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

Karima Woods
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, 2018

ORDER

In accord with the authority established by D.C. Official Code § 31-1402, an examination of **New York Healthcare Insurance Company, Inc., A Risk Retention Group** (the "Company"), as of December 31, 2018 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("Department"). The Department reported on the financial condition of the Company in the attached Report on Examination ("Financial Condition Examination Report").

In accord with the provisions of D.C. Official Code § 31-1404(c), it is hereby ordered, on this 30th day of June 2020, that the attached Financial Condition Examination Report be adopted and filed as an official record of the Department.

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

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

Pursuant to D.C. Official Code § 31-1404(d)(1), the Company shall, within 30 days of the issuance of the adopted Financial Condition Examination Report, file affidavits executed by each of the Directors of the Company wherein each of the Directors shall state under oath that they have received a copy of the adopted Financial Condition Examination Report and this order.

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

Dana Sheppard

Dana Sheppard
Associate Commissioner
Risk Finance Bureau

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

DISB
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, 2018

NAIC NUMBER 12275

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Washington, D.C.
May 12, 2020

Honorable Karima Woods
Acting Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
1050 First Street, NE, Suite 801
Washington, D.C. 20002

Dear Acting Commissioner Woods:

In accordance with Section 31-3931.14 of the District of Columbia Official Code ("Code"), and with Chapter 14 of Title 31 of the 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, 2014 through December 31, 2018, including any material transactions and/or events noted occurring subsequent to December 31, 2018, was conducted by the District of Columbia Department of Insurance, Securities and Banking (the "Department"). The last examination was completed as of December 31, 2013 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, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Generally Accepted Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination Report includes significant findings of fact, pursuant to Section 31-1404(a) of the District of Columbia Official Code and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within this examination Report but are separately communicated to other regulators and/or the Company.

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 2014 through 2018. We placed substantial reliance on the audited financial statements for calendar years 2014 through 2017, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2018. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2018. 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

During this examination an adjustment was identified resulting in a reduction of the Company's surplus totaling $869,377. See further details regarding this examination adjustment in the "Analysis of Examination Adjustments" 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 "Summary of Recommendations" section of this Report.

STATUS OF PRIOR EXAMINATION FINDINGS

A full scope financial examination was conducted by the Department as of December 31, 2013, which covered the period January 1, 2010 through December 31, 2013. In the Report on the prior examination, dated March 19, 2015, the Department noted exception conditions and related recommendations in five areas related to the Company's operations. Our examination included a review to determine the current status of these recommendations and we determined that the Company had not satisfactorily addressed some of the prior recommendations. See the "Summary of Recommendations" section of this Report for further details regarding these repeat recommendations.

SUBSEQUENT EVENTS

In its 2019 Annual Statement filed with the Department in March 2020, for the period ending December 31, 2019, the Company reported "Total adjusted capital" totaling $7,631,799 and "Authorized control level risk-based capital" totaling $4,585,316, resulting in a requirement for the Company to file a Risk-Based Capital Plan ("Plan") with the Department. On April 30, 2020, the Company filed its Plan with the Department and as of the date of this Report the Department is reviewing the Plan to determine if it is satisfactory.

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 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 Connecticut, Illinois, New Jersey and New York, and writes business in the states of Illinois, New Jersey, and New York.

Membership:

The Company was initially capitalized in 2005 with a $1,000,000 letter of credit in favor of the Commissioner of the District of Columbia Department of Insurance, Securities and Banking. The letter of credit 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, 2018, MASK, and thereby its owners Robert Schuck and Solomon Abramczyk, owned twenty-two and nine-tenths percent (22.9%) 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 seventy-five 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 twenty-five percent (25%) up to maximum of fifty percent (50%) of the 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 forty percent (40%) in the first year, and twenty percent (20%) 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 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 five years, then the withdrawing shareholder is not entitled to receive payment of any kind from the Company, including repayment for any capital contributions. The amount and timing of a stock redemption will be subject to the funds being legally available to make the payment, and the board of directors and the Department each determining 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, 2018, 4,366,173 shares of common stock were issued and outstanding.

During the examination, executed Subscription and Shareholder Agreements for five policyholder/members could not be provided by the Company. See the "Summary of 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 or other distributions during the period under examination.

MANAGEMENT AND CONTROL

Board of Directors and Officers:

The Company's directors serving as of December 31, 2018 were as follows:

Name and State of Residence	Principal Occupation
Solomon Abramczyk New York	Operator, Park Gardens Rehabilitation and Nursing Center, LLC; Secretary/Treasurer, Mask Management, LLC
Mike Miller Illinois	Program Administrator, Insurance Program Managers Group
Robert Schuck New York	President, Mask Management, LLC

The following persons were serving as the Company's officers as of December 31, 2018:

Name	Position
Robert Schuck	President

Solomon Abramczyk	Treasurer and Secretary
B. Troy Winch	Assistant Secretary

Committees:

As of December 31, 2018, 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 members for the period under examination. Based on our review, it appears that the minutes have documented the review and approval of certain of the Company's transactions and events. However, the Company relies extensively on third-party service providers for key operations and no documentation is maintained to verify the oversight by the Company of the third-party service providers. See the “Summary of Recommendations” section of this Report, under the caption “Oversight of Service Providers” for further comments regarding this condition.

