

**REPORT ON ORGANIZATION**  
**OF THE**  
**CAYUGA-ONONDAGA AREA**  
**SCHOOL EMPLOYEES' HEALTHCARE PLAN**  
**AS OF**  
**DECEMBER 31, 2000**

**DATE OF REPORT**  
**EXAMINER**

**JUNE 14, 2001**  
**JOSEPH S. KRUG**

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

June 14, 2001

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

Sir:

Pursuant to instructions contained in Appointment Number 21731 dated May 16, 2001, and attached hereto, I have made an examination "on organization" of the Cayuga-Onondaga Area Schools Employees' Healthcare Plan and respectfully submit the following report thereon.

Whenever the term, the "Plan" appears herein without qualification, it should be understood to refer to the Cayuga-Onondaga Area Schools Employees' Healthcare Plan.

## **1. ORGANIZATION**

The Cayuga-Onondaga Area School Employees' Healthcare Plan (COASEHP) commenced business on July 1, 1981. The Plan is a self-insured consortium established by eight school districts and one Board of Cooperative Educational Services (BOCES) 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 school district agrees to share the costs and assume the liabilities for hospital, surgical, prescription drug, dental and major medical benefits provided under the Plan to covered members in all participating schools districts.

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 5980 South Street Road, Auburn, New York. Currently, the Plan has a total of eight (8) plan participants plus Cayuga-Onondaga BOCES. Members of the Plan's governing board, as of December 31, 2000 were as follows:

<u>Municipal Corporation</u>	<u>Board Member and Title</u>	<u>Phone Number</u>
Cato-Meridian C.S.D. P.O. Box 100 Cato, New York 13033	Rick Murphy Business Manager	(315) 626-3439
Cayuga-Onondaga BOCES 5980 South Street Road Auburn, New York 13021	David Boyle Assistant Superintendent for Finance and Management Services	(315) 253-0361
Jordan-Elbridge C.S.D. Chappell Street Jordan, New York 13080	Kelly Albrecht District Treasurer	(315) 689-3978

Moravia C.S.D. 50 South Main Street Moravia, New York 13118	Janet Morse Payroll Clerk	(315) 497-2670
Port Byron C.S.D. Maple Avenue Port Byron, New York 13118	Gary Texido Business Manager	(315) 776-5728
Skaneateles C.S.D. 49 East Elizabeth Skaneateles, New York 13152	Dale Bates Assistant Superintendent for Business & Finance	(315) 685-8361
Southern Cayuga C.S.D. Poplar Ridge, New York 13139	Dana Russell Business Administrator	(315) 364-8711
Union Springs C.S.D. 27 North Cayuga Street Union Springs, New York 13160	Stuart Matthey School Business Administrator	(315) 889-4157
Weedsport C.S.D. 2821 East Brutus Street Weedsport, New York 13166	Tracey Flach Business Administrator	(315) 834-6637

The above school districts cover the geographic areas of Cayuga and Onondaga Counties of New York State. The Plan's enrollment of members as of December 31, 2000 was 5,016.

The officers of the Plan as of December 31, 2000 were as follows:

Chairman:	David Boyle (CFO)
Vice Chairperson:	Dale Bates
Treasurer:	Beverly Burns
Plan Manager:	Orville A. Boden, Jr.
Secretary:	Anne Marie Ferguson

The Board of Governors has designated David Boyle the Attorney-in-Fact and custodian for all Plan reports, records, and statements.

## **2. SCOPE OF EXAMINATION**

The examination was conducted at the Plan's office located at 5980 South Street Road, Auburn, New York.

The examination comprised a verification of the assets and liabilities of the Plan as of December 31, 2000. A review was also made of the following items:

- Plan Documents
- Financial Documents
- Service Provider Contracts
- Board of Directors' meeting minutes

### 3. REINSURANCE

The Plan does not assume any reinsurance.

At December 31, 2000, the Plan had the following reinsurance program for eligible 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 \$1,000,000 excess of \$200,000 of loss per contract holder, per contract year
Aggregate excess of loss	\$1,000,000 excess of 125% of expected benefits (\$12,998,648) for the current contract period.

The two stop loss agreements in effect at December 31, 2000 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) states in part as follows:

“the 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 stop loss contracts to include the wording prescribed by Section 1308(a)(2)(A)(i) of the New York Insurance Law.

