REPORT ON EXAMINATION

OF

UNITED CONCORDIA INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2016

DATE OF REPORT	**SEPTEMBER 28, 2020**
EXAMINER	**FROILAN L. ESTEBAL**

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NEW YORK
STATE OF
OPPORTUNITY.
Department of
Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

September 28, 2020

Honorable Linda A. Lacewell
Superintendent of Financial Services
Albany, New York 12257

Pursuant to the provisions of the New York Insurance Law, and acting in accordance with the instructions contained in Appointment Number 31564, dated January 19, 2017, attached hereto, I have made an examination into the condition and affairs of United Concordia Insurance Company of New York, an accident and health insurer licensed pursuant to the provisions of Article 42 of the New York Insurance Law, as of December 31, 2016, and respectfully submit the following report thereon.

The examination was conducted at the main administrative office of United Concordia Insurance Company of New York located at 4401 Deer Path Road, Harrisburg, Pennsylvania.

Wherever the designations the "Company" or "UCICNY" appear herein, without qualification, they should be understood to indicate United Concordia Insurance Company of New York.

Wherever the designations "UCCI" or the "Parent" appear herein, without qualification, they should be understood to indicate United Concordia Companies, Inc., UCICNY's immediate parent company.

Wherever the designations “Highmark” or the “Ultimate Parent” appear herein, without qualification, they should be understood to indicate Highmark Inc., UCCI’s immediate parent, and Highmark Health, UCICNY’s ultimate parent company, respectively.

Wherever the designation the “Department” appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

1. SCOPE OF THE EXAMINATION

The previous examination of the Company was conducted as of December 31, 2012. This examination of the Company was a combined (financial and market conduct) examination covering the period January 1, 2013 through December 31, 2016. The financial component of the examination was conducted as a financial examination as such term is defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2017 Edition* (the "Handbook"). The examination was conducted observing the guidelines and procedures in the Handbook. Where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2016 were also reviewed.

The financial 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 examiner planned and performed the examination to evaluate the Company's current financial condition, as well as to identify prospective risks that may threaten the future solvency of the Company.

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 NAIC Annual Statement instructions.

Information concerning the Company's organizational structure, business approach and control environment was 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. These categories are as follows:

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

The examination also evaluated the Company's critical risk categories in accordance with the NAIC's ten critical risk categories. These categories are as follows:

- Valuation/ Impairment of Complex or Subjectively Valued Invested Assets
- Liquidity Considerations
- Appropriateness of Investment Portfolio and Strategy
- Appropriateness/ Adequacy of Reinsurance Program
- Reinsurance Reporting and Collectability
- Underwriting and Pricing Strategy/ Quality
- Reserve Data
- Reserve Adequacy
- Related Party/ Holding Company Considerations
- Capital Management

The Company was audited annually, for the years 2013 through 2016, by the accounting firm of PricewaterhouseCoopers LLP ("PwC"). The Company received an unqualified opinion in each of those years. Certain audit workpapers of PwC were reviewed and relied upon in conjunction with this examination.

This examination was conducted as a coordinated examination, as such term is defined in the Handbook (an examination of one insurer or a group of insurers performed by examiners from more than one state whereby the participating states share resources and allocate work among the examiners), of the insurance subsidiaries of Highmark. The examination was led by the Pennsylvania Insurance Department with assistance from the consulting firm of Johnson and Lambert, LLP. Participating states include the New York State Department of Financial Services and the Insurance Departments of Arizona, Delaware, Maryland, Michigan, Ohio, Texas and West Virginia ("Participating States"). Since the Lead and Participating States, as such terms are defined in the Handbook, are accredited by the NAIC, the states deemed it appropriate to rely on each other's work. The examination team, representing the Lead and Participating States, identified and assessed the risks for key functional activities across all of Highmark's subsidiaries. The examination team also assessed the relevant prospective risks as they relate to the various insurance entities.

During this examination, a review was made of the Company's Information Technology systems and operations on a risk-focused basis, in accordance with the provisions of the Handbook.

