

Government of the District of Columbia
Department of Insurance, Securities and Banking



William P. White
Acting Commissioner

BEFORE THE
INSURANCE COMMISSIONER OF
THE DISTRICT OF COLUMBIA

Re: Report on Examination - New York Healthcare Insurance Company, Inc., A Risk Retention Group, as of December 31, 2009

ORDER

An Examination of **New York Healthcare Insurance Company, Inc., A Risk Retention Group** ("Company"), as of December 31, 2009 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("Department").

It is hereby ordered on this 6th day of April 2011, that the attached financial condition examination report be adopted and filed as an official record of this Department.

In addition, it is hereby ordered that the Company comply with the recommendations in the attached financial condition examination report.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.

A handwritten signature in black ink that reads "William P. White".

William P. White
Acting Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



REPORT ON EXAMINATION

New York Healthcare Insurance Company, Inc.,
A Risk Retention Group

AS OF

DECEMBER 31, 2009

NAIC NUMBER 12275

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Washington, D.C.
December 14, 2010

Honorable William P. White
Acting Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
810 First Street, NE, Suite 701
Washington, D.C. 20002

Dear Sir:

In accordance with Section 31-3931.14 of the District of Columbia Official Code, we have examined the financial condition and activities of

New York Healthcare Insurance Company, Inc., A Risk Retention Group

hereinafter referred to as the “Company” or “NYHIC.”

SCOPE OF EXAMINATION

This full-scope examination, covering the period from March 10, 2005 through December 31, 2009, including any material transactions and/or events noted occurring subsequent to December 31, 2009, was conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

Our examination was conducted in accordance with examination procedures established by the Department and procedures recommended by the National Association of Insurance Commissioners (“NAIC”) and, accordingly, included such tests of the accounting records and such other examination procedures as we considered necessary in the circumstances.

Our examination included a review of the Company’s business policies and practices, management and corporate matters, a verification and evaluation of assets and a determination of the existence of liabilities. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Company was audited annually by an independent public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2005 through 2009. We placed substantial reliance on the audited financial statements for calendar years 2005 through 2008, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2009. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2009. We placed reliance on the work of

the auditor and directed our efforts, to practical extent, to those areas not covered by the firm's work papers.

STATUS OF PRIOR EXAMINATION FINDINGS

This is the first examination of the Company.

HISTORY

General:

NYHIC was licensed and commenced business on March 10, 2005, operating as a risk retention group under the District of Columbia captive insurance laws.

The Company was formed to offer medical professional liability and comprehensive general liability coverage on a claims-made basis to long-term facilities located in New York with the possibility to expand into other eastern states. Currently, the Company has registered with 3 states and only writes business in the state of New York.

Membership:

The Company was initially capitalized in 2005 with a \$1,000,000 letter of credit in favor of the D.C. Commissioner of Insurance which was procured on behalf of the Company by Mask Management, LLC ("MASK"). MASK is an insured and administrator of the Company and is owned by two of the Company's officers/directors. In 2006, in return for procurement of the letter of credit on behalf of the Company, Mask received one million shares of \$1 par value common stock of the Company. At December 31, 2009 MASK owned 35.6 percent of the Company's outstanding common stock. As a risk retention group, the Company is owned by its policyholders/members. In addition to MASK, the Company has approximately 30 long-term care facility policyholders/members.

The Company's initial application and approved business plan indicated that founding members would be contributing the initial capital and surplus for the Company and there is no indication or approval that MASK, which was approved to be the Company's administrator upon licensing, but was not a member until 2006, would own stock in the Company. In March 2011, the Company updated its business plan to reflect MASK's ownership in the Company.

According to the Company's Subscription and Shareholder Agreement, each new policyholder/member must make a capital contribution (purchase shares of common stock) equal to a minimum of 25 percent up to maximum of 50 percent of their annualized policy premium. The common stock shares are sold at a par value of \$1.00 per share if purchased prior to the day

the Company issues its first insurance policy, or at a cost to be determined by the board if purchased after such date. Payment for these shares may be made in installments of 40 percent in the first year, and 20 percent each of second, third and fourth years of the insured's applicable policy period. Outstanding amounts are not recorded as surplus until collected. Policyholder/members withdrawing from the Company prior to completion of their installment payments shall remain liable to the Company for any outstanding payments due. Each policyholder/member is entitled to one vote for each share of stock owned.

