

REPORT ON EXAMINATION

OF

WELLCARE HEALTH INSURANCE OF NEW YORK, INC.

AS OF

DECEMBER 31, 2009

DATE OF REPORT

MAY 18, 2011

EXAMINER

BRUCE BOROFKY, CFE

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

Andrew M. Cuomo
Governor

James J. Wrynn
Superintendent

May 18, 2011

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law and acting in accordance with the instructions contained in Appointment Number 30590, dated September 2, 2010, annexed hereto, I have made an examination into the condition and affairs of WellCare Health Insurance of New York, Inc., an accident and health insurer licensed pursuant to Article 42 of the New York Insurance Law, as of December 31, 2009, and submit the following report thereon.

The examination was conducted at the home office of WellCare Health Insurance of New York, Inc. located at 8735 Henderson Road, Tampa, Florida.

Wherever the designations the "Company" or "WHINY" appear herein, without qualification, they should be understood to indicate WellCare Health Insurance of New York, Inc.

Wherever the designation the "Department" appears herein, without qualification, it should be understood to indicate the New York State Insurance Department.

1. SCOPE OF THE EXAMINATION

The Company was previously examined as of December 31, 2001, while it was licensed as a property and casualty insurer under the name, Stone Harbor Insurance Company. It was converted to an accident and health insurer in 2006. This examination of the Company was a combined financial and market conduct examination. The financial component of the examination was conducted as a financial examination as defined in the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook, 2009 Edition* (the “Handbook”) and it covered the four-year period from January 1, 2006 through December 31, 2009. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2009, were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook, which provides guidance for the establishment of an examination plan based on the examiner’s assessment of risk in the Company’s operations and utilizes that evaluation in formulating the nature and extent of the examination. The risk-focused examination approach was included in the Handbook for the first time in 2007; thus, this was the first such type of examination for the Company. The examiner planned and performed the examination to evaluate the Company’s current financial condition, as well as identify prospective risks that may threaten the future solvency of WHINY.

The examiner identified key processes, assessed the risks within those processes and assessed the internal control systems and procedures used to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made

by management, an evaluation of the overall financial statement presentation, and determined management's compliance with the Department's statutes and guidelines, Statutory Accounting Principles, as adopted by the Department, and annual statement instructions.

Information concerning the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The examination evaluated the Company's risks and management activities in accordance with the NAIC's nine branded risk categories, as delineated in the Handbook.

These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually for the years 2006 through 2009, by the accounting firm of Deloitte & Touche, LLP ("D&T"). The Company received an unqualified opinion in each of those years. Certain audit workpapers of D&T were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department which has been given the task of assessing the Company's internal control structure. A review was also made of the Company's Enterprise Risk Management program.

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

2. **DESCRIPTION OF THE COMPANY**

The Company was incorporated as the “Stonebridge Insurance Company”, a property and casualty insurer, under the Laws of New York on April 6, 1993. On December 12, 1997, the Company was licensed to write property and casualty insurance, and on August 14, 2000, adopted the name Stone Harbor Insurance Company. During this time and until 2007, the Company did not conduct any business.

The Company was acquired by The Wellcare Management Group, Inc. (“WMG”), pursuant to a stock purchase agreement, which was approved by the Department on August 6, 2006. WMG is a wholly-owned subsidiary of WellCare Health Plans, Inc., a publicly traded health benefits company. On November 29, 2006, the Company’s name was changed from Stone Harbor Insurance Company to WellCare Health Insurance of New York, Inc. Simultaneously, the Company converted from a property and casualty insurer to an accident and health insurer, and was licensed under Section 1113(a)(3) of the New York Insurance Law. It began writing Medicare private-fee-for-service business in 2007.

The Company is a subsidiary of WellCare Health Plans, Inc. (“WellCare”), a publicly traded health benefits company. On May 5, 2009, WellCare entered into a Deferred Prosecution Agreement (“DPA”) with the United States Attorney General’s Office (“USAO”) and the Florida

Attorney General's Office resolving investigations regarding the overstatement of expenditures for certain behavioral health contracts under the Medicaid and "Healthy Kids" programs.