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

2. DESCRIPTION OF THE COMPANY

The Company was incorporated January 10, 1990, as the "Citadel Insurance Company," under the laws of the State of New York. It commenced business on September 25, 1990. On December 31, 1996, United Concordia Companies, Inc. ("UCCI") acquired 100% of the outstanding common stock of Citadel Insurance Company. On January 8, 1997, Citadel Insurance Company's name was changed to United Concordia Insurance Company of New York. UCICNY is a for-profit corporation authorized to write accident and health insurance in the State of New York. The Company is a wholly-owned subsidiary of UCCI. On July 11, 1997, the Department approved the Company's license change from a property casualty insurer to a New York Insurance Law Article 42 accident and health insurer. UCICNY writes dental and vision insurance in the State of New York.

On December 6, 1996, UCCI's parent corporation, Medical Service Association of Pennsylvania (d/b/a Pennsylvania Blue Shield), combined with Veritus Inc. (d/b/a Blue Cross of Western Pennsylvania) to form Highmark. As a result, UCCI became a wholly owned subsidiary of Highmark.

A. Corporate Governance

Pursuant to the Company's Charter and By-Laws, the Board of Directors of the Company shall not be less than seven members. As of December 31, 2016, the Company's Board of Directors consisted of the following six (6) members:

Name and Residence	Principal Business Affiliation
Craig Steven Abramowitz, DDS Franklin Lakes, New Jersey	Co-Chief Executive Officer, Dental Care Alliance
William Dennis Cronin Oakdale, Pennsylvania	Senior VP, Assistant Treasurer and Risk Officer, Highmark Health
Frederick Gerard Merkel Harrisburg, Pennsylvania	President and Chief Executive Officer, United Concordia Companies, Inc.
Donald Peter Napier Manlius, New York	Senior VP and Chief Operating Officer, POMCO Group

Name and Residence	Principal Business Affiliation
Matthew James Rhenish Mars, Pennsylvania	President and Chief Operating Officer, HM Insurance Group, Inc.
Daniel Joseph Wright Harrisburg, Pennsylvania	Chief Financial Officer and Treasurer, United Concordia Companies, Inc.

Section 1202(a)(1) and (2) of the New York Insurance Law states:

> "(a)(1) Subject to item (v) of subparagraph (B) of paragraph five of subsection (a) of section one thousand two hundred one of this article, and subject to any provision of the corporate charter of a domestic insurance company, the number of directors shall be fixed by the by-laws, or if not so fixed, by action of the directors.
> (2) If not otherwise fixed under this article, the number shall be seven but it may be increased or decreased by amendment of the by-laws, or by action of the board, subject to the following limitations: (i) if the board is authorized by the by-laws to increase or decrease the number of directors, the amendment shall require the vote of a majority of the entire board; (ii) no decrease shall shorten the term of any incumbent director; and (iii) no decrease shall reduce the number of directors to fewer than seven."

Additionally, United Concordia Insurance Company of New York's By-Laws, Article II, Directors, Section 1, states:

> *"The business and property of the company shall be conducted and managed by a Board of Directors consisting of seven directors."*

Further, Article II, Directors, Section 6 states:

> *"Any vacancy in the Board of Directors which shall occur by death, resignation, removal or otherwise shall be filled by a new incumbent elected for the balance of the unexpired term of the outgoing director by remaining members of the Board of Directors at any regular or special meeting, and any person so elected shall serve until his successor has been elected at the next annual meeting of shareholders."*

A review of UCICNY's Board of Directors ("BOD") and the board's meeting minutes shows that there were only six (6) board members listed in the 2016 Annual Statement and the first quarter statement in 2017. There were only five (5) board members listed in the 2017 second quarter statement.

The Company's By-Laws further state that, "Directors shall be elected by the shareholders during the annual meeting of the shareholders." The Company's Annual Shareholder meeting took place May 24, 2017 and showed that only five (5) members were elected to the BOD.

UCICNY was not in compliance with New York Insurance Law Sections 1202(a)(1) and (2), and the Company's By-Laws by having less than seven (7) board members.

Further, UCICNY failed to comply with Sections 1202(a)(1) and (2) of the New Insurance Law, and the Company's By-Laws during its shareholder's meeting held May 24, 2017, when it elected only five (5) members.

It is recommended that the Company comply with New York Insurance Law Sections 1202(a)(1) and (2), and its own By-Laws, by maintaining a minimum of seven (7) members Board of Directors.

As of September 30, 2018, the Company was in compliance with New York Insurance Law Sections 1202(a)(1) and (2), and its own By-Laws, as it had seven (7) members on its Board of Directors.

