

MUNICIPAL COOPERATIVE HEALTH BENEFIT PLANS

APPLICATION FOR CERTIFICATE OF AUTHORITY

This application is submitted to obtain a Certificate of Authority to establish and maintain a Municipal Cooperative Health Benefit Plan according to Article 47 of the New York Insurance Law.

1. **Name of this Municipal Cooperative Health Benefit Plan.
(Hereinafter referred to as the Plan).**

2. List the names, addresses, contact persons and telephone numbers of each municipal corporation participant in the Plan.*

3. List the Plan's Governing Board, including his or her official title or position, address and telephone number.*

4. List the Plan's attorney-in-fact, providing the following:

Name:
Principal Address:
Telephone Number:

5. List the Plan's chief fiscal officer, including the following:

Name:
Address:
Telephone:
Participating Municipal Corporation/Employer:

Bond (including type, amount, surety and policy number and term).

6. List the Plan's independent certified public accountant appointed by the Governing Board, providing the following:

Name:
Contact person:
Principal Address:
Telephone Number:

7. List the actuary who prepares the independent actuarial opinion, providing the following:

Name:
Principal Address:
Telephone Number:
Qualifications:

8. List all actuaries, contract administrators and service providers who have been retained or appointed by, or who have contracted with, the Governing Board. Please provide the following information for each: name, firm name, contact person, principal address, telephone number, experience and qualifications.*

9. Are all employees (including retirees and dependents) of a participating municipal corporation eligible to enroll for coverage under the Plan? ____ Yes ____ No.

If not, specify the classes of employees (including retirees and dependents thereof that are ineligible for each participating municipal corporation.

10. Attach a copy of each of the following documents:

- A. Municipal Cooperation Agreement (Exhibit A) and any other documents describing the rights and obligations of municipal corporations participating in the Plan. For plans that provided medical, surgical or hospital benefits prior to January 1, 1993, also include a copy of the Municipal Cooperation Agreement authorized under 5-G of the General Municipal Law.
- B. The Plan document and summary plan description, and amendments thereto.
- C. All agreements between that Plan and any party listed in item 8 of this application.
- D. A qualified actuary's opinion that the Plan is actuarially sound and that premium equivalent rates have been established at the level sufficient to maintain required reserves, together with an accompanying memorandum describing the calculations, assumptions and methodology made in support of such opinion. Such opinion and accompanying memorandum shall conform to the requirements set forth in Exhibits B1 and B2.

- E. A statement, certified by the Governing Board, that adequate aggregate and specific stop-loss insurance coverage has been obtained and maintained (See Exhibit C).
- F. A proposed plan of operation and funding (See Exhibit D).
- G. Application for approval of the community rating methodologies employed to establish premium equivalent rates (See Exhibit E).

*Note: Please attach separate sheets for required information.

Date Prepared _____

(Signature)

(Printed Name)

(Title)

EXHIBIT A

MUNICIPAL COOPERATION AGREEMENT

1. The Plan's Municipal Cooperation Agreement must satisfy the requirements set forth in Section 4705 of the Insurance Law.
2. The Plan's Governing Board shall file certified copies of the minutes or other documents attesting to the approval of the Municipal Cooperation Agreement by a majority vote of the governing body of each municipal corporation participating in the Plan.
3. The Municipal Cooperation Agreement shall:
 - (a) specify all municipal corporations participating in the Plan;
 - (b) describe the form or type of municipal corporation eligible for participation in the Plan;
 - (c) state that all participating municipal corporations agree to share the costs of and assume the liabilities for medical, surgical and hospital benefits provided under the Plan to the covered employees (including retirees) and their dependents of all participating municipal corporations;
 - (d) state that each participating municipal corporation agrees to pay on demand such municipal corporation's share of any assessment ordered by the Plan's Governing Board or by the Superintendent under Article 47 or Article 74 of the New York Insurance Law;
 - (e) specify the eligibility requirements for municipal corporations to participate in the Plan; this may include reasonable geographic boundaries, but may not include any restrictions or limitations on the right of any municipal corporation, of the type eligible to participate, from participating in the Plan, if said municipal corporation provides satisfactory proof of its financial responsibility;
 - (f) place no restrictions or limitations on the right of eligible employees (including retirees and dependents) of a participating municipal corporation to enroll for coverage in the Plan;
 - (g) designate the fiscal officer of a participating municipal corporation to be the chief fiscal officer of the Plan;
 - (h) designate the Plan's attorney-in-fact to receive service of summons or other legal process in any action, suit or proceeding arising out of any contract, agreement or transaction involving the Plan;
 - (i) establish a Governing Board to be responsible for the management, control and administration of the Plan, provided that any municipal cooperation agreement to establish a Plan entered into after October 31, 1994 shall provide that unions which are the exclusive collective bargaining representatives of employees covered by the Plan shall be entitled to representation on such Governing Board.
4. The Municipal Cooperation Agreement shall provide that the chief fiscal officer:
 - (a) shall have custody of all monies received by the Plan or made available for expenditure under the Plan;
 - (b) shall, notwithstanding any provisions of the general municipal law, make payment in accordance with procedures developed by the Plan's Governing Board and acceptable to the Superintendent;

