	<u>Change</u>
<u>Assets</u>			
Cash	\$ 1,378,556	\$ 1,378,556	
Short-term investments	1,612,818	1,612,818	
Premiums receivable	230,286	230,286	
Stop-loss payments	200,000	200,000	
Total assets	<u>\$ 3,421,660</u>	<u>\$ 3,421,660</u>	<u>0</u>
<u>Liabilities</u>			
Claims payable	<u>2,685,648</u>	<u>2,685,648</u>	\$
Total Liabilities	\$ <u>2,685,648</u>	\$ <u>2,685,648</u>	\$
<u>Net worth</u>			
Contingency reserves	\$ 552,439	552,439	
Retained earnings	<u>183,573</u>	<u>183,573</u>	
Total net worth	\$ <u>736,012</u>	\$ <u>736,012</u>	\$
Total liabilities and net worth	<u>\$ 3,421,660</u>	<u>\$ 3,421,660</u>	<u>\$ 0</u>

The Plan maintains both a checking account and certificate of deposit with NBT Bank, 52 South Broad Street, Norwich, NY 13815. It also maintains a money market account with Central National Bank.

4. CLAIMS PAYABLE RESERVES

Although the Insurance Department uses 25% of Hospital and Medical Expenses reported in Report #2 – Statement of Revenues, Expenses and Net Worth, as a benchmark to judge the adequacy of the claim payable reserve, the Plan's method of determining its claim payable reserve using this same computation is not based upon sound actuarial principles. The proper way of determining this liability is to have the Plan's actuary review the prior years claim payment history and base the computation on a systematic and rational method using this experience. It is recommended that the Plan have its actuary determine the claims payable reserve by using a systematic and rational method based upon prior years claim payment history.

5. ANNUAL STATEMENT PREPARATION

A review of N.Y. Schedule F – Claims Payable Analysis revealed that this schedule was not properly completed. For example, many of the amounts reported in Section I, Section II and Section III of this schedule did not cross-reference. Furthermore, the Plan used paid claim amounts rather than incurred claim amounts in Report #2 – Statement of Revenue, Expenses and Net Worth. It is recommended that the Plan seek the assistance of both its actuary and CPA in completing its annual statement.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	It is recommended that the Plan have its actuary determine the claims payable reserve by using a systematic and rational method based upon prior years claim payment history.	7
B.	It is recommended that the Plan seek the assistance of both its actuary and CPA in completing its annual statement.	7

Respectfully submitted,

Joseph S. Krug
Associate Insurance Examiner

STATE OF NEW YORK)
)) SS.
)
COUNTY OF SCHENECTADY)

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

Joseph S. Krug

Subscribed and sworn to before me
This _____ day of _____ 2001

Appointment No. 21655

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:

Joseph S. Krug

as a proper person to examine into the affairs of the

Catskill Area Schools Employee Benefits Plan

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

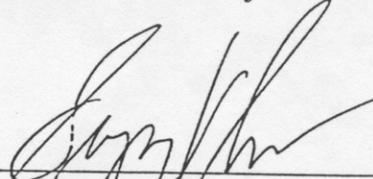
Company

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 27th day of November 2000

NEIL D. LEVIN
Superintendent of Insurance



(by) Gregory Serio
First Deputy Superintendent

