

REPORT ON EXAMINATION
OF
INDEPENDENT HEALTH BENEFITS CORPORATION
(FORMERLY KNOWN AS INTEGRATED BENEFITS CORPORATION)
AS OF
DECEMBER 31, 2000

DATE OF REPORT

JUNE 11, 2002

EXAMINER

ROBERT W. MCLAUGHLIN, CFE, CIE

TABLE OF CONTENTS

| <u>ITEM NO.</u> | <u>PAGE NO.</u> |
|--|-----------------|
| 1. Scope of examination | 2 |
| 2. Description of Plan | 3 |
| A. Management | 3 |
| B. Territory and plan of operation | 6 |
| C. Reinsurance | 7 |
| D. Holding company | 8 |
| E. Abandoned property law | 11 |
| F. Underwriting ratios | 11 |
| G. Accounts and records | 12 |
| H. Administrative expenses | 13 |
| I. Records retention plan | 13 |
| J. Disaster recovery/Business continuation plans | 14 |
| 3. Financial statements | 15 |
| A. Balance sheet | 15 |
| B. Statement of income | 17 |
| C. Reserves and unassigned funds | 18 |
| 4. Claims payable | 18 |
| 5. Subsequent events | 19 |
| 6. Market conduct activities | 19 |
| 7. Summary of comments and recommendations | 23 |



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

June 11, 2002

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

Sir:

Pursuant to the requirements of the New York Insurance Law and in compliance with the instructions contained in Appointment Number 21726 dated April 10, 2001, attached hereto, I have made an examination into the condition and affairs of Independent Health Benefits Corporation as of December 31, 2000 and submit the following report thereon.

The examination was conducted at the Plan's home office located at 511 Farber Lakes Drive, Williamsville, New York 14221.

Whenever the designations "IHBC" or "the Plan" appear herein without qualification, they should be understood to mean Independent Health Benefits Corporation.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of October 23, 1995. This examination covered the period from October 24, 1995, through December 31, 2000. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a verification of assets and liabilities as of December 31, 2000, a review of the income and disbursements to the extent deemed necessary to accomplish such verification and utilized, to the extent considered appropriate, work performed by the Plan's independent certified public accountants. A review or audit was also made of the following items called for in the Examiners Handbook of the National Association of Insurance Commissioners:

- History of Plan
- Management and control
- Corporate records
- Territory and plan of operation
- Loss experience
- Reinsurance
- Accounts and records
- Growth of Plan

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 PLAN

The Plan, formerly known as Integrated Benefits Corporation, is a non-profit health service corporation organized under the provisions of the Membership Corporation Law and Article 43 of the New York Insurance Law.

In 2001, the Plan changed its name to Independent Health Benefits Corporation.

A. Management

The sole member of the Plan is Independent Health Association, Inc.

Pursuant to the Plan's by-laws, management of the Plan is vested in a board of directors consisting of not less than thirteen (13), nor more than nineteen (19) members. As of the examination date, the Plan's board of directors was comprised of fifteen (15) members. In 1996 and 1997 the board met only two times per year.

Article III, Section 3.06(b) of the Plan's by-laws states,

“Regular meetings of the Board of Directors shall be held at such times and places as may be designated by resolution of the Board of Directors, provided, however, such meetings shall be held at least quarterly.”

It is recommended that the Plan's board of directors comply with its by-laws and hold board meetings on a quarterly basis.

At December 31, 2000, the Plan's board consisted of the following members.

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|--|---|
| <u>Provider Representative</u> | |
| Richard E. Wolin, M.D. Lewiston, NY | Psychiatrist, Buffalo Medical Group |
| <u>Subscriber Representatives</u> | |
| R. Marshall Wingate Buffalo, NY | President, DynaCom Industries, Inc. |
| Donna M. Kelsch Sanborn, NY | Teacher, Niagara Falls Board of Education |
| Iris Schifeling, Esq. Buffalo, NY | Deputy Counsel, Independent Health Association, Inc. |
| Michael Faso Clarence, NY | Vice President of Financial Operations, Independent Health Association, Inc. |
| Betty Christ Hamburg, NY | Vice President, Niagara Frontier Auto Dealers Association |
| <u>Public Representatives</u> | |
| Sidney Weiss, CPA Williamsville, NY | Managing Partner, Brody, Weiss, Zucanelli & Urbanek, CPAs, P.C. |
| John J. Culkin Amherst, NY | Retired |
| John B. Fisher Buffalo, NY | Retired |

| | |
|--------------------------------|--|
| Brenda McDuffie Buffalo, NY | President & CEO, Buffalo Urban League, Inc. |
|--------------------------------|--|

| | |
|------------------------------------|---------|
| Duane Sundell Williamsville, NY | Retired |
|------------------------------------|---------|