- (c) may invest moneys not required for immediate expenditure in the types of investment specified in the general municipal law or the education law for temporary investments or as otherwise expressly permitted by the Superintendent; and
 - (d) shall receive no remuneration, except that the participating municipal corporation employing the chief fiscal officer may be reimbursed for reasonable expenses incurred in connection with the duties of such fiscal officer in connection with the Plan.
5. The Municipal Cooperation Agreement shall include a provision:
- (a) describing the composition, number and procedures under which Governing Board members are chosen, provided that, for those agreements entered into after October 31, 1994, the Governing Board shall include representation by unions which are the exclusive collective bargaining representatives of employees covered by the Plan, and that such unions shall establish and agree to the procedures by which the members of the Governing Board who represent unions are selected;
 - (b) designating one Governing Board member to have custody of all reports, statements and other documents of the Plan;
 - (c) that the Governing Board shall meet at least annually at a time and place in this State designated in accordance with this agreement
6. The Municipal Cooperation Agreement shall provide that the Governing Board:
- (a) shall design the plan of benefits provided by the Plan and prepare the plan document and summary plan description;
 - (b) may enter into an agreement with a contract administrator, or other service provider, determined by the Governing Board to be qualified, to receive, investigate, and recommend or make payment of claims, provided that:
 - (1) the charges, fees and other compensation for any contracted services shall be clearly stated in written administrative services contracts;
 - (2) payment for contracted services shall be made only after such services are rendered; and
 - (3) no member of the Governing Board or any member of such member's immediate family shall be an owner, officer, director, partner or employee of any contract administrator retained by the plan.
 - (c) shall be authorized to purchase stop-loss insurance, to the extent required by Section 4707 of the Insurance Law, on behalf of the Plan;
 - (d) shall be authorized to establish a joint fund or funds to finance all Plan expenditures, including claims, reserves, surplus, administration, stop-loss insurance and other expenses;
 - (e) shall prepare an annual budget for the Plan to determine the premium equivalent rates for participating municipal corporations to be deposited in the Plan's joint fund or funds for the fiscal year, provided that:
 - (1) the Governing Board shall designate the bank or trust company in which joint funds, including reserve funds, are to be deposited and which shall be located in this state, duly

chartered under federal law or the laws of this state; and

- (2) the Governing Board shall establish premium equivalent rates for participating municipal corporations on the bases of a community rating methodology filed with and approved by the Superintendent, and in determining the annual premium equivalent rates, the Governing Board may contract for necessary actuarial services to estimate expected Plan expenditures during the fiscal year, shall maintain reserves in amounts equal to or exceeding the minimum amounts required by Section 4706 of the Insurance Law, and shall maintain a stop-loss policy or policies to the extent required by Section 4707 of the Insurance Law;
 - (f) shall be authorized to assess participating corporations for additional contributions, if actual losses due to benefits paid out, administrative expenses and reserve and surplus requirements exceed amounts held in the Plan's joint funds; and
 - (g) shall be authorized to refund amounts in excess of reserves and surplus required by Section 4706 of the Insurance Law and anticipated expenses or retain such excess amounts (or a portion thereof) and apply such amounts to next year's budget.
7. The Municipal Cooperation Agreement shall provide for the following to be prepared and furnished to the Governing Board, to participating municipal corporations, to unions which are the exclusive bargaining representatives of employees covered by the Plan, and to the Superintendent:
 - (a) annually, not later than one hundred and twenty days after the close of the Plan's fiscal year, a report showing the financial condition and affairs of the Plan, in such form and providing such other information as the Superintendent may prescribe, together with an audit, and opinions thereon, by an independent certified public accountant, of the financial condition, accounting procedures and internal control systems of the Plan (such report, audit, and opinion thereon must be in compliance with Section 307 of the Insurance Law and Insurance Department Regulation 118);
 - (b) annually, not later than one hundred and twenty days after the close of the Plan's fiscal year, an actuarial opinion on the financial soundness of the Plan, including the actuarial soundness of contribution or premium equivalent rates and reserves, both as paid in the current year and projected for the next fiscal year;
 - (c) quarterly, within forty-five days of the end of each quarter, a report, in such form and providing such other information as the Superintendent may prescribe, showing the financial condition of the Plan as of the end of such quarter.
8. The Municipal Cooperation Agreement shall specify the rights and obligations of a municipal corporation withdrawing from the Plan to any contribution (or premium equivalent) refund or reserve fund or for any contingent assessment liability or other obligation.
9. The Municipal Cooperation Agreement shall contain a provision stating that nothing contained in such agreement shall be construed to waive any right a covered person possesses with respect to the confidentiality of medical records and that such right may only be waived upon the written consent of such covered person.
10. The Municipal Cooperation Agreement shall contain a provision describing how moneys remaining in the Plan's reserve funds, after all liabilities have been satisfied, shall be disposed of, if the Plan ceases to provide plan benefits on a shared-funding basis.

