REPORT ON EXAMINATION

OF

CDPHP UNIVERSAL BENEFITS, INC.

AS OF DECEMBER 31, 2017

EXAMINER: **GAIL A ROSS**

DATE OF REPORT: **OCTOBER 5, 2023**

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October 5, 2023

Honorable Adrienne A. Harris
Superintendent of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law and acting in accordance with the instructions contained in Appointment Number 31693, dated December 4, 1017, attached hereto, we have made an examination into the condition and affairs of CDPHP Universal Benefits, Inc., a not-for-profit health services corporation licensed pursuant to the provisions of Article 43 of the New York Insurance Law, as of December 31, 2017. The following report is respectfully submitted thereon.

The examination was conducted at the administrative office of Capital District Physicians' Health Plan, Inc., located at 500 Patroon Creek Boulevard, Albany, New York, 12205.

Wherever the designations "UBI" or the "Company" appear herein, without qualification, they should be understood to indicate CDPHP Universal Benefits, Inc.

Wherever the designation "CDPHP" or "HMO" appears herein, without qualification, it should be understood to indicate to Capital District Physicians' Health Plan, Inc. CDPHP is also the ultimate parent within the holding company system.

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

Concurrent Financial and MLR examinations were made of CDPHP, a not-for-profit health maintenance organization ("HMO") certified pursuant to the provisions of Article 44 of the New York Public Health Law. A separate report thereon have been submitted for this entity.

A separate Market Conduct examination reviewing the manner in which the Company conducted its business practices and fulfilled its contractual obligations to policyholders and claimants was also conducted as of December 31, 2017. A separate report thereon will be submitted.

1. SCOPE OF THE EXAMINATION

The prior examination of the Company was conducted as of December 31, 2014. This examination of the Company was a financial examination as defined in the *National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook 2018 Edition* (the "Handbook") and it covered the three-year period from January 1, 2015 through December 31, 2017. The examination was conducted observing the guidelines and procedures in the Handbook. Where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2017 were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook, which provides guidance for the establishment of an examination plan based on the examiners' assessment of risk in the Company's operations and utilizes that evaluation in formulating the nature and extent of the examination. The examiners planned and performed the examination to evaluate the Company's current financial condition, as well as identify prospective risks that may threaten the future solvency of UBI.

The examiners identified key processes, assessed the risks within those processes and assessed the internal control systems and procedures used to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, an evaluation of the overall financial statement presentation, and determined management's compliance with the Department's statutes and guidelines, Statutory Accounting Principles, as adopted by the Department, and annual statement instructions.

Information concerning the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The examination evaluated UBI'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 UBI'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 during the years covered by this examination. For the years 2015 through 2017 and subsequent, UBI was audited by the accounting firm of Deloitte and Touche ("D&T"). The Company received an unqualified opinion in each of those years. Certain audit work papers of D&T were reviewed and relied upon in conjunction with this examination. A review was also made of the ultimate parent's corporate governance structure, which included its Internal Audit function and Enterprise Risk Management program.

A review was made of the Company's compliance with the provisions of Insurance Regulation 118 (11 NYCRR 89), "Audited Financial Statements." This regulation is based on the Model Audit Rule ("MAR"), as established by the NAIC, and all references to MAR within this report may be interpreted as reference to Insurance Regulation 118. Additionally, as part of this examination and in accordance with the provisions of the Handbook, a review was made of CDPHP computer systems and operations that support UBI on a risk-focused basis.

The examiners reviewed the corrective actions taken by the Company with respect to the recommendations concerning financial issues contained in the prior report on examination. The results of the examiners' review are contained in Item 6 of this report.

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

UBI was formed on January 2, 1997 and incorporated on February 28, 1997 pursuant to Section 402 of the Not-for-Profit Corporation Law. The Company was subsequently licensed on August 14, 1997 under Article 43 of the New York Insurance Law for the purpose of providing indemnity based, prepaid comprehensive health care services through arrangements with physicians, hospitals and other providers.

The Company is a type D Corporation, as defined in Section 201 of the Not-for-Profit Corporation Law (NPCL). The sole member of the Company is CDPHP, a not-for-profit corporation operating as a health maintenance organization (HMO), pursuant to Article 44 of the New York Public Health Law.

The HMO made the following cash contributions to UBI:

Cash Contributions

1. Effective December 10, 2015 and December 15, 2015, the New York State Department of Financial Services and the New York State Department of Health, respectively, approved CDPHP's proposal to invest $50 million in UBI.

2. Effective November 25, 2016 and December 2, 2016, the New York State Department of Financial Services and the New York State Department of Health, respectively, approved CDPHP's proposal to invest $50 million in UBI.

As of December 31, 2017, the total value of all cash infusion equated to $124,846,345, the net worth of UBI.

A. Corporate Governance

Pursuant to the Company's Certificate of Incorporation and by-laws, management of the Company is to be vested in a board of directors ("Board") consisting of not less than eight (8) nor more than nineteen (19) directors. As of the examination date, the board of directors comprised eight (8) members. The directors as of December 31, 2017 were as follows:

Name and Residence	Principal Business Affiliation
Provider Representatives:	
Bruce Evan Coplin Delmar, New York	Medical Director, Albany Associates in Cardiology
Gennaro Anthony Daniels, MD Troy, New York	Surgeon, Surgery Associates, PC
General Public Representatives:	
Richard Edward Grant Glenmont, New York	Retired CPA Managing Partner, PricewaterhouseCoopers, LLP
Gerald David Jennings Albany, New York	Retired/Former City Mayor, Albany, NY
William Patrick Phelan Loudonville, New York	Chief Executive Officer, Brighton Hub Inc.
Subscribers:	
Amy Michelle Johnson Loudonville, NY	President, Capstone Inc.