Pursuant to the terms of the DPA, WellCare was fined \$80,000,000 by the United States Attorney General's Office.

As part of the abovementioned DPA, in August, 2009, Wellcare retained at its expense, for a period of eighteen months, an independent monitor who was selected by the USAO. The duties of the independent monitor include reviewing Wellcare's compliance with the DPA and all applicable federal and state Medicare laws, regulations and programs, as well as to evaluate and as necessary, make written recommendations concerning certain Company policies and procedures.

In May 2009, Wellcare, without admitting or denying allegations relative to an investigation by the United States Securities and Exchange Commission ("SEC") of alleged violations of Federal Securities Laws, was fined \$10,000,000 plus post-judgment interest by the SEC and consented to the entry of a permanent injunction against any future violations of the Federal Securities Laws.

In addition, on June 24, 2010, Wellcare reached a preliminary settlement with the Civil Division of the United States Department of Justice, the Civil Division of the USAO and the Civil Division of the United States Attorney's Office for the District of Connecticut for the settlement of pending inquiries. The preliminary settlement called for Wellcare to pay a total of \$137,000,000 (the settlement amount) to the United States Department of Justice.

A. Management and Controls

Pursuant to the Company's Charter and By-Laws, management of the Company is to be vested in a Board of Directors consisting of not less than thirteen (13) nor more than seventeen (17) members. As of the examination date, the Board of Directors was comprised of eleven (11) members.

It is noted that subsequent to the examination date, the Sole Shareholder of the Company, The WellCare Management Group, Inc., approved the first amendment to the Company's By-Laws, which required the composition of the Company's Board of Directors to be composed of no less than seven (7) nor more than eleven (11) members.

The Company's Board members as of December 31, 2009, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John E. Barger III Lutz, Florida	Regional Chief Operating Officer, Comprehensive Health Management, Inc.
Phillip P. Bisesi Tampa, Florida	Associate General Counsel, Comprehensive Health Management, Inc.
Gary J. Clarke Tallahassee, Florida	Partner, Sternstein, Rainer & Clarke
Kevin J. Conroy Ardsley, New York	Chief Operating Officer, Northeast Division, Comprehensive Health Management, Inc.
Walter W. Cooper Tampa, Florida	VP, Marketing & Sales, Comprehensive Health Management, Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael W. Haber Tampa, Florida	VP, Corporate Transactions and Compensation, Comprehensive Health Management, Inc.
Kimberly D. McDonnell Clearwater, Florida	VP, Regulatory Affairs, Comprehensive Health Management, Inc.
Adam T. Miller Tampa, Florida	Sr. Vice President, National Medicare & Governmental Relations, Comprehensive Health Management, Inc.
Daniel M. Parietti White Plains, New York	President, North Division, Comprehensive Health Management, Inc.
Thomas L. Tran Simsbury, Connecticut	Chief Financial Officer, Comprehensive Health Management, Inc.
William S. White Tampa, Florida	Chief Accounting Officer, Comprehensive Health Management, Inc.

During the examination period, the Board's constitution changed repeatedly. Over the four-year examination period, nineteen (19) different persons were members of the up to thirteen (13) member Board at various times. This turnover in the Board is a cause for concern as continuity in corporate governance is a main element of any corporation's operations and ensures that members of the Board are fully aware of issues affecting the Company. Additionally, at some point during each calendar year, the Board did not maintain the minimum number of directors required by its By-Laws.

It is recommended that the Company maintain stability within its Board constitution in order to ensure a knowledgeable and effective Board of Directors. It is further recommended that the Company maintain the proper number of directors in accordance with its By-Laws.

Members of the Board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the Company. It is essential that Board members attend meetings consistently and set forth their views on relevant matters so that appropriate policy decisions may be reached by the Board.

