Government of the District of Columbia
Muriel Bowser, Mayor
Department of Insurance, Securities and Banking

DISB

Chester A. McPherson
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, 2013

ORDER

An Examination of **New York Healthcare Insurance Company, Inc., A Risk Retention Group** as of December 31, 2013 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this 18th day of June, 2015, 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.

Dana Sheppard
Acting Deputy Commissioner for

Chester A. McPherson
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, 2013

NAIC NUMBER 12275

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Washington, D.C.
March 19, 2015

Honorable Chester A. McPherson
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 Acting Commissioner McPherson:

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 January 1, 2010 through December 31, 2013, including any material transactions and/or events noted occurring subsequent to December 31, 2013, was conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department"). The last examination was completed as of December 31, 2009 by the Department.

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook ("Handbook") and the policies and standards established by the Department. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with applicable accounting principles, annual statement instructions, and compliance with domestic jurisdiction laws and regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. 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 2010 through 2013. We placed substantial reliance on the audited financial statements for calendar years 2010 through 2012, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2013. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2013. We placed reliance on the work of the auditor and directed our efforts, to the extent practical, to those areas not covered by the firm's work papers.

SUMMARY OF SIGNIFICANT FINDINGS

This examination resulted in a material decrease to the Company’s surplus totaling $2,135,652. The majority of this adjustment resulted from an increase in the amount of $1,989,301 to the Company’s loss and loss adjustment expenses reserves as of December 31, 2013. See detailed explanations on these examination adjustments in NOTES 2 and 3 in the “Notes to Financial Statements” section of this Report.

This examination also disclosed a number of comments and recommendations related to the Company’s operations. See detailed discussions on these findings in the “Comments and Recommendations” section of this Report.

STATUS OF PRIOR EXAMINATION FINDINGS

A full scope financial examination was conducted by the Department as of December 31, 2009, which covered the period March 10, 2005 through December 31, 2009. In the Report on the prior examination, dated December 14, 2010, the Department noted four exception conditions and related recommendations. Our examination included a review to determine the current status of the four recommendations in the prior exam report, and determined that the Company had satisfactorily addressed three of the four recommendations. See the “Comments and Recommendations” section of this Report, under the caption “Subscription and Shareholder Agreements” for further comments regarding the repeat recommendation.

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. The core group of initial members was derived from the New York Healthcare Insurance Company Trust, a workers' compensation fund consisting of New York State based long-term care facilities. Currently, the Company is registered in four states and only writes business in the states of New York and Illinois.

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, 2013, MASK, and thereby its owners Robert Schuck and Sol Abramczyk, owned 24.4 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 60 long-term care facility policyholders/members.

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 the initial policy premium. The common stock shares were sold at the par value of $1 per share if purchased prior to the day the Company issued its first insurance policy, and at an issue price determined by the board of directors if purchased after such date. Payment for these shares may be made in installments of 40 percent in the first year, and 20 percent in each of the second, third and fourth years in which coverage remains in force. 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. 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 par value common stock to its policyholders/members. At December 31, 2013, 4,104,082 shares of common stock were issued and outstanding.

During the examination, the Company was unable to provide executed Subscription and Shareholder Agreements for several of its policyholder/members as of December 31, 2013. 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:

During 2011, the Company declared and distributed dividends to policyholders in the amount of $150,001. No dividends were declared or distributed for the years 2010, 2012 and 2013. All dividend distributions were approved in advance by the Department.

MANAGEMENT

Board of Directors and Officers:

The Company's directors serving as of December 31, 2013 were as follows*:

Name and State of Residence	Principal Occupation
Robert Schuck, Chairman New York	Chief Financial Officer Rockaway Care Center, LLC
Sol Abramczyk New York	Operator Park Gardens Rehabilitation and Nursing Center, LLC

*Mike Miller was elected to the board of directors effective March 27, 2014, to bring the Company back in compliance with its bylaws, which require a minimum of three directors.

The Company's officers serving as of December 31, 2013 were as follows:

Name	Title
Robert Schuck	President
Sol Abramczyk	Treasurer and Secretary
Brian Troy Winch	Assistant Secretary

Committees:

As of December 31, 2013, the Company's board of directors had not established any committees; however, the Company has designated its entire board of directors to act as the audit committee.

Conflicts of Interest:

Our review of the conflict of interest statements completed 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.

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 documented the review and approval of the Company's significant transactions and events.

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 is a member of a holding company group. As indicated in the "Membership" section of this Report, the Company's insured and administrator, MASK, held 24.4 percent of the Company's outstanding common stock as of December 31, 2013, and was equally owned by two of the Company's board members and officers, Robert Schuck and Sol Abramczyk. Therefore, the Company's ultimate controlling persons are Robert Schuck and Sol Abramczyk.

Effective January 27, 2005 the Company entered into an Administrator Agreement ("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, though as noted below MASK subcontracts with other service providers for certain services. 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, which was amended effective December 31, 2012 whereby no bonus shall be accrued or paid if doing so will cause the Company's NAIC IRIS ratios to fall below acceptable levels. 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 New York offices. Based on the Agreement, MASK may assign, delegate or otherwise subcontract for the performance of its duties and obligations.

Effective June 1, 2009 MASK, on behalf of the Company, entered into a comprehensive subcontract agreement with Insurance Program Manager's Group, LLC ("IPMG") and IPMG's 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, risk management, 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, IPMG and its affiliates are paid 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.