Name and Residence	Principal Business Affiliation
Thomas John Marusak Loudonville, New York	President, Comfortex Corporation
Officer-Employee:	
John Duncan Bennett, MD Albany, NY	President and Chief Executive Officer Capital District Physicians' Health Plan

The Board met at least four times in compliance with its charter and bylaws during each calendar year within the examination period. A review of the Board's meeting minutes held during the examination period revealed that the meetings were generally 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, 2017 were as follows:

Name	Title
John Duncan Bennett, M.D.	President and Chief Executive Officer
Barbara Ann Downs, RN	EVP, Chief Operating Officer
Frederick Bennett Galt, Esq	EVP, General Counsel
Robert Ronald Hinckley	EVP, Chief Strategy Officer
Brian Gerard O'Grady	EVP, Chief Marketing Officer
Richard Herbert Del Col	SVP, Chief Medical Officer
Bethany Rae Smith	EVP, Chief Financial Officer
Brian Joseph Morrissey	EVP, Partner Solutions
William Patrick Phelan	Secretary

Pursuant to CDPHP's audit committee charter, the chair of the audit committee shall be the Treasurer of the corporation. However, the examiners noted that CDPHP did not have a Treasurer of Corporation, and, the current Chair of the Audit Committee was the Treasurer of the Board of Directors.

The CDPHP Audit Committee Charter states in part:

> "The Audit Committee shall be comprised of the Treasurer of the Corporation and two of more other directors, …" and "The Treasurer shall serve as the Chair of the Committee."

It is recommended that CDPHP comply with its audit committee charter by having the Treasurer of the Corporation serve as Chair of the Committee.

On June 25, 2018 the Audit Committee updated its Audit Charter from the Chair of the Committee being the "Treasurer of the Corporation" to the "Treasurer of the Board of Directors".

Enterprise Risk Management

The Company is required to be compliant with Insurance Regulation 203 (11 NYCRR 82) as it relates to Enterprise Risk Management ("ERM") and Own Risk Solvency Assessment ("ORSA"). The Company has a formal ERM framework with defined risk appetites and tolerances for proactively addressing and mitigating risks, including prospective business risks. Exhibit M of the Handbook (*Understanding the Corporate Governance Structure*) was utilized by the examiners as guidance for assessing corporate governance. Overall, it was determined that UBI's Board and key executives maintain an effective control environment.

In addition, CDPHP has established a government affairs department to address emerging policy issues within the health insurance industry and those facing CDPHP and all of its affiliates. As issues are identified, CDPHP establishes leadership teams to gain an understanding of the impact on the CDPHP Companies. These leadership teams are developed to provide recommendations to the members of the executive team which have the responsibility for CDPHP's strategy on emerging issues.

Information Technology ("IT")

The IT infrastructure and operations for the financially significant systems identified were centrally managed within the Albany, New York data center. Disaster recovery consisted of Infrastructure-as-a-Service via a third-party data center.

The examination encompassed a review of the controls for financially significant applications, systems and infrastructure. The IT portion of the examination was performed in accordance with the Handbook and utilized applicable procedures found in Exhibit C – *Evaluation of Controls in Information Technology* – of the Handbook.

Controls for financially significant applications, systems, and underlying infrastructure in each of the NAIC Exhibit C Information Technology Work Program areas listed below represent the framework for the scope of this examination. The following control areas were reviewed:

- Align, Plan and Organize;
- Build, Acquire and Implement;
- Deliver, Service and Support; and
- Monitor, Evaluate, and Assess.

The IT examination team concluded that CDPHP's IT General Controls ("ITGCs") are "Effective", resulting in the conclusion that ITGCs are reliable for the purposes of this financial examination. IT review conclusions were based on inquiry, observation, inspection of documentation, independent research and a review of third-party workpapers.

The IT examination team assessed CDPHP's compliance with the provision of the Financial Services Regulation Part 500 (23 NYCRR 500) - Cybersecurity Requirements for Financial Services Companies. CDPHP appears to be in compliance with the sections of the New York Cybersecurity Regulation that have already taken effect through March 2018, and they appear to be ready for the remaining sections as they come due. This conclusion was based on a review of the

responses provided by CDPHP to the Department's Cybersecurity letter, review of prior third-party control assessments, inspection of documentation, observation, and management interviews.

Internal Audit Department

CDPHP, the ultimate parent established an Internal Audit Department ("IAD") function to serve all subsidiaries and affiliates within its holding company system. The IAD reports to the Audit Committee ("AC") of the Board of the Directors.

The IAD assists all levels of management by reviewing and testing financial and operational controls and processes established by management to ensure compliance with laws, regulations and policies. It shall be noted that the IAD testing of controls includes a process which Corporate Team Leaders (CTL) from each business unit performs its own internal control testing of those items deemed high risk and not low risk items. To the extent that IAD reperformed this testing without confirming the sampling methodology used by the business units, the examiners did not rely upon the work performed by the IAD and as prescribed by the Handbook, performed additional testing.