Captive Manager:

Risk Services, LLC (“Risk Services”) has been the Company’s captive manager since inception and provides services that include maintaining the books and records for the Company, establishing and maintaining the Company’s accounting system, providing accounting services, 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 twenty-two and nine-tenths percent (22.9%) of the Company’s outstanding common stock as of December 31, 2018, and was equally owned by two of the Company’s board members and officers, Robert Schuck and Solomon Abramczyk. Therefore, the Company’s ultimate controlling persons are Robert Schuck and Solomon Abramczyk.

Effective January 27, 2005, the Company entered into an Administrator Agreement (“Agreement”) with MASK. Under terms 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 (9%) 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, which was again 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. Effective January 1, 2018, the agreement was amended whereby the agreement automatically renews for successive five-year periods unless either party provides written notice to the other party at least sixty days prior to expiration of the Agreement or any extension or renewal. The administrative and program management services provided by MASK are performed in its New York offices.

Under terms of the Agreement, MASK may assign, delegate or subcontract for its duties and obligations under the Agreement. Effective June 1, 2014, MASK entered into a comprehensive subcontract agreement with Insurance Program Manager's Group, LLC ("IPMG") located in St. Charles, Illinois. Under this agreement, IPMG provides general, administrative, and underwriting services to the Company. The original term of the agreement is June 1, 2014 through May 31, 2019 and the agreement automatically renews for successive annual periods unless terminated by either party with 90 days' notice. Based on the subcontract agreement, MASK pays IPMG three and one-half percent (3.5%) of gross premiums written. IPMG is not an affiliate of MASK or the Company.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, the Company was licensed in the District of Columbia and was registered as a risk retention group in Connecticut, Illinois, New Jersey, and New York. During 2018, the Company reported gross written premiums totaling $14,437,253, with $12,719,773 (88.1%) written in New York, $1,058,749 (7.3%) written in Illinois, and $658,731 (4.6%) written in New Jersey.

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 applying to losses and loss adjustment expenses combined are $1,000,000 per claim, $3,000,000 per facility, and $5,000,000 annual aggregate with a minimum $10,000 deductible. The Company also offered $1,000,000 excess general liability coverage in excess of the $1,000,000 per claim limit. 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 received permission from the Department to enter in to an arrangement, effective January 1, 2018, under which certain policyholders of the Company which are required to have insurance from an A.M. Best "A" rated carrier receive a surplus lines policy directly from AmTrust International Underwriters ("AmTrust") covering limits the same as those offered by the company in its policies. The surplus lines policy includes a $250,000 policyholder deductible and covers losses in excess of $250,000. The company then assumes a one-hundred percent (100%)

quota share of this policy from the surplus lines carrier. These policies are then subject to the Company's above-mentioned excess of loss reinsurance treaty. Under this arrangement, the Company is required to provide security to AmTrust equal to one-hundred percent (100%) of the gross written premium plus $500,000 or one-hundred percent (100%) of the outstanding losses, including a provision for incurred but not reported losses plus $500,000, whichever is greater. A similar arrangement was effective from October 1, 2013 through December 31, 2017 with Lloyd's syndicates.

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, maintained the books, records and accounting system for the Company, provided accounting services, 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 to IPMG located in St. Charles, Illinois. In addition, effective May 1, 2019, the Company entered into a third-party claim support services agreement with an affiliate of IPMG, Insurance Program Managers Group Claims Management Services ("IPMG CMS"), located in St. Charles, Illinois. Under this agreement, IPMG CMS provides services including, but not limited to, claims support, deductible billing and invoicing, data storage and maintenance, 1099 issuance, engagement of coverage counsel, reserve entry and posting, and other services. Pursuant to the agreement, IPMG CMS also provides limited services for claims that existed as of May 1, 2019.

During the examination period the Company entered into a litigation and claims management services agreement with Western Litigation, Inc. ("WLI"), and a similar litigation and claims management services agreement with Trident Risk Advisory Services, LLC ("Trident"). These agreements were terminated or non-renewed during 2018 and 2019, respectively. Under the District of Columbia captive insurance laws and regulations, these agreements were required to be submitted to the Department for review and prior approval. However, these agreements were not provided to the Department for review and prior approval. See the "Summary of Recommendations" section of this Report, under the caption "Changes in Business Plan" for further comments regarding this condition.

During 2014, the Company entered into a loss adjustment expense capitation agreement with Drabkin & Margulies ("D&B"). Pursuant to the agreement, the Company paid D&B a fixed fee of $2,000,000 for the continued representation and defense of existing claims for the life of each claim. This agreement ended April 30, 2015.

Effective May 1, 2015, the Company entered into a legal defense agreement with Caitlin Robin and Associates, PLLC ("Caitlin") located in New York, New York. Pursuant to the agreement, Caitlin provides representation and defense of both new and existing claims for the life of such claim, subject to certain terms and conditions, including maximum monthly and annual fees to be paid by the Company to Caitlin for all legal work and ancillary expenses performed under the agreement.

None of the above service providers, with the exception of MASK, are affiliates of the Company.

REINSURANCE

Effective October 1, 2013, NYHIC entered into an excess of loss treaty with several Lloyd's syndicates for a 36-month period, expiring on October 1, 2016. The treaty was subsequently extended to December 31, 2017. Under the terms of this treaty, the Company ceded $750,000 in excess of $250,000 for each and every loss each insured except where a claim arose from two or more policies, in which case the Company ceded $625,000 in excess of $375,000 for each loss event. The maximum recoverable was limited to two-hundred and twenty-five percent (225%) of the reinsurance premium. Additionally, this treaty included 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, with a maximum recoverable for this limit of $3,000,000. The Company's annual premium under the treaty was based on a provisional (deposit) premium of thirty-two and one-half percent (32.5%) of gross net written premiums, adjusted at the expiry of each annual treaty period and quarterly thereafter based on the minimum rate of fifteen percent (15%) of gross net written premiums plus one-hundred and ten percent (110%) of incurred losses (paid and/or reserved losses) as reported under the agreement, up to the maximum rate of fifty-five percent (55%) of gross net written premiums. This reinsurance treaty also included 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.