Name and Residence

Principal Business Affiliation

| | |
|--------------------------------|---|
| Mark I. Johnson Buffalo, NY | Senior Vice President, Finance & CFO, Independent Health Association, Inc. |
|--------------------------------|---|

| | |
|----------------------------------|---|
| William L. McHugh Buffalo, NY | Executive Vice President, Independent Health Association, Inc. |
|----------------------------------|---|

Employee/Officers

| | |
|---------------------------------------|--|
| Frank J. Colantuono Youngstown, NY | President & CEO, Independent Health Association, Inc. |
|---------------------------------------|--|

| | |
|---|--|
| Frederick B. Cohen, Esq. Buffalo, NY | Senior Vice President and General Counsel, Independent Health Association, Inc. |
|---|--|

The minutes of all meetings of the Board of Directors held during the examination period were reviewed. All board meetings held during the examination period were well attended.

At December 31, 2000, the Plan's board consisted of one (1) provider representative, five (5) subscriber representatives, seven (7) public representatives and two (2) employee/officer representatives. This represents a slight variance from the provisions of Section 4301(k)(1)(A)&(B) of the New York Insurance Law which requires equal representation, as nearly as possible, relative to subscriber and public representatives on the board of directors. At the Plan's 2002 annual meeting, the Plan's board changed to one (1) provider representative, six (6) subscriber representatives, six (6) public representatives and two

(2) employee/officer representatives in compliance with Section 4301(k)(1)(A)&(B) of the New York Insurance Law.

The Plan has complied with the requirements of Circular Letter 9 (1999) relative to the maintenance of procedures manuals.

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

| <u>Name</u> | <u>Title</u> |
|---------------------|---------------------------------|
| Frank J. Colantuono | Chairperson, Board of Directors |
| Vacancy | Vice Chairman |
| Vacancy | Second Vice Chairman |
| Frederick B. Cohen | Secretary |
| Michael Faso | Treasurer |
| Vacancy | Executive Director |
| Vacancy | Director of Finance |

A review of the Plan's minutes of meetings indicated that, since 1998, the Plan's Chairperson, Secretary and Treasurer were not elected on an annual basis. In addition, since 1998, the Plan has not filled the positions of Vice Chairman, Second Vice Chairman, Executive Director and Director of Finance. Both of the above are contrary to Article IV, Section 4.02(a) of the Plan's by-laws

It is recommended that the Plan fill its officer vacancies and elect or appoint its officers on an annual basis (with the exceptions noted in its by-laws) in accordance with its by-laws.

B. Territory and Plan of Operation

The Plan is licensed to do business as a non-profit health service corporation within New York State pursuant to the provisions of Article 43 of the New York Insurance Law.

As of December 31, 2000, the Plan provided the out-of-network coverage portion of the combined HMO / point of service (POS) product written by its parent, IHA. The Plan also underwrites an indemnity product in the western New York area region of the State. During the examination period the major increase in business has been in the out-of-network POS product which has a much lower per member premium than the indemnity products. This has resulted in higher membership without a corresponding increase in overall premium volume.

The Plan, as of December 31, 2000 wrote business in New York State only. The following shows the Plan's direct written premiums during the examination period:

| <u>Year</u> | <u>Direct Written Premium</u> | <u>Enrollment</u> |
|-------------|-------------------------------|-------------------|
| 1996 | \$1,383,560 | 7,105 |
| 1997 | 7,979,617 | 13,674 |
| 1998 | 7,423,440 | 19,941 |
| 1999 | 5,664,981 | 20,686 |
| 2000 | 7,724,342 | 25,055 |

As noted above, the Plan's enrollment has increased steadily since 1996, it's first year of operation. Premium income, with the exception of 1999, has remained stable since 1996.