The By-Laws of the Company establish the requirement that there be one regular meeting of the Board to be held no later than the fourth Friday in April of each year. During calendar year 2009, the first Board meeting was not held until June.

It is recommended that the Board meet each year by the date established within its By-Laws.

During the examination period, only five meetings of the Board were held. This number of meetings is insufficient to ensure good governance and proper oversight of the Company's operations. The Board has a responsibility to meet regularly to consult and provide guidance to Company management regarding the management of the business affairs of the Company.

It is recommended that the Board of Directors hold board meetings on at least a quarterly basis during each calendar year.

Section 1411(a) of the New York Insurance Law states:

“(a) No domestic insurer shall make any loan or investment, except as provided in subsection (h) hereof, unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan. The committee's minutes shall be recorded and a report submitted to the board of directors at its next meeting.”

It should be noted that the Board failed to approve or authorize the Company's investment activity as required by Section 1411(a) of the New York Insurance Law for one year under examination.

It is recommended that the Company's Board of Directors approve or authorize the Company's investment activity in compliance with the requirements of Section 1411(a) of the New York Insurance Law.

The principal officers of WHINY as of December 31, 2009, were as follows:

<u>Name</u>	<u>Title</u>
Alexander R. Cunningham	President and Chief Executive Officer
Thomas Lacy Tran	Chief Financial Officer and Treasurer
Michele Louise Booth	Secretary

B. Territory and Plan of Operation

WHINY is an accident and health insurer licensed pursuant to the provisions of Article 42 of the New York Insurance Law. As of December 31, 2009, the Company was licensed to conduct business only in the state of New York.

The Company's sole line of business as of December 31, 2009, was Medicare private fee-for-service ("PFFS"), which it started offering in January 2007. A PFFS plan is a Medicare Advantage organization which offers Medicare beneficiaries coverage through an indemnity insurer. Under this plan, beneficiaries can see any provider who is eligible to receive payment

from Medicare and agrees to accept payment from the PFFS plan. PFFS insurers do not underwrite beneficiaries for coverage. Rather, beneficiaries enroll in a PFFS plan as they enroll in any Medicare Advantage plan, rather than through original Medicare.

New York Insurance Law §7402 states in part:

“The superintendent may apply under this article for an order directing him to rehabilitate a domestic insurer which...(i) Has ceased to do the business of insurance for a period of one year as provided in subsection (b) of section one thousand two hundred three of this chapter.”

Effective January 1, 2010, the Company discontinued its sole line of business, and as of such date did not renew coverage for existing members and discontinued accepting new members. As a result, the Superintendent of Insurance has the authority, under the above cited Law, to apply for an order directing him to rehabilitate the Company. The Company is in discussion with the Department with regard to its future operations.

Based upon the line of business for which the Company is licensed, the Company is required to maintain a minimum surplus in the amount of \$300,000, pursuant to Section 4204(b)(2) of the New York Insurance Law.