Effective November 1, 2010, the Company changed its claims administrator by entering in to a claims service agreement directly with ESIS Proclaim ("ProClaim"), which is not affiliated with IPMG. And effective October 1, 2010, the Company entered in to an agreement with Extended Care Consulting, Inc. to take over the majority of the risk management functions from Method Management.

IPMG, ClaimsOne, Method Management, ProClaim, and Extended Care Consulting, Inc. are not affiliated with the Company or with MASK.

All service agreements were approved by the Department.

FIDELITY BOND AND OTHER INSURANCE

The Company does not have any employees and does not carry fidelity bond coverage. The Company maintains insurance coverage for directors' and officers' liability with $1,000,000 per loss and aggregate limits, subject to a $25,000 deductible.

The Company's captive manager maintains errors and omissions and fidelity bond coverage as required by the captive management agreement; the claims administrator maintains professional liability coverage as required by the claims service agreement; and IPMG maintains errors and omissions coverage as required by its agreement with the Company.

These policies provide 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.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2013, the Company was licensed in the District of Columbia and was registered as a risk retention group in New York, Illinois, New Jersey, and Connecticut. During 2013, the Company reported written premiums totaling $10,217,928, with $9,453,499 (92.5 percent) written in New York and $764,429 (7.5 percent) written in Illinois.

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. 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. The Company also offers $1 million excess general liability coverage in excess of the $1 million per claim limit; however, no insureds have added this coverage as of December 31, 2013. (This excess coverage is fully reinsured.) 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 received permission from the Department on August 6, 2012 to enter in to an arrangement under which certain policyholders of the Company which were required to have insurance from an A.M. Best "A" rated carrier would receive a high deductible surplus lines policy directly from an "A" rated carrier covering amounts in excess of $250,000, and simultaneously would receive from the Company a deductible reimbursement policy covering the $250,000 deductible. This program is effective from October 1, 2013 through January 1, 2017 and resulted in the Company entering in to a new reinsurance contract effective October 1, 2013 as discussed in the "Reinsurance" section of this Report.

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, and some risk management services to IPMG located in St. Charles, Illinois. ProClaim functions as the Company's claims administrator and Extended Care Consulting, Inc. also provides risk management services.

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.

COMPARATIVE FINANCIAL POSITION OF THE COMPANY

The financial position of the Company and its loss experience for the years under examination is presented in the following table, which is prepared from information contained in the Company's annual statements filed with the Department. The amounts reported in the table for the year ended December 31, 2013 are determined by this examination.

	2013	2012	2011	2010
Total admitted assets	$ 19,056,150	$ 18,579,787	$ 14,178,259	$ 14,733,020
Total liabilities	$ 16,942,882	$ 14,425,887	$ 10,982,948	$ 11,665,223
Total capital and surplus	$ 2,113,268	$ 4,153,900	$ 3,195,311	$ 3,067,797
Net cash from operations	$ 1,314,714	$ 2,424,885	$ 1,332,806	$ 428,919
Total adjusted capital **(NOTE 4)**	$ 2,113,268	$ 4,153,900	$ 3,195,311	$ 3,067,797
Authorized control level risk-based capital **(NOTE 4)**	$ 1,932,568	$ 1,439,511	$ 1,041,808	$ 933,558
Gross written premium	$ 10,217,928	$ 9,607,630	$ 6,484,504	$ 5,464,382
Ceded premiums written	$ 2,360,246	$ 1,245,422	$ 386,481	$ 1,074,667
Premiums earned	$ 7,909,288	$ 6,958,876	$ 5,712,595	$ 4,113,113
Net underwriting gain (loss)*	$ (2,261,441)	$ 189,778	$ (78,774)	$ 174,234
Net investment income	$ 196,508	$ 167,043	$ 155,215	$ 119,751
Net realized capital gains	$ 99,289	$ 28,827	$ 53,424	$ 2,610
Net income (loss)*	$ (1,972,330)	$ 320,855	$ 12,987	$ 263,161
Net underwriting gain to PHS	-107.0%	4.6%	-2.5%	5.7%
Net written premium to PHS	371.8%	201.3%	190.8%	143.1%
Losses and LAE incurred	$ 7,093,093	$ 5,061,051	$ 3,775,553	$ 2,113,493
Other underwriting expenses incurred	$ 3,077,636	$ 1,708,047	$ 2,015,816	$ 1,825,386
Net loss ratio	89.7%	72.7%	66.1%	51.4%
Expense ratio	38.9%	24.5%	35.3%	44.4%

*See detailed explanation in NOTE 2 in the "Notes to Financial Statements" section of this Report.

REINSURANCE

Effective October 1, 2013 the Company entered into an excess of loss treaty with several Lloyd's syndicates for a 36-month period, expiring on October 1, 2016.

Under the terms of this 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. Additionally, this treaty includes coverage for $1 million in excess of $1 million per claim as previously described in the "Territory and Plan of Operation" section of this Report. The Company's annual premium under the treaty is based on a provisional (deposit) premium of 32.5 percent of gross net written premiums, adjusted at the expiry of each annual treaty period and quarterly thereafter based on the minimum rate of 15 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 55 percent of gross net written premiums.

This reinsurance treaty also includes facultative coverage allowing Lloyd's syndicates to directly issue policies to Company insureds which need an "A" rated insurer, as previously discussed in the "Territory and Plan of Operation" section of this Report.

Prior to October 1, 2013, the Company maintained similar reinsurance coverage, except for the provision under which certain of the Company's insureds are issued surplus lines directly from Lloyd'.

