REPORT ON EXAMINATION

OF

GROUP HEALTH INCORPORATED

AS OF

DECEMBER 31, 1999

DATE OF REPORT:	**APRIL 12, 2001**
EXAMINER:	**KATHLEEN GROGAN**

TABLE OF CONTENTS

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

April 12, 2001

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

Sir:

Pursuant to instructions contained in Appointment Number 21519 dated April 10, 2000 attached hereto and in accordance with the New York Insurance Law, I have made an examination into the condition and affairs of Group Health Incorporated, a not-for-profit health service corporation licensed pursuant to the provisions of Article 43 of the Insurance Law as of December 31, 1999 and I respectfully submit the following report, thereon. This examination was conducted at the administrative office of the Group Health Incorporated located at 441 Ninth Avenue, New York, New York 10001.

Whenever the terms “the Company” or “GHI” appear in this report without qualification, they should be understood to refer to the Group Health Incorporated.

1. SCOPE OF EXAMINATION

Group Health Incorporated was previously examined as of December 31, 1995. The current examination covers the four-year period from January 1, 1996 through December 31, 1999. Where deemed appropriate, the examiner reviewed transactions occurring subsequent to December 31, 1999.

The examination comprised a verification of assets and liabilities as of December 31, 1999, a review of income and disbursements deemed necessary to accomplish such verification and utilized to the extent considered appropriate, work performed by GHI's independent certified public accountants. A review or audit was also made of the following items:

Corporate history
Management and control
Corporate records
Fidelity bonds and other insurance
Officers' and employees' welfare and pension plans
Territory and plan of operation
Growth of Corporation
Business in force
Loss experience
Accounts and records

A review was also made to ascertain what action was taken by GHI with regard to comments in the prior report on examination.

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.

A separate "Market Conduct" report concerning the manner in which GHI conducts its business practices and fulfills its contactual obligations to policyholders and claimants will be issued at a later date.

2. DESCRIPTION OF CORPORATION

GHI is a not-for-profit health service corporation subject to the provisions of Article 43 of the New York Insurance Law. The Company was originally incorporated as the Group Health Cooperative, Inc., and began operations on December 6, 1940. It was organized as a consumer's cooperative stock corporation under the provisions of Article VII of the Cooperative Corporation Law for the purpose of furnishing medical expense indemnity insurance to its subscribers. On October 1, 1946, the name Group Health Insurance, Inc. was adopted and the Company's operations became subject to the provisions of Article IX-C (now recodified as Article 43) of the New York Insurance Law. The change followed reincorporation as a membership corporation. Effective December 7, 1971, the Charter of Group Health Insurance, Inc. was amended pursuant to the provisions of Section 803 of the Not-For-Profit Corporation Law, changing the name to Group Health Incorporated and extending the powers of the corporation to include those of a health service corporation.

On December 12, 1972 GHI merged with Group Health Dental Insurance, Inc. with Group Health Incorporated emerging as the surviving corporation.

On June 1, 1999 GHI formed an HMO subsidiary, GHI HMO Select, by purchasing the commercial business of an existing HMO. This matter is discussed further herein under Item 2.C. HOLDING COMPANY STRUCTURE.)

GHI administers Medicare Parts A and B for Queens County under Public Law 89-97, Health Insurance for the Aged. Under this arrangement, GHI processed 3,817,615 Medicare claims for Queens County in the amount of $240,986,191, in 1999. GHI is reimbursed for the costs relating to these services by the Department of Health and Human Services (HHS). This is treated as an uninsured health plan and therefore such claims are excluded from the Company's Underwriting and Investment Exhibit.

GHI also has a contract with the Health Care Financing Administration (HCFA) to perform certain services related to HCFA's nation-wide Medicare program. These services include coordination of benefits and the initial collection of data on Medicare's 40 million beneficiaries.