C. Reinsurance

The Plan does not assume any reinsurance.

At December 31, 2000, the Plan had the following reinsurance program in effect with an authorized reinsurer.

Hospital Expenses

| <u>Type</u> | <u>Limits</u> |
|----------------|---|
| Excess of loss | 85% of \$925,000 excess of \$75,000 of loss per member, per contract year |

Eligible coverages are limited to an average daily maximum of \$3,000 for inpatient hospital services, however, the average daily maximum will be waived on all transplants performed under a reinsurer-approved transplant contract or network.

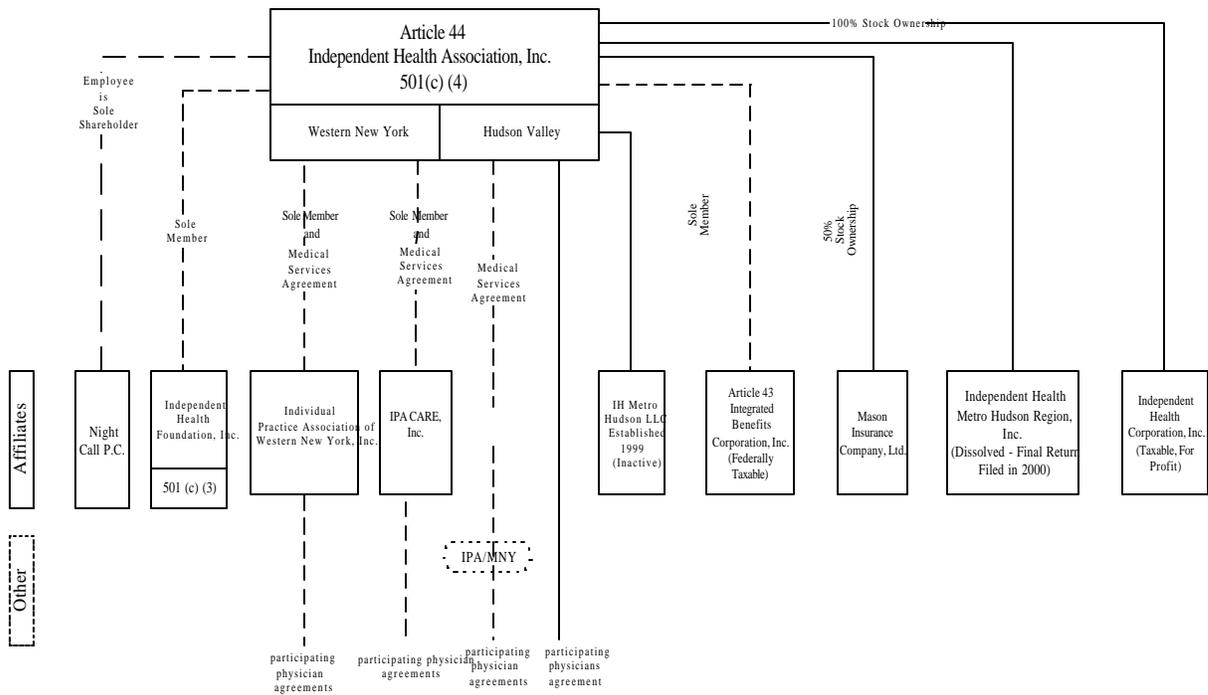
The maximum lifetime reinsurance reimbursement payable under the contract for eligible hospital services for each member is \$2,000,000. Continuity of benefits and out of area conversion benefits provisions are also included in the contracts.

All ceded reinsurance contracts effected during the examination period were reviewed. The contracts contained the insolvency clause as required by Section 1308 of the New York Insurance Law.

D. Holding Company System

The following chart depicts the Plan and its relationship to its major affiliates as of December 31, 2000:

CORPORATE STRUCTURE
December 2000



Independent Health Association, Inc. (IHA)

IHA, as of December 31, 2000 was the sole member of Independent Health Benefits Corporation. IHBC was created as joint venture by IHA and CDPHP, each a health maintenance organization holding a certificate of authority under Article 44 of the New York Public Health Law.