With the approval of the Department, the Company commuted all reinsurance treaty years prior to September 30, 2016. As a result of the reinsurance commutations, the Company assumes full liability for any open or reopened claims reported prior to September 30, 2016.

Effective January 1, 2018, the Company entered into an excess of loss treaty with Technology Insurance Company, Inc. for a thirty-six month period, expiring January 1, 2021. Under the terms of this treaty, the Company cedes $750,000 in excess of $250,000 for each and every loss, each insured, each claim. The maximum recoverable is limited to three-hundred percent (300%) of the reinsurance premium paid in any one year or two-hundred percent (200%) of the total reinsurance premium paid for the term of the agreement. The Company's annual premium under the treaty is based on thirty-six percent (36%) percent of gross net written premiums in the first period, increasing to a maximum of forty-two percent (42%) in the second and third periods if the loss ratio exceeds sixty-eight (68%) percent in the first and second periods.

During 2018, the Company ceded reinsurance premiums totaling $4,440,836 and assumed reinsurance premiums totaling $405,819. As a result of the aforementioned commutations, the Company has reported a "Reinsurance Commutation Recoverable" of $4,480,778. The Company also reported negative "Ceded reinsurance premiums payable" totaling $473,126, which represents estimated premiums due back from the reinsurers under the reinsurance agreements.

FINANCIAL STATEMENTS

The following financial statements are based on the Annual Statement filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2018. The financial statements were prepared in accordance with Generally Accepted Accounting Principles ("GAAP") prescribed or permitted by the Department. Management is responsible for the preparation and fair presentation of these financial statements. The accompanying "Notes to Financial Statements" reflect any examination adjustments to the amounts reported in the Company's Annual Statement and should be considered an integral part of these financial statements.

BALANCE SHEET

ASSETS

	December 31, 2018
Bonds	$ 3,872,464
Preferred stocks	175,124
Common stocks	3,723,778
Cash	10,268,992
Subtotal cash and invested assets	$ 18,040,358
Investment income due and accrued	38,260
Uncollected premiums and agents' balances in the course of collection	4,257,053
Deferred premiums, agents' balances and installments	4,046,059
Funds held by or deposited with reinsured companies	250,000
Current federal income tax recoverable	6,942
Net deferred tax asset	345,676
Aggregate write-ins for other than invested assets:	
Letter of credit **(NOTE 1)**	1,000,000
Deferred policy acquisition costs	1,369,598
Deductible recoverable **(NOTE 2)**	970,226
Prepaid and deferred expenses	412,153
Reinsurance commutation recoverable	4,480,778
Capital receivable **(NOTE 3)**	1,457,000
Total	$ 36,674,103

LIABILITIES, SURPLUS AND OTHER FUNDS

	December 31, 2018
Losses **(NOTE 4)**	$ 19,314,668
Loss adjustment expenses (**NOTE 4**)	1,778,093
Commissions payable	696,059
Other expenses	445,564
Taxes, licenses and fees	127,400
Unearned premium	7,425,941
Ceded reinsurance premiums payable	(473,126)
Total liabilities	$ 29,314,599
Common capital stock	$ 4,366,173
Gross paid-in and contributed surplus	3,300,123
Unassigned funds (surplus)	(306,792)
Surplus as regards policyholders **(NOTE 1)**	$ 7,359,504
Total	$ 36,674,103

STATEMENT OF INCOME

		2018
UNDERWRITING INCOME		
Premiums earned	$	8,394,640
DEDUCTIONS		
Losses incurred		5,924,843
Loss adjustment expenses incurred		1,835,160
Other underwriting expenses incurred		2,369,327
Total underwriting deductions	$	10,129,330
Net underwriting loss	$	(1,734,690)
INVESTMENT INCOME		
Net investment income earned	$	394,990
Net realized capital gain		36,975
Net investment gain	$	431,965
OTHER INCOME		
Gain on commutation	$	2,899,929
	$	2,899,929
Net income, after dividends to policyholders, after capital gains tax and before all other federal income taxes		1,597,204
Federal taxes		290,131
Net income	$	1,307,073

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2013	$ 4,248,920
Net income, 2014	65,105
Change in net unrealized capital gains	167,182
Capital changes: Paid in	234,058
Surplus adjustments: Paid in	4,024
Net change in surplus as regards policyholders, 2014	470,369
Surplus as regards policyholders, December 31, 2014	$ 4,719,289
Net loss, 2015	(200,142)
Change in net unrealized capital losses	(136,424)
Capital changes: Paid in	223,138
Net change in surplus as regards policyholders, 2015	(113,428)
Surplus as regards policyholders, December 31, 2015	$ 4,605,861
Net loss, 2016	(51,703)
Change in net unrealized capital gains	2,034
Capital changes: Paid in	145,340
Capital changes: Transferred to surplus	(757,813)
Surplus adjustments: Transferred from capital	757,813
Net change in surplus as regards policyholders, 2016	95,671
Surplus as regards policyholders, December 31, 2016	$ 4,701,532
Net loss, 2017	(1,141,361)
Change in net unrealized capital gains	208,234
Capital changes: Paid in	90,819
Net change in surplus as regards policyholders, 2017	(842,308)
Surplus as regards policyholders, December 31, 2017	$ 3,859,224

