

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

ANTHEM HEALTH & LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2000

DATE OF REPORT:

FEBRUARY 1, 2002

EXAMINER:

ELKIN WOODS

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

February 1, 2002

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

Sir:

In accordance with instructions contained in Appointment No. 21736, dated June 12, 2001 and annexed hereto, an examination has been made into the condition and affairs of Anthem Health & Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 1200 South Avenue, Staten Island, New York 10314.

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 Company ceased issuing policies for life insurance, accidental death and dismemberment, weekly income and long-term disability coverage on July 1, 1998. Subsequent to the examination period, the Company also ceased issuing new group accident and health business effective January 1, 2002. The Company was not selling any business as of January 1, 2002. (See item 3D of this report)

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2000 filed annual statement. (See item 5 of this report)

The Company entered into an indemnity reinsurance agreement with Great-West Life & Annuity Insurance Company ("Great-West") on July 1, 1998 in which the Company ceded 100% of its group life and accident and health insurance business to Great-West. The Company subsequently entered into an assumption reinsurance agreement with First Great-West Life & Annuity Insurance Company ("First Great-West") on December 1, 1999 in which the large group business that was previously reinsured by Great-West was sold via assumption reinsurance to First Great-West. On the same date, the Company reacquired the small group business that was previously indemnity reinsured with Great-West. (See item 3E of this report)

The Company violated Section 243.2(b) of Department Regulation No. 152 for failing to maintain policy files and claim files as required by the Regulation. (See item 7 of this report)

The Company violated Section 325(a) of the New York Insurance Law by not maintaining its books of account at its principal office in this state. (See item 7 of this report)

The Company violated Section 3224-a of the New York Insurance Law by failing to adjudicate health claims within the timeframes prescribed by the Law. (See item 6C of this report)

The Company violated Section 3201(b)(1) of the New York Insurance Law by utilizing a policy form that was not filed with and approved by the Superintendent. This is a repeat violation from the prior report on examination. (See item 6B 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 December 31, 2000. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2000 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 December 31, 2000 to determine whether the Company's 2000 filed annual statement fairly presents its financial condition. The examiner reviewed the Company'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:

- Company 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 Company
- Business in force by states
- Mortality and loss experience
- Reinsurance
- Accounts and records
- Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to violations contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

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 COMPANY

#### A. History

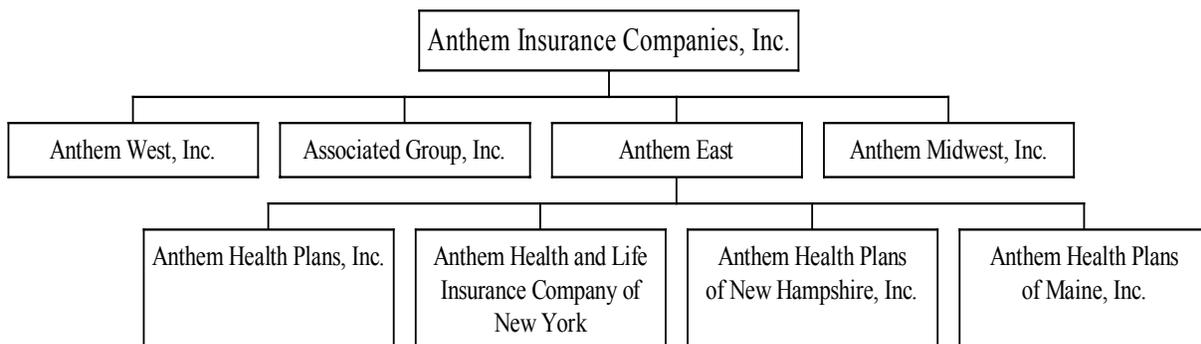
The Company was incorporated as a stock life insurance company under the laws of the State of New York on November 18, 1994 under the name of First Home Life Financial Assurance Corporation. The Company was licensed on December 30, 1994 and commenced business on December 30, 1994. Its current name became effective April 1, 1996. Initial resources of \$13,007,659 were provided through the sale of 2,000 shares of common stock (with a par value of \$1,000 each) for \$1,000 per share and paid in and contributed surplus of \$11,007,659. The Company received a surplus contribution of \$5,000,000 from its parent, Anthem East, on November 23, 1998. As of December 31, 2000, capital and paid in and contributed surplus were \$2,000,000 and \$16,007,659, respectively.