The Company's stock is nontransferable and may only be redeemed upon the withdrawal and the termination of a member as an insured. Stock redemption will be made in accordance with the bylaws of the Company and the subscription and shareholder agreement, and must meet the approval of the Company's board of directors and the Department. If a withdrawing policyholder/member has not been continuously insured by the Company for a period of at least three years, then the withdrawing shareholder is not entitled to receive payment of any kind from the Company, including repayment for any surrendered shares in the Company. The amount and timing of a stock redemption will be subject to, (1) the approval by the Department, (2) the provisions that the funds are legally available to make the payment, and (3) that the board of directors determines in its discretion that the payment will not materially impair or threaten the financial stability of the Company.

The Company is authorized to issue ten million (10,000,000) shares of \$1.00 par value common stock to its policyholders/members. At December 31, 2009, 2,811,551 shares of common stock were issued, outstanding and owned by the Company's policyholders/members.

During the examination, the Company was unable to provide completed Subscription and Shareholder Agreements for several of its policyholder/members as of December 31, 2009. See the "Comments and Recommendations" section of this report, under the caption "Subscription and Shareholder Agreements" for further comments regarding this condition.

Dividends and Distributions:

The Company did not declare or pay any dividends during the period under examination.

MANAGEMENT

Directors:

The following persons were serving as the Company's directors as of December 31, 2009:

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
Robert Schuck, Chair New York	Chief Financial Officer Hempstead Park Associates, LLC Rockaway Care Center, LLC Regency Extended Management, LLC

Solomon Abramczyk
New York

Operator
Park Gardens Rehabilitation and Nursing Center, LLC
Silver Lake Specialized Rehabilitation and Care
Center, LLC

Michael Melnicke
New York

Director
Rockaway Care Center, LLC

Officers:

The following persons were serving as the Company's officers as of December 31, 2009:

<u>Title</u>	<u>Name</u>
President:	Robert Schuck
Vice President:	Michael Melnicke
Vice President:	Abraham (Avi) Klein
Secretary/Treasurer:	Solomon Abramczyk
Assistant Secretary:	Brian (Troy) Winch

Committees:

In accordance with the Bylaws, the board of directors may designate one or more committees of the board. As of December 31, 2009, the Company's board had established no committees.

Conflicts of Interest:

The Company has adopted a "Code of Business Conduct and Ethics" policy ("Code"), which includes a conflicts of interest policy. Under the Code, the Company's directors and officers are required to annually sign conflict of interest statements. Our review of the conflict of interest statements signed by the Company's directors and officers for the period under examination disclosed that there were no conflicts of interest reported that would adversely impact the Company. Furthermore, no additional conflicts of interest were identified during our examination.

Corporate Records:

We reviewed the minutes of the meetings of the board of directors and shareholders for the period under examination. Based on our review, it appears that the minutes document the board's review and approval of the Company's significant transactions and events.

Section 31-3931.11(d) of the D.C. Official Code requires the board of directors of a captive insurer to meet at least one time each year in the District. In 2005, the board did not meet in the District, and in 2006 through 2009, the board met in the District. Though the Company held an annual board of directors meeting in the District on December 21, 2009, the meeting minutes were not available for review by the examiners until December 7, 2010. See the "Comments and

Recommendations” section of this report, under the caption “Board of Directors Meetings,” for further comments regarding this condition.

CAPTIVE MANAGER

Risk Services, LLC (“Risk Services”) has been the Company’s captive manager since incorporation and provides services that include records retention, financial reporting and filing, regulatory compliance, reinsurance intermediary and other management services.

AFFILIATED PARTIES AND TRANSACTIONS

The Company and its administrator, Mask Management, LLC (“MASK”), are affiliated through common control. Specifically, MASK’s owners are members of the Company’s board of directors and are also officers of the Company.