CAPITAL AND SURPLUS ACCOUNT

(Continued)

Surplus as regards policyholders, December 31, 2017	$ 3,859,224
Net income, 2018	1,307,073
Change in net unrealized capital losses	(609,080)
Capital changes: Paid in	326,549
Surplus adjustments: Paid in	2,475,738
Net change in surplus as regards policyholders, 2018	3,500,280
Surplus as regards policyholders, December 31, 2018	$ 7,359,504

ANALYSIS OF EXAMINATION ADJUSTMENTS

The following adjustment to the Company's surplus was noted as a result of our examination (see **NOTE 2** in the "Notes to Financial Statements" section of this Report for further explanations of this adjustment). As previously indicated in this Report and in accordance with the NAIC Financial Condition Examiners Handbook, the financial statements presented in this Report are based on the Annual Statement filed by the Company and if any adjustments are identified during the course of the examination, the impact of such adjustments is documented separately following the Company's financial statements.

Surplus as regards policyholders, December 31, 2018 per Annual Statement	$ 7,359,504
Allowance for deductible recoverable	$ (869,377)
Surplus as regards policyholders, December 31, 2018 per examination	$ 6,490,127

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Letters of Credit:

At December 31, 2018, 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	Per Examination	Surplus Decrease
Assets				
Aggregate write-ins for other than invested assets:				
Deductible recoverable	$ 970,226	$ (869,377)	$ 100,849	$ 869,377
Surplus				
Surplus as regards policyholders, December 31, 2018	$ 7,359,504	$ (869,377)	$ 6,490,127	$ 869,377

Note: The potential tax effects of this adjustment were not factored into the adjustments presented here.

The Company reported "Aggregate write-ins for other than invested assets: Deductible recoverable" totaling $970,226, representing policyholder deductibles paid by the Company, on behalf of policyholders, that the Company has not yet been reimbursed for by the policyholders. Based upon a review of this amount, an allowance for doubtful accounts of $869,377 has been recorded as an examination adjustment. As a result, the "Deductible recoverable" and "Surplus as regards policyholders" balances reported by the Company would have been decreased by $869,377. In addition, this adjustment would have increased the Company's "Other underwriting expenses incurred" by $869,377 and decreased net income by the same amount. See the "Summary of Recommendations" section of this Report, under the caption "Deductible Recoverable", for further comments regarding the Company's deductible recoverable amounts.

NOTE 3 – Capital Receivable:

During 2018, a capital contribution totaling $1,457,000 from MASK was accrued and reported as an asset as of December 31, 2018. The Company received the cash funding for this contribution on April 30, 2019. Pursuant to the approval of the Department, this contribution was recorded as "Capital Receivable" as of December 31, 2018.

<u>NOTE 4 – Loss and Loss Adjustment Expense Reserves</u>:

The Company reported "Losses" and "Loss adjustment expenses" reserves totaling $19,314,668 and $1,778,093, 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, 2018. These amounts are net of estimated recoveries from reinsurers, which were reported by the Company as $0 as of December 31, 2018. In addition, the reported reserves totaling $21,092,761 are net of policyholder deductibles totaling approximately $5,200,000. See further comments below under C. <u>"Reduction of Case Loss Reserves for Policyholder Deductibles".</u> 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, 2018, 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 examination actuary to review the methods employed, assumptions relied upon, and conclusions reached by the Company's independent actuary.

The examination actuary concluded the methodologies used by the Company's independent actuary do not appear to be unreasonable, however, the examination actuary also concluded an expansion of the actuarial methods utilized by the Company's independent actuary would not be unreasonable to enhance the actuarial projections. In addition, the examination actuary was unable to conclude on an appropriate and reasonable reserve estimate for the Company as of December 31,2018 due to limited availability of data and other reasons which would assist in reviewing the Company's reserves. Specifically, the independent examination actuary reported the following issues related to the review of the Company's loss and loss adjustment reserves:

A. <u>Significant Actuarial Data:</u>

In accordance with the NAIC *Annual Statement Instructions ("Instructions")*, the Company shall require the Company's independent auditor ("auditor"), as part of the auditor's evaluation of the reasonableness of the Company's loss reserve estimate, to subject the data used by the Company's independent actuary ("actuary") to testing procedures. The *Instructions* require the auditor, through inquiry of the actuary, to identify the data determined by the actuary as "significant" to his or her reserve projections. However, documentation could not be provided to the examiners to document that the actuary identified for the auditor the data determined by the actuary as "significant" to his or her reserve projections. A determination can therefore not be made regarding whether or not the data determined by the actuary as "significant" to his or her reserve projections was subjected to testing procedures by the Company's auditor.

B. <u>Legal Defense Agreements</u>:

As previously noted in the "Territory and Plan of Operations" section of this Report, the Company entered into a "loss adjustment expense capitation agreement" and a similar "legal defense agreement" during the examination period. Under these agreements, the

Company paid fixed fees to third-party service providers in return for the service providers agreeing to provide representation and defense of existing claims and new claims for the life of each claim, subject to certain terms and conditions. These agreements are referred to as loss adjustment expense “capitation agreements”. The Company’s independent actuary as well as the examination actuary (“actuaries”) both concluded that these capitation agreements create uncertainty regarding the impact of the capitation agreements on the estimation of future loss and loss adjustment expense costs and therefore on the estimation of the loss and loss adjustment expense reserves as of December 31, 2018. Specifically, the actuaries indicated there is a possibility that these capitation agreements could result in future increased loss and loss adjustment expense costs in excess of the amounts estimated by management as of December 31, 2018.