#### B. Holding Company

The Company is a wholly owned subsidiary of Anthem East, a company domiciled in the state of Delaware, which in turn is a wholly owned subsidiary of Anthem Insurance Companies, Inc. ("AICI"), an Indiana property and casualty company. As of December 31, 2000 the Company's ultimate parent was AICI.

On November 2, 2001, AICI converted from a mutual property and casualty insurance company to a stock property and casualty insurance company. On the same date, Anthem Inc. became the owner of AICI.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2000 follows:



The Company had seven service agreements in effect as of December 31, 2000.

The Company entered into a service agreement with Anthem Health Plans, Inc. (“Anthem-CT”) and Anthem Health Plans of New Hampshire, Inc. (“Anthem-NH”) effective March 1, 2000. The Company provides Anthem-CT and Anthem-NH with small group management and health insurance advisory services.

The Company entered into a quota share reinsurance agreement with Anthem-CT effective October 1, 1999, whereby Anthem-CT indemnifies the Company on a 49% quota share basis against losses on health insurance.

The Company entered into a service agreement with Anthem Prescription Management, Inc. (“APM”) effective January 1, 1999, in which APM provides pharmaceutical benefit management services to the Company.

The Company entered into an administrative services agreement with Anthem-CT effective August 27, 1998, in which Anthem-CT provides the Company with the following services: medical claims processing and payment; network and product development; functional support; accounts payable; management; personnel; and regulatory support.

The Company entered into an administrative services agreement with AICI effective January 1, 1998, in which AICI provides the Company with personnel requested by the Company to perform tasks and projects for the Company under the Company’s direction and supervision. The assigned tasks and projects can either be special projects or routine assignments based on the Company’s needs. The Company determines when such employees are no longer needed and advises AICI accordingly.

The Company entered into an administrative services agreement with Anthem Benefit Services, Inc. effective January 1, 1997, in which Anthem Benefit Services, Inc. provides the Company with accounting, tax, auditing, electronic data processing and legal services.

The Company entered into an administrative services agreement with AICI effective January 1, 1997, in which AICI provides the Company with consulting services in preparing tax returns, access to its computer hardware, assistance with respect to auditing matters and various personnel functions.

### C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than nine and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2000, the board of directors consisted of nine members. Meetings of the board are held quarterly. The required minimum number of directors will increase to 13 when admitted assets exceed \$1,500,000,000.

The nine board members and their principal business affiliation, as of December 31, 2000, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Marjorie W. Dorr Madison, CT	Chairman of the Board Anthem Health & Life Insurance Company of New York	1998
Thomas Eschmann* Islip, NY	Beacon Financial Services	1994
Guy Marszalek Gilford, CT	Vice President and Chief Actuary Anthem Health Plans, Inc.	1998
Carmine A. Morano Staten Island, NY	President Anthem Health & Life Insurance Company of New York	1998
Donna O. Moore Waterbury, CT	Vice President - Health Care Anthem Health Plans, Inc.	2000
Richard Nicotra* Staten Island, NY	Restaurant Systems	2000
Arthur William Rose* Westfield, NJ	Retired	1994
Jerome Sperber* Jericho, NY	Retired	1994
Peter Thorkelson, Esq. Fairfield, CT	Assistant Secretary Anthem Health & Life Insurance Company of New York	1998

\* Not affiliated with the Company or any other company in the holding company system

In February 2001, Peter Thorkelson, Esq. resigned from the board and was replaced by Martin Robles. Peter Thorkelson, Esq. also ceased being an officer of the Company.

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 Company as of December 31, 2000:

<u>Name</u>	<u>Title</u>
Carmin A. Morano	President
George D. Martin	Treasurer
Joseph A. D'Apolito	Assistant Treasurer
Nancy L. Purcell	Secretary
M. Ellen Rose	Assistant Secretary
Peter Thorkelson, Esq.	Assistant Secretary

Linda Farren is the Company's designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

#### D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in two states, namely New York and New Jersey. In 2000, all life insurance premiums were received from New York (64.69%) and New Jersey (35.31%). In addition, all accident and health premiums were received from New York (84.97%) and New Jersey (15.03%). Policies are written on a non-participating basis.