Insurance Regulation 118

The UBI's sole member parent, CDPHP, is a non-publicly traded company and therefore not subject to the Sarbanes-Oxley Act of 2002. Insurance Regulation 118 (11 NYCRR 89) – "Audited Financial Statements," is similar to the NAIC's Model Audit Rule ("MAR"), and applies to certain New York regulated insurance entities, including UBI. Insurance Regulation 118 became effective January 1, 2010. The Audit Committee for CDPHP, which is composed of outside directors, assumed responsibility for all entities within the holding company structure. With the independent and internal auditors, CDPHP Audit Committee reviews the effectiveness of the

accounting and financial controls and elicits recommendations that may improve controls. CDPHP Audit Committee met each quarter during the examination period, and meeting minutes were prepared and retained.

B. Territory and Plan of Operation

The Company's service area, as stated in its certificate of authority as of December 31, 2017, included the following 24 counties in New York State:

Albany	Essex	Montgomery	Schenectady
Broome	Fulton	Oneida	Schoharie
Chenango	Greene	Orange	Tioga
Columbia	Hamilton	Otsego	Ulster
Delaware	Herkimer	Rensselaer	Warren
Dutchess	Madison	Saratoga	Washington

UBI offers a variety of insurance products and provides health insurance coverage to private and public-sector employer groups.

UBI offers an exclusive provider organization (EPO) product, a preferred provider organization (PPO) product, and high deductible plans to large groups, (including the Federal Employees Health Benefits Plan), small employer groups, Medicare plans, and Medicare Supplement plans.

Effective January 2014, UBI began offering state-wide health insurance coverage to small groups purchasing coverage in and out of the New York State of Health ("NYSOH" or the "Exchange").

The chart below illustrates the Company's annual year-end enrollments and premium writings during the examination period.

Annual Enrollment

Line of Business	2017	2016	2015
Large Group	61,877	68,572	74,052
Small Group	25,827	42,791	67,857
Medicare Supplement	1,691	2,607	4,592
Other/Feds	3,967	3,850	7,461
Total	93,362	117,820	153,962
Percentage Change between the years	(20.8) %	(23.5) %	

During the examination period, 2015 through 2017, the Company's overall annual enrolled membership decreased by 39.4% from 153,962 total enrollees as of December 31, 2015 to 93,362 enrollees as of year-end 2017. Such decrease resulted from decreases of 61.9% and 63.2% respectively in the small group and Medicare supplement, lines of business. Declining enrollment is due to premium pricing that is not competitive in the current market.

Annual Premium Writings

Line of Business	2017	2016	2015
Large Group	$328,268,577	$341,909,904	$338,986,816
Small Group	201,143,842	307,404,639	365,275,352
Medicare Supplement	6,731,342	9,478,795	10,731,576
Other/Feds	49,314,638	46,284,726	82,589,735
Total Gross	$586,923,328	$705,078,064	$797,583,479
Total Net	$585,458,399	$703,702,321	$796,723,336
Percentage Change in Gross Writings between the years	(26.4) %	(11.7) %	

During the examination period, UBI reported an overall decrease in total annual gross premiums of 26,4% based on aggregate annual writings of $797,583,479 as of December 31, 2015 and $586,923,328 as of December 31, 2017, respectively. Such decrease resulted primarily from unusually aggressive pricing by competitors in the small and large groups commercial lines, with

these two business lines representing collectively 90% of UBI's total gross premiums as of year-end 2017.

C. Reinsurance

As of December 31, 2017, UBI held ceded reinsurance agreements with Carter Insurance Company Ltd. of Hamilton Bermuda ("Carter"), a wholly owned subsidiary of CDPHP, and also with Atlantic Specialty Insurance Company, a nonaffiliated and New York authorized insurer. The two agreements comprised the following reinsurance coverage:

Carter Insurance Company Cession:
1st Layer (Specific/Excess Retention)

UBI's retention	Reinsurer's obligation
UBI retains 100% of the first $750,000 and 10% above $750,000 of incurred losses per covered member, each per covered line of business, up to a maximum of $1,250,000.	Carter pays 90% of UBI's incurred losses above $750,000 up to a maximum limit of $1,250,000 per each covered member.

Atlantic Specialty Insurance Company Cession:
2nd Layer (Excess of Loss Coverage)

UBI's retention	Reinsurer's obligation
UBI retains 10% of all hospital losses incurred per member above $1,250,000 up to a maximum limit of $1,750,000.	Atlantic pays 90% of UBI's incurred losses above $1,250,000 up to a maximum limit of $1,750,000.

The Company's ceded reinsurance program applied to in-patient hospital services only in connection with UBI's Preferred Provider Option, Exclusive Provider Option, High Deductible Preferred Provider Option and Medicare Preferred Provider Option lines of business.

As noted above, UBI's first layer reinsurance cession program with Carter calls for Carter to reinsure UBI's inpatient hospital services at 90% of the total hospital payments by the Company beginning at the attachment point above $750,000 of paid losses per covered member, up to Carter's