With the approval of the Department, as of December 31, 2013, the Company commuted all reinsurance treaty years prior to June 1, 2009. As a result of the reinsurance commutations, the Company assumes full liability for any open or reopened claims reported prior to June 1, 2009.

In 2013 the Company ceded reinsurance premium totaling $2,360,246. As of December 31, 2013, the Company reported $74,447 in amounts recoverable from reinsurers related to paid losses and loss adjustment expenses and approximately $1,626,000 in reinsurance recoverable on unpaid losses and loss adjustment expenses. The Company also reported negative "Ceded reinsurance premium payable" totaling $3,718,627, 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. Our review of the Company's reinsurance treaties disclosed no unusual terms.

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 in these records, however, significant delays were encountered in receiving certain examination-requested information. See the "Comments and recommendations" section of this report, under the caption "Examination Delays" for further comments regarding these delays.

STATUTORY DEPOSITS

As of December 31, 2013, 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.

FINANCIAL STATEMENTS

The following financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), except for the condition described in **NOTE 1**. These financial statements reflect the financial condition of the Company as of December 31, 2013, as determined by this examination:

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

BALANCE SHEET

ASSETS

	December 31, 2013
Bonds	$ 4,244,515
Preferred stocks	248,872
Common stocks	2,414,896
Cash ($6,459,660), cash equivalents ($0) and short-term investments ($0)	6,459,660
Subtotals, cash and invested assets	$ 13,367,943
Investment income due and accrued	42,219
Uncollected premiums and agents' balances in the course of collection	2,367,758
Amounts recoverable from reinsurers	74,447
Net deferred tax asset	358,158
Aggregate write-ins for other than invested assets:	
Letter of credit **(NOTE 1)**	1,000,000
Deferred policy acquisition costs	1,104,313
Deductible recoverable **(NOTE 2 a)**	629,834
Prepaid and deferred expenses	111,478
Total	$ 19,056,150

LIABILITIES, SURPLUS AND OTHER FUNDS

	December 31, 2013
Losses **(NOTES 2 b and 3)**	$ 11,204,137
Loss adjustment expenses **(NOTES 2 b and 3)**	4,809,011
Commissions payable, contingent commissions and other similar charges	200,476
Other expenses (excluding taxes, licenses and fees)	370,594
Taxes, licenses and fees (excluding federal and foreign income taxes)	46,227
Current federal and foreign income taxes	39,753
Unearned premiums	3,991,311
Ceded reinsurance premiums payable (net of commission)	(3,718,627)
Total Liabilities	$ 16,942,882
Common capital stock	$ 4,104,082
Gross paid in and contributed surplus	62,548
Unassigned funds (surplus) **(NOTE 2 b)**	(2,053,362)
Surplus as regards policyholders **(NOTE 2 b)**	$ 2,113,268
Total	$ 19,056,150

STATEMENT OF INCOME

	2013
UNDERWRITING INCOME	
Premiums earned	$ 7,909,288
DEDUCTIONS	
Losses incurred **(NOTE 2 b)**	$ 4,618,570
Loss expenses incurred	2,474,523
Other underwriting expenses incurred **(NOTE 2 a)**	3,077,636
Total underwriting deductions	$ 10,170,729
Net underwriting loss	$ (2,261,441)
INVESTMENT INCOME	
Net investment income earned	$ 196,508
Net realized capital gains	99,289
Net investment gain	$ 295,797
OTHER INCOME	
Net income after dividends to policyholders, after capital gains and before all other federal and foreign income taxes	$ (1,965,644)
Federal and foreign income taxes incurred	6,686
Net loss	$ (1,972,330)

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2009	$	2,587,315
Net income, 2010		263,161
Change in net unrealized capital gains or (losses)		12,311
Capital changes: Paid in		205,010
Net change in surplus as regards policyholders, 2010		480,482
Surplus as regards policyholders, December 31, 2010	$	3,067,797
Net income, 2011		12,987
Change in net unrealized capital gains or (losses)		72,330
Capital changes: Paid in		276,471
Surplus adjustments: Paid in		(4,531)
Aggregate write-ins: Prior period audit adjustments		(229,743)
Net change in surplus as regards policyholders, 2011		127,514
Surplus as regards policyholders, December 31, 2011	$	3,195,311
Net income, 2012		320,855
Change in net unrealized capital gains or (losses)		68,035
Capital changes: Paid in		569,699
Net change in surplus as regards policyholders, 2012		958,589
Surplus as regards policyholders, December 31, 2012	$	4,153,900
Net loss per examination, 2013		(1,972,330)
Change in net unrealized capital gains or (losses)		(307,681)
Capital changes: Paid in		241,349
Surplus adjustments: Paid in		(1,970)
Net change in surplus as regards policyholders, 2013		(2,040,632)
Surplus as regards policyholders, December 31, 2013	$	2,113,268

ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

The following adjustments to the Company's surplus have been recorded as a result of our examination (see **NOTES 2** and **3** in the "Notes to Financial Statements" section of this Report for further explanations of these adjustments):

Surplus as regards policyholders, December 31, 2013 per Annual Statement	$	4,248,920
Write off of Deductible Recoverables	$	203,220
Increase to Losses (reserves)	$	1,932,432
Surplus as regards policyholders, December 31, 2013 per examination	$	2,113,268

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Letters of Credit:

At December 31, 2013, 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 – Examination Adjustments:

