REPORT ON EXAMINATION

OF

ARCADIAN HEALTH PLAN OF NEW YORK, INC.

NOW KNOWN AS

HUMANA HEALTH COMPANY OF NEW YORK, INC.

AS OF

DECEMBER 31, 2012

DATE OF REPORT **NOVEMBER 10, 2015**

EXAMINER **KENNETH I. MERRITT**

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November 11, 2015

Honorable Anthony J. Albanese
Acting Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law and Public Health Law and acting in accordance with the instructions contained in Appointment Number 30963, dated February 26, 2013, attached hereto, I have made an examination into the condition and affairs of Arcadian Health Plan of New York, Inc., now known as Humana Health Company of New York, Inc., a health maintenance organization ("HMO") certified pursuant to Article 44 of the New York Public Health Law, as of December 31, 2012, and submit the following report thereon.

The examination was conducted at the main administrative office of Arcadian Health Plan of New York, Inc. located at 500 West Main Street, Louisville, Kentucky.

Wherever the designations "AHPNY" or the "HMO" appear herein, without qualification, they should be understood to indicate Arcadian Health Plan of New York, Inc.

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

1. SCOPE OF THE EXAMINATION

This is the first examination of the HMO by the New York State Department of Financial Services. This examination of the HMO was a combined examination (financial and market conduct examination) and covered the period from January 1, 2009 through December 31, 2012. The financial component of the examination was conducted as a financial examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2013 Edition* (the "Handbook"). The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiners, transactions occurring subsequent to December 31, 2012 were also reviewed.

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

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

Information concerning the HMO's organizational structure, business approach and control environment were utilized to develop the examination plan and procedures. The examination evaluated the HMO's risks and management activities in accordance with the NAIC's nine branded risk categories.

These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The HMO was audited annually, for the years 2009 through 2011, by the accounting firm of Ernst & Young, and for 2012, by PricewaterhouseCoopers LLP ("PwC"). The HMO received an unqualified opinion in each of those years. Certain audit work papers of PwC were reviewed and relied upon in conjunction with this examination.

This report on examination is confined to financial statements and comments on those matters which involve departures from laws, regulations or rules, or which require explanation or description.

2. DESCRIPTION OF THE HMO

Arcadian Health Plan of New York, Inc. was incorporated in the State of New York on April 7, 2008. AHPNY subsequently received a Certificate of Authority ("COA") pursuant to Article 44 of the New York Public Health Law to operate as a health maintenance organization, effective October 20, 2008. AHPNY commenced conducting business on January 1, 2009 in

Onondaga County, and on April 29, 2009, with the New York State Department of Health's approval, the HMO amended its COA, which resulted in an expansion of its writing territory to include the additional New York State counties of Madison and Oneida.

On March 31, 2012, Humana Inc., a stock corporation publicly traded on the New York Stock Exchange, completed its acquisition of both AHPNY's then ultimate parent, Arcadian Management Services, Inc. ("AMS") and AHPNY. The acquisition was approved by the New York State Department of Health ("Department of Health") effective March 30, 2012, following the Department of Financial Services' prior issuance of a non-objection letter dated December 6, 2011.

Following its acquisition, AHPNY received authorization from the Department of Health to effectuate a corporate name change to Humana Health Company of New York, Inc. The name change on the HMO's amended COA was effective on July 15, 2013.

Contributed Surplus

As of December 31, 2012, the HMO reported surplus contributions in the aggregate amount of $8,020,806 as follows:

Affiliate	Date	Amount
Arcadian Management Services	2008	$ 499,544
Arcadian Management Services	2009	450,000
Arcadian Management Services	2010	483,973
Arcadian Management Services	2011	587,289
Humana, Inc.	2012	6,000,000
Total		$8,020,806

During 2008, AHPNY's then ultimate parent, Arcadian Management Services, Inc., contributed total cash in the amount of $499,544 to AHPNY to start-up the HMO's operation. AMS subsequently contributed additional paid in surplus in the amount of $450,000 during 2009 due to the HMO's rising medical and administrative expenses.