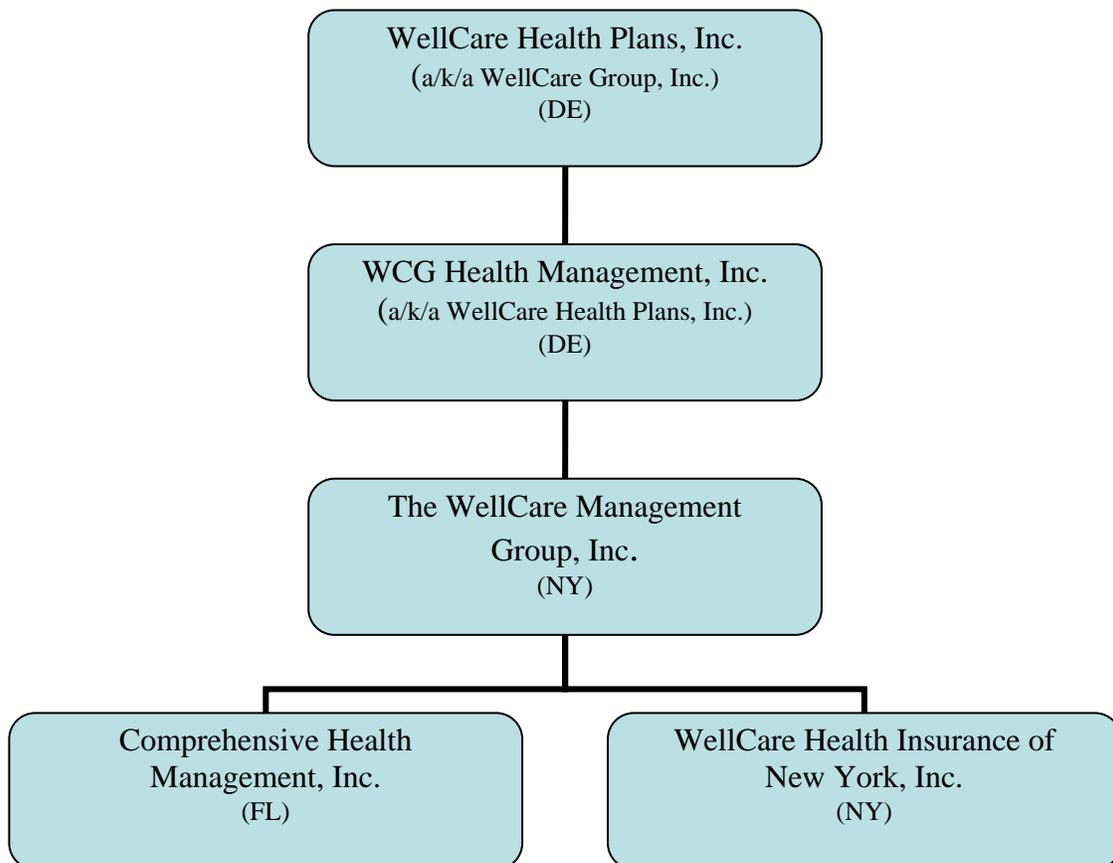
The following is a schedule of direct premiums written during the four-year examination period:

<u>Year</u>	<u>Direct Premiums Written</u>
2006	\$ 0
2007	13,685,072
2008	39,252,702
2009	<u>53,869,709</u>
<u>Total</u>	<u>\$106,807,483</u>

C. Holding Company System

As a subsidiary of The WellCare Management Group, Inc, the Company is required to file registration statements pursuant to the requirements of Article 15 of the New York Insurance Law and Department Regulation No. 52 (11 NYCRR 80). All pertinent filings made during the examination period regarding the aforementioned statute and regulation were reviewed. No problem areas were encountered.

The following chart depicts the Company and its relationship to members of its holding company system as of December 31, 2009:



Management Services Agreement

Part 105.25(a)(1) of Department Regulation No. 30 (11 NYCRR 105.25) states in part:

“...Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, the expenses involved shall be apportioned in accordance with Part 106 relating to Joint Expenses, and such apportioned expenses shall be allocated by each company to the same operating expense classifications as if the expenses had been borne wholly...”

Part 106.7 of Department Regulation No. 30 (11 NYCRR 106.7) states:

“It is permissible to apportion expenses between companies during the year on the basis of methods and procedures other than those prescribed herein, provided allocations of corrected amounts, calculated in accordance with Parts 105 through 109, are made in time for entry in the annual statement.”

WHINY entered into a Management Services Agreement with an affiliate, Comprehensive Health Management, Inc. (“CHMI”), on June 28, 2006. Such agreement was approved by the Department effective June 20, 2006. Under the terms of this agreement, CHMI is required to supervise and manage the day-to-day operations of the Company, including: accounting and financial services, management of information and computer systems, data processing, design and administration of benefits, billing, processing of claims, customer service, utilization review, provider credentialing and contracting, and product marketing services. As compensation for the services rendered, and in accordance with Section 1.5 of the Management Services Agreement, WHINY is required to pay CHMI a fee equal to CHMI’s actual cost of providing such services.