Effective January 27, 2005 the Company entered into an Administrator Agreement with MASK. Under the term of the agreement, MASK provides general administrative and program management services, including claims handling, underwriting, risk management and policy issuance/premium collection services. In return for the services provided, the Company pays MASK nine percent of the annual gross written premiums. In addition, MASK is eligible for a profit commission bonus based on the loss experience of both the retained layer and the reinsured layer of the business in accordance with a January 1, 2010 addendum to the agreement. The agreement automatically renews for successive twelve-month periods unless terminated by either party with 90 days’ notice. The administrative and program management services provided by MASK are performed in its Edgemere, New York, offices. Based on the administrator agreement, MASK may assign, delegate or otherwise subcontract for the performance of its duties and obligations.

Prior to June 1, 2009 MASK subcontracted, on behalf of the Company, underwriting services to Insurance Program Manager’s Group, LLC (“IPMG”), and claims handling services to ClaimsOne, LLC (“ClaimsOne”), an affiliate of IPMG, under separate agreements with each service provider.

Effective June 1, 2009 MASK, on behalf of the Company, entered into a comprehensive subcontract agreement with IPMG and its affiliated entities, ClaimsOne and Method Management, Inc. (“Method Management”), all located in St. Charles, Illinois. Under this agreement, IPMG and its affiliates provide underwriting, claims administration, safety and loss control, and any other mutually agreed upon administrative services to the Company. The original term of the agreement is June 1, 2009 through May 31, 2012, but the agreement automatically renews for successive annual periods unless terminated by either party with 90 days’ notice. Based on the subcontract agreement, the Company or MASK agrees to pay IPMG or its affiliates a fixed service fee plus a certain percentage of the annual gross written premiums, depending on premium levels. Such fees are to be remitted quarterly. As of the date of this

Report, the Company is in the process of changing its claims administrator from ClaimsOne to ProClaim America, Inc. (“ProClaim”), New York.

In accordance with the subcontract agreement, the Company agrees to “pay IPMG” for safety and loss control services a fee based on a combination of a percentage of gross written premiums and a flat fee per facility insured. The agreement does not provide for IPMG to designate an affiliate to perform this function or to be paid a fee, yet the Company has made direct payments to Method Management for safety and loss control services. See the “Comments and Recommendations” section of this report, under the caption “Service Provider Agreements,” for further comments regarding this condition.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains insurance coverage for fiduciary liability and directors’ and officers’ liability with \$1,000,000 per loss and aggregate limits, subject to a \$5,000 deductible. This policy provides adequate coverage based on NAIC guidelines and contractual requirements.

PENSION AND INSURANCE PLANS

The Company has no employees and therefore has no employee pension or insurance plans.

STATUTORY DEPOSITS

As of December 31, 2009 the Company did not have any statutory deposits in the District of Columbia and was not required to maintain any such deposits. In addition, the Company was not required to maintain statutory deposits with any other jurisdictions.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2009, the Company was licensed in the District of Columbia and was registered as a risk retention group in New York, New Jersey, and Connecticut. One hundred percent of the Company’s 2009 premium (\$5,251,469) was written in New York.

The Company provides medical professional liability and comprehensive general liability coverage on a claims-made basis to its policyholder/members which are long-term care facilities located in New York. Policy limits offered are \$1,000,000 per claim and \$3,000,000 per policy annual aggregate with a minimum \$10,000 self-insured deductible. To manage its risks under its policies, the Company participates in an excess of loss reinsurance treaty under which it retains \$250,000 ultimate net loss for each and every claim. See the “Reinsurance” section of this report for further comments regarding the Company’s reinsurance.

The Company has no employees and its daily business operations are managed by various third party service providers. During the examination period and as of the date of this report, the Company's captive manager, Risk Services, provided the Company with records retention, financial reporting and filing, regulatory compliance, reinsurance intermediary and other management services from its offices in Sarasota, Florida.

As discussed in the "Affiliated Parties and Transactions" section, MASK functions as the Company's administrator and subcontracts underwriting, claims administration, safety and loss control duties to IPMG and its affiliated entities, ClaimsOne and Method Management, located in St. Charles, Illinois.

Under a Marketing and Brokerage Agreement, Oxford Coverage, Inc. ("Oxford") markets the Company's insurance products and provides billing and collection services from its offices in Brooklyn, New York. Oxford specializes in providing such services to nursing homes, home health care agencies, durable medical equipment companies, hospitals, hotels, shopping malls and similar facilities.

None of the above service providers, with the exception of MASK, is an affiliate of the Company.