The minutes of all meetings of the Board of Directors and committees thereof held during the period under the examination were reviewed. The Company's By-Laws require that there shall not be less than two regular meetings of the Board of Directors held each year, on dates as the Board may designate. The review indicated all board meetings were well attended, with all members attending at least one-half of the meetings they were eligible to attend.

The principal officers of the Company as of December 31, 2016 were as follows:

Name	Title
Frederick Gerald Merkel	President and Chief Executive Officer
Daniel Joseph Wright	Chief Financial Officer and Treasurer
Edward August Bittner, Jr., Esq.	Secretary

Enterprise Risk Management ("ERM"), Insurance Regulation 118 (11 NYCRR 89) and Internal Audit processes are conducted on behalf of the Company by Highmark Inc. Thus, unless otherwise noted, references to Highmark Inc. are applicable to the Company.

Enterprise Risk Management

Beginning in 2010, Highmark adopted an ERM framework for proactively addressing and mitigating risks, including prospective business risks. UCCI participates in a strategic planning process with its parent, Highmark Inc., in which major risks and opportunities are identified.

The ERM process includes an assessment of external and internal environment risks. For risk evaluation purposes, external risk includes the insurance industry, the economy, dental providers, the competition, and the regulatory environment. Internal risk considerations include operational and product capabilities, resources (human and financial), information systems, and financial and operational objectives. The Company's strategic plan is comprised of internal criteria and performance measures that are established with regards to strategic objectives and initiatives, including the establishment of milestones and completion dates. Strategic and financial plans are developed and approved by the Board of Directors of UCCI.

The Pennsylvania Insurance Department performed an assessment of Highmark's ERM program and had the following observations: Highmark has evaluated and monitored enterprisewide risks for many years; however, formal development of the Highmark ERM program began in 2014 and is still in the early stages of formal development. Based upon examiner observations, the Highmark ERM program has a moderate maturity level for an insurance holding company of its nature, scale and complexity.

There are positive attributes of the current Highmark ERM program, such as the effective integration of a capital planning modeling tool into corporate strategic planning, and a detailed assessment of information technology risks in the healthcare landscape. The Highmark Internal Audit Department plays a key role in the monitoring of the effectiveness of operational and financial controls which mitigate key risks. Highmark has developed and implemented an Enterprise Risk Appetite Statement that incorporates qualitative and quantitative targets and thresholds for key metrics across the enterprise.

In 2017, Highmark implemented an Enterprise Scorecard that tracks progress on key enterprise initiatives. The ERM team was in the process of developing a comprehensive ERM Dashboard with input from business units. The ERM Dashboard includes both qualitative and quantitative metrics to assess risk tolerances and limits. The first iteration of the ERM Dashboard was anticipated to be presented to the Highmark Audit Committee in 2018.

There are opportunities for improvement to the Highmark ERM program in defining additional quantitative and qualitative risk tolerances and limits utilized to monitor key risk areas in each business unit or functional department, the development and communication of Key Performance Indicators, the development of a comprehensive ERM Dashboard, and enhancing the feedback loops to encourage the incorporation of risk management into strategic planning and daily decision-making in all departments and business units throughout the organization.

It is recommended that Highmark continue to develop and expand its Enterprise Risk Management program, as well as implement ongoing identification, monitoring and measurement and reporting of risks that could impact insurance company operations and solvency. Highmark should continue to pursue current initiatives in the continuous improvement of the ERM program, including the development and communication of Key Performance Indicators and the comprehensive ERM Dashboard.

Insurance Regulation 118 (11 NYCRR 89)

The Company is not subject to the requirements of the Model Audit Rule ("MAR") as it does not meet the $500 million premium threshold requirement of Insurance Regulation 118 (11 NYCRR 89), (New York's version of the NAIC's "MAR"). However, UCCI and its subsidiary United Concordia Life and Health Insurance Company of Pennsylvania are subject to MAR and its requirements. Thus, MAR general controls are applied to UCCI and all UCCI's subsidiaries, which include UCICNY. Beginning in 2010, Highmark established the MAR Department. The MAR Department identifies risks from various operations of the holding company system and segregates them by operations cycle and entity level controls. In coordination with the Company's management, risks identified were labeled and cataloged using specific control codes. The MAR Department performed its own control testing and accumulated its findings.

A review of control testing and the results of such testing indicated that general control management appears to be working at a satisfactory level. To the extent possible, the examiner relied upon work performed by the MAR and ERM Departments, as prescribed by the Handbook.