During 2010 and 2011, AHPNY and AMS maintained an intercompany management and services agreement, which took effect on October 6, 2008. Such agreement was approved simultaneously by the Department and the New York State Department of Health, effective October 6, 2008. Based on the agreement, AMS provided the HMO with various services, including member enrollment, claims processing, information technology, financial and tax services, etc.

The HMO incurred administrative and management fees payable to AMS for rendered services in the amounts of $483,973 and $587,289 respectively in 2010 and 2011. However, due to the HMO's inability to reimburse AMS for its outstanding fees due to the parent, AHPNY with the Department's non-objection, received debt forgiveness by AMS and a waiver of both the 2010 and 2011 total fee amounts of $483,973 and $587,289. The HMO subsequently reported the two debt waivers as gross paid-in and contributed surplus.

In conjunction with AHPNY's acquisition by Humana Inc., AHPNY received cash contributions from Humana Inc. in the amounts of $2 million and $4 million, respectively, on April 10, 2012 and December 27, 2012.

Section 1307 Loans

Arcadian Management Services, Inc., during the period, March 7, 2008 through December 16, 2010, made aggregate loans in the amount of $2,400,000 to AHPNY. Such loans were evidenced by surplus notes issued by the HMO to AMS, which were approved by the Department pursuant to Section 1307 of the New York Insurance Law. AHPNY utilized the funds it received from the loans as start-up capital and to pay for the HMO's subsequent business operations.

As of December 31, 2012, the HMO maintained the following Section 1307 surplus loans:

Date Issued	Section 1307 Loan Amount
March 7, 2008	$1,500,000
June 4, 2010	$ 200,000
December 16, 2010	$ 700,000
Total Section 1307 loans	$2,400,000

The HMO also had accrued interest in the aggregate amount of $452,589 relative to the above Section 1307 loans as of December 31, 2012.

Repayment of the loans and accrued interest thereon is contingent upon the Department's prior approval.

A. Corporate Governance

In accordance with the HMO's charter and by-laws, management of the HMO during the examination period was vested in a Board of Directors ("Board") consisting of not less than

three (3) and no more than ten (10) members. The following three (3) members comprised the HMO's Board as of December 31, 2012:

Name/Residence	Business Affiliation
James H. Bloem Louisville, Kentucky	Senior Vice-President & Chief Financial Officer, Arcadian Health Plan of New York, Inc.
Bruce D. Broussard Louisville, Kentucky	President & Chief Executive Officer, Arcadian Health Plan of New York, Inc.
James E. Murray Louisville, Kentucky	Executive Vice-President & Chief Operating Officer, Humana, Inc.

Part 98-1.11(g)(1) of the Administrative Rules and Regulations of the New York State Department of Health (10 NYCRR 98-1.11) states in part the following:

> "Within one year of the MCO becoming operational, no less than 20 percent of the members of the governing authority shall be enrollees of such MCO except that… (iii) an HMO, PHSP, PCPCP or MLTCP may, as an alternative to or in addition to subparagraphs (i) and (ii) above, establish an enrollee advisory council which is representative of the HMO's, PHSP's, PCPCP's or MLTCP's enrollment and which has direct input to the governing authority…"

The HMO failed to comply with the requirement of Part 98-1.11(g)(1) of the Administrative Rules and Regulations of the New York State Department of Health in that AHPNY did not have any enrollee representation on the governing board of the HMO as of December 31, 2012.

It is recommended that AHPNY comply with Part 98-1.11(g)(1) of the Administrative Rules and Regulations (10 NYCRR 98-1.11) of the New York State Department of Health by appointing an HMO enrollee representative to its current Board of Directors.

Article III, Section 4, of the HMO's by-laws states in part the following:

> "A regular meeting of the Board of Directors shall be held without other notice than this Bylaw {sic}, immediately after, and at the same place, as the annual meeting of shareholders..."

The examiner's review of the HMO's minutes of the Board of Directors' meetings revealed that the Board failed to comply with its by-laws when it did not hold a regular meeting in 2012.