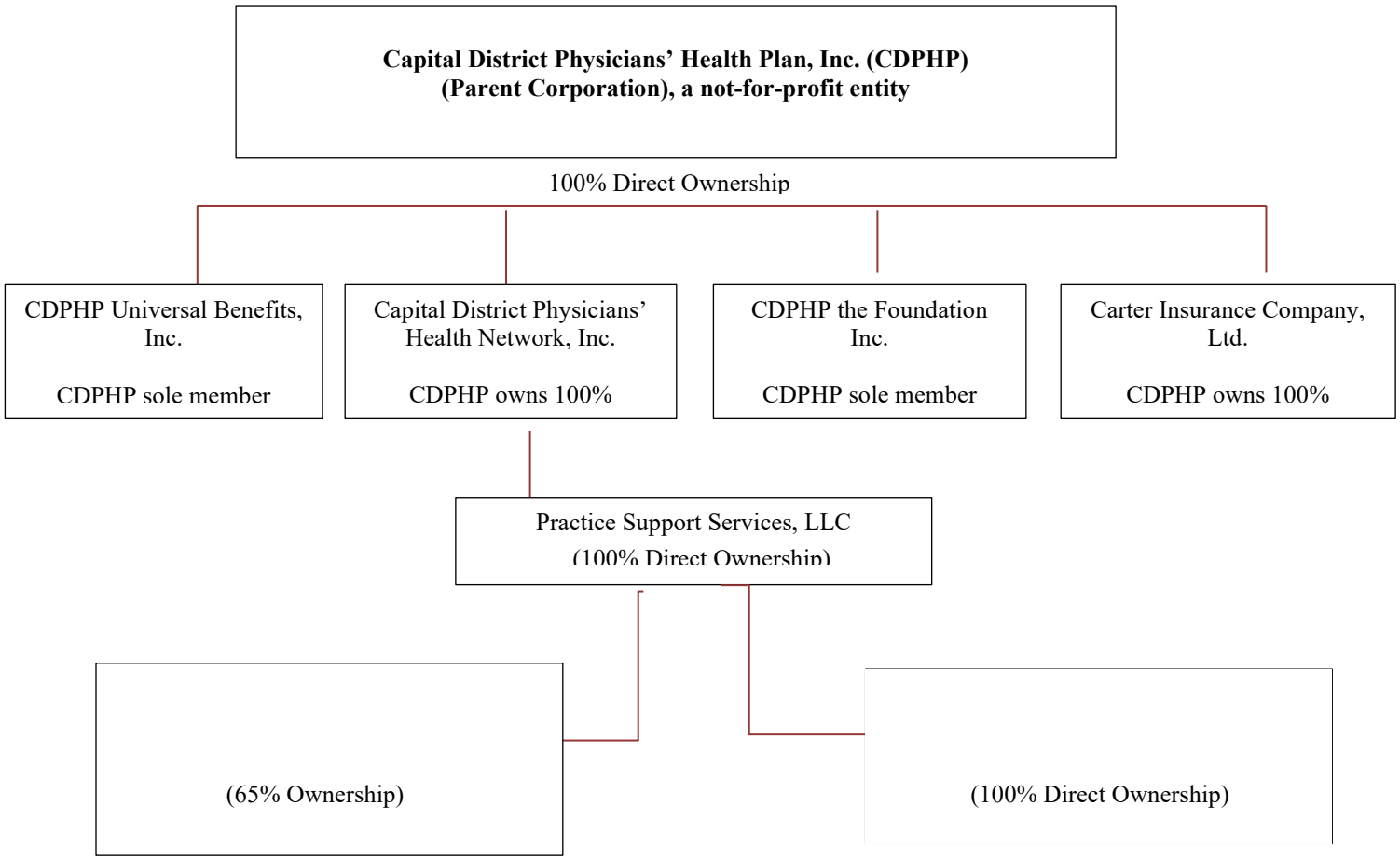
maximum of $1,250,000. The second layer cession program with Atlantic Specialty Insurance Company, calls for the reinsurer to cover 90% of the Company's inpatient hospital services paid commencing at the attachment point excess of $1,250,000 per member up to Atlantic's maximum of $1,750,000.

The reinsurance agreements contained all the required standard clauses, including the insolvency clause required by Section 1308(a)(2)(A) of the New York Insurance Law.

D. Holding Company System

UBI is a wholly-owned subsidiary of CDPHP holdings, Inc., CDPHP is the ultimate parent. As a member of a holding company system, CDPHP is required to file registration statements pursuant to Article 15 of the New York Insurance Law and Regulation No. 52 (11 NYCRR 80). All pertinent filings made regarding the aforementioned statutes during the examination period were reviewed, and no exceptions were noted.

Below is an organizational chart of the Company and its holding company members, as of December 31, 2017.



Following are descriptions of the individual entities within the holding company system including the ultimate parent.

1. Capital District Physicians' Health Plan of New York, Inc., the ultimate parent company of the holding company system, is a not-for-profit corporation organized under Section 402 of the Business Corporation Law of the State of New York to operate as an Individual Practice Association (IPA) Health Maintenance Organization (HMO), pursuant to Article 44 of the Public Health Law of New York.

2. Capital District Physicians' Healthcare Network ("CDPHN"), which was incorporated in 1991, provides managed care and administrative support services to the self-insured employer groups under the HMO's administrative services organization ("ASO") contracts. As an investment in CDPHN, CDPHP reported a book/adjusted carrying value in the amount of $30,713,778 as of December 31, 2017.

3. CDPHP Universal Benefits, Inc. (UBI) was incorporated in 1997, as a not-for-profit membership corporation, with CDPHP being the sole member. UBI has been granted a license pursuant to the provisions of Article 43 of the New York State Insurance Law. CDPHP reported its affiliate, UBI, as an "other invested asset", in the amount of $124,846,345 at December 31, 2017. Such amount represented UBI's total book/adjusted carrying value or surplus amount reported at the year-end 2017.

4. CDPHP Foundation, Inc. (the "Foundation") was incorporated in 2014, as a not-for-profit corporation organized under section 402 of the Not-for-Profit Corporation Law of the State of New York, with CDPHP being the sole member. The Foundation was organized for the purpose of improving the health and wellbeing of the community through health awareness,

prevention, wellness, education and other programs focused on health priorities. The foundation began operations on January 1, 2017.