Internal Audit Department

Highmark Inc. has an established Internal Audit Department ("IAD") function, which is independent of management, to serve Highmark Inc. and its subsidiaries. The Audit Committees of Highmark Inc. (the "Audit Committee" or "AC"), and its affiliates are comprised entirely of independent members.

The IAD reviews and tests financial and operational controls and processes established by management to ensure compliance with laws, regulations and Highmark Inc.'s established policies.

During the course of this examination, consideration was given to the significance and potential impact of certain IAD findings. To the extent possible, the examiner relied upon work performed by the IAD, as prescribed by the Handbook.

Exhibit M of the Handbook (Understanding the Corporate Governance Structure) was utilized by the examiner as guidance for assessing Corporate Governance. Overall, it was determined that the Company's Corporate Governance structure is adequate, sets an appropriate "tone at the top," supports a proactive approach to operational risk management, and contributes to an effective system of internal controls.

Highmark and UCCI's management appear to have an adequate approach to identifying and mitigating risks across the organization, including prospective business risks. Both companies deal proactively with their areas of risk, and management demonstrated knowledge of appropriate mitigation strategies. Through risk discussions and other measures, Highmark's management reviews significant issues and reacts to changes in the environment with a clear commitment to addressing risk factors and managing the business accordingly. Highmark's overall risk management process takes a proactive approach to identifying, tracking, and addressing significant current and emerging risk factors.

B. Territory and Plan of Operation

UCICNY is licensed pursuant to the provisions of Article 42 of the New York Insurance Law and is authorized to conduct business only within the State of New York.

The following chart depicts UCICNY's membership at each year-end:

2013	2014	2015	2016
13,649	14,113	16,822	19,802

The primary function of UCICNY is to provide indemnity dental coverage to a large number of national accounts based in New York. In addition, UCICNY works with its affiliated company, Davis Vision, Inc. to provide vision coverage.

UCICNY reported net premiums written totaling $28,048,558 during the period under examination from January 1, 2013 through December 31, 2016.

Below is a summary of the Company's total net written premium during the examination period:

Year	Premiums
2013	$ 9,351,099
2014	6,075,122
2015	6,490,485
2016	6,131,852
Total	$28,048,558

The Company primarily writes dental insurance. The Company began writing vision coverage in 2012. The following is a summary of the Company's total net premiums written by line of business during the four-year period under examination:

Line of Business	Total
Dental	$ 27,987,127
Vision	60,488
Other income	943
Total	$ 28,048,558

C. Reinsurance

A proportional share reinsurance treaty between UCICNY and Sun Life Insurance and Annuity Company of New York ("SLNY") terminated on July 31, 2013. On August 29, 2013, the Department received a request from the Company to approve a holding company transaction for the "Transfer of Liabilities" between an affiliated company, United Concordia Insurance Company ("UCIC"), an Arizona Domestic Company and UCICNY. The transfer of liabilities transaction discharged UCICNY of its obligations as the reinsurer, as of the termination date. The request for the transfer of liabilities agreement from UCICNY to UCIC was approved by the Department on September 18, 2013.

The Company has a First Dollar Quota Share Reinsurance Agreement with UNUM Life Insurance Company of America ("UNUM"), whereby the Company cedes 50% of related premiums, claim expenses, and administrative expenses on specified dental products under this agreement.

The Company's relationship with UNUM was to end in 2018. No new business will be sold under the UNUM agreement, and the Company will be administering the runout of the existing policies under the UNUM agreement in 2018.

Effective Period	Company's Liability	Insured's Retention
10/1/11 until mutual notice of termination	Proportional Share of 50% of the insured's losses.	Proportional Share of 50% of the insured's losses.