C. Reduction of Case Loss Reserves for Policyholder Deductibles:

As of December 31, 2018, the Company’s reported loss reserves had been reduced by approximately $5,200,000 for policyholder deductibles. The Company is responsible for initially paying loss and loss adjustment expense costs in the policyholder deductible layer and then must recover the amounts from the policyholders. The Company’s actuary has assumed, based on discussions with management, that all deductible amounts excluded from the Company’s loss reserves are collectible. However, based on past experience of the Company, not all deductibles paid by the Company have been recovered from policyholders. This contributes to uncertainty regarding the adequacy of the Company’s loss reserve estimates. The Company did not provide information to the examiners or the examination actuary to substantiate the collectability of the deductible amount of $5,200,000.

D. Actuarial Methods:

As indicated above, the examination actuary concluded an expansion of the actuarial methods utilized by the independent actuary would not be unreasonable to enhance the actuarial projections.

E. Lack of Data:

As indicated above, the examination actuary was unable to conclude on an appropriate and reasonable reserve estimate for the Company as of December 31, 2018 partly due to the limited availability of data which would assist in reviewing the adequacy of the Company’s reserves. The Company’s independent actuary performed calculations of estimated reserves partially based upon industry incurred data as well as based on the Company’s historical incurred data. However, the Company did not have paid historical claims data available for use by the actuaries in estimating the Company’s loss reserves. Because of this lack of data, the independent actuary relied solely upon industry paid development data. In addition, various historical claims and reserve data requested from the Company by the examination actuary for use in the review of loss reserves was either not available or was not readily available from the Company. A partial sample of the data not initially readily available was later manually compiled by the Company but this manually complied data was not subject to review or testing by the Company's independent auditor or by the Company's independent actuary and testing of the data was not within the scope of the examination.

Additionally, for years 2016 through 2018, the Company's independent actuary was unable to rely on the results of certain actuarial projection methods due to limited loss data available for these years, which is partially a by-product of the manner in which the Company is establishing case reserves.

F. Adverse Loss Development:

For loss reserves reported by the Company as of December 31, 2016, December 31, 2017, and December 31, 2018, the Company reported significant adverse loss development in subsequent periods. This indicates that management's estimates of loss reserves as of these dates were significantly understated.

SUMMARY OF RECOMMENDATIONS

Changes in Business Plan

As previously noted in the "Territory and Plan of Operation" section of this Report, the Company entered into two third-party service provider agreements without the prior review and approval of the Department. Under the District of Columbia captive insurance laws and regulations, these agreements were required to be submitted to the Department for review and prior approval. However, these agreements were not provided to the Department for review and prior approval.

We recommend that changes to the Company's business plan requiring pre-approval be submitted to the Department for review and approval prior to implementation. Any questions regarding what may or may not constitute a change in business plan should be clarified with the Department prior to implementation.

Deductible Recoverable

The Company reported "Aggregate write-ins for other than invested assets: Deductible recoverable" totaling $970,226, 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 the prior examination as of December 31, 2013, the Company agreed to establish an allowance for doubtful accounts for overdue deductible recoverable amounts based on a methodology approved by the Department. In addition, during the prior examination, the Company agreed to invoice deductible recoverable amounts due to the Company on a monthly basis. During our current examination we noted the following:

1. The Company was unable to provide documentation sufficient to confirm that recoverables had been invoiced to the policyholders and therefore it could not be

determined if the Company was following the agreed-upon methodology for establishing an allowance for doubtful accounts.

2. The review of deductible recoverable balances identified deductible amounts due to the Company as of December 31, 2018 that had not yet been invoiced to the respective policyholders by the second half of 2019. It could not be determined if these amounts were included in the $970,226 recoverable amount reported by the Company as of December 31, 2018.

3. Based upon a review of subsequent receipts in 2019, $683,463 of the deductible recoverable balance reported by the Company at December 31, 2018 remained outstanding at December 31, 2019.

4. As of December 31, 2019, the Company reported "Aggregate write-ins for other than invested assets: Deductible recoverable" totaling $1,796,343. According to Company management, during 2020 the Company accepted post-dated checks and installment payments from policyholders as support for a substantial portion of this amount. However, the Company did not initially disclose these collection methods to the Department nor request approval to count as assets deductible recoverable balances which are being satisfied by policyholders with post-dated checks and installment payments. In addition, the installment agreements did not exist as of December 31, 2019 and some were not executed until March and April 2020.

We again recommend that the Company report deductible recoverable amounts in accordance with the methodology approved by the Department and previously agreed to by the Company. In addition, we again recommend that deductible recoverable amounts due to the Company be invoiced as soon as they become due, but no less than on a monthly basis.

We also recommend the following regarding deductibles:

- **Going forward, the Company not accept post-dated checks and installment agreements to satisfy deductible amounts due from policyholders.**
- **The Company require policyholders with deductibles of $10,000 or more to provide collateral to the Company sufficient to reimburse the Company for the amount of the deductible.**
- **If actions taken by the Company do not improve the collection of deductible amounts from certain policyholders and the Company continues to experience an inability to recover deductible amounts timely from such policyholders, the Company should discontinue offering deductibles to such policyholders.**

Premiums Receivable

The Company reported "Uncollected premiums and agents' balances in the course of collection" totaling $4,257,053 and "Deferred premiums, agents' balances and installments booked but deferred and not yet due" totaling $4,046,059. During 2014, the Department recommended that the Company maintain an aging schedule of premiums receivable, and to establish on a quarterly basis an allowance for doubtful accounts based on a policy to be developed by the Company for establishing such an allowance. In response to these recommendations, management agreed to maintain an aging schedule of premiums receivable and to develop a policy for establishing an allowance for doubtful accounts by September 30, 2015.