In 1998, IHA, pursuant to agreement, and in exchange for payment to CDPHP in the amount of \$1,016,161, became the sole member of Integrated Benefits Corporation. Subsequently, in 2001, the name of the corporation was changed to its present name, Independent Health Benefits Corporation.

An examination of IHA was conducted in conjunction with the examination of IHBC. A separate Report on Examination will be issued relative to IHA.

Independent Health Corporation (IHC)

This corporation, wholly owned by IHA at December 31, 2000, was incorporated in 1984. IHC has been classified as a holding company operating subsidiary according to the IHA's filed 2000 IR information report.

IHC conducts third party administrative services including consulting services within the IHA holding company group. During the examination period, IHA provided management services to IHC. Such management services included administrative, development, marketing, operations, finance, support and IT services as per an expense reimbursement allocation schedule outlined in the Second Revised Management Agreement made between IHA and IHC, dated January 1, 2001.

E. Abandoned Property Law

Section 1316 of the New York Abandoned Property Law provides for filings relative to unclaimed checks to be made to the Office of the Comptroller of the State of New York.

On July 6, 2000, IHA and its affiliates, including IHBC, entered into an agreement with the Office of the State Comptroller whereby IHA and its affiliates agreed to correct any previous under recording of unclaimed property. Subsequently, after IHA's CPA firm conducted a quantification audit, IHA and its affiliates filed Verification and Checklists for Unclaimed Property with the State Comptroller's Office for the period ended December 31, 2001 and prior periods starting in 1990.

F. Underwriting Ratios

The following ratio was computed as of December 31, 2000, based upon the results of this examination:

| | |
|---|---------|
| Change in Capital & Surplus during calendar year 2000 | (13.3%) |
| (Benchmark: -10% to 40%) | |

The above ratio was subsequently reduced at December 31, 2001 to a level which fell within the New York Insurance Department benchmark.

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> |
|-----------------|---------------------|---------------|
| Premiums earned | <u>\$30,186,411</u> | |

| | | |
|--------------------------|----------------------|-----------------|
| Claims incurred | \$20,813,166 | 68.95% |
| Administrative expenses | <u>10,395,650</u> | <u>34.44%</u> |
| Underwriting gain (loss) | <u>\$(1,022,405)</u> | <u>(3.39)%</u> |

G. Accounts and records

Allocation of Expenses

It was noted that the Plan did not maintain comprehensive studies relative to the allocation of expenses among its expense categories during the examination period, particularly with regard to its unpaid claims adjustment expense reserve

It is recommended that the Plan make appropriate studies relative to the allocation of expenses, particularly with regard to the establishment of its unpaid claims adjustment expenses, in future statements to this Department.

In addition, in year 2000, the Plan failed to allocate its expenses, including unpaid expenses, within the appropriate categories within its Part 3 – Analysis of Expenses of its Underwriting and Investment Exhibit.

It is recommended that the Plan correctly complete Part 3 – Analysis of Expenses of its Underwriting and Investment Exhibit in future filings with this Department.

H. Administrative Expenses

Section 4309(a) of the New York Insurance Law states the following:

“No corporation subject to the provisions of this article shall during any one year, disburse more than the percentages hereafter prescribed of the aggregate amount of the premiums received during such year as expenditures for expenses, which for the purposes of this article, shall include all expenses paid or incurred by the corporation which do not constitute benefit payments made to or on behalf of persons covered under contracts issued by such corporations:

...twenty per centum reduced by one per centum for each five million dollars or fraction thereof above one million dollars of premiums received.”

It was noted that the Plan exceeded the maximum administrative expense ratio limitation prescribed by Section 4309(a) of the New York Insurance Law in each of the years covered by this examination.

It is recommended that the Plan take the necessary steps to reduce its administrative expense ratio to an amount within the administrative expense limitation prescribed by Section 4309(a) of the New York Insurance Law.

I. Records Retention Plan

At the time of examination, the Plan did not maintain a complete corporate-wide records retention plan in full compliance with New York Insurance Department Regulation 152. Part 243.3(c) of New York Insurance Department Regulation 152 (11 NYCRR 243) states the following:

“ An insurer shall establish and maintain a records retention plan. The plan shall include a description of the types of records being maintained, the method of retention, and the safeguards established to prevent alteration of the records...”

