

REPORT ON ORGANIZATION

OF THE

CHAUTAUQUA COUNTY SCHOOL DISTRICTS'

MEDICAL HEALTH PLAN

AS OF

JUNE 30, 2001

DATE OF REPORT

NOVEMBER 2, 2001

EXAMINER

ROBERT W. MCLAUGHLIN, CFE, CIE

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

November 2, 2001

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, NY 12257

Sir:

Pursuant to instructions contained in Appointment Number 21792 dated October 15, 2001, and attached hereto, I have made an examination "on organization" of the Chautauqua County School Districts' Medical Health Plan and respectfully submit the following report thereon.

Whenever the term, the "Plan" appears herein without qualification, it should be understood to refer to the Chautauqua County School Districts' Medical Health Plan.

1. ORGANIZATION

The Chautauqua County School Districts' Health Plan (CCSDHP) commenced business on April 1, 1981. The Plan is a self-insured consortium established by sixteen (16) school districts and one Board of Cooperative Educational Services (BOCES) to provide for the efficient and economical evaluation, administration and payment of health claims of employees, retirees and their dependents of the participating school districts. Each school district agrees to share the costs and assume the liabilities for hospital, surgical, prescription drug, chiropractic dental, vision and major medical benefits provided under the Plan to covered members in all participating schools districts.

The Plan has applied to the Superintendent of Insurance for a Certificate of Authority pursuant to Article 47 of the New York Insurance Law.

The Plan has its main administrative office at 513 West Third Street, Jamestown, New York. Currently, the Plan has a total of sixteen (16) plan participants plus Erie-2 – Chautauqua-Cattaraugus BOCES. Members of the Plan's governing board, as of June 30, 2001 were as follows:

<u>Municipal Corporation</u>	<u>Board Member and Title</u>	<u>Phone Number</u>
Bemus Point C.S.D. 3980 Dutch Hollow Road, Bemus Point, New York 14712	Albert D'Attilio, Superintendent	(716) 386-2375
Erie 2 – Chautauqua – Cattaraugus BOCES 8685 Erie Road, Angola, New York 14006	Dr. Richard Timbs, Superintendent	(716) 228-1184
Brockton C.S.D. 138 West Main Street, Brockton, New York 14716	Richard Thom, Superintendent	(716) 792-9121

Cassadaga C.S.D. P.O. Box 540, Route 60, Brockton, New York 14716	Brian Jordan, Superintendent	(716) 962-5155
Chautauqua Lake C.S.D. 100 North Erie Street, Mayville, New York 14757	Donald Belcer, Superintendent	(716) 753-5808
Clymer C.S.D. P.O. Box 580, East Main Street Clymer, New York 14724	Ralph Wilson, Superintendent	(315) 355-4444
Dunkirk City School District 620 Marauder Drive, Dunkirk, New York 13139	Carl Mititello Superintendent	(716) 366-9300
Falconer C.S.D. 2 East Avenue, Falconer, New York 14733	J. Richard Rodriguez, Superintendent	(716) 665-6624
Fredonia C.S.D. East Main Street, Fredonia, New York 14063	James P. Coon, Superintendent	(716) 679-1581
Frewsburg C.S.D 26 Institute Street, Frewsburg, New York 14738	Paul Grekalski, Superintendent	(716)-569-9241
Jamestown Public School District 200 East 4 th Street, Jamestown, New York 14701	Raymond Fashano, Superintendent	(716)-483-4420

Panama C.S.D. 41 North Street, Panama, New York 14701	Carol Hay, Superintendent	(716)-782-3245
Ripley C.S.D. P.O. Box 688, 12 North State Street, Ripley, New York 14775	Colleen Taggerty, Superintendent	(716)-736-6201
Sherman C.S.D. P.O. Box 950, 127 Park Street, Sherman, New York 14781	Dr. Howard Ferguson, Superintendent	(716)-761-6122
Silver Creek C.S.D. P.O. Box 270, Silver Creek, New York 14136	James Mills, Superintendent	(716)-934-2603
Southwestern C.S.D. 600 Hunt Road, W.E. Jamestown, New York 14701	Edmund Harvey*, Superintendent	(716)-484-1136
Westfield C.S.D. 203 East Main Street Westfield, New York 14787	Margaret Sauer, Superintendent	(716)-326-2151

*Replaced by Robert Guiffreda, Superintendent, Southwestern C.S.D. effective July 1, 2001.

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The above school districts cover the geographic areas of Chautauqua County of New York State. The Plan's enrollment of members as of June 30, 2001 was 3,437.

The officers of the Plan as of June 30, 2001 were as follows:

Chairman:	John Ireland
Assistant Chairman	David Thomas
Treasurer:	Charity Mucha
Secretary:	Brent Agett

The Board of Governors has designated Richard Kaiser, Esq. as the Plan's Attorney-in-Fact. Laura Otander, consultant to the Plan, is the holder of the Plan's reports, records, and statements except for financial records. Charity Mucha, Plan Treasurer is the holder of the Plan's financial records.