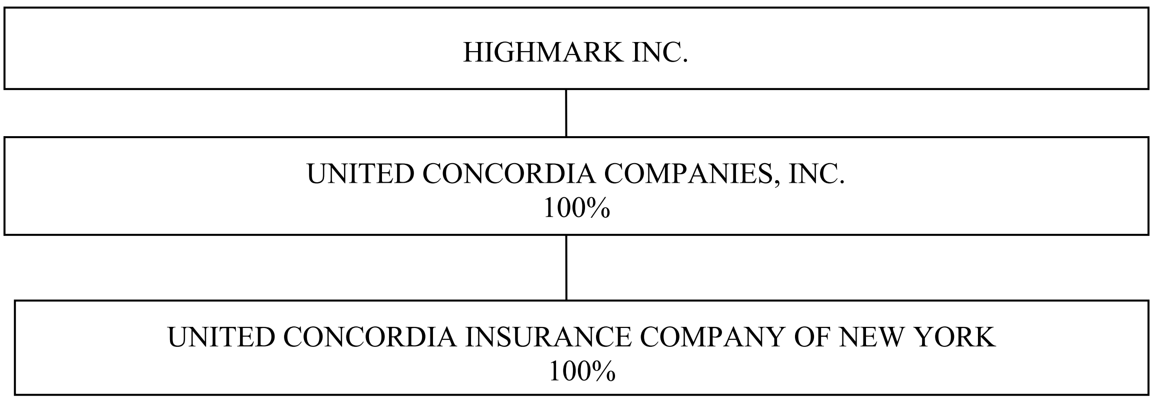
It was noted that the agreement contained all of the required clauses prescribed by the Department, including the insolvency clause required by Section 1308(a) of the New York Insurance Law.

The Pennsylvania Insurance Department performed an assessment of the parent company's reinsurance programs. It was observed during the review of the reinsurance approval process that the UCCI Subgroup, which was comprised of ten (10) UCCI subsidiaries, does not maintain documentation to evidence the performance of the contract approval process by the UCCI Board. In response to the Examination Planning Questionnaire, the Subgroup reported that prior to the execution of any new proposed reinsurance contract, a draft term sheet is created for review and approval by the UCCI Board of Directors. The UCCI Subgroup was not able to provide written evidence of the performance of this process.

It is recommended that the UCCI Subgroup formally document the controls for the reinsurance contract review process, including the UCCI Board's review of term sheets for new reinsurance contracts, and retain evidence documenting the effective operating performance of controls going forward. Furthermore, it is recommended that the Internal Audit Department include testing of the identified controls in its internal audit plan.

D. Holding Company System

UCICNY is a wholly-owned subsidiary of UCCI. UCCI's parent company, Highmark, is a non-publicly traded corporation domiciled in the Commonwealth of Pennsylvania. The following chart depicts the Company's simplified holding company system as of December 31, 2016.



UCICNY's parent company, UCCI, is a Pennsylvania licensed insurer and third-party administrator (TPA) that services more than eight million members across all 50 states and the District of Columbia, in addition to family members of active duty military personnel, reservists and their family members in the U.S. and abroad. UCCI's parent is Highmark Inc., the largest insurer in Pennsylvania and a licensed Blue Cross and Blue Shield Association member.

The above chart includes only the affiliates which maintain service agreements with UCICNY. The chart is also simplified due to the large number of affiliates within the holding company system and depicts only the Company's immediate parent. It should be noted that as of December 31, 2016, United Concordia Companies, Inc. owned and controlled, directly or indirectly, a total of ten (10) subsidiaries.

As of the examination date, the Company had the following agreements with members of its holding company system:

1. Management Agreement

As of December 31, 2016, UCICNY maintained a management agreement with UCCI which was approved on January 23, 1997 by the Department. This agreement automatically renews for successive one-year terms (and in fact was renewed through the exam period), unless either party gives the other written notice of termination at least sixty (60) days prior to the end of the then-current term, or it can be terminated immediately upon mutual consent.

The management agreement provides for UCCI to render certain services to UCICNY. These services include management information systems, utilization review services, claims administration, marketing, collection of premiums, review of staffing and scheduling, and other related services.

2. Consolidated Tax Allocation Agreement

On April 29, 1999, UCICNY entered into a consolidated tax allocation agreement with its (then) ultimate parent company, Highmark Inc. The Company has a written agreement, approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to the Company. The agreement settles the consolidated federal tax liability as if the Company filed a separate income tax return. This agreement was approved by the Department on March 23, 1999.

3. Investment Management Agreement

On April 21, 2003, UCICNY entered into an investment management agreement with its (then) ultimate parent company, Highmark Inc. This agreement automatically renews for successive one-year terms unless either party gives the other written notice of termination at least sixty (60) days prior to the end of the then-current term, or it can be terminated upon mutual consent.