EXHIBIT B(1)

ACTUARY STATEMENT AS TO SURPLUS OF THE PLAN

- (1) There is to be included on or attached to Page 1 of the initial financial statement and all subsequent annual statements, the statement of a qualified actuary setting forth his or her opinion relating to loss reserves, provision for experience rating refunds, and any other actuarial items. "Qualified" actuary as used herein means a member in good standing of the American Academy of Actuaries, or a person recognized by the American Academy of Actuaries as qualified for such actuarial valuation, or a person who otherwise has demonstrated his competency in such actuarial valuation to the satisfaction of the superintendent.
- (2) Such a statement of opinion must consist of a paragraph identifying the actuary; a scope paragraph identifying the subjects on which an opinion is to be expressed and describing the scope of the actuary's work (see sections 5-7 below); and an opinion paragraph expressing his or her opinion with respect to such subjects (see sections 8-10 below). One or more additional paragraphs may be needed in individual cases if the actuary considers it necessary to state a qualification of his or her opinion or to explain some aspect of the financial statement which is not already sufficiently explained in such statement.
- (3) The opening paragraph should generally indicate the actuary's relationship to the organization.

For an actuary who is an employee of the organization the opening paragraph of the opinion should contain a sentence such as:

"I, (name and title of actuary), am an officer (employee) of (named organization) and a member of the American Academy of Actuaries."

For a consulting actuary, the opening paragraph of the opinion should contain a sentence such as:

"I, (name and title of consultant), am associated with the firm of (name of firm). I am a member of the American Academy of Actuaries and have been retained by the (name or organization) with regard to loss reserves, actuarial liabilities and related items."

For a person other than a member of the American Academy of Actuaries, the opening paragraph of the opinion should contain a sentence such as:

"I, (name and title of consultant), am an officer (employee) of (name of organization) and I [have competency in actuarial valuations for organizations of this kind] or: [am recognized by the American Academy of Actuaries as qualified to perform actuarial valuations for organizations of this kind].

"I, (name and title of consultant), am associated with the firm of (name of firm). I [have competency in actuarial valuations for organizations of this kind] or: [am recognized by the American Academy of Actuaries as qualified to perform actuarial valuations for organizations of this kind] and have been retained by the (name of organization) with regard to such valuation."

- (4) The following are examples, for illustrative purposes, of language which in typical circumstances would be included in the remainder of the statement of opinion. The illustrative language should be modified as needed to meet the circumstances of a particular case, and the actuary should in any case, use language which clearly expresses his or her professional judgment.

(5) The scope paragraph should contain a sentence such as the following:

“I have examined the assumptions and methods used in determining loss reserves, actuarial liabilities and related items listed below, as shown in the financial statement of the organization as prepared for filing with state regulatory officials as of _____.”

The paragraph should list those items and amounts with respect to which the actuary is expressing an opinion. The list should include but not necessarily be limited to:

- (i) Claims Unpaid (Reported and Unreported)
- (ii) Provision for deferred maternity benefits, if any
- (iii) Other actuarial liabilities
- (iv) Dues items, such as receivables, due and unpaid, unearned, and paid in advance as they may relate to actuarial items.

(6) If the actuary has examined the underlying records and/or summaries, the scope paragraph should also include a sentence such as the following:

“My examination included such review of the assumptions and methods used and of the underlying basic records and/or summaries and such tests and calculations as I considered necessary.”

(7) If the actuary has not examined the underlying records and/or summaries, but has relied upon those prepared by the organization, the scope paragraph should include a sentence such as one of the following:

- (i) “I relied upon underlying records and/or summaries prepared by the responsible officers or employees of the organization. In other respects, my examination included such review of the assumptions and methods used and such tests of the calculations as I considered necessary.”
- (ii) “I relied upon (name of firm) for the accuracy of the underlying records and/or summaries. In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations as I considered necessary.”