The Plan expected to complete its record retention plans by June, 2002.

In light of the above, it is recommended that the Plan establish and implement a complete records retention plan in full compliance with the provisions of Part 243.3(c) of New York Insurance Department Regulation 152 (11 NYCRR 243).

J. Disaster Recovery/Business Continuation Plans

The Plan, at December 31, 2000, did not maintain a complete disaster recovery plan or a business continuation plan. Plan management has indicated such disaster recovery and business recovery plans are in the process of being developed, however, such plans were not completed as of the time of this examination.

Disaster recovery and business recovery plans are essential for the maintenance of the continuation of operations of the Plan in the event of an emergency situation.

It is recommended that the Plan maintain complete disaster recovery and business continuation plans.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and net worth as determined by this examination, and as reported by the Plan as of December 31, 2000.

| <u>Assets</u> | <u>Ledger Assets</u> | <u>Non-Ledger Assets</u> | <u>Not Admitted Assets</u> | <u>Admitted Assets</u> |
|--|--------------------------|------------------------------|--------------------------------|----------------------------|
| Cash and short term investments | \$3,561,934 | | | \$3,561,934 |
| Uncollected premiums | (18,972) | | | (18,972) |
| Amounts receivable relating to uninsured accident and health plans (ASO contracts) | 268,443 | | | 268,443 |
| Interest and other investment income due and accrued | 2,026 | | | 2,026 |
| Receivable from parent, subsidiaries and affiliates | <u>429,940</u> | <u> </u> | <u> </u> | <u>429,940</u> |
| Total assets | <u>\$4,243,371</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$4,243,371</u> |
| <u>Liabilities</u> | | | | |
| Claims unpaid | | | | \$761,250 |
| Unearned premiums | | | | 55,231 |
| Aggregate write-ins for other liabilities | | | | <u>660,483</u> |
| Total liabilities | | | | <u>\$1,476,964</u> |
| <u>Reserves and Special Funds</u> | | | | |
| Statutory reserve | | | \$335,644 | |
| Section 1307 loans | | | 3,735,000 | |
| Aggregate write-ins for reserves and other funds | | | (418,974) | |
| Unassigned funds | | | <u>(885,263)</u> | |

| | |
|--|---------------------|
| Total reserves and unassigned funds | <u>\$ 2,766,407</u> |
| Total liabilities, reserves and unassigned funds | <u>\$4,243,371</u> |

Note 1: No liability appears on the above statement for loans principal in the amount of \$3,735,000 and interest accrued thereon of \$93,375. The loans were granted pursuant to the provisions of Section 1307 of the New York Insurance Law. As provided in Section 1307, repayment of principal and interest shall only be made out of free and divisible surplus, subject to approval of the Superintendent of Insurance of the State of New York

Note 2: The Internal Revenue has not audited the Plan. The examiner is unaware of any potential exposure of the Plan to any tax assessment and no liability has been established herein relative to any contingency.

Note 3: The Balance Sheet shown above includes no provision for distributions from the Demographic and Specified Medical Condition Pools. For Pool Year 1999, the Pool's administrator's calculation indicates the Plan would receive \$0 from the Pools based on the demographic calculation. Based on this calculation, and review by the Examiner, it appears that the Plan may receive Pool distributions in excess of the amount recorded above for pool years 1999 and 2000. However, the amount of such distributions cannot be fully determined at this time

B. Underwriting and Investment Exhibits

For the period, October 24, 1995, through December 31, 2000, reserves and unassigned funds increased \$697,863 detailed as follows:

Statement of IncomeUnderwriting Income

| | | |
|--------------------------------------|-------------------|-------------------|
| Premiums earned | | \$30,186,411 |
| Deductions: | | |
| Claims incurred | \$20,813,166 | |
| Other underwriting expenses incurred | <u>10,395,650</u> | |
| Total underwriting deductions | | <u>31,208,816</u> |
| Net underwriting loss | | \$ (1,022,405) |

Investment Income

| | | |
|--|-------------------|----------------------------|
| Net investment income earned | <u>\$ 544,665</u> | |
| Net investment gain | | 544,665 |
| Net income before federal income taxes | | \$ (477,740) |
| Federal income taxes | | <u>44,651</u> |
| Net Income (loss) | | <u><u>\$ (524,391)</u></u> |