The agreement provides for Highmark Inc. to provide services, including the supervision and direction of investment of cash and other assets of the Company. This includes the purchase and sale of securities, pursuant to the Company's written criteria, standards and guidelines, and in compliance with all appropriate sections of the New York Insurance Law pertaining to investments.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2016, based upon the results of this examination. The ratios presented below are on an earned-incurred basis and encompass the four-year period covered by this examination:

	Amounts	Ratios
Claims	$19,741,725	70.4%
Claims adjustment expenses	934,703	3.3%
General administrative expenses	4,876,784	17.4%
Net underwriting gain	2,495,346	8.9%
Premiums earned	$28,048,558	100%

F. Accounts and Records

During the course of the examination, it was noted that the Company's filing of its 2016 New York Supplement, Exhibit of Grievances and Utilization Review ("UR") Appeals, was not in accordance with the statement instructions.

The Exhibit of Grievances and Utilization Review ("UR") Appeals, in the Company's New York Supplement, requires that the Company report the number of utilization review determinations, per Section 4903 of the New York Insurance Law. A review of the UR case listing provided by the Company indicated that the total number of UR cases did not agree with what was reported in the 2016 New York Annual Statement Supplement, Exhibit of Grievances and Utilization Review Appeals-Part Two, column seven.

The Company reported a total of 630 UR determination cases in the 2016 NY Supplement. However, the listing of UR cases provided by UCICNY during the examination showed a total of 945 UR cases for 2016; an underreporting of 315 cases.

It is recommended that the Company report the correct number of UR determination cases in its NY Supplement, Exhibit of Grievances and Utilization Review determinations, filed with the Department.

G. Internal Controls

1. Treasury Services

The Pennsylvania Insurance Department performed an assessment of Highmark's Treasury Services. It was observed that although Senior Management in the Highmark Treasury Services Department performs an appropriate high-level review of key areas in the investment monitoring and in short-term cash flow projection process areas, certain key controls are not formally documented. Evidence of the performance of controls is not maintained, and Internal Audit has not performed control testing over these areas. A few examples include the lack of documentation to evidence the approval of securities lending account holdings on a regular basis, and the lack of documentation to evidence the approval of short-term investments and cash projections on a regular basis.

It is recommended that Highmark's Treasury Services Department identify and formalize key controls and retain evidence documenting the operating performance of these controls going forward. Furthermore, it is also recommended that the Internal Audit Department consider including testing of the identified controls in its internal audit plan.

2. Internal Controls – Related Party Agreements

The Pennsylvania Insurance Department performed an assessment of Highmark's related party agreements. It was observed that although Highmark Management implements a process to review and approve related party agreements prior to execution, the controls around those agreements are not formally identified. There is limited written documentation of the process or evidence retained to document the operating performance of such controls. In addition, there is no formal written process or evidence of the performance of such controls to ensure that appropriate amendments are made to existing related party contracts when Highmark undergoes merger and acquisition activity.

Statement of Statutory Accounting Principles (SSAP) No. 25 paragraph 7 states the following:

> "Transactions between related parties must be in the form of a written agreement. The written agreement must provide for timely settlement of amounts owed, with a specified due date. Amounts owed to the reporting entity over ninety days from the written agreement due date shall be nonadmitted, except to the extent this is specifically addressed by other statements of statutory accounting principles (SSAPs). If the due date is not addressed by the written agreement, any uncollected receivable is nonadmitted."

It is recommended that Highmark identify controls and develop formal written procedures governing the review and approval of related party agreements to ensure compliance with SSAP 25, with consideration of arms' length transactions and fair and reasonable terms.

In addition, it is recommended that formal written procedures be established to ensure all impacted agreements are reviewed for potential amendments during merger and acquisition activity.

Furthermore, it is suggested that the Internal Audit Department consider testing of the identified controls in its internal audit plan.

3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2016, as contained in the Company's 2016 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2016 filed annual statement.

Independent Accountants

As noted previously in this report, the firm of PwC was retained by the Company to audit the Company's combined statutory basis statements of financial position as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended. PwC concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates.