INSURANCE PRODUCTS AND RELATED PRACTICES

This examination was a financial examination, and generally did not include market conduct procedures. An examination of the market conduct affairs of the Company has never been conducted. A market conduct examination would include detailed reviews of the Company's sales and advertising, agent licensing, timeliness of claims processing, and complaint handling practices and procedures.

Therefore, the scope of our examination did not include market conduct procedures, including, but not limited to, procedures in the following areas:

- Policy Forms
- Fair Underwriting Practices
- Advertising and Sales Materials
- Treatment of Policyholders:
 - Claims Processing (Timeliness)
 - Complaints

REINSURANCE

Excess of Loss Treaty Effective March 1, 2005 to June 1, 2008:

From March 1, 2005 to June 1, 2008 the Company maintained an excess of loss treaty with various Lloyd's syndicates and international insurers under which it retained the first \$250,000

of each claim and reinsured \$750,000 in excess of \$250,000. With the approval of the Department, the Company commuted policy years 2005 and 2006 up to June 1, 2007 of this treaty and the total return premium of \$614,739 was recovered during 2009.

Excess of Loss Treaty Effective June 1, 2008 to June 1, 2011:

Effective June 1, 2008 the Company entered into an excess of loss treaty with several Lloyd's syndicates, Aspen Insurance UK Ltd. and Catlin Insurance Company (Bermuda) Ltd. ("Lloyd's and partners") for a 36-month period beginning June 1, 2008 and extending over three contract periods, expiring on June 1, 2011.

We noted that the termination provisions in the agreement state the reinsurers may cancel at any June 1 anniversary with 30 days' prior written notice, but that there is no provision for termination by the Company. During the examination, we discussed this issue with the management of the Company. Subsequently, management provided an amendment to this provision that provides for termination rights by the Company. In addition, we noted this agreement has never been finalized or fully executed though the parties maintain that coverage is in place. See the "Comments and Recommendations" section of this report, under the caption "Reinsurance Agreements," for further comments regarding this condition.

Under this excess of loss treaty, the Company cedes \$750,000 in excess of \$250,000 for each and every loss each insured except where a claim arises from two or more policies, in which case the Company cedes \$625,000 in excess of \$375,000 for each loss event. The Company's annual premium under the agreement is based on a provisional (deposit) premium of 35.5 percent of gross net written premiums, subject to a minimum of 16 percent and a maximum of 52.5 percent of gross net written premium. This premium can be adjusted at the expiry of each annual treaty period and quarterly thereafter based on the minimum rate of 16 percent of gross net written premiums plus 110 percent of incurred losses (paid and/or reserved losses) as reported under the agreement, up to the maximum rate of 52.5 percent of gross net written premiums.

In 2009 the Company's reinsurance premium totaled \$1,190,657. As of December 31, 2009, the Company did not report any amounts recoverable from reinsurers related to paid losses and loss adjustment expenses as none had exceeded the \$250,000 retention. The Company did report "Other amounts receivable under reinsurance contracts" totaling \$1,639,351, which represents case and IBNR reserve estimates for losses and loss adjustment expenses. This amount is also included in the Company's reserves for losses and loss adjustment expenses as those liabilities are reported gross of ceded reinsurance. The Company also reported "Deferred reinsurance" totaling \$795,657, which represents prepaid reinsurance premiums, and negative "Ceded reinsurance premium payable" totaling (\$610,304), which represents estimated premiums due back from the reinsurers as a result of anticipated favorable loss experience under the reinsurance agreements. If the reinsurers were not able to meet their obligations under the treaties, the Company would be liable for any defaulted amounts.

With the exception of the termination provision discussed above, which was amended during the examination, our review of the Company's reinsurance treaties disclosed no unusual terms. All of the Company's reinsurers to these treaties are rated "A" or better by A.M. Best.

ACCOUNTS AND RECORDS

The primary location of the Company's books and records is at the offices of its captive manager, Risk Services, in Sarasota, Florida.

The Company's general accounting records consist of an automated general ledger and various subsidiary ledgers. Our examination did not disclose any significant deficiencies within these records.