Section 1.5 of the Management Services Agreement states in part:

“As compensation for services rendered, WHINY shall pay CHMI a fee which shall be equal to CHMI’s actual costs of providing the services, but no greater than WHINY would expend in providing these services for itself. The parties

agree that the monthly estimate of this cost shall be equal to 10.25% of gross premium revenue received by WHINY. An adjustment of the fees payable pursuant to this Agreement shall be made quarterly to reflect actual costs..."

During 2009, it was noted that the Company failed to perform a quarterly reconciliation of expenses, as required by its Management Services Agreement. This failure resulted in a violation of Part 106.7 of Department Regulation No. 30 (11 NYCRR 106.7), because the reconciliation was not performed in time to ensure accuracy of the Statement of Revenue and Expenses, Cash Flow and Underwriting and Investment Exhibits of the filed 2009 annual statement.

It is recommended that the Company comply with Part 106.7 of Department Regulation No. 30 and Section 1.5 of its Management Services Agreement and reconcile its allocated expenses on a quarterly basis to reflect the actual costs of operation and abide by the Health Annual Statement Instructions regarding such item.

Tax Allocation Agreement

The Company was added to an existing Intercompany Tax Allocation Agreement between its ultimate Parent, WellCare Health Plans, Inc., its intermediate Parent, WCG Health Management, Inc., and other members in its holding company system on August 21, 2006, via a second amendment to the agreement. This agreement with amendments was approved by the Department on July 26, 2006.

D. Reinsurance

Effective January 1, 2008, the Company entered into an excess of loss reinsurance agreement with Westport Insurance Corporation (a Swiss Reinsurance Company), a Missouri property and casualty company that is licensed to write insurance in the state of New York. Under the terms of the agreement, the Company ceded 90% in excess of \$750,000 medical and hospital benefits up to \$2 million per member, with the exception of newborn members, for whom, the Company ceded 95% in excess of \$750,000 for the inpatient hospital services, other than transplant services. The agreement contained the insolvency clause required by Section 1308(a)(2)(A)(i) of the New York Insurance Law.

The Company did not assume any reinsurance during the examination period.

E. Significant Operating Ratios

The underwriting ratios presented below are on an earned-incurred basis and encompass the period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Claims incurred	\$ 83,007,574	77.8%
Claims adjustment expenses	2,457,412	2.3%
General administrative expenses	14,361,620	13.4%
Net underwriting gain	<u>6,980,877</u>	<u>6.5%</u>
Premiums earned	<u>\$ 106,807,483</u>	<u>100%</u>

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and capital and surplus reported by the Company as of December 31, 2009. This statement is the same as the balance sheet filed by the Company in its filed annual statement as of December 31, 2009:

<u>Assets</u>	<u>Examination</u>	<u>Company</u>
Bonds	\$ 523,402	\$ 523,402
Cash, cash equivalents, and short-term investments	16,409,276	16,409,276
Investment income due and accrued	6,674	6,674
Current federal and foreign income tax recoverable and interest thereon	955,343	955,343
Federal income tax receivable and interest thereon	763,212	763,212
Net deferred tax asset	125,802	125,802
Health care and other amounts receivable	86,571	86,571
Aggregate write-ins for other than invested assets	<u>500</u>	<u>500</u>
Total assets	<u>\$18,870,780</u>	<u>\$18,870,780</u>

<u>Liabilities</u>	<u>Examination</u>	<u>Company</u>
Claims unpaid	\$ 7,838,732	\$ 7,838,732
Unpaid claims adjustment expenses	193,393	193,393
General expenses due or accrued	395,173	395,173
Amounts due to parent, subsidiaries and affiliates	30,791	30,791
Liability for amounts held under uninsured plans	<u>101,988</u>	<u>101,988</u>
Total liabilities	\$ <u>8,560,077</u>	\$ <u>8,560,077</u>
<u>Capital and Surplus</u>		
Common capital stock	\$ 700,000	\$ 700,000
Gross paid in and contributed surplus	4,954,683	4,954,683
Unassigned funds (surplus)	<u>4,656,020</u>	<u>4,656,020</u>
Total capital and surplus	\$ <u>10,310,703</u>	\$ <u>10,310,703</u>
Total liabilities, capital and surplus	\$ <u>18,870,780</u>	\$ <u>18,870,780</u>

Note: The Internal Revenue Service has not conducted any audits of the income tax returns filed on behalf of the Company through tax year 2009. The examiner is unaware of any potential exposure of the Company to any tax assessments and no liability has been established herein relative to such contingency.