A. Balance Sheet

Assets

Bonds	$	898,363
Cash		4,501,089
Investment income due and accrued		3,409
Uncollected premiums and agents' balances in course of collection		71,010
Net deferred tax asset		17,641
Receivables from parent, subsidiaries and affiliates		40,929
Total admitted assets	$	5,532,441

Liabilities

Claims unpaid	$	379,346
Unpaid claims adjustment expenses		28,087
Premiums received in advance		54,086
General expenses due or accrued		32,144
Current federal and foreign income tax payable and interest		62,931
Ceded reinsurance premiums payable		173,120
Remittances and items not allocated		2,801
Amounts due to parent, subsidiaries and affiliates		808
Aggregate write-ins for other liabilities		85,479
Total liabilities	$	818,802

Capital and Surplus

Common capital stock		1,000,000
Gross paid in and contributed surplus		1,512,135
Unassigned funds (surplus)		2,201,504
Total capital and surplus		4,713,639
Total liabilities and capital and surplus	$	5,532,441

Note: The Internal Revenue Service has not conducted any federal income tax audits of the Company through tax year 2016. The examiner is unaware of any potential exposure by the Company to any tax assessment and no liability has been established herein relative to any such contingency.

B. Statement of Revenue, Expenses and Capital and Surplus

Capital and surplus increased by $1,757,542 during the four-year examination period, January 1, 2013 through December 31, 2016, as detailed below:

Revenue		
Total revenue		$ 28,048,558
Expenses		
Total hospital and medical expenses	$ 19,741,725	
Claims and claims adjustment expenses	934,703	
General administration expenses	4,876,784	
Total underwriting deductions		25,553,212
Net underwriting gain		$ 2,495,346
Net investment gain		11,934
Other expenses		(480)
Net income before federal income taxes		2,506,800
Federal income taxes		724,690
Net income		$ 1,782,110

Changes in Capital and Surplus

	Gains in Surplus	Losses in Surplus	
Capital and surplus, per report on examination, as of December 31, 2012			$ 2,956,097
Net income	$ 1,782,110		
Change in net deferred income tax		$ 6,215	
Change in non-admitted assets		18,353	
Net increase in capital and surplus			$ 1,757,542
Capital and surplus, per report on examination, as of December 31, 2016			$ 4,713,639

4. MARKET CONDUCT EXAMINATION

In the course of this examination, a review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed to encompass the more precise scope of a market conduct examination. The review was directed at the practices of the Company in the following major areas:

A. Utilization review
B. Utilization review appeals

A. Utilization Review

Section 4903(d) of the New York Insurance Law states:

> "A utilization review agent shall make a utilization review determination involving health care services which have been delivered within thirty days of receipt of the necessary information."

UCICNY provided the utilization review ("UR") log for the period January 1, 2016 through December 31, 2016, which indicates a total of 945 UR cases. The examiner sampled 20 UR cases from the log to determine compliance with Section 4903 of the New York Insurance Law. Of the 20 UR cases sampled, there were five (5) instances where the determination was not made within thirty days, as required by New York Insurance Law 4903(d).

It is recommended that the Company comply with Section 4903(d) of the New York Insurance Law by making UR determinations within the required time frame.

B. Utilization Review Appeals

Section 4904(c) of the New York Insurance Law states in part:

> "…The utilization review agent must provide written acknowledgment of the filing of the appeal to the appealing party within fifteen days of such filing and shall make a determination with regard to the appeal within sixty days of the receipt of necessary information to conduct the appeal. The utilization review agent shall notify the insured, the insured's designee and, where appropriate, the insured's health care provider, in writing of the appeal determination within two business days of the rendering of such determination."

UCICNY provided the examiner with the utilization review appeal log for the period January 1, 2016 through December 31, 2016. The log contained twenty (20) internal utilization review appeal cases. The examiner reviewed all twenty (20) cases to determine compliance with New York Insurance Law section 4904 and noted the following:

- In three (3) instances, UCICNY failed to provide written acknowledgement to the appealing party within fifteen days of an appeal filing, which is not in compliance with the requirements of Section 4904(c) of the New York Insurance Law.

- In two (2) instances, the Company did not send an appeal determination letter to notify the insured/insured's designee of the appeal determination within two business days of making such determination, which is not in compliance with the requirements of Section 4904(c) of the New York Insurance Law.