It is recommended that AHPNY's Board of Directors comply with Article III, Section 4 of the HMO's by-laws by ensuring that the Board holds its regular meeting every year, on the same date of the annual meeting of the HMO's shareholders.

In addition, it is the Department's position that the Board should maintain greater involvement with the HMO's business affairs, by AHPNY's Board holding more than one scheduled regular meeting annually. The Board should schedule regular meetings on at least a quarterly basis during each calendar year.

It is recommended that AHPNY's Board of Directors hold meetings on at least a quarterly basis during each calendar year.

In addition, Article III, Section 4, of the HMO's by-laws also states in part the following:

> "…Whenever the laws of the domestic state authorize or permit directors to act other than at a meeting including but not limited to acting through unanimous written consents, then such actions shall be as effective as if taken by the directors at a meeting."

The examiner's review of the Board records revealed that except for one meeting held by the Board's Quality Assurance Committee in 2012, the activities of AHPNY's Board in 2012

were limited to the directors' use of unanimous written consents, in lieu of Board meetings. However, it is the Department's position that the Board's use of unanimous written consents should be limited to those occasions when time is of the essence and should not be used in lieu of a regularly scheduled meeting.

It is recommended that AHPNY's Board of Directors limit its use of unanimous written consents to only those occasions when time is of the essence. The Board should refrain from its standard practice of utilizing unanimous written consents in lieu of regularly scheduled meetings.

It is recommended also that the HMO's Board amend its existing by-laws to state that the Board's use of unanimous written consents shall be limited to occasions when time is of the essence and shall not in any case be used in lieu of a regularly scheduled meeting.

As of December 31, 2012, the principal officers of the HMO were as follows:

Name	Title
Bruce D. Broussard	President & Chief Executive Officer
James H. Bloem	Senior Vice-President & Chief Financial Officer
Brian P. LeClaire	Sr. VP and Chief Service and Information Officer
Roy Goldman Ph.D.	Vice-President & Chief Actuary
Joan O. Lenahan	Vice President & Corporate Secretary

Humana Inc. has an established corporate governance structure which is led by the Board of Directors and its senior executive officers where appointed by the Board for managing the day-to-day affairs of Humana Inc. including its New York Article 44 Public Health Law HMO affiliate, AHPNY. Exhibit M of the Handbook (Understanding the Corporate Governance Structure) was utilized by the examiner as guidance for assessing the HMO's Corporate Governance.

Enterprise Risk Management / Internal Audit Functions

Following are summaries of the HMO's Enterprise Risk Management and Internal Audit functions, both of which are provided by its parent, Humana Inc., a publicly traded company that is subject to the Sarbanes-Oxley Act of 2002. Thus, unless otherwise noted, references to the aforementioned functions provided by Humana Inc. apply to the HMO.

i. Enterprise Risk Management ("ERM")

The HMO has an established Enterprise Risk Management ("ERM") framework for proactively identifying, addressing and mitigating risks, including prospective business risks. Humana's risk framework, consistent with the COSO ERM Framework, aligns all potential risks impacting the organization into four (4) risk categories consisting of (1) strategic, (2) operational, (3) financial reporting and disclosure, and (4) compliance. In addition, risks identified within each of the aforementioned risk categories are broken down further into planning and execution risks.

Humana Inc.'s ERM program is administered by its Enterprise Risk Management Committee ("Risk Committee") which includes Humana Inc.'s President/Chief Executive Officer ("CEO") and CEO's other direct reports, consisting of the Controller, Chief Compliance Officer and Chief Actuary. The Risk Committee maintains a list of top enterprise-level risks, which are reviewed collectively by the Risk Committee and the Audit Committee ("AC") of Humana Inc.'s Board of Directors on a regular basis. Periodic structured risk workshops between Humana's functional and segment management leaders are held to synchronize risk tolerance and identify the most significant risks to their business unit/segment.

The Board's AC provides both oversight of Humana's ERM program and assistance to management relative to Humana's risk assessment and risk management policies.