DESCRIPTION	Per Company	Examination Adjustment	Note	Per Examination	Surplus (Increase) Decrease
Assets					
Aggregate write-ins for other than invested assets:					
Deductible recoverable	$ 833,054	$ (203,220)	(a)	$ 629,834	$ 203,220
Liabilities					
Losses and loss adjustment expenses	$14,080,716	$ 1,932,432	(b)	$16,013,148	$ 1,932,432
Surplus					
Surplus as regards policyholders, December 31, 2013	$ 4,248,920	$(2,135,652)		$ 2,113,268	$ 2,135,652

Note: The potential tax effects of these adjustments were not factored in to adjustments presented here.

a) The Company reported "Aggregate write-ins for other than invested assets: Deductible recoverable" totaling $833,054, representing policyholder deductibles paid by the Company on behalf of the policyholder that the Company has not yet been reimbursed for by the policyholder. Based upon review of subsequent receipts, through December 31, 2014, $203,220 of the December 31, 2013 deductible recoverable balance remains outstanding and uncollected. As a result, the "Deductible recoverable" and "Surplus as regards policyholders" balances reported by the Company have been decreased by $203,220. In addition, this adjustment increased the Company's "Other underwriting expenses incurred" by $203,220.

b) The Company reported "Losses" and "Loss adjustment expenses" reserves totaling $9,271,705 and $4,809,011, respectively. As further addressed in NOTE 3, we increased "Losses" and "Loss adjustment expenses" reserves by $1,932,432. For purposes of our examination, this adjustment was made to the Company's "Losses" reserves and no part of the adjustment was allocated to “Loss adjustment expenses” reserves. This adjustment also increased “Losses incurred” by $1,932,432, from $2,686,138 to $4,618,570 and decreased “Unassigned Funds (surplus)” and “Surplus as regards policyholders” by $1,932,432.

NOTE 3 – Loss and Loss Adjustment Expense Reserves:

The Company reported “Losses” and “Loss adjustment expenses” reserves net of reinsurance totaling $9,271,705 and $4,809,011, 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, 2013. Of the Company’s reported total gross reserve of $15,706,716 for losses and loss adjustment expenses, $1,626,000 has been ceded to reinsurers. This amount is reported as a deduction from gross loss and loss adjustment expenses reserves. If the reinsurer was unable to meet its 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 $14,080,716. 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, 2013, 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 Company’s carried “Losses” and “Loss adjustment expenses” reserves are near the low end of the Company’s independent actuary’s range of estimates, as illustrated below:

	Net Basis	Low	Central	High
1.	Independent Actuarial Range of Estimates	$ 13,611,000	$ 16,013,000	$ 19,215,000
2.	Company’s reported reserves	14,080,716	14,080,716	14,080,716
3.	Dollar Difference	469,716	(1,932,432)	(5,134,284)
4.	Percent Difference	3.5%	12.1%	26.7%

While companies may carry reserves at any point within the actuarial range, there is an expectation that management justify and support the rational for carrying reserves at a point below the actuary’s central estimate. While management has responded to the Department’s inquires for support for management’s selected reserves, we concluded the information provided by management is insufficient to support carrying the reserves at a level below that of the independent actuarial central estimate. In addition, management’s 2013 selected reserve amount is not supported by subsequent development of the 2013 reserves. Specifically, the Company’s Annual Statement as of December 31, 2014 filed with the Department in March 2015 indicated that based on the Company’s reported reserves as of December 31, 2014 compared to the reserves previously reported as of December 31, 2013, the reserves as of December 31, 2013 were understated by $2,181,000. We also note that in addition to the adverse development reported in the 2014 Annual Statement, the Company's Annual Statements filed with the Department for the years 2011, 2012, and 2013 indicated consistent and significant adverse development of reserves reported in the Annual Statements for the years 2009, 2010, 2011 and 2012.

Management's lack of sufficient support for the carried reserves, coupled with the aforementioned adverse development consistently reported by the Company during and subsequent to the examination period, resulted in the examination adjustment to increase loss reserves to the level of the independent actuary's central estimate. We also recommended to management that the Company book the loss and loss adjustment expense reserves to the central estimate of the actuarial range of reasonable reserves estimate for all future financial filings. See further comments in the "Comments and Recommendations" section of this Report under caption "Loss and Loss Adjustment Expenses Reserves".

NOTE 4 – Risk Based Capital:

In its 2013 Annual Statement, the Company reported "Total adjusted capital" totaling $4,248,920 and "Authorized control level risk-based capital" totaling $1,932,568. For purposes of our examination, as a result of examination adjustments noted in NOTE 2 in the "Notes to Financial Statements" section of this Report, "Total adjusted capital" is reduced to $2,113,268. Therefore, for purposes of our examination, "Total adjusted capital" is less than "Authorized control level risk-based capital". However, for the reasons noted below, no action regarding risk-based capital is being required of the Company as a result of our examination.

In its 2014 Annual Statement filed with the Department in March 2015, for the period ending December 31, 2014, the Company reported "Total adjusted capital" totaling $4,719,289 and "Authorized control level risk-based capital" totaling $2,351,001. The Company's reported "Total adjusted capital" was therefore sufficient to meet the minimum risk-based capital requirement. In addition, the Company reported in its 2014 Annual Statement an allowance for doubtful accounts related to the "Deductible recoverable" balance. Additionally, the losses and loss adjustment expenses reserves reported by the Company, while still lower than the Company's actuary's central estimate, were higher than the low end of the Company's independent actuary's range of estimates and based on this the Company has recorded reserves at a level higher than that of previous years.