A. Management

Pursuant to its charter, GHI is governed by a Board of Directors. The Company's by-laws state that the Directors of the Board shall number not less than fifteen or more than thirty. Directors are elected at the annual meeting of the Board of Directors for one-year terms. GHI's by-laws prescribe that the Board of Directors shall be elected from a list of proposed directors who have been nominated by the Nominations Committee or by petition of at least ten directors.

At December 31, 1999 the Board was comprised of sixteen members. The members of the Board of Directors, their residences and principal business affiliations at December 31, 1999 were as follows:

Name and Residence	Principal Business Affiliation
Provider Representatives	
Jeffrey K. Frerichs Hastings, New York	President, Cabrini Medical Center
Bernard Schayes, MD Hampton Bays, New York	Physician, private practice
Officer Employee Representatives	
Frank J. Branchini New York, New York	President and Chief Executive Officer, Group Health Inc.
Subscriber Representatives	
Sal T. Ingrassia Holtsville, New York	President, AFL-CIO District 3 International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers Labor, (IUE-AFL-CIO)
Willie James Pomona, New York	President, Transport Workers Union of Greater New York, Local 100

Name and Residence	Principal Business Affiliation
Alan B. Lubin Clifton Park, New York	Senior Vice-President, New York State United Teachers Vice-president, NYS AFL-CIO
Nicholas Mancuso Bronx, New York	Director of Negations and Research International Brotherhood of Teamsters, local 237, AFL-CIO President, New York City Firefighters Association
Arthur B. Pepper Baldwin, New York	Director, United Federation of Teachers
Jay E. Russ, Esq. Lloyd Harbor, New York	Principal, Russ & Russ, P.C.
Public Representatives	
Ethelyn A. Chase New York, New York	Chairman of the Board, Academy of American Poets Trustee and Honorary Chairman of American Poets' corner of the Cathedral of the St. John the Divine Board member, Glimmerglass Opera Advisory Director of the Metropolitan Opera
Daniel F. Donohue Clifton Park, New York	President, Civil Service Employees Association
John D. Feerick Mount Kisco, New York	Dean, Fordham University of Law Chairman, American Arbitration Association
James F. Gill, Esq. Rockville Centre, New York	Chairman of the Board, Group Health Inc. Attorney, Robinson, Silverman, Pearce, Aronsohn & Berman
Denis M. Hughes Tappan, New York	President, New York State AFL-CIO
George E. McDonald Brooklyn, New York	President, New York Mailers Union No.6 CWA- AFL-CIO
E. Donald Shapiro Water Mill, New York	Dean Emeritus, New York School of Law President, Foundation House

Section 4301(k)(3) of the Insurance Law states:

> "No person who has served as a director of any corporation subject to this article for ten consecutive years shall thereafter be elected for an additional term of office as such until at least one year has elapsed since the expiration of his prior term of office…The superintendent, upon application by a corporation subject to the provisions of this article, may waive the ten year limit in this paragraph for a non-employee serving as chairman of its board of directors."

James Gill, Chairman of the Board reached the ten-year maximum imposed by Section 4301(k)(3). The Company requested a waiver from this requirement. The waiver was granted on March 16, 1999 for a period of three years ending June 2002.

On December 29, 2000, Willie James resigned from the Board. The Company has not filled the vacancy.

A review of the minutes of the meetings of the Board of Directors revealed that attendance by some of the members was irregular. The following was noted:

1. Two board members, Nicholas Mancuso and Sal Ingrassia failed to attend any Board meetings within an eighteen-month period. The Company stated that Mr. Mancuso was unable to attend due to serious long-term injuries from a motor vehicle accident. The Company was unable to provide an explanation for Sal Ingrassia's absences.