5. Carter Insurance Company, Ltd, ("Carter"), which was formed in November 2003, is the HMO's wholly owned Bermuda based reinsurance affiliate. Carter is a non-New York authorized insurer. The HMO's investment in Carter is carried at cost, which is adjusted for undistributed earnings or losses and changes in the market value of investments. CDPHP's investment in Carter comprised a book/adjusted carrying value in the amount of $5,248,993 as of December 31, 2017.

6. Practice Support Services, LLC ("PSS") was formed in 2016 as a Limited Liability Company organized under Section 203 of the Limited Liability Company Law with CDPHN being the sole member. PSS was organized for the purpose of providing consulting and other services to health care providers.

7. Acuitas Health LLC, ("Acuitas"))a population health services organization that provides population health management services to health care providers, was formed on September 21, 2016 when PSS entered into a limited liability operating agreement with CapitalCare Holdings, LLC. CapitalCare contributed to Acuitas a totaled $1,300,000, which equated to an ownership percentage of 65% per the operating agreement.

8. Strategic Solutions Management Consultants, Inc. (SSMC) was purchased by PSS in November 2016 through a stock purchase agreement whereby PSS is 100% owner. The total consideration for the acquisition was $3,867,500, which was comprised of $2,367,500 in cash and $1,500,000 in accrued contingent consideration. The acquisition resulted in $3,193,500 in goodwill which is being amortized over 15 years. SSMC is a medical billing

and healthcare consulting company offering services to private practice physicians and physician and hospital networks.

The Company maintained the following inter-company agreements with its affiliates as of December 31, 2017:

1. Administrative Services Agreement with CDPHP

The captioned agreement which took effect on June 15, 2006, subsequent to the Department's approval on February 2, 2006, calls for CDPHP to provide UBI with consultative/administrative services and other support services including, but not limited to: financial, legal, internal operations, information technology, marketing consultation, health care services, including the development, revising and refinement of new health care service products, systems, policies, procedures and software to support and enhance the business operation of UBI.

2. Reinsurance Agreement with Carter Insurance Company, Ltd.

The Company and Carter maintained the captioned agreement whereby UBI ceded healthcare business in connection with in-patient hospital services covered under the Company's enrollee contracts. The agreement, which covered the twelve-month period January 1 through December 31, was renewed annually by the Company and Carter during the examination period.

E. Significant Operating Ratios

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

Account	Amount	Ratio
Claims incurred	$1,862,333,714	89.25%

Claims adjustment expenses incurred	103,521,781	4.96%
General expenses incurred	184,201,509	8.83%
Increase in reserves for life & A&H contracts	(3,624,598)	-0.17%
Underwriting gain	(59,882,845)	-2.87%
Premiums earned	$2,086,549,561	100.0%

3. MEDICAL LOSS RATIO ("MLR")

The Company's 2017 Medical Loss Ratio ("MLR") Annual Reporting Form for the state of New York was examined to assess compliance with the requirements of Title 45 of the Code of Federal Regulations ("CFR"), Part 158, which implements section 2718 of the Public Health Service Act ("PHS Act"). Section 2718 of the PHS Act, as added by the Affordable Care Act, generally requires health insurance companies to submit to the Secretary of the U.S. Department of Health and Human Services ("HHS") an annual report on their MLRs. The MLR is the proportion of premium revenue expended by a company on medical services and activities that improve health care quality in a given market. Section 2718 of the PHS Act also requires a company to provide rebates to consumers if it does not meet the MLR standard (82% in the individual and small group markets and 85% in the large group market for the state of New York).

This examination of the Company's 2017 MLR Annual Reporting Form covered the reporting period of January 1, 2015 through December 31, 2017, including 2016 and 2017 experience and claims run-out through March 31, 2018.

The examination was conducted in accordance with the NAIC's 24 MLR Agreed Upon Procedures ("MLR AUPs"). The MLR AUPs set forth the procedures for performing an examination to evaluate the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate

payments. The examination included assessing the principles used and significant estimates made by the Company, evaluating the reasonableness of expense allocations, and determining compliance with relevant statutory accounting standards, MLR regulations and guidance, and the MLR Annual Reporting Form Filing Instructions.

Title 45 CFR §158.110(b) requires that a report for each MLR reporting year is to be submitted to the Secretary of HHS by July 31st of the year following the end of an MLR reporting year, on a form and in the manner prescribed by the Secretary of HHS. Based on the examiner's review, the 2017 MLR Annual Reporting Form filed by the Company are fully compliant with the requirements of Title 45 CFR §158.

Title 45 CFR §158.210 (a), (b) and (c) requires that an issuer must provide a rebate to enrollees if the issuer has an MLR below the required amount (less than 82% in the individual and small group markets and 85% in the large group market for the state of New York). The Company's New York MLR and rebate calculations, as reported on the 2017 MLR Annual Reporting Form and for the year ending December 31, 2017 were as follows:

New York – CDPHP - UBI

MLR Components	Individual	Small Group	Large Group
Adjusted Incurred Claims	($407)	$178,334,383	$274,070,096
Plus: Quality Improvement Expenses	$0	$3,081,688	$4,722,012
Less: Cost-sharing reductions	$0		
Less: Federal Transitional Reinsurance Program payments expected from HHS	$0		
Less: Federal Risk Adjustment Program net payments expected from (payable to) HHS	$0	$18,455,307	
Less: Federal Risk Corridors Program net payments (charges)	$0	$0	