(8) The opinion paragraph should include a sentence which covers at least the points listed in the following illustration:

“In my opinion, the amounts carried in the balance sheet on account of the items identified above

- i. are in accordance with accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles,
- ii. are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the Statement was prepared,
- iii. meet the requirements of the laws of the State of New York,
- iv. make a good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements,
- v. are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end,
- vi. include appropriate provision for all actuarial items which ought to be established.”

- (9) If there has been any material change in the assumptions and/or methods from those previously employed, that change should be describe in the statement of opinion by inserting a phrase such as:

“A material change in assumptions (and/or methods) was made during the past year but such change accords with accepted actuarial standards.” A brief description of the change should follow.

The adoption of new coverages requiring underlying assumptions which differ from assumptions used for prior coverage is not a change in assumption within the meaning of this paragraph.

- (10) If the actuary is unable to form an opinion, he or she should refuse to issue a statement of opinion. If the opinion is adverse or qualified, the actuary should issue an adverse or qualified opinion explicitly stating the reasons(s) for such opinion.
- (11) If the actuary does not express an opinion as to the accuracy and completeness of underlying listings or summaries using his evaluation, there should be included on or attached to Page 1 of the statement blank the statement of an organization officer or accounting firm who prepared such underlying data similar to the following:

“I (name of officer of organization), (title of officer), of (name of organization and address of organization), (or accounting firm), hereby affirm that the listings and summaries of data prepared for and submitted to (name of actuary) were prepared under my direction and, to the best of my knowledge and belief, are accurate and complete.

Signature”

EXHIBIT B (2)

ACTUARIAL STATEMENT AS TO SOUNDNESS OF PREMIUM EQUIVALENT RATES

- (1) There is to be included on or attached to the Application for Certification of Authority the statement of a Qualified Actuary setting forth his or her opinion as to whether premium equivalent rates have been established at a level sufficient to maintain required reserves. "Qualified" actuary as used herein means a member in good standing of the American Academy of Actuaries, or a person recognized by the American Academy of Actuaries as qualified for such actuarial valuation, or a person who otherwise had demonstrated his competency in such actuarial valuation to the satisfaction of the superintendent.
- (2) Such a statement of opinion must consist of a paragraph identifying the actuary; a scope paragraph identifying the subjects on which an opinion is to be expressed and describing the scope of the actuary's work; and an opinion paragraph expressing his or her opinion with respect to such subjects. One or more additional paragraphs may be needed in individual cases if the actuary considers it necessary to state a qualification of his or her opinion or to explain some aspect of the premium equivalent rates which is not already sufficiently explained in such statement.
- (3) The opening paragraph should generally indicate the actuary's relationship to the organization, described in such detail, as appropriate, as set forth in Exhibit B(1) of this application.
- (4) The following are examples, for illustrative purposes, of language which in typical circumstances would be included in the remainder of the statement of opinion. The illustrative language should be modified as needed to meet the circumstances of a particular case, and the actuary should in any case, use language which clearly expresses his or her professional judgment.
- (5) The scope paragraph should contain a sentence such as the following:

I have examined and analyzed the soundness of the Premium Equivalent Rates of the _____ Plan, to be effective _____. My review involved an analysis of the costs and liabilities of the Plan, which is maintained on a shared-funding basis, and was done in accordance with Actuarial Standards of Practice No. 8, "Regulatory Filings or Rates and Financial Projections for Health Plans".

The paragraph should list those areas the actuary's review concentrated on. The list should include but not necessarily be limited to:

- (i) Recognition of Benefit Plan Provisions
- (ii) Consistency of Benefit Plan and Assumptions
- (iii) Reasonableness of Assumptions
- (iv) Use of Past Experience to Project Future Results
- (v) Other Financial Considerations

The paragraph should also indicate that the analysis is based on the terms and conditions of coverage as set forth in the Plan Document and all revisions thereto data for the last two years, filed annual and quarterly statements, responses to questions written and verbal, and pertinent statements.

- (6) If the actuary has examined the underlying records and/or summaries, the scope paragraph should also include a sentence such as the following:

“My examination included such review of the assumptions and methods used and of the underlying basic records and/or summaries and such tests and calculations as I considered necessary.”

- (7) If the actuary has not examined the underlying records and/or summaries, but has relied upon those prepared by the organization, the scope paragraph should include a sentence such as one of the following:

(i) “ I relied upon underlying records and/or summaries prepared by the responsible officers or employees of the organization. In other respects, my examination included such review of the assumptions and methods used and such tests of the calculations as I considered necessary.”