It is recommended that the Company comply with Section 4904(c) of the New York Insurance Law by sending acknowledgment and determination letters within the required timeframes.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination, as of December 31, 2012, contained the following seven (7) comments and recommendations (page numbers refer to the prior report on examination):

ITEM NO.		PAGE NO.
	Board of Directors	
1.	It is recommended that significant events affecting the Company should be brought to the attention of the Board of Directors during their meetings along with the necessary information to allow the Board to make appropriate decisions and to provide direction to the Company's management.	7
	The Company has complied with this recommendation.	
2.	It is also recommended that discussion of key significant events involving the Company be reflected in the minutes of the Board of Directors.	7
	The Company has complied with this recommendation.	
	Accounts and Records	
3.	It is recommended that the Company change the reported primary location of its books and records location to the Harrisburg address within its annual and quarterly statement filings with the Department.	18
	The Company has complied with this recommendation.	
	Reinsurance	
4.	It is recommended the Company disclose the reinsurance agreement and its terms in the Annual Statements, as required by the NAIC.	18
	The Company has complied with this recommendation.	

ITEM NO.		PAGE NO.
	Explanation of Benefits Statements	
5.	It is recommended that the Company comply with Section 3234(b) of the New York Insurance Law and include all required information on its explanation of benefits statements.	24
	The Company has complied with this recommendation.	
	Claims Procedure Manual	
6.	It is recommended that the Company's Board of Directors adopt and approve the Company's claims processing procedures to ensure that all claims are being processed accurately, uniformly, and in accordance with applicable statutes, rules, and regulations in compliance with Insurance Circular Letter No. 9 (1999) "Adoption of Procedure Manuals".	25
	The Company has complied with this recommendation.	
7.	It is also recommended that the board obtain a certification annually: (i) from either the Company's director of internal audit or independent CPA that the responsible officers have implemented the procedures adopted by the board, and (ii) from the Company's general counsel a statement that the Company's current claims adjudication procedures, including those set forth in the current claims manual, are in accordance with applicable statutes, rules and regulations.	25
	The Company has complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Corporate Governance	
	It is recommended that the Company comply with New York Insurance Law Sections 1202(a)(1) and (2), and its own By-Laws, by maintaining a minimum of seven (7) members to the Board of Directors.	8
B.	Enterprise Risk Management	
	It is recommended that Highmark continue to develop and expand its Enterprise Risk Management program, as well as implement ongoing identification, monitoring and measurement and reporting of risks that could impact insurance company operations and solvency. Highmark should continue to pursue current initiatives in the continuous improvement of the ERM program, including the development and communication of Key Performance Indicators and the comprehensive ERM Dashboard.	11
C.	Reinsurance	
	It is recommended that the UCCI Subgroup formally document the controls for the reinsurance contract review process, including the UCCI Board’s review of term sheets for new reinsurance contracts, and retain evidence documenting the effective operating performance of controls going forward. Furthermore, it is recommended that the Internal Audit Department include testing of the identified controls in its internal audit plan.	15
D.	Accounts and Records	
	It is recommended that the Company report the correct number of UR determinations cases in its NY Supplement, Exhibit of Grievances and Utilization Review determinations, filed with the Department.	19

ITEM			**PAGE NO.**
E.		Internal Controls	
	i.	It is recommended that Highmark's Treasury Services Department identify and formalize key controls and retain evidence documenting the operating performance of these controls going forward. Furthermore, it is also recommended that the Internal Audit Department consider including testing of the identified controls in its internal audit plan.	20
	ii.	It is recommended that Highmark identify controls and develop formal written procedures governing the review and approval of related party agreements to ensure compliance with SSAP 25, with consideration of arm's length transactions and fair and reasonable terms.	21
		In addition, it is recommended that formal written procedures be established to ensure all impacted agreements are reviewed for potential amendment during merger and acquisition activity.	21
		Furthermore, it is suggested that the Internal Audit Department consider testing of the identified controls in its internal audit plan.	21
F.		Utilization Review	
		It is recommended that the Company comply with Section 4903(d) of the New York Insurance Law by making UR determinations within the required time frame.	25
G.		Utilization Review Appeals	
		It is recommended that the Company comply with Section 4904(c) of the New York Insurance Law by sending acknowledgment and determination letters within the required timeframes.	26

Respectfully submitted,

____
Froilan Estebal
Senior Insurance Examiner

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

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

____
Froilan Estebal

***APPOINTMENT NO.* 31564**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, <u>MARIA T. VULLO</u>, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Froilan Estebal

as a proper person to examine the affairs of

United Concordia Insurance Company of New York

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

Company

with such other information as he shall deem requisite.

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

this 19th day of January, 2017

MARIA T. VULLO
Superintendent of Financial Services

By:

Lisette Johnson
Bureau Chief
Health Bureau