However, the Company has not complied with these recommendations. We noted that the Company tracks premium and collections on a spreadsheet but has no formal process for aging the balances or establishing an allowance for doubtful accounts. A review of the premium receivable balances reported as of December 31, 2018 identified the following issues:

- Approximately fifty percent (50%) of the premiums reported as of December 31, 2018 remained uncollected as of December 31, 2019.
- Five (5) of the policyholders which owed premiums to the Company as of December 31, 2018 had remitted no payments as of December 31, 2019.

We again recommend that the Company comply with the Department's prior recommendations to maintain an aging schedule of premiums receivable, and to establish on a quarterly basis an allowance for doubtful accounts based on a policy to be developed by the Company for establishing such an allowance. This policy should be submitted to the Department by September 30, 2020.

Loss and Loss Adjustment Expenses Reserves

As previously indicated in **NOTE 4** in the "Notes to Financial Statements" section of this Report we noted the following:

- The Company was unable to provide sufficient historical paid claims and case reserve data for use by actuaries in estimating the Company's loss reserves.
- The Company has consistently reported adverse reserve development for certain years during the examination period, indicating that the Company's reserves have been consistently understated. Management has attributed some of this adverse development to inadequate case reserves on pending claims.
- As of December 31, 2018, the Company's reported loss reserves had been reduced by approximately $5,200,000 for policyholder deductibles. The Company's actuary has assumed, based on discussions with management, that all deductible amounts excluded from the Company's loss reserves are collectible. However, based on past experience of the Company, some deductible amounts due from policyholders have never been collected and have been written off. The Company did not provide information to the examiners or the examination actuary to substantiate the collectability of the deductible amount of $5,200,000.

We recommend:

- **The Company maintain historical paid claims and case reserve data sufficient for use by actuaries in estimating the Company's loss reserves.**
- **The Company develop and implement procedures, by September 30, 2020, to ensure adequate case reserves are established and maintained for all open claims.**
- **The Company document, based on historical write-offs of deductibles due from policyholders, an amount of future deductibles that are estimated to be written off. The Company's gross loss reserves should not be reduced by this amount estimated to be written off in the future.**

Oversight of Service Providers

As previously indicated in the "Corporate Records" section of this Report, the Company relies extensively on third-party service providers for key operations and no documentation is maintained to verify the oversight by the Company of the third-party service providers. As a result, there is no assurance that the third-party service providers are in compliance with the terms of the service provider agreements and are performing required duties. For example, the Administrator Agreement between the Company and MASK requires MASK to obtain and maintain errors and omissions insurance coverage and to purchase a fidelity bond from a company satisfactory to the Company. However, MASK did not obtain and maintain the required coverages during the examination period.

We recommend that the Company develop and implement procedures to ensure service providers are in compliance with the service provider agreements and to ensure documentation is maintained regarding the monitoring and oversight of the service providers by the Company.

Subscription and Shareholder Agreements

The Company was not able to provide executed Subscription and Shareholder Agreements for five policyholders with policies in-force at December 31, 2018. A similar condition was noted in our prior examination and we recommended that the Company implement procedures to ensure that Subscription and Shareholder Agreements are executed in a timely manner and are maintained on file by the Company for all policyholder/members. In response to the prior recommendation, management agreed to ensure timely execution of these documents. **We again recommend that the Company implement procedures to ensure that Subscription and Shareholder Agreements for all policyholder/members are executed in a timely manner and are maintained on file by the Company.**

SIGNATURES

In addition to the undersigned, the following personnel from EWM Group, PC, representing the Department, participated in this examination as members of the examination team: Thomas L. Mayberry, CFE; Paul Sliwinski, and Chris Davis.

The actuarial portion of this examination was completed by Kristine M. Fitzgerald, ACAS, MAAA, FCA, and David K. Raikowski, FCAS, MAAA, FCA, of Actuarial Solutions.

Respectfully submitted,

Philip D Engelhart

Philip D. Engelhart, CFE
Examiner-In-Charge
EWM Group, PC

Under the Supervision of,

christine afolabi

Christine Afolabi
Supervising Examiner
District of Columbia Department of Insurance, Securities and Banking

Via E-mail June 19, 2020

Robert Schuck, President
New York Healthcare Insurance Company, Inc., A Risk Retention Group
C/o Risk Services, LLC
1001 Pennsylvania Avenue N.W., Suite 400 South
Washington, D.C. 20004

RE: Examination of New York Healthcare Insurance Company, Inc., A Risk Retention Group as of December 31, 2018

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 (the "Company") as of December 31, 2018.

Please submit, to my attention, a written response calling attention to any errors or omissions. In addition, if this Report contains a section entitled "Summary of 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.

If there are no errors or omissions to be brought to our attention, and there is no "Summary of Recommendations" requiring a response, please submit a statement that the Company accepts the Report.

The response must be in writing and shall be furnished to this Department by June 26, 2020. The signed response should be on the Company's letterhead and sent electronically via e-mail to me, in an adobe "pdf" format, to sean.odonnell@dc.gov.