C. Change in Reserves and Unassigned Funds

| | | | |
|---|-----------------------------|------------------------------|---------------------|
| Reserves and unassigned funds per report on examination as of October 23, 1995 | | | \$2,068,544 |
| | <u>Gains in Surplus</u> | <u>Losses in Surplus</u> | |
| Net loss | \$ | \$524,391 | |
| Change in not admitted assets | | 12,743 | |
| Change in Section 1307 loans | 1,235,000 | | |
| Rounding | _____ | _____ 3 | |
| Total gains and losses | <u>\$1,235,000</u> | <u>\$ 537,137</u> | |
| Net increase in reserves and unassigned funds | | | \$ <u>697,863</u> |
| Reserves and unassigned funds as of December 31, 2000 | | | <u>\$ 2,766,407</u> |

4. CLAIMS PAYABLE

The examination liability of \$761,250 is the same as the amount reported by the Plan as filed in its December 31, 2000 annual statement.

The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Plan's internal records and in its filed annual statements.

5. SUBSEQUENT EVENTS

Effective January 1, 2001, the Plan became subject to new statutory accounting rules established by the National Association of Insurance Commissioners (NAIC), as modified by New York Insurance Department Regulation 172 (11 NYCRR 83). These accounting rules may result in changes in the way certain assets and liabilities are to be reported.

In its June 30, 2001 Quarterly Financial Statement submitted to the Department, the Plan reported that there was no financial impact on the statements of the Plan relative to the adoption of the aforementioned new statutory accounting rules.

6. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Plan conducts its business and fulfills its contractual obligations to policyholders and claimants. The review was directed at the practices of the Plan in the following major areas:

- A. Claims processing
- B. Schedule H preparation
- C. Schedule M preparation
- D. Policy forms and rating
- E. Agents and brokers
- F. Disclosure (Direct pay, Small group & Healthy NY Access)
- G. Frauds prevention

A. Claims Settlement Practices

Section 3224-a of the New York Insurance Law – Prompt Payment Law

New York Insurance Law §3224-a, “Standards for prompt, fair and equitable settlement of claims for health care and payments for health care services”. Subsections (a) through (c) respectively require all insurers to: pay undisputed claims within forty-five days of receipt; request additional information within thirty days; and calculate / pay interest (in excess of two dollars) if undisputed claims are not paid within forty-five days of receipt.

In this regard, a statistical sample of claims paid during calendar year 2000 was selected. The claims were reviewed for compliance with Section 3224-a of the New York Insurance Law. The results of this review were then projected for the population of claim payments made during the aforementioned period.

There is a projected range of 346 to 781 violations relative to “Section 3224-a(a) of the NYIL”, where claim payments were made in excess of forty-five (45) days from receipt and for which the reason for said delay was not a valid reason for delay as outlined in Section 3224-a(a) or (b) of the New York Insurance Law.

No violations were noted related to Section 3224a(b) of the NYIL related to notice for “good faith” disputes -or “Section 3224-a(c) of the NYIL”, related to interest due on eligible claim payments made in excess of forty-five (45) days from receipt.

It is recommended that the Plan comply with the requirements of Section 3224-a of the New York Insurance Law, and make appropriate payment of all claims within the forty-five day period provided by the aforementioned section of the Insurance Law where there is not an appropriate reason for delay in payment as specified in Section 3224-a(a) and (b) of the New York Insurance Law.

Regulation 64 Compliance

A review was made of the Plan's claims files in order to determine compliance with Regulation 64 promulgated by the New York Insurance Department. A review was also made of subscriber complaints in order to determine compliance with the requirements of New York Insurance Department Circular Letter No. 11(1978).

The review indicated that copies of Regulation 64 were not distributed to all persons directly responsible for the supervision, handling and settlement of claims as prescribed by Part 216.0(e)(6) of New York Insurance Department Regulations 64 (11 NYCRR 216)

When the above was brought to the attention of the Plan's Claims management, copies of Regulation 64 were subsequently distributed to all Claims Department staff in compliance with the provisions of Part 216(e)(6) of said regulation.