Going forward, the Department will continue to monitor the Company's risk-based capital levels and financial condition, including the adequacy and reasonableness of the Company's loss reserves, to ensure the issues raised by this examination are addressed. If deemed necessary the Department will require additional surplus infusions and/or take other corrective actions as deemed necessary.

COMMENTS AND RECOMMENDATIONS

Deductible Recoverables

The Company reported "Aggregate write-ins for other than invested assets: Deductible recoverable" totaling $833,054, representing policyholder deductibles paid by the Company on behalf of the policyholder that the Company has not yet been reimbursed for by the policyholder. During our examination we noted the following:

1. The "Deductible recoverable" balance includes past due amounts over one year totaling $248,256 and six months to one year past due amounts totaling $117,943. In addition, $46,651 of the balance is due from former policyholders. Based upon a review of subsequent receipts through December 31, 2014, $203,220 of the December 31, 2013 deductible recoverable balance remains outstanding and uncollected as of December 31, 2014 and accordingly an examination adjustment was made to reduce the Deductible recoverable asset by this amount.

   During 2014, the Department instructed the Company to establish an allowance for doubtful balance as follows: 100 percent allowance for all amounts over one year old; 50 percent allowance for all amounts over 6 months old but less than one year old; 100 percent allowance for all amounts from former policyholders. In addition, for any amounts that have been partially paid and the remaining balance has been re-billed, the original billing date shall be used to determine the age of the outstanding recoverable balance. However, in its 2014 Quarterly and annual Statements as filed with the Department, the Company did not consistently follow the Department's instructions with regard to reporting an allowance against the balance of Deductible recoverables. **We recommend that the Company develop and submit to the Department a policy for establishing, on a quarterly basis, an allowance for doubtful accounts related to the "Deductible recoverable" balance in accordance with the instructions previously communicated by the Department. For all future financial filings we recommend the Company comply with the previously issued instructions of the Department regarding establishing an allowance for doubtful accounts for the "Deductible recoverable" balance.**

2. Based on our review of a sample of deductible recoverable billings generated during 2013 and through January 1, 2014, the Company bills deductible recoverables approximately quarterly. **We recommend that deductible recoverable amounts due to the Company be billed to policyholders immediately upon payment by the Company on behalf of the policyholder.**

Premium Receivables

The Company reported "Uncollected premiums and agents' balances in the course of collection totaling $2,367,758, primarily representing amounts due from agents who collect premiums from policyholders on behalf of the Company. During our examination we noted the following:

1. The Company does not maintain an aging schedule of premiums receivable. **We recommend that the Company maintain an aging schedule of premiums receivable.**

2. The Company does not have a policy for establishing an allowance for uncollectible premiums receivable. **We recommend that the Company develop and submit to the Department a policy for establishing, on a quarterly basis, an allowance for doubtful accounts related to premiums receivable.**

3. Premiums received by the Company were recorded in the Company's premium receivables schedule. We noted a number of errors where premiums received were recorded incorrectly in the premium receivables schedule. **We recommend that the Company develop and submit to the Department a procedure to ensure that premium receipts are accurately recorded in the premium receivables schedule.**

4. As indicated in the "Territory and Plan of Operation" section of this report, pursuant to a Marketing and Brokerage Agreement, Oxford Coverage, Inc. ("Oxford") provides billing and collection services to the Company. The agreement between the Company and Oxford requires Oxford to submit premium payments and a premium bordereau within 20 days of the prior month end. If payments are not submitted to the Company by Oxford within 30 days from the due date, outstanding balances are subject to a 10 percent annual interest charge. However, we noted that premium payments received by Oxford were not being remitted to the Company in accordance with the agreement and were not being assessed interest when overdue 30 days or more. Specifically, in our testing of 16 policy payments, we noted the lag between the date of receipt of payment from the policyholder by Oxford (this date was determined from the policyholder's check date because the actual date the payments were received by Oxford was not available to the examiners) and the date the funds were transferred to the Company's ranged from 13 to 107 days, with eight payments having greater than a 60 day lag. In addition, Oxford did not provide the Company with a premium bordereau, but rather provided a listing of payments which included only the payer's name, policy number and amount remitted. **We recommend that the Company ensure that Oxford submits premium payments and the required premium bordereau to the Company in a timely manner according to the terms of the service agreement. If payments are not made in accordance with the terms of the service agreement, the Company should apply interest penalties as provided in the agreement. Additionally, we recommend that the Company ensure that Oxford provide a premium bordereau with sufficient detailed information required by the Company to properly record and track all premium payments and amounts due.**

Examination Delays

Significant delays were encountered by the examiners in obtaining information from the Company's third tarty administrators ("TPAs"), Oxford and ProClaim, with some examination requests being provided to the examiners 2 weeks or more after the due date for providing the requested information. These delays caused inefficiencies and delays in completing the examination. **We recommend that the Company develop procedures for monitoring its TPAs and ensure its TPAs provide information requested by examiners in a timely manner.**