Humana Inc.'s ERM program has an effective approach to identifying and mitigating risks across the organization, including prospective business risks. Humana Inc. deals proactively with its areas of risk, and its management is knowledgeable about risk mitigation strategies. Through risk discussions and other measures, Humana Inc.'s management reviews significant issues and reacts to changes in the environment with a sense of commitment to address risk factors and manage the business accordingly. Humana Inc.'s overall risk management process takes a proactive approach to identifying, tracking, and dealing with significant current and emerging risk factors.

ii. Internal Audit Department

Humana Inc. has an established Internal Audit Department which is independent of management and which functions to serve Humana Inc. and its subsidiaries. Humana Inc.'s Internal Audit Department ("IAD") or Internal Audit Consulting Group ("IACG"), which the IAD is known as within Humana's organization, falls under the direct supervision of the Audit Committee, as designated by Humana Inc.'s Board of Directors. IACG also reports simultaneously to Humana Inc.'s management on an indirect and dotted line basis. The AC comprises entirely of outside members that are independent of Humana Inc.'s and AHPNY's management.

IACG assists all levels of management by reviewing and testing financial and operational controls and processes established by management to ensure compliance with laws, regulations,

and Humana Inc.'s policies. The scope of the IACG program is coordinated with Humana Inc.'s independent certified public accountant with the intended purpose to ensure optimal audit coverage and maximum efficiency by Humana.

During the course of this examination, consideration was given to the significance and potential impact of certain IACG work, including the results of the IACG's testing of internal control policies and procedures established by management. The examiner relied upon certain work performed by the IACG, as prescribed by the Handbook.

Based on the examiner's use of Humana's IACG's test work, the examiner noted that IACG's testing of the internal controls at the Humana Inc. level revealed the existence of policies and procedures adequately designed to effectively mitigate risks within those key functional areas of the HMO selected for review by the examiner.

B. Territory and Plan of Operation

As of December 31, 2012, AHPNY was authorized to operate in the New York State counties of Madison, Onondaga and Oneida.

Subsequent to December 31, 2012, AHPNY's Certificate of Authority ("COA") was amended to permit the HMO to expand into fifteen (15) additional New York counties. As a result of the New York State Department of Financial Services and New York State Department of Health's ("Department of Health) concurrent approvals of the HMO's aforementioned amended COA for expansion, effective on July 15, 2013, AHPNY was authorized to operate within the following additional fifteen New York State counties:

Albany	Niagara	Schenectady
Bronx	Queens	Steuben
Erie	Rensselaer	Suffolk
Kings	Richmond	Warren
Nassau	Saratoga	Westchester

In addition to the HMO's geographic expansion that was granted under the amended COA, the aforementioned COA also included the following additional amendments:

i. Change of the HMO's existing corporate name from Arcadian Health Plan of New York, Inc. to Humana Health Company of New York, Inc.; and

ii. Change of the HMO's statutory home address from Albany, New York to New York, New York.

By letter dated February 21, 2013 to the Department of Health, the Department issued its non-objection to AHPNY's expansion request contingent upon the HMO receiving a $20 million cash infusion from Humana Inc. AHPNY received the aforementioned $20 million cash infusion on June 25, 2013, after which the Department of Health, in a letter to AHPNY dated August 12, 2013, advised the HMO of both Departments' concurrent approvals of AHPNY's geographic expansion.

AHPNY provides medical, hospital and prescription drug coverage under the Medicare Advantage and Medicare Part D Prescription Drug plans.

Under the HMO's Medicare Advantage contract with the Centers for Medicare and Medicaid Services ("CMS"), AHPNY provides health insurance to eligible members, age 65 and older and to disabled members under the age of 65. Enrollees in the Medicare Advantage program receive benefits in excess of traditional Medicare coverage, including: reduced cost

sharing, enhanced prescription drug benefits, care coordination, case management, disease management, wellness and prevention programs and reduced monthly Part B premiums (physician care and other services).