FINANCIAL STATEMENTS

The following financial statements, prepared in accordance with accounting practices generally accepted in the United States (“GAAP”), except for the condition described in **NOTE 1**, reflect the financial condition of the Company as of December 31, 2009 as determined by this examination:

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The accompanying Notes to Financial Statements are an integral part of these Financial Statements.

BALANCE SHEET

ASSETS

	<i>December 31, 2009</i>
Cash (\$6,889,721), cash equivalents (\$0) and short-term investments (\$0)	\$ 6,889,721
Subtotal, cash and invested assets	\$ 6,889,721
Uncollected premiums and agents' balance in the course of collection	\$ 1,535,853
Other amounts receivable under reinsurance contracts	\$ 1,639,351
Current federal income tax recoverable	\$ 9,354
Net deferred tax asset	\$ 54,329
Aggregate write-ins for other than invested assets:	
Letters of credit (NOTE 1)	\$ 1,000,000
Deferred policy acquisition costs	607,839
Deferred reinsurance (Prepaid reinsurance premiums)	795,657
Deductible recoverable	265,453
Prepaid and deferred expenses	<u>88,197</u>
Total aggregate write-ins for other than invested assets	\$ 2,757,146
Total Assets	<u>\$ 12,885,754</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

	<i>December 31, 2009</i>
Losses (NOTE 2)	\$ 5,784,941
Loss adjustment expenses (NOTE 2)	1,950,835
Commissions payable	137,381
Other expenses (excluding taxes, licenses and fees)	240,203
Taxes, licenses and fees (excluding federal and foreign income taxes)	22,171
Unearned premiums	2,773,212
Ceded reinsurance premiums payable (Estimated reinsurance premium refund)	<u>(610,304)</u>
Total Liabilities	<u>\$ 10,298,439</u>
Common capital stock	\$ 2,811,551
Gross paid in and contributed surplus	69,049
Unassigned funds (surplus)	<u>(293,285)</u>
Surplus as regards policyholders	<u>\$ 2,587,315</u>
Total Liabilities Capital and Surplus	<u>\$ 12,885,754</u>

STATEMENT OF INCOME

	<i>2009</i>
UNDERWRITING INCOME	
Premiums earned	\$ 3,894,487
DEDUCTIONS	
Losses incurred	\$ 1,386,637
Loss adjustment expenses incurred	1,350,924
Other underwriting expenses incurred	1,469,846
Total underwriting deductions	\$ 4,207,407
Net underwriting loss	\$ (312,920)
INVESTMENT INCOME	
Net investment income earned	\$ 88,976
Net investment gain	\$ 88,976
Net loss after dividends to policyholders, after capital gains and before all other federal and foreign income taxes	\$ (223,944)
Federal and foreign income taxes incurred	\$ 1,294
Net loss	\$ (225,238)

CAPITAL AND SURPLUS ACCOUNT

Net loss, 2005	\$	(56,206)
Initial capital and surplus		1,000,000
Capital changes: Paid in		264,719
Net change in surplus as regards policyholders, 2005		<u>1,208,513</u>
Surplus as regards policyholders, December 31, 2005	\$	<u>1,208,513</u>
Net loss, 2006	\$	(51,150)
Capital changes: Paid in		363,614
Net change in surplus as regards policyholders, 2006		<u>312,464</u>
Surplus as regards policyholders, December 31, 2006	\$	<u>1,520,977</u>
Net income, 2007	\$	34,312
Capital changes: Paid in		446,996
Net change in surplus as regards policyholders, 2007		<u>481,308</u>
Surplus as regards policyholders, December 31, 2007	\$	<u>2,002,285</u>
Net income, 2008	\$	4,996
Capital changes: Paid in		462,091
Net change in surplus as regards policyholders, 2008		<u>467,087</u>
Surplus as regards policyholders, December 31, 2008	\$	<u>2,469,372</u>
Net loss, 2009	\$	(225,238)
Capital changes: Paid in		274,132
Surplus adjustments: Paid in		69,049
Net change in surplus as regards policyholders, 2009		<u>117,943</u>
Surplus as regards policyholders, December 31, 2009	\$	<u>2,587,315</u>

ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

There were no changes to the Company's surplus as a result of our examination.