Loss and Loss Adjustment Expenses Reserves

As previously indicated in NOTE 3 in the "Notes to Financial Statements" section of this Report, the Company reported "Losses" and "Loss adjustment expenses" reserves net of reinsurance totaling $9,271,705 and $4,809,011, respectively. However, the Company's carried "Losses" and "Loss adjustment expenses" reserves are near the low end of the Company's independent actuary's range of estimates. (We also noted the Company reported "Losses" and "Loss adjustment expenses" reserves as of December 31, 2012 at the low end of the Company's independent actuary's range of estimates.) Furthermore, as previously indicated in NOTE 3 in the "Notes to Financial Statements" section of this Report, the Company consistently reported adverse reserve development for years during and subsequent to the examination period, indicating that the Company's reserves have been consistently understated. **We recommend that the Company report its "Losses" and "Loss adjustment expenses" reserves at the actuary's central estimate for all future financial filings.**

Subscription and Shareholder Agreements

The Company was not able to provide completed Subscription and Shareholder Agreements for five policyholders with policies in-force at December 31. (One of these five policyholders subsequently left the program.) A similar condition was noted in our prior examination. **We again recommend that the Company implement procedures to ensure that completed Subscription and Shareholder Agreements are executed in a timely manner and are maintained on file by the Company for all policyholder/members.**

CONCLUSION

Our examination disclosed that as of December 31, 2013 the Company had:

Admitted Assets	$	19,056,150
Liabilities and Reserves		16,942,882
Common Capital Stock		4,104,082
Gross Paid in and Contributed Surplus		62,548
Unassigned Funds (Surplus)		(2,053,362)
Total Surplus		2,113,268
Total Liabilities, Capital and Surplus	$	19,056,150

Based on our examination, the accompanying balance sheet properly presents the financial position of the Company at December 31, 2013, 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 Carter, CFE, Lewis & Ellis, Inc.
Lindsey Pittman, CFE, Lewis & Ellis, Inc.

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

Respectfully submitted,

Sarah Lucibello

Sarah Lucibello, CFE
Examiner-In-Charge
Lewis & Ellis, Inc.

Under the Supervision of,

Xiangchun Li

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

Government of the District of Columbia
Muriel Bowser, Mayor
Department of Insurance, Securities and Banking

DISB

Chester A. McPherson
Acting Commissioner

May 14, 2015

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

RE: Examination of **New York Healthcare Insurance Company, Inc., A Risk Retention Group,** as of December 31, 2013

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, 2013.

Please submit, to my attention, a written response calling attention to any errors or omissions. In addition, if this Report on Examination contains a section entitled "Comments and Recommendations" that discloses certain areas requiring action, the Company shall submit a statement covering the corrective measures which will be taken. If the Company's position on any of these points is contrary to the Examiner's findings, an explanation should be submitted covering each contested comment and/or recommendation.

The response must be in writing and shall be furnished to this Department by June 12, 2015. 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,

Sean O'Donnell

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

Enclosure

RISKSERVICES, LLC

1605 Main Street, Suite 800
Sarasota, FL 34236
(941) 955-0793
Fax (941) 366-1076

June 8, 2015

Mr. Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau
810 First Street, NE, Suite 701
Washington, D.C. 20002

Re: New York Healthcare Insurance Company RRG ("NYHIC"), NAIC No. 12275

Dear Mr. O'Donnell:

In reply to your May 14, 2015 final exam transmittal letter, we do not find any errors or omissions in the report.

The Company has reviewed the "Comments and Recommendations" as detailed below and includes its response to each.

COMMENTS AND RECOMMENDATIONS

Deductible Recoverables

The Company reported "Aggregate write-ins for other than invested assets: Deductible recoverable" totaling $833,054, representing policyholder deductibles paid by the Company on behalf of the policyholder that the Company has not yet been reimbursed for by the policyholder. During our examination we noted the following:

1. The "Deductible recoverable" balance includes past due amounts over one year totaling $248,256 and six months to one year past due amounts totaling $117,943. In addition, $46,651 of the balance is due from former policyholders. Based upon a review of subsequent receipts through December 31, 2014, $203,220 of the December 31, 2013 deductible recoverable balance remains outstanding and uncollected as of December 31, 2014 and accordingly an examination adjustment was made to reduce the Deductible recoverable asset by this amount.

   During 2014, the Department instructed the Company to establish an allowance for doubtful balance as follows: 100 percent allowance for all amounts over one year old; 50 percent allowance for all amounts over 6 months old but less than one year old; 100 percent allowance for all amounts from former policyholders. In addition, for any amounts that have been partially paid and the remaining balance has been re-billed, the original billing date shall be used to determine the age of the outstanding recoverable balance. However, in its 2014 Quarterly and annual Statements as filed with the Department, the Company did not consistently follow the Department's instructions with regard to reporting an allowance against the balance of Deductible recoverables. **We recommend that the Company develop and submit to the Department a policy for establishing, on a quarterly basis, an allowance for doubtful accounts related to the "Deductible recoverable" balance in accordance with the instructions previously communicated by the Department. For all future financial filings we recommend the Company comply with the previously issued instructions of the Department regarding establishing an allowance for doubtful accounts for the "Deductible recoverable" balance.**

NYHIC Management Response: NYHIC has been posting an allowance for doubtful accounts for the "Deductible recoverable" balance as stipulated by the Department, and NYHIC's Captive Manager, Risk Services, is working with NYHIC's Claims TPA, ProClaim, to develope a process whereby each invoiced deductible and payment will be entered into a receivable system so that an accurate aging can be produced on a monthly basis and provided to NYHIC management for review and follow-up.