AHPNY's Medicare Part D Prescription Drug plans are stand-alone plans. They offer both basic coverage with mandated benefits and enhanced coverage with varying degrees of out-of-pocket costs (for deductibles and co-insurance amounts.

Under the HMO's Medicare Advantage and Medicare Part D Prescription Drug contracts with CMS, AHPNY provides health benefits to its enrolled members and receives contractual payments from CMS in the form of fixed payment per member per month.

The following summary reflects AHPNY's totals for annual net premium income and enrollment for each of the years 2009 through 2012:

Year	Premium Income	Total Enrollment
2009	$ 1,533,218	238
2010	$10,993,737	1,456
2011	$11,988,672	1,269
2012	$ 6,724,437	686

The HMO's annual premium income of $6,724,437 in 2012 represented a decrease of $5,264,235 or 43.9% compared to its premiums reported in 2011. Such decrease resulted from a corresponding decrease in AHPNY's member enrollment between December 31, 2012 and December 31, 2011.

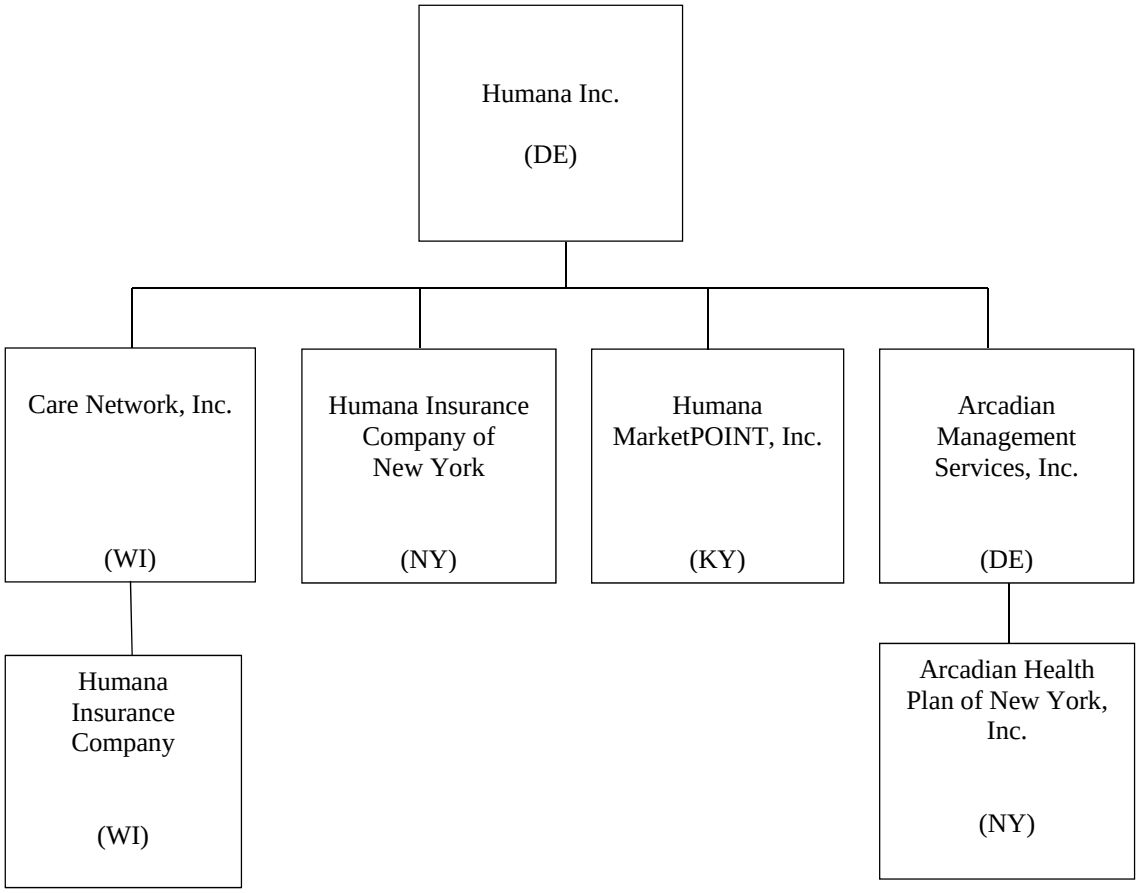
C. Reinsurance

The HMO did not assume any reinsurance during the examination period.