2. Two other board members failed to attend 50% of the Board meetings held during the examination period. The following shows the attendance of those two members during the examination period and their attendance as a percentage of the Board meeting held in each year:

Meetings attended per year

Board member	1999	1998	1997	1996
Donohue	1 of 4 (25%)	1 of 5 (20%)	2 of 4 (50%)	2 of 5 (40%)
Cleary	1 of 2 (50%)*	0 of 5 (0%)	1 of 4 (25%)	2 of 5 (40%)

*Mr. Cleary resigned from the Board in June 1999 because he served as a Board member for ten years, the maximum allowed by Section 4301(k)(3). He was eligible to attend two of the four Board meetings held that year.

3. One Board member, Denis Hughes, was appointed to the Board in September 1999 and he failed to attend any Board meetings in 1999 or 2000.

All absences were excused by the Board, however the Company could not substantiate the reason that Sal Ingrassia failed to attend at least one meeting of the Board in an eighteen-month period. Additionally Daniel Donohue was excused, by the Board, for all meetings he did not attend but no reason was provided for his absences.

As noted above in item 1. two Board members failed to attend any Board meetings within an eighteen-month period and these individuals remained on the Board.

Section 4301(k)(4) states:

> "A director of a corporation subject to this article shall automatically forfeit his office if (i) he fails to attend at least one of the regular meetings of the board of directors held during any period of eighteen months or (ii) unless excused by the board of directors of which he is a member, which action shall be entered on the minutes of such board, it shall appear at the end of any calendar year that he failed to attend at least one-half of the regular meetings of such board held in such calendar year."

It is recommended that the Company comply with Section 4301(k)(4) and assure that Board members that do not attend any meeting in an eighteen-month period, forfeit their position.

Members of the Board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the insurer. 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. Individuals who fail to attend at least one-half of the Board's regular meetings, unless appropriately excused do not fulfill such criteria. Board members who are unable or unwilling to attend meetings consistently should resign or be replaced.

B. Territory and Plan of Operation

As a health service corporation licensed under Article 43 of the New York Insurance Law, GHI issues hospital, basic medical, Medicare supplement, dental and prescription drug contracts. The Company offers coverage throughout New York State. 88% of the Corporation's premiums collected was from large group, experience rated contracts and the remainder was collected from small group or individual community rated contracts.

Of the Company's experience rated business, premiums collected for New York City employees accounted for 62% and premiums collected for Federal government employees accounted for 14% of total experience rated enrollment as of December 31, 1999.

The community rated business is divided into seven rating regions as follows:

Region	Counties
New York City	Bronx, Kings, Nassau, New York, Queens,Richmond, Rockland, Suffolk, and Westchester
Mid-Hudson	Columbia, Delaware, Dutchess, Greene, Orange, Putnam, Sullivan and Ulster
Albany	Albany, Clinton, Essex, Fulton, Montgomery, Renesselaer, Saratoga, Schenectady, Schoharie, Warren, Washington
Utica/ Watertown	Chenango, Franklin, Hamilton, Herkimer, Jefferson, Lewis, Madison, Oneida, Oswego, Otsego, and St. Lawrence
Syracuse	Broome, Cayuga, Chemung, Cortland, Onondaga, Schuyler, Steuben, Tioga, Tompkins
Rochester	Livingston, Monroe, Ontario, Seneca, Wayne, Yates

Region	Counties
Buffalo	Allegany, Cattaragus, Chautauqua, Erie, Genessee, Niagara, Orleans and Wyoming

As of December 31, 1999, there were 754,561 contracts in force covering 1,634,694 participants. During 1999, net written premiums amounted to $1,499,221,616.

The Company provides full benefits for specified services when performed by participating providers. As of December 31, 1999, GHI had agreements with approximately 40,000 participating providers including primary care physicians and specialists including mental health providers. Additionally, the Company maintains agreements with 12,500 ancillary healthcare providers, primarily in New York State. GHI maintains agreements with health care providers in other states including Arizona, Connecticut, Florida and New Jersey in order to service retired members covered under the New York City contract or those who are covered by other policies issued to New York based employers.