2. Based on our review of a sample of deductible recoverable billings generated during 2013 and through January 1, 2014, the Company bills deductible recoverables approximately quarterly. **We recommend that deductible recoverable amounts due to the Company be billed to policyholders immediately upon payment by the Company on behalf of the policyholder.**

   NYHIC Management Response: While NYHIC management agree that quarterly is too long a period to wait before billing deductibles for payments incurred by the RRG, it respectfully suggests changing this practice to monthly billing will be adequate and timely, and will effectuate this processing change.

Premium Receivables

The Company reported "Uncollected premiums and agents' balances in the course of collection totaling $2,367,758, primarily representing amounts due from agents who collect premiums from policyholders on behalf of the Company. During our examination we noted the following:

1. The Company does not maintain an aging schedule of premiums receivable. **We recommend that the Company maintain an aging schedule of premiums receivable.**

   NYHIC Management Response: NYHIC management agree that an aged premium receivable report should be generated and will work with NYHIC's Program Manager and brokers to ensure Risk Services as Captive Manager is provided installment plan and other billing information necessary to maintain a receivable aging on the bordereau.

2. The Company does not have a policy for establishing an allowance for uncollectible premiums receivable. **We recommend that the Company develop and submit to the Department a policy for establishing, on a quarterly basis, an allowance for doubtful accounts related to premiums receivable.**

   NYHIC Management Response: NYHIC management agrees that a more formal policy for monitoring premiums receivable should be implemented, and as such said policy will be developed by NYHIC management and filed with the Department by September 30, 2015. Additionally, to help improve collections NYHIC will conduct semi-annual meetings with brokers to make sure any overdue premiums are collected.

3. Premiums received by the Company were recorded in the Company's premium receivables schedule. We noted a number of errors where premiums received were recorded incorrectly in the premium receivables schedule. **We recommend that the Company develop and submit to the Department a procedure to ensure that premium receipts are accurately recorded in the premium receivables schedule.**

RISKSERVICES, LLC

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Sarasota, FL 34236
(941) 955-0793
Fax (941) 366-1076

NYHIC Management Response: The Company will develop procedures to record and reconcile premium receipts to the bordereau on a monthly basis, and will submit an overview of these process to the Department by September 30, 2015.

4. As indicated in the "Territory and Plan of Operation" section of this report, pursuant to a Marketing and Brokerage Agreement, Oxford Coverage, Inc. ("Oxford") provides billing and collection services to the Company. The agreement between the Company and Oxford requires Oxford to submit premium payments and a premium bordereau within 20 days of the prior month end. If payments are not submitted to the Company by Oxford within 30 days from the due date, outstanding balances are subject to a 10 percent annual interest charge. However, we noted that premium payments received by Oxford were not being remitted to the Company in accordance with the agreement and were not being assessed interest when overdue 30 days or more. Specifically, in our testing of 16 policy payments, we noted the lag between the date of receipt of payment from the policyholder by Oxford (this date was determined from the policyholder's check date because the actual date the payments were received by Oxford was not available to the examiners) and the date the funds were transferred to the Company's ranged from 13 to 107 days, with eight payments having greater than a 60 day lag. In addition, Oxford did not provide the Company with a premium bordereau, but rather provided a listing of payments which included only the payer's name, policy number and amount remitted. **We recommend that the Company ensure that Oxford submits premium payments and the required premium bordereau to the Company in a timely manner according to the terms of the service agreement. If payments are not made in accordance with the terms of the service agreement, the Company should apply interest penalties as provided in the agreement. Additionally, we recommend that the Company ensure that Oxford provide a premium bordereau with sufficient detailed information required by the Company to properly record and track all premium payments and amounts due.**

NYHIC Management Response: NYHIC management agree with the recommendation and will work with the brokers and program manager to insure timely collections.

Examination Delays

Significant delays were encountered by the examiners in obtaining information from the Company's third tarty administrators ("TPAs"), Oxford and ProClaim, with some examination requests being provided to the examiners 2 weeks or more after the due date for providing the requested information. These delays caused inefficiencies and delays in completing the examination. **We recommend that the Company develop procedures for monitoring its TPAs and ensure its TPAs provide information requested by examiners in a timely manner.**

NYHIC Management Response: NYHIC management agree that there was unnecessary delay in responses from Oxford and ProClaim, and NYHIC will speak with these parties to ensure timely responses for future exams and or DC inquiries.

Loss and Loss Adjustment Expenses Reserves

As previously indicated in NOTE 3 in the "Notes to Financial Statements" section of this Report, the Company reported "Losses" and "Loss adjustment expenses" reserves net of reinsurance totaling \$9,271,705 and \$4,809,011, respectively. However, the Company's carried "Losses" and "Loss adjustment expenses" reserves are near the low end of the Company's independent actuary's range of estimates. (We also noted the Company reported "Losses" and "Loss adjustment expenses" reserves as of December 31, 2012 at the low end of the Company's independent actuary's range of estimates.) Furthermore, as

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previously indicated in NOTE 3 in the "Notes to Financial Statements" section of this Report, the Company consistently reported adverse reserve development for years during and subsequent to the examination period, indicating that the Company's reserves have been consistently understated. **We recommend that the Company report its "Losses" and "Loss adjustment expenses" reserves at the actuary's central estimate for all future financial filings.**

NYHIC Management Response: NYHIC management respectfully suggests that the role of Milliman as independent actuary is to opine on the reserves of NYHIC, which it has done for 2013, and it is NYHIC management's role to select what level of reserves it believes are appropriate and adequate, which it did. NYHIC management agree with the examination finding that "companies are permitted to carry reserves at any point within the actuarial range" and NYHIC management's best estimate falls within the range of reserve estimates provided by its independent actuary. NYHIC's best estimate of reserves as booked fell above the low end of the Milliman range and below the Milliman central estimate for 2013. NHYIC booked reserves at this level with the knowledge that in 2014 NYHIC would be working with the Company's primary defense counsel, Drabkin & Margulies, to limit LAE costs through the implementation of a Capitated Legal Defense Agreement. Based on the volume of defense work provided by Drabkin & Margulies since the inception of NYHIC, the impact of this anticipated Capitated Legal Defense Agreement was expected to, and per the 2014 Milliman report ultimately did, have a substantial impact on reducing future defense costs on open claims. As such, we respectfully disagree with the adjustment to retroactively increase reserves $1.9M to the Milliman central estimate in 2013.