During the examination period, the Company maintained a ceded reinsurance agreement with HCC Life Insurance Company, a New York authorized reinsurer. Effective as of March 31, 2012, AHPNY issued a notification of early termination of the agreement. Such agreement was to expire on December 31, 2012.

D. Holding Company System

The following abbreviated chart depicts the HMO's holding company system as of December 31, 2012:



Prior to AHPNY's and Arcadian Management Services, Inc.'s ("AMS") acquisition by Humana Inc., which was effective March 31, 2012, AHPNY maintained a management services agreement with AMS during the years 2009 through March 30, 2012, whereby AMS provided certain services to AHPNY, including claims processing, professional credentialing, information technology, treasury financial and tax services, etc. The Agreement which was dated October 8, 2008 and simultaneously approved on that date by both the Department of Financial Services and Department of Health, was subsequently terminated following AHPNY's and AMS's acquisition

by Humana Inc. Subsequent to the acquisition, the HMO entered into the following inter-company agreements with its Humana affiliates, effective on July 1, 2012:

i. Corporate Service Agreement

Humana Inc. provides AHPNY with various administrative and managerial services including but not limited to the following functions: (1) clerical processing of the HMO's trade accounts payable, payroll and broker commissions payments; (2) medical and product management; (3) executive management; (4) information systems; (5) financial services; (6) legal services; (7) human resources; (8) employee benefits; (9) insurance; and (10) marketing and advertising services.

ii. Service Center Agreement

Humana Insurance Company provides AHPNY with the necessary staff, systems and related support to administer on behalf of AHPNY, the following management functions: (1) claims processing; (2) customer service; (3) front end operations; (4) billing and enrollment; (5) utilization review; (6) other support and direct cost of employee fringe benefits, payroll taxes; and occupancy.

iii. Medicare Risk Marketing Service

Humana MarketPOINT, Inc. provides AHPNY with sales representatives and management employees, systems, and other related support (i.e., office rent, office supplies, printing, postage, travel and entertainment, etc.) for the purpose of selling the HMO's products.

iv. Tax Allocation Agreement

AHPNY files its federal income tax return as part of Humana Inc.'s (Ultimate Parent) group consolidated tax return along with Humana Inc. and its other holding company system members.

All of the above mentioned agreements were approved by the Department effective on October 26, 2012.

Of the above mentioned AHPNY's inter-company agreements implemented by the HMO, only the Service Center Service Agreement required approval by the New York State Department of Health ("DOH").

Part 98-1.10(c) of the Administrative Rules and Regulations of the New York State Department of Health (10 NYCRR 98-1.10) states in part the following:

> "…Thirty days prior notice to the commissioner and, except in the case of a PHSP, HIV SNP or PCPCP, the superintendent, is required before entering into the following transactions between a controlled MCO and any person in its holding company system: a reinsurance agreement or an agreement for rendering services on a regular or systematic basis, other than medical or management services that require prior approval under this Subpart. Such transactions may become effective unless the commissioner or the superintendent has disapproved the transaction within such period."

It was noted that the HMO, in the implementation of its Service Center Service Agreement, failed to obtain the prior approval of such Agreement by the DOH's Commissioner.

Subsequent to the examination date, AHPNY addressed the issue of the above mentioned non-approved Service Center Service Agreement by resubmitting to the New York State Department of Health ("DOH") on October 30, 2013, a new affiliated service Agreement. This new agreement, which was dated retroactively to July 1, 2012, was approved by DOH effective December 2, 2013.

It is recommended that the HMO obtain the DOH Commissioner's prior approval relative to AHPNY's future implementation of its inter-company management agreements in compliance with Part 98-1.10(c) of the Administrative Rules and Regulations of the New York State Department of Health (10 NYCRR 98-1.10).