The Company ceased selling policies for life insurance, accidental death and dismemberment, weekly income and long-term disability coverage on July 1, 1998. The Company also ceased selling new group accident and health business effective January 1, 2002. As of January 1, 2002, the Company had ceased selling all new business.

Prior to the cessation of new business, the Company provided comprehensive group benefit plans for small and medium sized organizations. The coverages that were offered included term life, accidental death and dismemberment, dental, weekly income, long-term

disability and medical insurance. Medical benefits were provided under both managed care and traditional indemnity arrangements. The Company's managed care coverage was offered primarily through a local preferred provider network.

The Company's agency operations were conducted on a general agency and brokerage basis.

#### E. Reinsurance

As of December 31, 2000, the Company had reinsurance treaties in effect with four companies, of which three were authorized or accredited. The Company's group life and health business is ceded on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$300,000. The total face amount of life insurance ceded as of December 31, 2000, was \$5,040,000, which represents 4.27% of the total face amount of life insurance in force.

The Company reported funds withheld in the amount of \$6,905,570, pursuant to a quota share reinsurance agreement with Anthem-CT, an unauthorized reinsurer.

On July 1, 1998, the Company entered into an indemnity reinsurance agreement with Great-West whereby the Company ceded 100% of its group life and accident and health business to Great-West. On December 1, 1999, the Company entered into an assumption reinsurance agreement with First Great-West whereby First Great-West assumed the large group business that was previously reinsured with Great-West. In addition, the Company recaptured the small group business that had been reinsured with Great-West.

#### 4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company 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 table indicates the Company's financial growth during the period under review:

	December 31, <u>1997</u>	December 31, <u>2000</u>	Increase (Decrease)
Admitted assets	<u>\$28,009,908</u>	<u>\$40,226,001</u>	<u>\$12,216,093</u>
Liabilities	<u>\$14,346,957</u>	<u>\$22,545,460</u>	<u>\$ 8,198,503</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	11,007,659	16,007,659	5,000,000
Unassigned funds (surplus)	<u>655,292</u>	<u>(327,118)</u>	<u>(982,410)</u>
Total capital and surplus	<u>\$13,662,951</u>	<u>\$17,680,541</u>	<u>\$ 4,017,590</u>
Total liabilities, capital and surplus	<u>\$28,009,908</u>	<u>\$40,226,001</u>	<u>\$12,216,093</u>

The Company's invested assets, as of December 31, 2000, were mainly comprised of bonds (88.3%) and cash and short-term investments (11.6%).

The majority (99.83%) of the Company's bond portfolio, as of December 31, 2000, was comprised of investment grade obligations.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Ordinary			
Life insurance	\$ <u>1,150</u>	\$ <u>0</u>	\$ <u>0</u>
Group			
Life	\$( <u>170,511</u> )	\$( <u>247,594</u> )	\$ <u>343,059</u>
Accident and health:			
Group	\$(403,019)	\$ 263,142	\$513,385
Other	<u>(1,280)</u>	<u>0</u>	<u>0</u>
Total accident and health	\$( <u>404,299</u> )	\$ <u>263,142</u>	\$ <u>513,385</u>
Total	\$( <u>573,660</u> )	\$ <u>15,548</u>	\$ <u>856,444</u>

The above table reflects the fact that the Company ceased issuing individual life and individual health policies in 1998 and also reinsured all of its group accident and health insurance business pursuant to the indemnity reinsurance agreement with Great-West.

In 1999, the Company reacquired the small group health business from Great-West. The Company also increased its sales of PPO products in 1999 and 2000.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Premiums earned	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Incurred losses	69.9%	83.8%	86.5%
Commissions	5.9	(15.7)	9.6
Expenses	24.1	54.5	11.3
Other	<u>3.5</u>	<u>11.5</u>	<u>0.0</u>
	<u>103.4%</u>	<u>134.1%</u>	<u>107.4%</u>
Underwriting results	<u>(3.4)%</u>	<u>(34.1)%</u>	<u>(7.4)%</u>

## 5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2000, as contained in the Company's 2000 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2000 filed annual statement.