Subscription and Shareholder Agreements

The Company was not able to provide completed Subscription and Shareholder Agreements for five policyholders with policies in-force at December 31. (One of these five policyholders subsequently left the program.) A similar condition was noted in our prior examination. **We again recommend that the Company implement procedures to ensure that completed Subscription and Shareholder Agreements are executed in a timely manner and are maintained on file by the Company for all policyholder/members.**

NYHIC Management Response: NYHIC management agrees with the recommendation and will work with the program manager to insure timely collection of documents.

If you should have any additional questions, I can be reached at (941) 373-1116 or lvillani@pboa.com

Sincerely,

Linda Villani

Linda Villani
Account Manager
Risk Services, LLC
As Insurance Manager For
New York Healthcare Insurance Company, Inc. A Risk Retention Group

Chester A. McPherson
Acting Commissioner

June 18, 2015

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

RE: Examination of **New York Healthcare Insurance Company, Inc., A Risk Retention Group,** as of December 31, 2013

Dear Mr. Schuck:

We are in receipt of your response dated June 8, 2015, regarding the Report on Examination of **New York Healthcare Insurance Company, Inc., A Risk Retention Group** ("Company") as of December 31, 2013. Except for the following, the response is deemed adequate.

Examination Recommendation: Deductible Recoverables

1. **We recommended that the Company develop and submit to the Department a policy for establishing, on a quarterly basis, an allowance for doubtful accounts related to the "Deductible recoverable" balance in accordance with the instructions previously communicated by the Department. For all future financial filings we recommended the Company comply with the previously issued instructions of the Department regarding establishing an allowance for doubtful accounts for the "Deductible recoverable" balance.**

Company Response to the Above Recommendation:

NYHIC has been posting an allowance for doubtful accounts for the "Deductible recoverable" balance as stipulated by the Department, and NYHIC's Captive Manager, Risk Services, is working with NYHIC's Claims TPA, ProClaim, to develop a process whereby each invoiced deductible and payment will be entered into a receivable system so that an accurate aging can be produced on a monthly basis and provided to NYHIC management for review and follow-up.

Department Response to the Company's Response:

As recommended, the Company is required to submit to the Department a policy for establishing, on a quarterly basis, an allowance for doubtful accounts related to the "Deductible recoverable" balance in accordance with the instructions previously communicated by the Department. Please submit this policy by September 30, 2015.

Examination Recommendation: Loss and Loss Adjustment Expenses Reserves

We recommended that the Company report its "Losses" and "Loss adjustment expenses" reserves at the actuary's central estimate for all future financial filings.

Company Response to the Above Recommendation:

NYHIC management respectfully suggests that the role of Milliman as independent actuary is to opine on the reserves of NYHIC, which it has done for 2013, and it is NYHIC management's role to select what level of reserves it believes are appropriate and adequate, which it did. NYHIC management agree with the examination finding that "companies are permitted to carry reserves at any point within the actuarial range" and NYHIC management's best estimate falls within the range of reserve estimates provided by its independent actuary. NYHIC's best estimate of reserves as booked fell above the low end of the Milliman range and below the Milliman central estimate for 2013. NHYIC booked reserves at this level with the knowledge that in 2014 NYHIC would be working with the Company's primary defense counsel, Drabkin & Margulies, to limit LAE costs through the implementation of a Capitated Legal Defense Agreement. Based on the volume of defense work provided by Drabkin & Margulies since the inception of NYHIC, the impact of this anticipated Capitated Legal Defense Agreement was expected to, and per the 2014 Milliman report ultimately did, have a substantial impact on reducing future defense costs on open claims. As such, we respectfully disagree with the adjustment to retroactively increase reserves $1.9M to the Milliman central estimate in 2013.

Department Response to the Company's Response:

We respect the Company's position to disagree with the adjustment to retroactively increase reserves $1.9M to the Milliman central estimate in 2013. However, as indicated in the Report, management's lack of sufficient support for the carried reserves, coupled with the adverse development consistently reported by the Company during and subsequent to the examination period, resulted in the examination adjustment to increase loss reserves to the level of the independent actuary's central estimate. Our position regarding this adjustment has not changed and the adjustment will remain in the Report.

In addition, while companies may carry reserves at any point within the actuarial range, there is an expectation that management adequately justify and support the rational for carrying reserves at a point below the actuary's central estimate. For any future filings in which management's selected reserves are below the independent actuary's central estimate, management shall prepare and submit to the Department adequate justification and support for carrying reserves at a point below the actuary's central estimate. If management is unclear regarding the nature and extent of the justification and support expected by the Department, management shall discuss this with the Department in advance of the financial filings.

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 and 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,

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau

Enclosures