Based on the above, it is recommended that the Plan, in the future, ensure that copies of Regulation 64 are distributed to all persons directly responsible for the supervision, handling and settlement of claims as prescribed by Section 216.0(e)(6) of New York Regulation 64 (11 NYCRR 216).

Schedule M

It was noted that the Plan did not complete the Schedule M in its 2000 and 2001 annual statement filings to this Department. The Plan's data for this schedule was included within the Schedules M filed by its parent, IHA.

The instructions to Schedule M call for the Plan to include such data in its Schedule M to be filed within the Supplement to Article 43 Corporations annual statement.

It is recommended that the Plan properly file its Schedule M in future statements submitted to this Department.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following is a summary of the comments and recommendations made in the body of this report:

| <u>ITEM</u> | <u>PAGE NO.</u> |
|--|------------------------|
| A. | |
| <u>Management</u> | |
| It is recommended that the Plan's board of directors comply with its by-laws and hold board meetings on a quarterly basis. | 3 |
| At December 31, 2000, the Plan's board consisted of one (1) provider representative, five (5) subscriber representatives, seven (7) public representatives and two (2) employee/officer representatives. This represents a slight variance from the provisions of Section 4301(k)(1)(A)&(B) of the New York Insurance Law which requires equal representation, as nearly as possible, relative to subscriber and public representatives on the board of directors. | 5 |
| It is recommended that the Plan fill its officer vacancies and elect or appoint its officers on an annual basis (with the exceptions noted in its by-laws) in accordance with its by-laws. | 6 |
| B. | |
| <u>Accounts and records</u> | |
| It is recommended that the Plan make appropriate studies relative to the allocation of expenses, particularly with regard to the establishment of its unpaid claims adjustment expenses, in future statements to this Department. | 12 |
| It is recommended that the Plan correctly complete Part 3 – Analysis of Expense of its Underwriting and Investment Exhibit in future filings with this Department. | 12 |

ITEM**PAGE NO.**

- | | | | |
|----|--|--|----|
| C. | <u>Administrative expenses</u> | | |
| | It is recommended that the Plan take the necessary steps to reduce its administrative expense ratio to an amount within the administrative expense limitation prescribed by Section 4309(a) of the New York Insurance Law. | | 13 |
| D. | <u>Records retention plan</u> | | |
| | It is recommended that the Plan establish and implement a complete records retention plan in full compliance with the provisions of Part 243.3(c) of New York Insurance Department Regulation 152 (11 NYCRR 243). | | 14 |
| E. | <u>Disaster Recovery/Business Continuation Plans</u> | | |
| | It is recommended that the Plan maintain complete disaster recovery and business continuation plans. | | 14 |
| F. | <u>Claims processing</u> | | |
| | It is recommended that the Plan comply with the requirements of Section 3224-a of the New York Insurance Law and make appropriate payment of all claims within the forty-five (45) day period provided by the aforementioned section of the Insurance Law where there is not an appropriate reason for delay in payment as specified in Section 3224-a(a) and (b) of the New York Insurance Law. | | 21 |
| | It is recommended that the Plan, in the future, ensure that copies of Regulation 64 are distributed to all persons directly responsible for the supervision, handling and settlement of claims as prescribed by Section 216.0(e)(6) of New York Regulation 64 (11 NYCRR 216). | | 22 |

G

Schedule M

It is recommended that the Plan properly file its Schedule M in future statements submitted to this Department.

22

Respectfully submitted,

Robert W. McLaughlin, CFE,CIE
Principal Insurance Examiner

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

ROBERT W. MCLAUGHLIN, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

Robert W. McLaughlin

Subscribed and sworn to before me

this _____ day of _____ 2002

Appointment No. 21726

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

I, GREGORY SERIO, Acting Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Robert McLaughlin

as a proper person to examine into the affairs of the

INTEGRATED BENEFITS CORPORATION

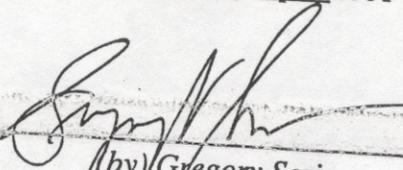
and to make a report to me in writing of the said

Company

with such information as he shall deem requisite.

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

this 10th day of April 2001


(by) Gregory Serio
Acting Superintendent