### A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2000

#### Admitted Assets

Bonds	\$29,944,721
Cash and short term investments	3,926,986
Receivable for securities	24,052
Reinsurance ceded:	
Commissions and expense allowances due	3,328,405
Electronic data processing equipment	31,011
Federal income tax recoverable	70,939
Life insurance premiums and annuity considerations	
deferred and uncollected on in force business	1,060
Accident and health premiums due and unpaid	2,240,288
Investment income due and accrued	366,879
Receivable from parent, subsidiaries and affiliates	44,231
Aggregate write-ins for other than invested assets	<u>247,429</u>
Total admitted assets	<u>\$40,226,001</u>

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	\$ 52,950
Aggregate reserve for accident and health policies	682,806
Policy and contract claims:	
Life	179,050
Accident and health	7,208,208
Premiums and annuity considerations received in advance	584
Policy and contract liabilities not included elsewhere	
Interest maintenance reserve	107,875
Commissions to agents due or accrued	3,688
General expenses due or accrued	1,198,326
Taxes, licenses and fees due or accrued excluding federal income taxes	(126,334)
Remittances and items not allocated	(277,476)
Miscellaneous liabilities:	
Asset valuation reserve	77,837
Funds held under reinsurance treaties with unauthorized reinsurers	6,905,570
Payable to parent, subsidiaries and affiliates	2,897,845
Drafts outstanding	3,553,651
Aggregate write-ins for liabilities	<u>80,880</u>
Total liabilities	<u>\$22,545,460</u>
Common capital stock	\$ 2,000,000
Gross paid in and contributed surplus	16,007,659
Unassigned funds (surplus)	<u>(327,118)</u>
Total capital, surplus and other funds	<u>\$17,680,541</u>
Total liabilities, capital, surplus and other funds	<u>\$40,226,001</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Premiums and considerations	\$17,279,585	\$ 6,268,359	\$28,205,847
Investment income	1,739,613	2,037,702	2,636,048
Commissions and reserve adjustments on reinsurance ceded	2,446,418	4,069,455	6,608,828
Miscellaneous income	<u>0</u>	<u>236,472</u>	<u>30,000</u>
Total income	<u>\$21,465,616</u>	<u>\$12,611,988</u>	<u>\$37,480,723</u>
Benefit payments	\$12,148,289	\$ 5,049,927	\$23,682,157
Increase in reserves	818,295	237,204	485,655
Commissions	3,515,236	3,152,710	9,233,751
General expenses and taxes	4,180,518	3,586,523	3,108,198
Miscellaneous deductions	<u>840,130</u>	<u>696,075</u>	<u>0</u>
Total deductions	<u>\$21,502,468</u>	<u>\$12,722,439</u>	<u>\$36,509,761</u>
Net gain (loss)	\$ (36,852)	\$ (110,451)	\$ 970,962
Federal income taxes	<u>(111,329)</u>	<u>(125,998)</u>	<u>114,517</u>
Net income	<u>\$ 74,477</u>	<u>\$ 15,547</u>	<u>\$ 856,445</u>

The fluctuations in premiums and benefit payments during the examination period was primarily due to the Company's divestiture of its group accident and health business to Great-West pursuant to the indemnity reinsurance agreement in July 1998 and the recapture of the small group business in late 1999. The Company aggressively marketed its small group products during 2000 resulting in significant increases in premiums and benefit payments in that year.

C. CAPITAL AND SURPLUS ACCOUNT

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Capital and surplus, December 31, prior year	<u>\$13,662,950</u>	<u>\$18,473,203</u>	<u>\$18,775,370</u>
Net income	\$ 74,477	\$ 15,547	\$ 856,445
Change in nonadmitted assets and related items	(244,749)	290,107	(1,954,328)
Change in asset valuation reserve	(19,475)	(3,487)	3,056
Surplus adjustments			
Paid in capital	<u>5,000,000</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus	<u>\$ 4,810,253</u>	<u>\$ 302,167</u>	<u>\$ (1,094,827)</u>
Capital and surplus, December 31, current year	<u>\$18,473,203</u>	<u>\$18,775,370</u>	<u>\$17,680,543</u>

## 6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

### A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Based upon the sample reviewed, no significant findings were noted.