Sincerely,

Sean O'Donnell

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

June 26, 2020

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau
DC Department of Insurance Securities and Banking
1050 First Street NE, Suite 801
Washington, DC 20002

Re: Examination of New York Healthcare Insurance Company, Inc., A Risk Retention Group as of December 31, 2018

Dear Director O'Donnell:

The management of New York Healthcare Insurance Company, Inc., A Risk Retention Group, ("NYHIC" or "Company") has reviewed the draft examination report.

Pursuant to your letter dated June 19, 2020, NYHIC did not find any additional errors or omission in the draft examination report. Relative to the "Summary or Recommendations" section included in the draft examination report, listed below are the corrective measures that NYHIC plans to implement in the near future.

<u>Summary of Recommendations and Corrective Measures</u>

<u>Changes in Business Plan</u>
DISB recommended that changes to NYHIC business plan requiring prior approval be submitted to the DC Department of Insurance Securities and Banking ("DISB") for review and approval prior to implementation.

<u>NYHIC Corrective Measures</u>
The Company will implement procedures to submit any and all changes to its Business Plan to DISB for review and approval.

<u>Deductible Recoverable</u>
DISB recommended that the Company report deductible recoverable amounts in accordance with the methodology approved by the Department and previously agreed to by the Company. In addition, we again recommend that deductible recoverable amounts due to the Company be invoiced as soon as they become due, but no less than on a monthly basis.

We also recommend the following regarding deductibles:

- Going forward the Company not accept post-dated checks and installment agreements to satisfy deductible amounts due from policyholders.
- The Company require policyholders with deductibles of $10,000 or more to provide collateral to the Company sufficient to reimburse the Company for the amount of the deductible.
- If actions taken by the Company do not improve the collection of deductible amounts from policyholders and the Company continues to experience an inability to recover deductible amounts timely from policyholders, the Company should discontinue offering policyholder deductibles in excess of a nominal amount (e.g., $5,000).

<u>NYHIC Corrective Measures</u>
The Company would like to make the following changes to the wording of this Recommendation Section;

Recently, DISB has been working with NYHIC on a process to report and appropriately record as a Deductible Recoverable Asset any amounts that are covered by a post-dated check whose date is less than one year old. The less than one-year old deposit procedure also covers installment plans. NYHIC has been providing periodic spreadsheets to DISB reporting when the post-dated checks and installment payments are cleared in bank deposits.

Based on this tentative agreement relative to reporting of Deductible Recoverable asset balance covered by post-dated checks and installment payments, NYHIC respectfully request that the first bullet be deleted.

With respect to the second and third bullets we request that these bullets be amended to read:.

- The Company <u>on, a case by case</u> basis, will require policyholders with deductibles of $10,000 or more to provide collateral to the Company sufficient to reimburse the Company for the amount of the deductible.
- If actions taken by the Company do not improve the collection of deductible amounts from <u>certain</u> policyholders and the Company continues to experience an inability to recover deductible amounts timely from <u>such</u> policyholders, the Company should discontinue offering deductibles <u>to such policyholders</u>.

In conclusion, NYHIC agrees with the other recommendations outlined by DISB relative to the Deductible Recoverable Asset balance. The Company is planning to establish a strategy to reduce the balance of this Asset. In the interim, NYHIC will implement the remaining recommendations outlined in this section.

Premium Receivable

DISB recommended that the Company maintain an aging schedule of premiums receivable and establish on a quarterly basis an allowance for doubtful accounts by September 30, 2020.

NYHIC Corrective Measures

The Company will maintain a premium receivable aging schedule and develop a policy for establishing an Allowance for Doubtful Accounts by September 30, 2020.

Loss and Loss Adjustment Expenses Reserves

DISB recommends that;

- The Company maintain historical paid claims and case reserve data sufficient for use by actuaries in estimating the Company's loss reserves.
- The Company develop and implement procedures, by September 30, 2020, to ensure adequate case reserves are established and maintained for all open claims.
- The Company document, based on historical write-offs of deductibles due from policyholders, a balance of future deductibles that are estimated to be written off. The Company's gross loss reserves should not be reduced by this amount estimated to be written off in the future.

NYHIC Corrective Measures

The Company will coordinate the recommendations shown for Loss and Loss Adjustment Expenses Reserves with the Company's Third-Party Actuaries.

Oversight of Service Providers

DISB recommended that the Company develop and implement procedures to ensure service providers are in compliance with the service provider agreements and to ensure documentation is maintained regarding the monitoring and oversight of the service providers by the Company.

NYHIC Corrective Measures

The Company will establish an Evaluation Form that will be used to monitor the activities of Service Providers based on their contracted agreements. The evaluation findings will be submitted annually to the NYHIC Board of Directors.

Subscription and Shareholder Agreements

DISB recommended that the Company implement procedures to ensure that Subscription and Shareholder Agreements for all policyholder/members are executed in a timely manner and are maintained on file by the Company.

NYHIC Corrective Measures

The NYHIC Board of Directors will establish a policy for reviewing and approving any proposed amendments to the NYHIC Subscription and Shareholder Agreement. These amendments will be maintained by the Board's appointed Corporate Secretary.

NYHIC hopes these corrective measures are satisfactory. The Company has attached a track changes version of the NYHIC Draft Examination as of December 2018, which includes the proposed amendments to the Deductible Recoverable Asset wording.

If you have any questions, please do not hesitate to contact me.