COMPARATIVE FINANCIAL POSITION OF THE COMPANY

The comparative financial position of the Company for the periods since inception is as follows:

	2009	2008	2007	2006	2005
Assets	\$ 12,885,754	\$ 9,692,941	\$ 6,542,344	\$ 3,203,451	\$ 1,677,339
Liabilities	10,298,439	7,223,569	4,540,059	1,682,474	468,826
Capital and surplus	2,587,315	2,469,372	2,002,285	1,520,977	1,208,513
Gross written premium	5,251,469	5,130,752	4,114,080	1,552,420	660,926
Net earned premium	3,894,487	3,288,450	2,054,358	645,166	205,992
Net investment income	88,976	89,073	59,058	24,718	5,338
Net income (loss)	\$ (225,238)	\$ 4,996	\$ 34,312	\$ (51,150)	\$ (56,206)

Note:

Amounts in the preceding financial statements for the years ended December 31, 2005 through December 31, 2008 were taken from the Company's Annual Statements as filed with the Department. Amounts for the year ended December 31, 2009 are amounts per examination.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Letters of Credit:

At December 31, 2009, the Company's assets included \$1,000,000 in letters of credit in the possession of the District of Columbia Insurance Commissioner. Under the Captive Laws of the District of Columbia, letters of credit approved by the Department are allowed as admitted assets. Inclusion of the letters of credit as assets is not in accordance with GAAP.

NOTE 2 – Loss and Loss Adjustment Expense Reserves:

The Company reported "Losses" and "Loss adjustment expenses" reserves totaling \$5,784,941 and \$1,950,835, respectively. These reserves represent management's best estimate of the amounts necessary to pay all claims and related expenses that have been incurred but are still unpaid as of December 31, 2009. Of the Company's total reserve of \$7,735,776 for losses and loss adjustment expenses, \$1,639,351 has been ceded to reinsurers. This amount is recorded as an asset on the Company's balance sheet under "Other amounts receivable under reinsurance contracts." If the reinsurers are unable to meet their obligations under the reinsurance treaty, the Company would be liable for any defaulted amounts. The Company's total net reserves for losses and loss adjustment expenses are \$6,096,425. The Company does not discount its reserves.

The methodologies utilized by the Company's actuary to compute reserves, and the adequacy of the loss and loss adjustment expenses reserves as of December 31, 2009, were reviewed as part of our examination. As part of our review, we relied on the Company's independent actuary who concluded that the Company's reserves were within the range calculated by the Company's actuary. In addition, as part of our review of the Company's reserves, we engaged an independent actuary (examination actuary) to review the methods employed, assumptions relied upon, and conclusions reached by the Company's independent actuary. The independent actuary utilized in our examination concluded that the methodologies and assumptions utilized by the Company's independent actuary to compute these reserves were reasonable and adequate.

However, the examination actuary noted that the Company carried loss and loss adjustment expense reserves at the low end of its independent actuary's estimated range as of December 31, 2009. In addition, the Company did not record unallocated loss adjustment expense reserves. If the Company recorded the loss and loss adjustment expense reserves at the midpoint of the independent actuary's estimated range, the Company's surplus at December 31, 2009 would decrease by \$1,124,000 from \$2,587,315 to \$1,463,315. Therefore, the examination actuary expressed concerns regarding the Company's carried loss reserves being at the lower end of the independent actuary's range. In addition, the Company changed its claims administrator and appointed actuary in 2010. As a result of these conditions, the examination actuary suggests the Department continue to closely monitor the Company and its loss reserves.

Prior to the commencement of this examination, the Department has been closely monitoring and will continue to monitor the Company's loss reserves and financial position.

COMMENTS AND RECOMMENDATIONS

Subscription and Shareholder Agreements:

The Company was not able to provide completed Subscription and Shareholder Agreements for several of its policyholder/members at December 31, 2009. **We recommend that the Company implement procedures to ensure that completed Subscription and Shareholder Agreements are executed in a timely manner and maintained for all policyholder/members.**

Board of Directors Meetings:

Section 31-3931.11(d) of the D.C. Official Code requires the board of directors of a captive insurer to meet at least one time each year in the District. As noted in the “Corporate Records” section of this report, though the Company held an annual board of directors meeting in the District on December 21, 2009, the minutes were not available for review by the examiners until December 7, 2010. **We recommend the Company ensure the minutes to board of directors meetings be drafted in a timely manner.**