(ii) “ I relied upon (name of firm) for the accuracy of the underlying records and/or summaries. In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations as I considered necessary.”

- (8) The opinion paragraph should set forth the actuary’s conclusions with regard to his or her review, addressing at least the following areas:

(i) adequacy, soundness and sufficiency of the Plan’s premium equivalent rate,

(ii) maintenance and sufficiency of claim and contingency reserves,

(iii) adequacy of stop-loss and other insurance agreements,

(iv) administrative service arrangement,

(v) cost impact of Plan benefit modifications,

(vi) any condition that impacts the financial integrity of the Plan.

EXHIBIT C

REQUIRED STOP - LOSS INSURANCE

Required Stop-Loss Insurance pursuant to Section 4707 Of the Insurance Law.

1. The Governing Board of the Plan must obtain and maintain on behalf of the Plan a stop-loss insurance policy or policies delivered in New York State and issued by a licensed insurer, providing:
 - a. aggregate stop loss-coverage with an annual aggregate retention amount or attachment point not greater than 125% of the amount certified by a qualified actuary to represent the expected claims of the Plan for the fiscal year; and
 - b. specific stop-loss coverage with a specific retention amount or attachment point not greater than 4% of the amount certified by a qualified actuary to represent the Plan's expected claims for the current fiscal year.
2. Upon application by the Governing Board, the Superintendent may waive the requirements for the stop-loss insurance, in whole or part, or modify the maximum retention amounts or attachment points for the stop-loss insurance, provided that:
 - a. the Plan maintains reserves and surplus equal to or greater than 150% of the amounts specified in Section 4706(a)(1) and (5) of the Insurance Law: or
 - b. the Superintendent is satisfied that such waiver or modification of retention amounts or attachment points would not be detrimental to the Plan's solvency and stability, after considering such factors as availability and affordability of stop-loss insurance, the Plan's past and expected experience, Plan size, reserves, surplus, and premium equivalent rates as well as the contingent liability of participating municipal corporations.
3. The Superintendent may reduce the aggregate or specific stop-loss retention amounts or attachment points:
 - a. as an alternative to suspension or revocation of the certificate of authority pursuant to Section 4712 of the Insurance Law; or
 - b. during the phase-in period described in Section 4714 of the Insurance Law for any Plan which consists of fewer than five municipal corporations or which covers less than 2,000 employees and retirees.

EXHIBIT D

PROPOSED PLAN OF OPERATION FUNDING

The Plan's proposed plan of operation and funding shall be subject to Section 4703(b)(8) of the Insurance Law, and shall set forth the following:

- (1) the current or proposed premium equivalent rates to provide for the payment of all expected obligations under the Plan, including surplus requirements for a twelve month period, taking into account the Plan's expected coverage and experience;
- (2) a statement of the costs incorporated in such premium equivalent rates, including an itemization of the amounts for claims, administration, stop-loss insurance, reserves, surplus adjustments, and other expenses associated with the operation of the Plan for the same twelve month period;
- (3) the expected number of employees, retirees, and dependents covered under the Plan;
- (4) claims handling and dispute resolution procedures and timeframes, including the manner in which claims can be appealed;
- (5) the method of selecting service providers, including any contract administrator;
- (6) current and projected financial statements, including statements of assets, liabilities and surplus, statement of operations (income and expenses), and cash flow statement; and
- (7) for plans already in operation, and independent CPA audit, including reports and opinions on the Plan's financial condition.

EXHIBIT E

APPLICATION FOR APPROVAL OF COMMUNITY RATING METHODOLOGY

Data Requirements

1. Plan(s) of Benefits:

Description of various plan(s) of benefits and history of recent changes. Specify various deductibles, copays, coinsurances, maxima, and riders.

2. Membership:

For each plan of benefits and each pay period (monthly or biweekly), indicate the number of various contracts -- Individual, Husband & Wife, Parent & Child, Family -- inforce at that time. Also indicate the average contract size such as Family has 3.65 members. These specifications should be reconcilable with " Member Months" totals reported in "Report #2" of the Plan's filed financial statements.

3. Premium Revenue:

Report the total premium revenue by applying the Premium Equivalent Rate times the respective Number of Contracts. Also report Other Income by source and Investment Income.

4. Expenses:

Hospital and medical expenses by month paid and month incurred for claim reserve lag studies. Report all drug claims, insurance settlements, COB, and other paid by month. Separately identify all administrative expenses. Claim reports should also identify employee, spouse, and child claims by month paid and month of incurral. Annual claims paid by type of service should be available, as well as reports specifying number of claims by claim amount bracket.