### 3. BALANCE SHEET

The following balance sheet sets forth the Plan's financial condition as of December 31, 2000 as determined by this examination.

<u>Assets</u>	<u>Plan</u>	<u>Examination</u>	<u>Net Worth Increase (Decrease)</u>
Cash and cash equivalents	<u>\$3,484,771</u>	<u>\$3,571,044</u>	<u>\$ 86,273</u>
Total assets	<u>\$3,484,771</u>	<u>\$3,571,044</u>	<u>\$ 86,273</u>
 <u>Liabilities</u>			
Accounts payable	\$ 103,265	\$ 189,538	\$ (86,273)
Claims Payable	<u>2,233,670</u>	<u>2,233,670</u>	<u>0</u>
Total liabilities	<u>\$2,336,935</u>	<u>\$2,423,208</u>	<u>\$ (86,273)</u>
 <u>Net worth</u>			
Contingency reserves	\$ 499,283	\$ 499,283	\$ 0
Retained earnings	<u>648,553</u>	<u>648,553</u>	<u>0</u>
Total net worth	<u>\$1,147,836</u>	<u>\$1,147,836</u>	<u>\$ 0</u>
Total liabilities and net worth	<u>\$3,484,771</u>	<u>\$3,571,044</u>	<u>\$ 86,273</u>

As of December 31, 2000, the Plan maintained checking and savings accounts as well as certificates of deposit with Cayuga Bank, 115 Genesee St., Auburn, New York.

#### **4. CASH AND CASH EQUIVALENTS**

The examination balance for the above captioned asset of \$3,571,044 is \$86,273 greater than the \$3,484,771 reported by the Plan in its December 31, 2000 quarterly statement. A review of the cash accounts indicated that the Plan only reported the portion of its cash balances pertaining to the hospital, medical and drug lines of business. It did not report its cash balances relative to Administrative Services Only (ASO) dental revenue which was collected on behalf of a third party administrator and miscellaneous premiums collected relative to life insurance premium payments which were subsequently remitted to a life insurer.

It is recommended that the Plan report its entire cash balance in its quarterly and annual statements to this Department.

#### **5. ACCOUNTS PAYABLE**

The examination balance for the above captioned liability of \$189,538 is \$86,273 greater than the \$103,265 reported by the Plan in its December 31, 2000 quarterly statement. As discussed in Item 4, the Plan only reported the cash portion pertaining to the hospital, medical and drug lines of business. It did not report its cash balances relative to the revenues collected on behalf of a third party administrator for a dental ASO arrangement and miscellaneous premiums collected relative to life insurance premium payments which were subsequently remitted to a life insurer. Therefore, a separate liability for the dental and miscellaneous life insurance premiums collected as of December 31, 2000 and due other entities has been established.

It is recommended that the Plan report its entire accounts payable balance in its quarterly and annual statements to this Department.

**5. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

<u>ITEM</u>		<u>PAGE NO.</u>
A.	It is recommended that the Plan amend its stop loss contracts to include the wording prescribed by Section 1308(a)(2)(A)(i) of the New York Insurance Law.	6
B..	It is recommended that the Plan report its entire cash balance in its quarterly and annual statements to this Department.	8
C..	It is recommended that the Plan report its entire accounts payable balance in its quarterly and annual statements to this Department.	8

Respectfully submitted,

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Joseph S. Krug  
Associate Insurance Examiner

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

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.

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Joseph S. Krug

Subscribed and sworn to before me  
This \_\_\_\_\_ day of \_\_\_\_\_ 2001

Appointment No. 21731

**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:

**Joseph Krug**

*as a proper person to examine into the affairs of the*

**CAYUGA-ONANDAGA AREA SCHOOL EMPLOYEES'  
HEALTHCARE BENEFIT PLAN**

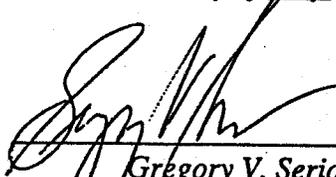
*and to make a report to me in writing of the said*

**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 16<sup>th</sup> day of May 2001*



*Gregory V. Serio  
Superintendent of Insurance*