### B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Section 3201(a) of the New York Insurance Law states, in part:

“In this article, “policy form” means any policy, contract, certificate, or evidence of insurance and any application therefor . . . .”

Section 3201(b)(1) of the New York Insurance Law states, in part:

“No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent . . . .”

The examiner's review of small group health underwriting files disclosed that 31 out of 50 (62%) of the files reviewed contained an “Employer Request for Coverage” (form no. FHL-105-10906). This form is an application used to request the number of employees participating in the plan, the type of coverage selected, the deductible amount and the coinsurance percentage for the plan selected. The employer and the agent of record sign the form. The Company did not file this form with the Superintendent.

The Company violated Section 3201(b)(1) of the New York Insurance Law by utilizing a policy form that was not filed with and approved by the Superintendent. This is a repeat violation from the prior report on examination.

### C. Treatment of Policyholders

The examiner reviewed a sample of various types of health claims and consumer complaints. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

With respect to the settlement of health care claims, Section 3224-a(a) of the New York Insurance Law states, in part:

“Except in a case where the obligation of an insurer . . . to pay a claim submitted by a policyholder or person covered under such policy or make a payment to a health care provider is not reasonably clear, or when there is a reasonable basis supported by specific information available for review by the superintendent that such claim or bill for health care services rendered was submitted fraudulently, such insurer . . . shall pay the claim to a policyholder or covered person or make a payment to a health care provider within forty-five days of receipt of a claim or bill for services rendered.”

A review of a sample of paid health claims revealed that the Company adjudicated the claims after the required 45 days in a significant number of instances.

The Company violated Section 3224-a(a) of the New York Insurance Law by failing to make prompt payment to insureds.

Section 3224-a(b) of the New York Insurance Law states, in part:

“In a case where the obligation of an insurer . . . to pay a claim or make a payment for health care services rendered is not reasonably clear due to a good faith dispute regarding the eligibility of a person for coverage, the liability of another insurer or corporation or organization for all or part of the claim, the amount of the claim, the benefits covered under a contract or agreement, or the manner in which services were accessed or provided, an insurer . . . shall pay any undisputed portion of the claim in accordance with this subsection and notify the policyholder, covered person or health care provider in writing within thirty calendar days of the receipt of the claim:

(1) that it is not obligated to pay the claim or make the medical payment, stating the specific reasons why it is not liable . . . .”

A review of a sample of rejected health claims revealed that the Company adjudicated the claims after the required 30 days in a significant number of instances.

The Company violated Section 3224-a(b) of the New York Insurance Law by failing to provide rejection notices in a timely manner.

D. Response to Supplement No. 1 to Department Circular Letter No. 19 (2000)

Supplement No. 1 to Circular Letter No. 19 (2000) (the “Supplement”), issued by the Department on June 22, 2000, notified all licensed life insurers that the Department was investigating allegations of race-based underwriting of life insurance by its licensees. The Supplement directed, pursuant to Section 308 of the New York Insurance Law, each domestic and foreign life insurer to review its past and present underwriting practices regarding race-based underwriting and to report its findings to the Department, no later than August 15, 2000.

Pursuant to Section 308 of the New York Insurance Law, the Company submitted in a timely manner a report of the findings of its review of past and present underwriting practices regarding race-based underwriting made in accordance with the requirements of the Supplement.

The Company reported that it performed various tests to determine whether or not it has any business on the books for which race was used as a basis for premium rates and underwriting ratings. In summary, the Company’s findings were that there were no results from any of the testing that would indicate any degree of race-based underwriting.

An analysis of the Company’s response to the Supplement and other factors indicated that the Company’s review of its past and present underwriting practices complied with the requirements of the Supplement.

## 7. RECORD MAINTENANCE

Section 325(a) of the New York Insurance Law states, in part:

“Every domestic insurer . . . shall . . . keep and maintain at its principal office in this state . . . its books of account . . . .”

The Company did not maintain the worksheets supporting annual and quarterly statements or the general ledger and subsidiary ledgers at its principal office in this state. These records were maintained by the Company’s affiliate, Anthem-CT, which is located in Connecticut.