E. Significant Operating Ratios

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

Account	Amounts	Ratios
Claims expenses incurred	$28,358,317	90.7%
Claim adjustment expenses incurred	$ 1,239,659	4.0%
General administrative expenses incurred	$ 6,614,883	21.2%
Net underwriting loss	$(4,972,795)	(15.9)%
Premium earned	$31,240,064	100.0%

Low enrollment and small premium growth, coupled with high medical costs, were the main contributors to the HMO's total net underwriting losses of ($4,972,795) reported during the years 2009 through 2012.

3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities and capital and surplus as of December 31, 2012, as reported in the HMO's 2012 filed annual statement, a condensed summary of operations and reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the HMO's financial condition as presented in its December 31, 2012 filed annual statement.

The firms of Ernst & Young ("E & Y") and PricewaterhouseCoopers ("PwC") were retained by the HMO to audit AHPNY's combined statutory basis statements of financial position as of December 31st of each year during the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then

ended. Audits of the HMO's financial statements were conducted by E & Y for the reporting years 2009 through 2011 and by PwC for the 2012 year.

E & Y and PwC each concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the HMO at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

A. Balance Sheet

Assets

Cash and cash equivalents	$ 7,253,782
Short-term investments	400,092
Uncollected premiums and agents' balances in the course of collection	28,225
Accrued retrospective premiums	262,217
Amounts recoverable relating to uninsured plans	240,707
Net deferred tax assets	48,173
Healthcare and other amounts receivable	54,169
Total assets	$ 8,287,365

Liabilities

Claims unpaid	$ 892,660
Unpaid claims adjustment expenses	5,854
Aggregate health policy reserves	1,693,710
General expenses due and accrued	508,397
Current federal and foreign income tax payable and interest thereon	74,263
Amounts withheld or retained for the account of others	381
Amounts due to parent, subsidiaries and affiliates	37,177
Liability for amounts held under uninsured plans	39,596
Total liabilities	$ 3,252,038

Capital and Surplus

Common capital stock	2
Gross paid-in and contributed surplus	$ 8,020,806
Surplus notes	2,400,000
Aggregate write-ins for other than special surplus funds	1,019,037
Unassigned funds	(6,404,518)
Total capital and surplus	$ 5,035,327
Total liabilities and capital and surplus	$ 8,287,365

Note 1: The Internal Revenue Service ("IRS") did not perform audits of AHPNY's Federal Income Tax returns for the calendar tax years 2009 through 2011 during the period in which the HMO filed its returns on a group basis under the consolidated Federal Income Tax Returns of its then ultimate parent, Arcadian Management Services, Inc. ("AMS"). With AMS' and AHPNY's subsequent acquisition by Humana Inc. ("HI") during 2012, AMS and AHPNY filed their 2012 calendar year returns along with the consolidated Federal Income Tax return of HI. Based on HI's 2012 tax year consolidated return, the IRS performed an audit of such tax return during March of 2014. The results of this IRS audit revealed no adverse findings within HI's 2012 return. The examiner is unaware of any potential exposure to AHPNY for any tax assessment and no liability has been established herein relative to such a contingency.

Note 2: No liability appears on the above statement for loans in the amount of $ 2,400,000 and accrued interest thereon in the amount of $ 452,589 as of December 31, 2012. The loans were granted pursuant to the provisions of Section 1307 of the New York Insurance Law. As provided in Section 1307, repayment of principal and/or interest shall only be made out of free and divisible surplus, subject to the prior approval of the Superintendent.