Service Provider Agreements:

Effective June 1, 2009 MASK, on behalf of the Company, entered into a comprehensive Agreement for General Administration, Third Party Administration and Safety/Loss Control Services with IPMG and its affiliated entities, ClaimsOne, LLC and Method Management, Inc. (“Method”). In accordance with the agreement, the Company agrees to “pay IPMG” for safety and loss control services a fee based on a combination of a percentage of gross written premiums and a flat fee per facility insured. The agreement does not provide for IPMG to designate an affiliate to perform this function or to be paid a fee, yet the Company has made direct payments to Method for safety and loss control services. **We recommend that the Company ensure compliance with the terms of the Agreement. Any changes to the Agreement should be submitted to the department for approval.**

Reinsurance Agreements:

The Company’s excess of loss reinsurance agreement for the period June 1, 2008 to June 1, 2011 with Lloyd’s syndicates and other international reinsurers has not been finalized or fully executed as of the date of this report, although the parties maintain that coverage is in place. **We recommend that the Company implement procedures to ensure that reinsurance agreements are executed in a timely manner. In addition, we recommend that the Company submit the executed treaty to the Department by May 1, 2011.**

CONCLUSION

Our examination disclosed that as of December 31, 2009 the Company had:

Admitted Assets	\$	12,885,754
Liabilities and Reserves		10,298,439
Common Capital Stock		2,811,551
Gross Paid In and Contributed Surplus		69,049
Unassigned Funds (Surplus)		(293,285)
Total Surplus		2,587,315
Total Liabilities, Capital and Surplus	\$	12,885,754

Based on our examination, the accompanying balance sheet properly presents the financial position of the Company at December 31, 2009, and the accompanying statement of income properly presents the results of operations for the period then ended.

Chapter 39 (“CAPTIVE INSURANCE COMPANIES”) of Title 31 (“Insurance and Securities”) of the D.C. Official Code specifies the level of capital and surplus required for the Company. We concluded that the Company’s capital and surplus funds exceeded the minimum requirements during the period under examination.

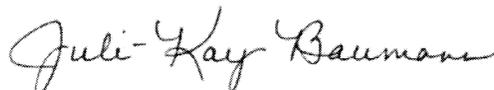
SIGNATURES

In addition to the undersigned, the following examiners representing the District of Columbia Department of Insurance, Securities and Banking participated in certain phases of this examination:

Amy L. Carter, Regulatory Consultants, Inc.

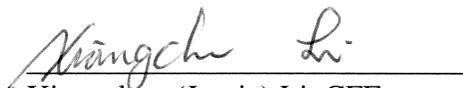
The actuarial portion of this examination was completed by Steven P. Lattanzio, FCAS, MAAA, FCA, and Kristine M. Fitzgerald, ACAS, MAAA, FCA, Actuarial & Technical Solutions, Inc.

Respectfully submitted,



Juli-Kay Baumann, CFE
Examiner-In-Charge
Regulatory Consultants, Inc.

Under the Supervision of,



Xiangchun (Jessie) Li, CFE
Supervising Examiner
District of Columbia Department of Insurance,
Securities and Banking

Government of the District of Columbia
Department of Insurance, Securities and Banking



William P. White
Acting Commissioner

March 16, 2011

Robert Schuck
President
New York Healthcare Insurance Company, Inc., A Risk Retention Group
C/o Risk Services, LLC
2233 Wisconsin Avenue, N.W., Suite 310
Washington, DC 20007

RE: Examination of **New York Healthcare Insurance Company, Inc., A Risk Retention Group**, as of December 31, 2009

Dear Mr. Schuck:

Pursuant to the provisions of Section 31-1404 of the D.C. Official Code, enclosed is a draft copy of the Report on Examination ("Report") of the affairs and financial condition of **New York Healthcare Insurance Company, Inc., A Risk Retention Group** ("Company") as of December 31, 2009.

Please submit, to my attention, a written response calling attention to any errors or omissions in the draft Report. In addition, the Company's response shall include a response to the recommendations included in the "Comments and Recommendations" section of this Report. The response should indicate the Company's agreement or disagreement with the recommendations, as well as a summary of the corrective measures which will be taken by the Company for the recommendations. If the Company disagrees with the recommendations, the response shall indicate the reason(s) for the disagreement, as well as an explanation of alternative measures to be taken by the Company to address the conditions which lead to the recommendations.