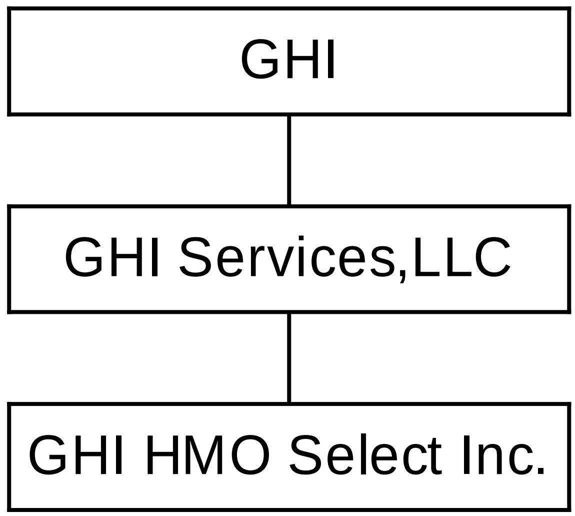
The Company maintains a division, the Family Dental Practice that has its own Board of Governors. The Division operates two dental facilities in Albany, which are staffed by GHI personnel including dentists, dental hygienists and other employees. This division maintains separate financial records that are consolidated into GHI's for reporting purposes.

GHI also performs administrative services for self-insured groups.

Neither the administrative services only business nor the Medicare business is included in the Underwriting and Investment Exhibit in the Company’s filed annual statements.

C. Holding Company System

GHI is the ultimate parent of its holding company system. GHI's holding company system is comprised of two other companies, GHI Services, LLC and GHI HMO Select, Incorporated (GHI HMO). GHI's holding company structure is as follows:



The Company formed its two subsidiaries during the examination period: GHI Services LLC is a wholly owned subsidiary of GHI, which was formed to serve mainly as a holding company for other subsidiaries and GHI HMO is wholly owned by GHI Services LLC.

GHI HMO is an Article 44 Health Maintenance Organization that was formed by the acquisition of a portion of the membership of Wellcare of New York (Wellcare), an HMO that maintained its headquarters in Kingston, New York.

Effective June 1, 1999, GHI HMO purchased Wellcare's commercial (non-government) membership along with certain assets and assumed certain liabilities under the GHI-Wellcare Asset Purchase Agreement (Purchase Agreement). The Purchase agreement called for GHI to pay $5,000,000 for the estimated 25,000 commercial members, and if the actual membership was less than 25,000, the purchase price was to be decreased. The actual membership was 22,811 and the purchase price amounted to $4,781,100. Also effective June 1, 1999, GHI made a capital contribution to GHI HMO in the amount of $3,218,900. The total amount disbursed by GHI in conjunction with the purchase and capital contribution was $8,000,000.

The New York State Department of Health issued GHI HMO Select, Inc. a Certificate of Authority effective June 1, 1999.

The Company infused an additional $1,100,000 to GHI HMO in the form of NYIL Section 1307 loans (surplus notes) in 1999. The Company reported Section 1307 loans due from GHI HMO Select Inc. in the amount of $1,100,000 as of December 31, 1999.

GHI HMO files a separate financial statement with the Department.

D. Reinsurance

The Company reinsured a portion of its risk with The Cologne Life Reinsurance Company as of December 31, 1999. The treaty provided for the reinsurance of a portion of the mental health and substance abuse benefits provided to community rated subscribers. Coverage was provided on a stop-loss basis. The reinsurance was terminated in 2000.

E. Conflict of Interest

The Company's policy is to distribute conflict of interest questionnaires to new hirees at the start of employment and to Board members, officers and certain other employees every other year. The following was noted with regard to the distribution of conflict of interest questionnaires:

1. The Company was unable to provide the Examiner with the responses to conflict of interest questionnaires for the year 1996. It is noted that the Company provided the examiner with the employee's responses from 1998.