B. Statement of Revenue and Expenses and Change in Capital and Surplus

Capital and surplus increased $3,149,725 during the four-year period, January 1, 2009 through December 31, 2012, detailed as follows:

Revenue		
Total premium income		$ 31,240,064
Hospital and medical expenses		
Hospital/medical benefits	$ 13,287,921	
Other professional services	5,943,595	
Outside referrals	2,695,249	
Emergency room and out-of-area	1,222,061	
Prescription drugs	3,557,973	
Incentive pool and withhold adjustments	3,861	
Total hospital and medical expenses	$ 26,710,660	
Less: Net reinsurance recoveries	12,743	
Sub-total	$ 26,697,917	
Claims adjustment expenses	1,239,659	
General administrative expenses	6,614,883	
Increase in reserves for health contracts	1,660,400	
Total underwriting deductions		36,212,859
Net underwriting losses		$ (4,972,795)
Net investment gains		1,902
Aggregate write-ins for other income		496
Net loss after capital gain and before all other federal income taxes		$ (4,970,397)
Less: Federal and income taxes incurred		(128,124)
Net loss		$ (4,842,273)

Change in Capital and Surplus

	Gains in Surplus	Losses in Surplus	
Capital and surplus as of January 1, 2009			$ 1,505,387
Net loss		$ 4,842,273	
Change in net deferred income tax	$ 889,109		
Change in non-admitted assets		930,400	
Change in surplus notes	900,000		
Capital paid in	2		
Surplus paid in	7,521,262		
Aggregate write-ins gains	0	7,760	
Net increase in capital and surplus			$ 3,529,940
Capital and surplus, per report on examination, as of December 31, 2012			$ 5,035,327

The above indicated net increase of $3,149,725 to AHPNY's capital and surplus account during the examination period stems primarily from the HMO's receipts of contributed paid in surplus from AHPNY's ultimate and immediate parents during the examination period, as discussed above in section 2 of the report.

4. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the HMO conducts its business and fulfills its contractual obligations to policyholders and claimants. In determining the scope of this review, the examiner took into consideration the HMO's lines of business comprising Medicare Advantage and Medicare Part D Prescription Drug plans, which fall under the purview of the Center for Medicare and Medicaid Services' requirements, as

opposed to the statutory requirements of the Department. Thus, the market conduct review was limited to producer licensing including appointments and terminations.

No issues or areas of non-compliance were noted.

5. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
	Corporate Governance	
i.	It is recommended that AHPNY comply with Part 98-1.11(g)(1) of the Administrative Rules and Regulations (10 NYCRR 98-1.11) of the New York State Department of Health by appointing an HMO enrollee representative to its current Board of Directors.	7
ii.	It is recommended that AHPNY's Board of Directors comply with Article III, Section 4 of the HMO's by-laws by ensuring that the Board holds its regular meeting every year, on the same date of the annual meeting of the HMO's shareholders.	8
iii.	It is recommended that AHPNY's Board of Directors hold meetings on at least a quarterly basis during each calendar year.	8
iv.	It is recommended that AHPNY's Board of Directors limit its use of unanimous written consents to only those occasions when time is of the essence. The Board should refrain from its standard practice of utilizing unanimous written consents in lieu of regularly scheduled meetings.	9
v.	It is recommended also that the HMO's Board amend its existing by-laws to state that the Board's use of unanimous written consents shall be limited to occasions when time is of the essence and shall not in any case be used in lieu of a regularly scheduled meeting.	9
vi.	It is recommended that the HMO obtain the DOH Commissioner's prior approval relative to AHPNY's future implementation of its inter-company management agreements in compliance with Part 98-1.10(c) of the Administrative Rules and Regulations of the New York State Department of Health (10 NYCRR 98-1.10).	18

Respectfully submitted,

_____/S/_____
Kenneth I. Merritt
Associate Insurance Examiner

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

_____/S/_____
Kenneth I. Merritt
Associate Insurance Examiner

Subscribed and sworn to before me
this _____ day of_____2015.

APPOINTMENT NO. **30963**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***BENJAMIN M. LAWSKY****, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Kenneth Merritt

as a proper person to examine the affairs of the

Humana Health Company of New York, Inc.

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

Company

with such other information as he shall deem requisite.

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

this 26th day of February, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By: Stephen J. Wiest

Stephen J. Wiest
Deputy Bureau Chief
Health Bureau