B. Statement of Revenue, Expenses and Capital and Surplus

Capital and surplus increased \$9,238,913 during the four-year examination period, January 1, 2006 through December 31, 2009, detailed as follows:

Income

Net premium income	\$ <u>106,807,483</u>	
Total revenues		\$ <u>106,807,483</u>

Expenses

Hospital/medical benefits	\$ 77,204,281	
Other professional services	3,403,516	
Emergency room and out-of-area	114,167	
Prescription drugs	2,285,610	
Claims adjustment expenses	2,457,412	
General administrative expenses	<u>14,361,620</u>	
Total underwriting deductions		\$ <u>99,826,606</u>
Net underwriting gain		6,980,877
Net investment income earned		662,390
Other income/(expenses)		<u>(20,747)</u>
Net income before federal income taxes		\$ 7,622,520
Federal and foreign income taxes incurred		<u>2,801,223</u>
Net income		\$ <u>4,821,297</u>

Capital and Surplus Account

Capital and surplus, per report on examination, as of December 31, 2005			\$ 1,071,790
	<u>Gains in</u> <u>Surplus</u>	<u>Losses in</u> <u>Surplus</u>	
Net income	\$ 4,821,297		
Change in net unrealized capital gains	1,677		
Change in net deferred income tax	125,798		
Change in non-admitted assets		\$ 80,855	
Paid in surplus	4,601,000		
Dividends to stockholders		8,487	
Prior period adjustment	<u> </u>	<u>221,517</u>	
Net increase in capital and surplus			<u>9,238,913</u>
Capital and surplus, per report on examination, as of December 31, 2009			\$ <u>10,310,703</u>

4. CLAIMS UNPAID

The examination liability of \$7,838,732 for the above captioned account is the same as the amount reported by WHINY in its filed 2009 annual statement.

The examination analysis of the unpaid claims reserve was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and its filed annual statements as verified during the examination. The examination reserve was based upon actual payments made through a point in time, plus an estimate for claims remaining unpaid at that date. Such estimate was calculated

based on actuarial principles, which utilized the Company's experience in projecting the ultimate cost of claims incurred on, or prior to December 31, 2009.

5. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business. In determining the scope of this review, the examiner took into consideration the Company's lines of business, Medicaid and Medicare, which fall under the purview of the Centers for Medicare and Medicaid Services' requirements, as opposed to the statutory requirements of the Department of Insurance. Thus, the market conduct review was limited. The review was directed at the practices of the Company in the following major areas:

- A. Agents and brokers
- B. Record retention

A. Agents and Brokers

Section 2112(b) of the New York Insurance Law states:

"To appoint a producer, the appointing insurer shall file, in a format approved by the superintendent, a notice of appointment within fifteen days from the date the agency contract is executed or the first insurance application is submitted."

The examiner requested and received a listing of appointed producers from WHINY. The listing indicated that a total of 415 agents and 26 brokers had been appointed by the Company as of December 31, 2009. A reconciliation between the producer list and the Department's agent records indicated that the Company failed to report the appointment of three agents to the Department in 2009. It was noted that the total amount of commissions paid to these three agents by the Company in 2009 was \$658.

It is recommended that the Company file its appointment of agents with the Department in compliance with the requirements of Section 2112(b) of the New York Insurance Law.

B. Record Retention

Department Regulation No. 152 (11 NYCRR 243), “Maintenance of Insurance Company Records”, establishes requirements for the maintenance of insurance records, including records of agents and brokers’ licenses and appointments.