2. In 1998, the Board members did not show their union affiliations on their responses to the conflict of interest questionnaires and in 2000, five of the seven Board members did not

show their union affiliations on their responses to the conflict of interest questionnaires. The unions are insured groups of GHI.

It is recommended that the Company instruct the Board members to report their union affiliation on the responses to the conflict of interest questionnaires when their union is an insured group of GHI's.

The Company has a fiduciary responsibility to its policyholders to ensure that its directors, officers and responsible employees do not use their official position to promote an interest which is in conflict with that of the Company. It is recommended that the Company administer Conflict of Interest questionnaires on an annual basis.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following schedule reflects the financial condition of the Company as of December 31, 1999, as determined by this examination. It is the same as the balance sheet reported in the Company's filed 1999 annual statement.

Assets:	Ledger Assets	Non ledger-assets	Non- admitted assets	Net admitted assets
Bonds	$219,461,916			$219,461,916
Real estate	44,816,538			44,816,538
Cash	59,500,692			59,500,692
Short term investments	53,806,550			53,806,550
Other invested assets	4,742,255	$36,192,710		40,934,965
Uncollected premiums	49,122,400		$2,015	49,120,385
Federal income tax recoverable	317,000			317,000
Interest and investment income due and accrued	2,139,849			2,139,849
Furniture and equipment	3,806,461		3,806,461	0
Unreported claims reserves due from New York City	84,940,000			84,940,000
Premium for federal program LOC	51,695,727			51,695,727
Miscellaneous accounts receivable	25,163,239		1,128,525	24,034,714
Reserve held for AFA accounts	17,182,074			17,182,074
Reserve held for Con Edison	3,187,000			3,187,000
Section 1307 loans due from GHI HMO Select Inc.	1,100,000			1,100,000
Specialized dental equipment	278,680			278,680
Leasehold improvements – Albany Dental Health Facility	306,651		306,651	0
Total assets	$621,567,032	$36,192,710	$5,243,652	$652,516,090

Liabilities and Unassigned funds:

Liabilities:

Claims unpaid	$240,074,048
Provision for deferred maternity benefits	325,585
Unpaid claims adjustment expenses	13,249,199
Unearned premiums	64,163,971
Taxes, licenses and fees due or accrued	110,786
Federal income taxes	7,684,163
Other income expenses due or accrued	21,846,144
Amounts withheld or retained for account of others	7,876,602
Liability for amounts held under uninsured accident and Health plans	4,045,518
Uncashed claims check	99,054,476
Claims reserves held by AFA accounts	17,182,074
Unclaimed disbursements	11,673,570
Miscellaneous accounts payable	1,370,809
Amounts due to affiliates GHI-HMO Select	1,094,000
Total liabilities	489,750,945
Reserves and unassigned funds:	
Statutory reserve	150,723,668
Unassigned funds	12,041,477
Total reserves and unassigned funds	162,765,145
Total liabilities, reserves and unassigned funds	$652,516,090

Note 1 - Subsequent to the date of the examination, the Company reported an impairment of its required Statutory Reserve Fund. At December 31, 2000, the Company reported the impairment in the amount of $1,930,387. The impairment resulted, primarily, from the change in the value of the Company's investment in an internet related business enterprise which was reported in its 1999 annual statement as Other invested assets. This is discussed further herein under item 4.A, Investment in THINC.

Note 2 - Included in Federal income taxes is a deferred tax liability in the amount of $7,238,542. The liability was established to account for the tax on the unrealized capital gain on the THINC/ CareInsite investment. The Company was advised that the reporting of a deferred tax liability is not recognized under New York statutory accounting. In filings subsequent to December 31, 1999, the Company properly omitted the deferred tax liability. No change was made herein because the Examiner retained the liability in lieu of establishing an additional reserve against the asset (See Item 4, SUBSEQUENT EVENTS).