Regards,

Robert Schuck

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

Karima Woods
Acting Commissioner

June 30, 2020

Robert Schuck, President
New York Healthcare Insurance Company, Inc., A Risk Retention Group
C/o Risk Services, LLC
1001 Pennsylvania Avenue, N.W., Suite 400 South
Washington, D.C. 20004

RE: Examination of **New York Healthcare Insurance Company, Inc., A Risk Retention Group,** as of December 31, 2018

Dear Mr. Schuck:

Thank you for the prompt response, dated June 26, 2020, regarding the Report on Examination of New York Healthcare Insurance Company, Inc., A Risk Retention Group, (the "Company"), as of December 31, 2018. The Department's comments regarding the Company's response are as follows:

Deductible Recoverable

The Department recommended the following regarding Deductible Recoverable:

> **We again recommend that the Company report deductible recoverable amounts in accordance with the methodology approved by the Department and previously agreed to by the Company. In addition, we again recommend that deductible recoverable amounts due to the Company be invoiced as soon as they become due, but no less than on a monthly basis.**
>
> **We also recommend the following regarding deductibles:**
>
> - **Going forward, the Company not accept post-dated checks and installment agreements to satisfy deductible amounts due from policyholders.**
> - **The Company require policyholders with deductibles of $10,000 or more to provide collateral to the Company sufficient to reimburse the Company for the amount of the deductible.**
> - **If actions taken by the Company do not improve the collection of deductible amounts from policyholders and the Company continues to experience an inability to recover deductible amounts timely from policyholders, the Company should discontinue offering policyholder deductibles in excess of a nominal amount (e.g., $5,000).**

Regarding the first bullet, the Company response indicated the following:

> "Recently, DISB has been working with NYHIC on a process to report and appropriately record as a Deductible Recoverable Asset any amounts that are covered by a post-dated check whose date is less than one year old. The less than one-year old deposit procedure also covers installment plans. NYHIC has been providing periodic spreadsheets to DISB reporting when the post-dated checks and installment payments are cleared in bank deposits.
>
> Based on this tentative agreement relative to reporting of Deductible Recoverable asset balance covered by post-dated checks and installment payments, NYHIC respectfully request that the first bullet be deleted."

The Department agrees it has been working with the Company to track the balance of the deductible recoverable reported in the Company's December 31, 2020 Annual Statement. This balance includes amounts that are covered by a post-dated checks and installment payment plans. The Department's recommendation in the first bullet is that going forward, the Company not accept post-dated checks and installment agreements to satisfy deductible amounts due from policyholders. This recommendation does not apply to the balance of deductible recoverable reported in the Company's December 31, 2020 Annual Statement and to further clarify, while the Company may at its option accept post-dated checks and installment payment plans from policyholders, the Company may not count the related deductible recoverable amounts as assets if those amounts otherwise require a an allowance under the methodology approved by the Department and agreed to by the Company. If there are any questions regarding this recommendation the Company should contact the Department to further discuss.

Regarding the second and third bullets, the Company response requested that these bullets be amended to read:

> "The Company on, <u>a case by case</u> basis, will require policyholders with deductibles of $10,000 or more to provide collateral to the Company sufficient to reimburse the Company for the amount of the deductible.
>
> If actions taken by the Company do not improve the collection of deductible amounts from certain policyholders and the Company continues to experience an inability to recover deductible amounts timely from <u>such</u> policyholders, the Company should discontinue offering deductibles <u>to such policyholders</u>."

Regarding the Company's response to the second bullet, please provide, by July 31, 2020, the Company's policy for determining when policyholders with deductibles of $10,000 or more will not be required to provide collateral and when policyholders with deductibles of $10,000 or more will be required to provide collateral.

Regarding the Company's response to the third bullet, we have amended the recommendation as requested.

Loss and Loss Adjustment Expenses Reserves

The Department recommended the following regarding Loss and Loss Adjustment Expenses Reserves:

- **The Company maintain historical paid claims and case reserve data sufficient for use by actuaries in estimating the Company's loss reserves.**
- **The Company develop and implement procedures, by September 30, 2020, to ensure adequate case reserves are established and maintained for all open claims.**
- **The Company document, based on historical write-offs of deductibles due from policyholders, an amount of future deductibles that are estimated to be written off. The Company's gross loss reserves should not be reduced by this amount estimated to be written off in the future.**

The Company response indicated the following:

> "The Company will coordinate the recommendations shown for Loss and Loss Adjustment Expenses Reserves with the Company's Third-Party Actuaries."

Regarding the second bullet, please provide the procedures to the Department by September 30, 2020.

Regarding the third bullet, please provide to the Department, by September 30, 2020, the Company's calculation of the amount of future deductibles that are estimated to be written off.

Subscription and Shareholder Agreements

The Department recommended the following regarding Subscription and Shareholder Agreements:

> **We again recommend that the Company implement procedures to ensure that Subscription and Shareholder Agreements for all policyholder/members are executed in a timely manner and are maintained on file by the Company.**

The Company response indicated the following:

> The NYHIC Board of Directors will establish a policy for reviewing and approving any proposed amendments to the NYHIC Subscription and Shareholder Agreement. These amendments will be maintained by the Board's appointed Corporate Secretary.

As indicated in the Department's recommendation, we recommend that the Company implement procedures to ensure that Subscription and Shareholder Agreements for all policyholder/members are executed in a timely manner and are maintained on file by the Company.

The adopted Report (which includes copies of your June 26, 2020 response and a copy of this letter) and the Order evidencing such adoption are enclosed. Pursuant to Section 31-1404(e)(1) of the District of Columbia 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.

Pursuant to Section 31-1404(d)(1) of the District of Columbia Official Code, within 30 days of the date of the above-mentioned Order, affidavits executed by each of the Company's directors 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

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