MLR Numerator	($407)	$162,960,764	$278,792,108
Premium Earned	$0	$196,525,516	$318,488,461
Less: Federal & State Taxes and Licensing/Regulatory Fees	$0	$3,311,688	$4,326,011
MLR Denominator	$0	$193,213,828	$314,162,450
Preliminary MLR		84.3%	88.7%
Credibility Adjustment		0.0%	0.0%
Credibility–Adjusted MLR		84.3%	88.7%
MLR Standard	82%	82%	85%
Rebate Amount	**$0**	**$0**	**$0**

A. MLR Numerator

According to Title 45 CFR §158.221(b), the numerator of the MLR calculation is comprised of incurred claims, as defined in Title 45 CFR §158.140, expenditures for activities that improve health care quality as defined in Title 45 CFR §158.150, and Title 45 CFR §158.151, Cost Sharing Reductions Program as defined in Title 45 CFR §158.140(b)(1)(iii) and Federal Transitional Reinsurance, Federal Risk Adjustment and Federal Risk Corridor Programs as defined by Title 45 CFR §158.140(b)(4)(ii).

Incurred Claims

The examiner reviewed the accuracy and appropriateness of the amounts reported within incurred claims as defined by Title 45 §CFR 158.140, including the verification of the data used by

the Company to calculate adjusted incurred claims and the validation of a sample of incurred claims reported by the Company.

The 2017 MLR Annual Reporting Form that was filed by the Company for the state of New York complied with the MLR Annual Reporting Form Filing Instructions.

Based on the procedures performed, the Company's incurred claims were accurately reported on the New York 2017 MLR Annual Reporting Forms.

Quality Improvement Activities ("QIA")

The Company's QIA process consists of the personnel and related operational administrative costs as incurred primarily by CDPHP and then allocated to CDPHP and its subsidiaries. The cost centers and the purpose of these cost centers are used to determine the total QIA reported on the MLR Annual Reporting Form.

The examiner reviewed the accuracy and reasonableness of health care quality improvement expenses, including the validation of a sample of the QIA amounts reported, to ensure they are in conformity with the definition of Healthcare Quality Improvement Expenses as defined by Title 45 CFR §158.150 and Title 45 CFR §158.151, and confirmation that the allocation methodology is reasonable and complies with the requirements set forth by Title 45 CFR §158.170.

Personnel and related operational and administrative costs QIA

Title 45 CFR Part 158 requires issuers to maintain all documents and other evidence necessary to verify that the data submitted is in compliance with the definitions and criteria set forth in Title 45 CFR Part 158 and that the MLR and any rebates owed are calculated and provided in

accordance with the regulation. In addition, such records are required to be maintained under Part 243.2 (b)(8) of Insurance Regulation No. 152 (11 NYCRR 243.8), cited above. In testing for compliance with these requirements, it was noted that the Company maintained adequate documentation to support the cost reported in the QIA categories.

To identify costs that are QIA applicable, the Company requires each cost center to annually attest to the activities performed. If the purpose and activities of the cost center meets the qualifications of the QIA categories, the expenses of that cost center are included in the applicable QIA category. The cost center expenses include CDPHP personnel and fringe as well as vendor costs such as consulting and outsourced services. These expenses are allocated based upon a metric that aligns with the cost center's purpose and is primarily based upon membership.

Title 45 CFR Section 158.502 requires an issuer to maintain all documents and other evidence necessary to verify that the data submitted was in compliance with the definitions and criteria set forth in the Regulation. In testing for compliance with this requirement and Part 243.2 (b)(8) of Insurance Regulation No. 152 (11 NYCRR 243.8) cited elsewhere in this report, it was noted that the Company had sufficient documentation to support the QIA allocation amounts.

Federal Premium Stabilization Programs

The examiner reviewed the accuracy of the amounts reported in connection with the Federal Transitional Reinsurance and Federal Risk Adjustment and Federal Risk Corridor Programs as defined by Title 45 CFR §158.140(b)(4)(ii), including the verification of amounts to HHS program summary reports and the Company's transactional records. The Company reported all Federal program amounts in accordance with the regulations on the New York MLR Annual Reporting Forms.

Based on the procedures performed, the Company's Federal premium stabilization programs amounts were accurately reported on the New York MLR Annual Reporting Forms.

B. MLR Denominator

According to Title 45 CFR §158.22(c), the denominator of the MLR calculation is comprised of premium revenue, as defined in 45 CFR §158.130, minus federal and state taxes and licensing and regulatory fees, described in 45 CFR §158.161(a), and 45 CFR §158.162(a)(1) and (b)(1).

Earned Premiums

The examiner reviewed the accuracy and appropriateness of the amounts reported within earned premiums as defined by Title 45 CFR §158.130, including the verification of the data used by the Company to calculate earned premium and the validation of a sample of policy premium reported by the Company. In addition, the examiner reviewed the accuracy of the Company's policies and procedures for determining and assigning market classification as defined by the requirements of Title 45 CFR §158.220.

Based on the procedures performed, the Company's earned premiums were accurately and appropriately reported and the Company's market classification policies and procedures were consistent with the requirements of Title 45 CFR §158.220 for each market segment on the New York MLR Annual Reporting Forms.

Federal and State Taxes and Licensing or Regulatory Fees

The examiner reviewed the accuracy and appropriateness of Federal and State taxes and licensing or regulatory fees, including confirmation that the allocation methodology was reasonable and complied with the requirements set forth by Title 45 CFR §158.170 and that taxes were reported in accordance with the provisions of Title 45 CFR §158.161 and Title 45 CFR §158.162.