Relative to the length of time for records to be maintained, Part 243.2(b)(8) of Department Regulation No 152 (11 NYCRR 243), states in part:

“Any other record for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review.”

The records of twenty (20) of the Company’s agents and brokers were sampled to ensure they were properly licensed and appointed. However, the Company was not able to provide copies of the licenses and appointment forms for such agents and brokers. The Company explained this was due to the transition of the agents certification and commissions payment function from its third party administrator CHCS Services, Inc. to WHINY in 2009. This, however, is not an adequate reason for failing to maintain such records.

It is recommended that WHINY comply with the requirements of Part 243.2(b)(8) of Department Regulation No. 152 by maintaining copies of the agents’ and brokers’ licenses and appointment forms with its records.

6. SUMMARY OF PRIOR COMMENTS AND RECOMMENDATIONS

The prior report on examination of the Company, then known as Stone Harbor Insurance Company, as of December 31, 2001, contained the following three (3) recommendations which were pertinent to this examination (page numbers refer to the prior report on examination):

ITEM NO.**PAGE NO.**Management

- | | | |
|----|---|---|
| 1. | It is recommended that the Company convene regular meetings of its board of directors as stated in Article III, Section 4 of its By-Laws. | 4 |
|----|---|---|

The Company has not complied with this recommendation. A similar recommendation is included within this report on examination.

Holding Company System

- | | | |
|----|---|---|
| 2. | It is recommended that the Company file its annual holding company registration statements in a timely manner pursuant to the provisions of Department Regulation No. 52. | 6 |
|----|---|---|

The Company has complied with this recommendation.

Investments

- | | | |
|----|---|----|
| 3. | It is recommended that the Company adhere to the provisions of Section 1411(a) of the New York Insurance Law as regards to the board of directors' approval of investments. | 13 |
|----|---|----|

The Company has not complied with this recommendation. A similar recommendation is included within this report on examination.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management and Controls</u>	
i. It is recommended that the Company maintain stability within its Board constitution in order to ensure a knowledgeable and effective Board of Directors. It is further recommended that the Company maintain the proper number of directors in accordance with its By-Laws.	7
ii. It is recommended that the Board meet each year by the date established within its By-Laws.	8
iii. It is recommended that the Board of Directors hold Board meetings on at least a quarterly basis during each calendar year.	8
iv. It is recommended that the Company's Board of Directors approve or authorize the Company's investment activity in compliance with the requirements of Section 1411(a) of the New York Insurance Law.	9
B. <u>Territory and Plan of Operation</u>	
Effective January 1, 2010, the Company discontinued its sole line of business, and as of such date did not renew coverage for existing members and discontinued accepting new members. As a result, the Superintendent of Insurance has the authority, under the above cited Law, to apply for an order directing him to rehabilitate the Company. The Company is in discussion with the Department with regard to its future operations.	10
C. <u>Holding Company System</u>	
It is recommended that the Company comply with Part 106.7 of Department Regulation No. 30 and Section 1.5 of its Management Services Agreement and reconcile its allocated expenses on a quarterly basis to reflect the actual costs of operation and abide by the Health Annual Statement Instructions regarding such item.	13

<u>ITEM</u>	<u>PAGE NO.</u>
D. <u>Agents and Brokers</u>	
It is recommended that the Company file its appointment of agents with the Department in compliance with the requirements of Section 2112(b) of the New York Insurance Law.	20
E. <u>Record Retention</u>	
It is recommended that WHINY comply with the requirements of Part 243.2(b)(8) of Department Regulation No. 152 by maintaining copies of the agents' and brokers' licenses and appointment forms with its records.	20

Appointment No. 30590

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

I, James J. Wrynn, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

Bruce Borofsky

as a proper person to examine into the affairs of the

Wellcare Health Insurance of New York, Inc.

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 this Department, at the City of New York.

this 2nd day of September, 2010



James J. Wrynn
Superintendent of Insurance