2. SCOPE OF EXAMINATION

The examination was conducted at the Plan's office located at 513 West Third Street, Jamestown, New York.

The examination comprised a verification of the assets and liabilities of the Plan as of June 30, 2001. A review was also made of the following items:

- Plan Documents
- Financial Documents
- Service Provider Contracts
- Board of Directors' meeting minutes

3. REINSURANCE

At June 30, 2001, the Plan had the following reinsurance program for eligible benefits under terms of the Plan Agreement in effect with an authorized, reinsurer.

<u>Type</u>	<u>Limits</u>
Excess of loss one layer	100% of \$1,000,000 excess of \$150,000 of loss per contract holder, per contract year

Effective July 1, 2001, the Plan added the following aggregate excess of loss coverage:

Aggregate excess of loss (Medical and prescription drug)	\$1,000,000 excess of 120% of expected benefits (\$26,648) for the current contract period.
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The two stop loss agreements in effect at December 31, 2000 did not include the wording prescribed by Section 1308(a)(2)(A)(i) of the New York Insurance Law.

It is recommended that the Plan amend its stop loss contracts to include the wording prescribed by Section 1308(a)(2)(A)(i) of the New York Insurance Law.

4. ADMINISTRATIVE SERVICE AGREEMENTS

At the time of examination, the Plan did not maintain signed administrative services agreements with its third party administrators relative to its medical & hospital benefits and for its vision benefits.

It is recommended that the Plan maintain signed administrative services agreements with its third party administrators relative to its medical & hospital benefits and its vision benefits.

5. BALANCE SHEET

The following balance sheet sets forth the Plan's financial condition as of December 31, 2000 as determined by this examination.

<u>Assets</u>	<u>Plan</u>	<u>Examination</u>	<u>Net Worth Increase (Decrease)</u>
Cash and cash equivalents	<u>\$6,751,116</u>	<u>\$6,751,116</u>	<u>\$ 0</u>
Premiums receivable	<u>95,176</u>	<u>95,176</u>	<u>0</u>
Total assets	<u>\$6,846,292</u>	<u>\$6,846,292</u>	<u>\$ 0</u>
 <u>Liabilities</u>			
Accounts payable	\$ 0	\$ 0	\$ 0
Claims Payable	<u>4,200,000</u>	<u>4,200,000</u>	<u>0</u>
Total liabilities	<u>\$4,200,000</u>	<u>\$4,200,200</u>	<u>\$ 0</u>
 <u>Net worth</u>			
Contingency reserves	\$ 905,280	\$ 905,280	\$ 0
Retained earnings	<u>1,741,012</u>	<u>1,741,012</u>	<u>0</u>
Total net worth	<u>\$2,646,292</u>	<u>\$2,646,292</u>	<u>\$ 0</u>
Total liabilities and net worth	<u>\$6,846,292</u>	<u>\$6,846,292</u>	<u>\$ 0</u>

As of June 30, 2001, the Plan maintained a checking and money market account with M&T Bank, Jamestown, NY and a money market account with J.P. Morgan Chase, Buffalo, NY.

6. CASH AND CASH EQUIVALENTS

Although no examination change was made for the captioned asset, it was noted that the Plan did not maintain within its financial documents a reconciliation of its M&T checking account as of the examination date. .

It is recommended that the Plan maintain its bank reconciliation workpaper(s) within its financial report supporting workpapers.

7. PREMIUMS RECEIVABLE

Although no examination change was made relative to the captioned asset, it was noted that the Plan did not complete Schedule C within its filed June 30, 2001 New York Data Requirements annual statement. Said schedule provides an aging report of Premiums Receivable balances.

It is recommended that the Plan, in the future, complete Schedule C of its New York Data Requirements filed annual statement.

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	It is recommended that the Plan amend its stop loss contracts to include the wording prescribed by Section 1308(a)(2)(A)(i) of the New York Insurance Law.	7.
B ..	It is recommended that the Plan maintain signed administrative services agreements with its third party administrators relative to its medical & hospital benefits and its vision benefits.	8.
C..	It is recommended that the Plan maintain its bank reconciliation workpaper(s) within its financial report supporting workpapers.	10.
D.	It is recommended that the Plan the Plan, in the future, complete Schedule C of its New York Data Requirements filed annual statement	10.

Respectfully submitted,

Robert W. McLaughlin, CFE, CIE
Principal Insurance Examiner

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

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

Robert W. McLaughlin

Subscribed and sworn to before me
This _____ day of _____ 2001

Appointment No. 21792

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Robert McLaughlin

as a proper person to examine into the affairs of the

**CHAUTAUQUA COUNTY SCHOL DISTRICTS MEDICAL
HEALTH PLAN**

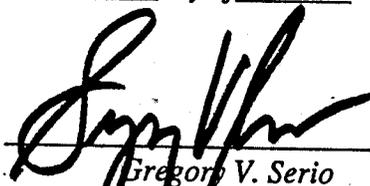
and to make a report to me in writing of the said

Company

with such information as he shall deem requisite.

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

this 15th day of October 2001



*Gregory V. Serio
Superintendent of Insurance*