Based on the procedures performed, the Company's allocation methodology is reasonable and the Federal and State taxes and licensing / regulatory fees were accurately and appropriately reported for each market segment on the New York MLR Annual Reporting Forms.

C. Credibility Adjustment

According to Title 45 CFR §158.232, the credibility adjustment is the product of the base credibility factor multiplied by the deductible factor. The examiner reviewed the underlying data utilized in the determination of the base credibility and deductible factors, tested the accuracy of the calculation of the base credibility and deductible factors and the resulting credibility adjustment for the individual, small and large group markets. The Company elected to use a deductible factor of 1.0, in lieu of calculating a deductible factor for all market segments on the New York MLR Annual Reporting Forms, which has no impact on the Credibility-Adjusted MLR.

Based on the procedures performed, the Company's base credibility factor, deductible factor and credibility adjustment were accurately calculated and reported for each market segment on the New York MLR Annual Reporting Forms.

D. Credibility-Adjusted MLR

According to Title 45 CFR §158.221(a), the calculation of the MLR is the ratio of the numerator to the denominator, plus the credibility adjustment. The examiner recalculated the

credibility-adjusted MLR for all market segments on the New York MLR Annual Reporting Forms in accordance with 45 CFR Part 158 and the applicable MLR Annual Reporting Form Filing Instructions and determined the Company's credibility-adjusted MLR amounts were accurately calculated for each market segment on the New York MLR Annual Reporting Forms.

E. Rebate Disbursement and Notice

According to Title 45 CFR §158.240, a rebate is required to be paid no later than September 30, following the MLR reporting year if an insurer's credibility-adjusted MLR is less than the MLR standard (82% in the individual and small group markets and 85% in the large group market for the state of New York).

Based on the examiner's review of the credibility-adjusted MLR for each market segment on the New York MLR Annual Reporting Forms, the Company exceeded the MLR standard for the individual, small group, and large group markets for the state of New York and thus was not required to pay rebates to its enrollees.

According to Title 45 CFR §158.251, a notice of rebate is required when the credibility-adjusted MLR does not exceed the MLR standard. Since the Company's credibility-adjusted MLR exceeded the MLR standard for the individual, small group, and large group markets for the state of New York, a notice of rebate was not required to be issued by the Company.

F. Impact on Risk-Based Capital

According to Title 45 CFR §158.270(a), rebate payments having any adverse impact on the Company's Risk-Based Capital ("RBC") level requires notification by the Department to the Secretary of the HHS. Based on our review of the New York MLR Annual Reporting Forms, no

payment of rebates was required, thus no effect on the Company Action Level RBC, as defined by the NAIC's RBC for Insurers Model Act, therefore no notification to the Secretary of HHS is warranted.

4. FINANCIAL STATEMENTS

The following statements show the assets, liabilities and surplus as of December 31, 2017, as contained in CDPHP-UBI's 2017 filed annual statement, a condensed summary of operations and reconciliation of the surplus account for each of the years under review. The examiner's review of a sample of transactions did not result in any differences which affected the Company's financial condition as presented in its financial statements contained in the December 31, 2017 filed annual statement.

D&T was retained by the UBI to audit the Company's SAP basis statements of financial position as of December 31st for each of the years 2015 through 2017 within the examination period, and the related statements of operations, surplus, and changes in net assets, and cash flows for the year then ended, with such audits having been conducted on the basis of statutory accounting principles ("SAP").

D&T concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company for all years under review. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

A. Balance Sheet

Assets	Examination
Bonds	$107,904,474
Cash, cash equivalents and short-term investments	31,548,937
Investment income due and accrued	615,975
Uncollected premiums and agents' balances in course of collection	18,770,521
Accrued retrospective premiums	(2,535,132)
Amounts recoverable from reinsurers	558,636
Receivables from parent subsidiaries and affiliates	2,288,031
Healthcare and other amounts receivable	20,303,466
Total assets	$179,454,908
Liabilities	
Claims unpaid	$ 46,571,394
Accrued medical incentive pool and bonus amounts	2,166,319
Unpaid claims adjustment expenses,	1,288,406
Premiums received in advance	2,669,789
General expenses due and accrued	1,875,071
Amount due to parent, subsidiaries and affiliates	37,584
Total liabilities	$ 54,608,563
Surplus	
Aggregate write-ins for special surplus funds	$ 12,072,613
Gross paid in and contributed surplus	340,000,000
Aggregate write-ins for other than special surplus funds	56,684,211
Unassigned funds	(283,910,479)
Total surplus	124,846,345
Total liabilities and surplus	$179,454,908

Note: Although the Company is subject to audits by the Internal Revenue Service ("IRS"), it has never undergone any IRS audits since its inception. The Company is however exempt from New York State corporate income taxes. The examiners are unaware of any potential exposure to the Company for any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Revenue and Expenses and Surplus

Surplus increased $47,340,625 during the three years examination period, January 1, 2015 through December 31, 2017, detailed as follows:

Total premium income		$ 2,086,549,561
Hospital and medical expenses		
Hospital/medical benefits	$1,431,355,558	
Prescription drugs	261,846,643	
Other professional services	55,073,917	
Emergency room and out-of-area	40,824,385	
Incentive pool, withhold adjustments and bonus amounts	10,002,546	
Aggregate write-ins for other hospital and medical costs	64,985,357	
Total hospital and medical expenses	$1,864,088,406	
Less: Net reinsurance recoveries	1,754,692	
Sub-total	$1,862,333,714	
Claims adjustment expenses	103,521,781	
General administrative expenses	184,201,509	
Increase in reserve for life and accident and health contracts	(3,624,598)	
Total underwriting deductions		2,146,432,406
Net underwriting gain		$(59,882,845)
Net investment income earned	7,260,059	
Net realized capital gains	852,719	
Net investment gains		$ 8,112,778
Aggregate write-ins for other income		0
Net income after capital gains and before federal income taxes		$(51,770,067)
Less: Federal income taxes incurred		300,000
Net income		$(52,070,067)