Note 3 - The Company reported "Uncashed claims checks" as a liability in the amount of $99,054,476 rather than reducing the cash asset. If this amount was shown as a reduction to cash the Company would have reported a significantly lower combined value for cash and short term investments of $14,252,766 herein above and on page 2, line 5, "Cash and short term investments" in its 1999 filed annual statement. Statutory accounting principles as adopted by the Department will require that such uncashed checks be recorded as a reduction to the Plan's reported cash balance effective January 1, 2001. The Company reported uncashed claims checks as a reduction to its cash asset in its filed 2000 annual statement.

B. Underwriting and Investment Exhibit

Reserves and unassigned funds increased by $66,131,687 during the four-year examination period January 1, 1996 through December 31, 1999, detailed as follows:

Statement of Income

Underwriting Income		
Premiums earned		$5,404,253,969
Deductions:		
Claims incurred	$4,833,869,681	
Claim adjustment expenses	295,260,139	
Administrative expenses incurred	212,191,342	
Soliciting expenses incurred	65,920,858	
Total underwriting deductions		5,407,242,020
Net underwriting gain		$ (2,988,051)
Investment Income		
Net investment income earned	58,333,735	
Net realized capital gains	(10,749,220)	
Net investment gain		47,584,515
Federal income taxes incurred		(14,286,163)
Net income		$ 30,310,301

Reserves and Unassigned Funds

Reserves and unassigned funds as of December 31, 1995		$96,633,458
Net income	30,310,301	
Net unrealized capital gains	36,192,710	
Change in not-admitted assets	1,694,228	
Net gain (loss) from agents' or premium balance charged off	(971,552)	
Amounts due affiliates	(1,094,000)	
Net increase in reserves and unassigned funds		66,131,687
Reserves and unassigned funds as of December 31, 1999		$162,765,145

4. SUBSEQUENT EVENTS

A. Investment in THINC

The Company reported an investment in "Other invested assets" in the amount of $40,934,965 as of December 31, 1999. This investment consisted of two assets one of which was a joint venture valued at $37,262,710. (The other was the Company's investment in its subsidiaries.) At December 31, 1999, the joint venture was called “The Health Information Network Connection” (THINC). The Company reported $36,192,710 as a non-ledger asset, which represents the unrealized capital gain on the asset. At December 31, 1999 this investment was in the form of a warrant. Subsequent to December 31, 1999, this warrant was converted to stock and then through a series of mergers converted to common stock in internet company WebMD.

THINC was originally a joint venture formed by GHI and four other partners, three health insurers, one hospital and a technology partner. THINC was formed to provide an electronic means of sharing information, including claims, between health providers and health insurers or other payers of health care claims.

A new partner was added on January 1, 1999. As a result of this transaction, GHI received a warrant for common stock in CareInsite, a NASDAQ traded company. The Company held this warrant at December 31, 1999. In January 2000, this warrant was converted into common stock in CareInsite. Medical Manager Corporation was the majority owner of CareInsite. In September 2000, Medical Manger and CareInsite merged with Healtheon/WebMD. Shareholders of CareInsite received 1.3 shares of WebMD common stock for each share of CareInsite common stock. GHI received 1,193,535 shares of WebMD common stock.

WebMD provides a conduit for the sharing of information and completion of transactions, including claims between consumers, providers and payers. The Company is headquartered in Elmwood, New Jersey and has technology headquarters in Santa Clara, California.

At December 31, 2000 the value of these shares was $9,474,281 (1,193,535 shares x $7.938 per share) which is $31,460,684 less the carrying value reported by the Company as of the examination date. As of the date of this report the value of these shares were $9,058,931 (1,193,535 x $7.59 per share).

B. 1307 Loans

In 2000, an additional $4,250,000 was advanced to GHI HMO in the form of Section 1307 loans. The total of the loans as of the date of this report was $5,350,000.

C. Market Stabilization Pools

On January 30, 2001, GHI received a payment of $26,263,494 in settlement of Market Stabilization Pool receivables for the years 1997 and 1998. $25,706,738 represented funds received for 1998 pool receivables and $556,683 represented funds received for 1997 pool receivables.