The Company violated Section 325(a) of the New York Insurance Law by not maintaining its books of account at its principal office in this state.

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

“Except as otherwise required by law or regulation, an insurer shall maintain:

(1) A policy record for each insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer . . . . A policy record shall include . . . .

(ii) The application, including any application form or enrollment form for coverage under any insurance contract . . . .

(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. A claim file shall show clearly the inception, handling and disposition of the claim, including the dates that forms and other documents were received. . . .”

A sample of 60 group underwriting files was chosen for review. Two of these files were not provided and four files did not contain an application.

The examiner selected a sample of 39 claim payments for review. The Company failed to provide 21 claim forms, nine explanation of benefit forms and 11 checks pertaining to those claims.

The examiner chose a sample of 26 rejected claims for review. The Company failed to provide nine explanation of benefit forms and two claims forms.

The Company violated Section 243.2(b) of Department Regulation No. 152 for failing to maintain policy and claim files as required by the Regulation.

## 8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 1210 of the New York Insurance Law by failing to get approval for its amended by-laws from the Superintendent.</p> <p>The Company received the Superintendent's approval for its amended by-laws reflecting the name change from "First Home Life Assurance Corporation" to Anthem Health &amp; Life Insurance Company of New York on February 19, 1999.</p>
B	<p>The Company violated Section 1505(a) of the New York Insurance Law and Sections 91.4(1) and 91.4(6) of Department Regulation No. 33 by failing to use methods of allocation that produce equitable distribution of expenses incurred for services rendered to it by its affiliated companies.</p> <p>The Company maintains time records that indicate the number of hours that employees of affiliates allocate to the Company on a monthly basis.</p>
C	<p>The Company violated Section 91.4(6) of Department Regulation No. 33 by distributing costs to lines of business by using the premium volume method.</p> <p>The Company no longer distributes costs to line of business using the premium volume method. The Company now distributes costs to line of business based on time studies.</p>
D	<p>The Company violated Section 215.17(a) of Department Regulation No. 34 and Section 219.5(a) of Department Regulation No. 34-A by not maintaining its advertising file at its home office.</p> <p>The Company maintains an advertising file in the home office that includes all advertisements used by the Company during the examination period.</p>
E	<p>The Company violated Sections 215.2(b) and 215.17(a) of Department Regulation No. 34 and Sections 219.2(b) and 219.5(a) of Department Regulation No. 34-A by not maintaining its advertising file with the required notation indicating the manner and extent of distribution.</p> <p>The advertising file now contains notations indicating the manner and extent of distribution.</p>

<u>Item</u>	<u>Description</u>
F	<p>The Company violated Section 2122(a)(2) of the New York Insurance Law, Section 215.13(a) of Department Regulation No. 34 and Section 219.4(p) of Department Regulation No. 34-A by calling attention to an unauthorized insurer in its advertisements.</p> <p>The Company did not call attention to an unauthorized insurer in any advertisement used during the examination period.</p>
G	<p>The Company violated Section 3201(b)(1) of the New York Insurance Law by utilizing a policy form which was not filed with and approved by the Superintendent.</p> <p>The Company again violated Section 3201(b)(1) of the New York Insurance Law by continuing to utilize policy form No. FHL-105-10906 during the current examination period.</p>

9. SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 3201(b)(1) of the New York Insurance Law by utilizing a policy form that was not filed with and approved by the Superintendent.	15 – 16
B	The Company violated Section 3224-a(a) of the New York Insurance Law by failing to provide prompt payment to insureds.	16
C	The Company violated Section 3224-a(b) of the New York Insurance Law by failing to provide rejection notices in a timely manner.	16 – 17
D	The Company violated Section 325(a) of the New York Insurance Law by not maintaining its books of account at its principal office in this state.	18
E	The Company violated Section 243.2(b) of Department Regulation No. 152 for failing to maintain policy files and claim files as required by the Regulation.	18



APPOINTMENT NO. 21736

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

**ANTHEM HEALTH & LIFE INSURANCE COMPANY OF NEW YORK**

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 name  
and affixed the official Seal of the Department  
at the City of New York

this 12th day of June, 2001



**GREGORY V. SERIO**  
Superintendent of Insurance

*[Handwritten Signature]*  
Superintendent