Change in Surplus

	Gains in Surplus	Losses in Surplus	
Surplus, per report on examination, as of December 31, 2014			$77,505,720
Net income		$52,070,067	
Change in non-admitted assets		589,308	
Paid in surplus	100,000,000		
Net increase in capital and surplus			$47,340,625
Surplus, per report on examination, as of December 31, 2017			$ 124,846,345

5. AGGREGATE RESERVES AND UNPAID CLAIMS

The examination liability of $46,571,394 for the above captioned account is the same as the amount reported by the Company as of December 31, 2017.

The examination analysis of the claims unpaid reserve was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and filed annual statements as verified during the examination. The examination reserve was based upon actual payments made through a point in time, plus an estimate for claims remaining unpaid at that date. Such estimate was calculated based on actuarial principles, which utilized the Company's past experience in projecting the ultimate cost of claims incurred on or prior to December 31, 2017.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination as of December 31, 2017, contained twelve (12) comments and recommendations pertaining to the financial portion of the examination (page number refers to the prior report on examination):

ITEM NO.		PAGE NO.
	Corporate Governance	
1.	It is recommended that UBI comply with its by-laws by maintaining a minimum of eight members on its board of directors. *The Company has complied with recommendation.*	8
2.	It is recommended that UBI comply with Section 4301(k)(1) of the New York Insurance Law by limiting the number of directors who are physicians to no more than one-fifth of the board's overall membership. *The Company has complied with recommendation.*	9
3.	It is recommended that UBI, in the preparation of its (i) internal records on the board of directors membership and (ii) board of directors disclosure in the Jurat Pages to the Company's NAIC annual statement and NYS Annual Statement Supplement filings, exercise due care to ensure that the information provided is accurate and consistent. *The Company has complied with recommendation.*	10
4.	It is recommended that UBI comply with Section 4312(b) of the New York Insurance Law and only pay a UBI officer, director or employee a salary/or other compensation for no longer than thirty-six months from the date of each person's written agreement with the Company. *The Company has complied with recommendation.*	11
5.	It is recommended that the Company establish and maintain a formal custodial agreement with a depository bank for safekeeping purposes of UBI's investments and other securities held on deposit with such institution. The custodial agreement should be compliant with the *NAIC Financial Condition Examiners Handbook* in terms of the agreement, including such	11

ITEM NO.		PAGE NO.
	protective clauses and internal control provisions contained in the Handbook. *The Company has complied with recommendation.*	
6.	It is recommended that the Company assess its current organizational and staffing structure with consideration given to segregating responsibilities for internal audit, information security governance, risk management and internal testing. This assessment should consider all aspects of ERM, internal audit, information security governance and operations, and administrative responsibilities related to management's ERM testing of controls. Such recommendation is also consistent with the same requirement indicated in UBI's Corporate Internal Audit Charter. *The Company has complied with recommendation.*	14
7.	It is recommended that as a best practice UBI restructure the organizational reporting structure of its internal audit department by having its top supervisory employee in charge of that department report directly to the Audit Committee and on a dotted line basis to management. *The Company has complied with recommendation.*	14
8.	It is recommended that the Company's Audit Committee be responsible for reviewing and approving the performance evaluation and the salary and variable compensation of the Director of Audit Information and Assurance. *The Company has complied with recommendation.*	14
9.	It is recommended that UBI comply with its Internal Audit Charter by communicating to senior management and the Audit Committee, all significant matters of operational security. *The Company has complied with recommendation.*	15
10.	It is recommended that UBI comply with the requirement of its Internal Audit Charter by ensuring that an external quality assurance review and assessment of UBI's internal audit activities are conducted at least every five years by an independent reviewer.	15

ITEM NO. **PAGE NO.**

The Company has complied with recommendation.

Holding Company System

11. It is recommended that UBI comply with Section 1503(d)(2) of the New York Insurance Law by filing with the Department for approval, its inter-company reinsurance agreement with affiliate, Carter Insurance Company of Hamilton, Bermuda. 21

The Company did not comply. However, subsequent to review, UBI submitted the agreement to Department of Financial Service.

Limitation of Expenses

12. It is recommended that the Company comply with Section 4309(a) of the New York Insurance Law by not exceeding the statutory maximum expense limitation. 24

The Company has complied with recommendation.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	**Corporate Governance**	
	It is recommended that the CDPHP comply with its audit committee charter by having the Treasurer of the Corporation serve as chair of the committee.	7
	On June 25, 2018 the Audit Committee updated its Audit Charter from the chair of the committee being the "Treasurer of the Corporation" to the "Treasurer of the Board of Directors".	

Respectfully submitted,

_____
Gail A Ross
Financial Services Examiner 2

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

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

_____
Gail A Ross

Subscribed and sworn to before me
This ____ day of _____ 2023

APPOINTMENT NO. **31693**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***MARIA T. VULLO****, 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:*

Gail Ross

as a proper person to examine the affairs of the

CDPHP-Universal Benefits, Inc.

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

Plan

with such other information as she 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 4th day of December, 2017

MARIA T. VULLO
Superintendent of Financial Services

By:

Lisette Johnson
Bureau Chief
Health Bureau