GHI reported in its Management Discussion and Analysis as of December 31, 2000 the following statement:

> "(b) Miscellaneous Accounts Receivable increased $33.2 million from 1999. The main reason for this increase is an increase in the SMC/Demographic Pool receivable of $26.2 million which was caused by the final distribution of monies from older pool years, where GHI received settlements in excess of its original estimate."

It should be noted that GHI's filing of 1998 Specified Medical Conditions ("SMC") pool claims included certain types of ineligible claims. As a result, GHI received an overpayment from the pool, which GHI estimates to be between $2 million and $8 million. The pool administrator estimates this overpayment to be between $8 million to $11 million.

GHI refiled their SMC pool claims data on April 27, 2001 and this has been reviewed however, as of the date of this report, the final amount of the overpayment has not yet been determined.

5. COMPLIANCE WITH PRIOR REPORT COMMENTS AND RECOMMENDATIONS

The previous report on examination as of December 31, 1995 contained five comments and recommendations (Page numbers refer to the prior report.)

Item No.		Page No.
A	Members of the board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the insurer. 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. Individuals who fail to attend at least one-half of the board's regular meetings, unless appropriately excused, do not fulfill such criteria. Board members who are unable to or unwilling to attend meeting consistently should resign or be replaced. Attendance at Board meetings continued to be irregular during the current examination period.	7
B	It is recommended that the Company comply with the provisions Section 4301(k)(4) of the New York Insurance Law as regards the attendance of the directors at the meetings of board of directors. The attendance of two Board members did not meet the minimum standard specified in Section 4301(k)(4) of the New York Insurance Law. (The Company stated that one of these members was involved in a serious accident and was unable to attend Board meetings.)	7
C	It is recommended that the Company complete the information on the Officers and Directors schedule in accordance with the annual statement instructions of the National Association of Insurance Commissioners. The Company continued to show the home addresses of some of the officers and directors as the address of the Company (441 9th Ave.)	8
D	It is recommended that the Company ensure that all conflict of interest questionnaires distributed be completed and that such questionnaires are maintained for accurate record keeping. The Company was unable to locate the responses to the 1996 Conflict of Interest questionnaire.	12

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

A.	Two Board members failed to attend any Board meetings during an eighteen-month period, two other Board members failed to attend 50% of the Board meetings held each year. One other Board member attended no Board meetings from September 1999 (the first meeting since his appointment to the Board) through December 2000.	6
B	It is recommended that the Company comply with Section 4301(k)(4) of the Insurance Law and have the Directors forfeit their positions if they do not attend any Board meetings in an eighteen-month period.	7
C.	It is recommended that the Board members realize their fiduciary responsibilities and evince an ongoing interest in the affairs of the insurer. It is further recommended that the Directors attend the Board of Directors meetings on a regular basis, minimally 50% of the Board meetings and if directors are unable to do so they should resign or be replaced.	7
D.	The Company could not provide the responses to the 1996 conflict of interest questionnaires.	11
E.	It is recommended that GHI Board members show their union roles and affiliations in their responses to conflict of interest questionnaires.	12
F.	It is recommended that the Company administer conflict of interest questionnaires on an annual basis. The Company has a fiduciary responsibility to its policyholders to ensure that its directors, officers and responsible employees do not use their official position to promote an interest that is in conflict with that of the Company.	12
G.	It is recommended that the Company report uncashed claims checks as a reduction to its cash asset rather than reporting it as a separate liability.	15

Appointment No. 21519

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, NEIL D. LEVIN *, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Kathleen Grogan

as a proper person to examine into the affairs of the

Group Health Inc.

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

Company

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal of this Department, at the City of New York,

this 10th *day of* April 2000

NEIL D. LEVIN
Superintendent of Insurance

(by) Deputy Superintendent