The response must be in writing and shall be furnished to this Department by April 6, 2011. In addition to a hard-copy response, please also furnish the response electronically via e-mail to me, in a Microsoft "Word" format, to sean.odonnell@dc.gov.

Sincerely,

A handwritten signature in black ink that reads "Sean O'Donnell".

Sean O'Donnell
Director of Financial Examination,
Risk Finance Bureau

Enclosure

April 5, 2011

Mr. Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau
Government of the District of Columbia
Department of Insurance, Securities, and Banking
810 First Street, NE, Suite 701
Washington, D.C. 20002

**Re: New York Healthcare Insurance Company, Inc., A Risk Retention Group (NYHC)
NAIC Company Code: 12275; NAIC Group Code: 0000; FEIN 20-2487981**

Dear Mr. O'Donnell:

Per this correspondence, the above-named company hereby submits to the District of Columbia Department of Insurance, Securities and Banking ("DISB") its response to the Report on Examination as of December 31, 2009. The comments and recommendations included in the report are included here for ease of review.

- 1. We recommend that the Company implement procedures to ensure that completed Subscription and Shareholder Agreements are executed in a timely manner and maintained for all policyholder/members.*

The Company will ensure that Subscription and Shareholder Agreements are executed and maintained for all members.

- 2. We recommend the Company ensure the minutes to board of directors meetings be drafted in a timely manner.*

The Company will execute minutes to its Board of Directors meetings in a timely manner.

- 3. We recommend that the Company ensure compliance with the terms of its Service Provider Agreement with IPMG and its affiliated entities. Any changes to the Agreement should be submitted to the department for approval.*

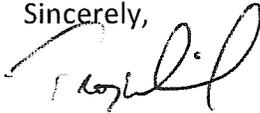
The Company will comply with the terms of its agreement with IPMG and will submit any changes to the Department for approval.

- 4. We recommend that the Company implement procedures to ensure that reinsurance agreements are executed in a timely manner. In addition, we recommend that the Company submit the executed treaty for the period June 1, 2008 to June 1, 2011 to the Department by May 1, 2011.*

The Company will ensure reinsurance agreements are executed in a timely manner. The final treaty for the period June 1, 2008 to June 1, 2011 will be submitted to the Department.

Should you have any questions or need to reach me for any reason, please do not hesitate to contact me by telephone at (800) 226-0793 x305 or by e-mail at twinch@pboa.com.

Sincerely,



Troy Winch

Vice President – Director of Captive Insurance

Risk Services, LLC

As Managers for

New York Healthcare Insurance Company, Inc. A Risk Retention Group

Government of the District of Columbia
Department of Insurance, Securities and Banking



William P. White
Acting Commissioner

April 6, 2011

Robert Schuck
President
New York Healthcare Insurance Company, Inc., A Risk Retention Group
C/o Risk Services, LLC
2233 Wisconsin Avenue, N.W., Suite 310
Washington, DC 20007

RE: Examination of **New York Healthcare Insurance Company, Inc., A Risk Retention Group**, as of December 31, 2009

Dear Mr. Schuck:

We are in receipt of a response, dated March 16, 2011, from Troy Winch, Vice President – Director of Captive Insurance, Risk Services, LLC, as Managers for New York Healthcare Insurance Company, Inc., A Risk Retention Group (“Company”), regarding the Report on Examination of the Company as of December 31, 2009. The response is deemed adequate.

The adopted Report (which includes a copy of this letter), and the Order evidencing such adoption are enclosed. Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the adopted Report will be held private and confidential for a period of 10 days from the date of the Order evidencing such adoption. After this 10 day period has passed, the Report will be publicly available. The Department of Insurance, Securities and Banking will forward the adopted Report electronically to each jurisdiction in which the Company is registered, as well as to the National Association of Insurance Commissioners.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the date of the above-mentioned Order, affidavits executed by each Company director stating under oath that he or she has received a copy of the adopted examination Report and related Order shall be filed with this Department. Please send these affidavits to my attention at the Department.

Please contact me at 202-442-8153 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Sean O'Donnell".

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau

Enclosures