

**REPORT ON EXAMINATION**

**OF**

**UNITED CONCORDIA INSURANCE COMPANY OF NEW YORK**

**AS OF**

**DECEMBER 31, 2012**

**DATE OF REPORT**

**JUNE 30, 2015**

**EXAMINER**

**FROILAN L. ESTEBAL**

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Anthony J. Albanese  
Acting Superintendent

June 30, 2015

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

Sir:

Pursuant to the provisions of the New York Insurance Law, and acting in accordance with the instructions contained in Appointment Number 31040, dated November 7, 2013, attached hereto, I have made an examination into the condition and affairs of United Concordia Insurance Company of New York, an accident and health insurer licensed pursuant to the provisions of Article 42 of the New York Insurance Law, as of December 31, 2012, and respectfully submit the following report thereon.

The examination was conducted at the main administrative office of United Concordia Insurance Company of New York located at 4401 Deer Path Road, Harrisburg, Pennsylvania.

Wherever the designations the “Company” or “UCICNY” appear herein, without qualification, they should be understood to indicate United Concordia Insurance Company of New York.

Wherever the designations “UCCI” or the “Parent” appear herein, without qualification, they should be understood to indicate United Concordia Companies, Inc., UCICNY’s immediate parent company.

Wherever the designations “Highmark” or the “Ultimate Parent” appear herein, without qualification, they should be understood to indicate Highmark Inc., UCCI’s immediate parent and UCICNY’s ultimate parent company.

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**

The previous examination of the Company was conducted as of December 31, 2009. This examination of the Company was a combined (financial and market conduct) examination and covered the period January 1, 2010 through December 31, 2012. The financial component of the examination was conducted as a financial examination as such term is defined in the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook, 2012 Edition* (the “Handbook”). The examination was conducted observing the guidelines and procedures in the Handbook. Where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2012 were also reviewed.

The financial portion of the examination was conducted on a risk-focused basis, 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 Company’s operations and utilizes that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate UCICNY’s current financial

condition, as well as identify prospective risks that may threaten the future solvency of the Company.

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 Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The examiner evaluated the Company'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 Company was audited annually for the years 2010 through 2012, by the accounting firm of PricewaterhouseCoopers LLP ("PwC"). The Company received an unqualified opinion

from PwC in each of those years. Certain audit work papers of PwC were reviewed and relied upon in conjunction with this examination. A review was also made of the process encompassing the Ultimate Parent's Internal Audit function, Model Audit Rule and Enterprise Risk Management, as they relate to the Company.

The examiner reviewed the corrective actions taken by the Company with respect to the recommendations concerning financial issues contained in the prior report on examination. The results of the examiner's review are contained in Item 7 of this report.

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 COMPANY**

The Company was incorporated January 10, 1990, as the "Citadel Insurance Company," under the laws of the State of New York. It commenced business on September 25, 1990. On December 31, 1996, United Concordia Companies, Inc. (UCCI) acquired 100% of the outstanding common stock of Citadel Insurance Company. On January 8, 1997, Citadel Insurance Company's name was changed to United Concordia Insurance Company of New York. UCICNY is a for-profit corporation authorized to write accident and health insurance in the State of New York. The Company is a wholly-owned subsidiary of UCCI. On July 11, 1997, the Department approved the Company's license change from a property casualty insurer to New

York Insurance Law Article 42 accident and health insurer. UCICNY writes dental and vision insurance in the State of New York.

On December 6, 1996, UCCI's parent corporation, Medical Service Association of Pennsylvania (d/b/a Pennsylvania Blue Shield), combined with Veritus Inc. (d/b/a Blue Cross of Western Pennsylvania) to form Highmark. As a result, UCCI became a wholly owned subsidiary of Highmark.

A. Corporate Governance

Pursuant to the Company's Charter and By-Laws, the Board of Directors of the Company shall not be less than seven members. As of December 31, 2012, the Company's Board of Directors consisted of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Ray Hunter Carson, Jr. Presto, Pennsylvania	Executive Vice President, Highmark Inc.
Nanette Paden DeTurk Seabrook Island, South Carolina	Executive Vice President, Highmark Inc.
David Lynn Holmberg San Antonio, Texas	Chairman of the Board and Chief Executive Officer, United Concordia Insurance Company of New York
Frederick Gerard Merkel Harrisburg, Pennsylvania	President and Chief Operating Officer, United Concordia Insurance Company of New York
Daniel William O'Malley Pittsburgh, Pennsylvania	Market President and Senior Vice President, Highmark Inc.
Dale Lee Paustian Northport, New York	Senior Vice President & Vice President, Davis Vision, Inc.
Daniel Joseph Wright Harrisburg, Pennsylvania	Chief Financial Officer and Treasurer, United Concordia Insurance Company of New York

The minutes of all meetings of the Board of Directors and committees thereof held during the period under the examination were reviewed. The Company's By-Laws require that there shall not be less than two regular meetings of the Board of Directors held each year, on dates as the Board may designate. The review indicated all board meetings were well attended, with all members attending at least one-half of the meetings they were eligible to attend.

A review of the minutes of the Company's Board of Directors meetings, however, revealed that a certain significant event that was to have a material effect on the Company was not reflected in the minutes of the 2013 meetings. The event pertains to the termination of the reinsurance contract between the Company and Sun Life Insurance and Annuity Company of New York. The reinsurance agreement accounted for 43.3% of the Company's net premiums in 2012. The termination of the reinsurance agreement, and the impact to the Company were not documented in the minutes of the Board meetings.

It is recommended that significant events affecting the Company should be brought to the attention of the Board of Directors during their meetings along with the necessary information to allow the Board to make appropriate decisions and to provide direction to the Company's management.

It is also recommended that discussion of key significant events involving the Company be reflected in the minutes of the Board of Directors.



The principal officers of the Company as of December 31, 2012 were as follows:

<u>Name</u>	<u>Title</u>
David Lynn Holmberg*	Chairman of the Board and Chief Executive Officer
Frederick Gerald Merkel	President and Chief Operating Officer
Daniel Joseph Wright	Chief Financial Officer and Treasurer
Edward August Bittner, Jr. Esq.	Secretary

\*David Lynn Holmberg was elected as Chairman of the Board and Chief Executive Officer on November 15, 2011.

Enterprise Risk Management (“ERM”), Insurance Regulation No. 118 and Internal Audit processes are conducted on behalf of the Company by Highmark Inc. Thus, unless otherwise noted, references to Highmark Inc. are applicable to the Company.

#### Enterprise Risk Management

Beginning in 2010, Highmark adopted an ERM framework for proactively addressing and mitigating risks, including prospective business risks. UCCI participates in a strategic planning process with its parent, Highmark Inc.; in which major risks and opportunities are identified.

The ERM process includes an assessment of external and internal environment risks. For risk evaluation purposes external risk includes the insurance industry, the economy, dental providers, the competition, and the regulatory environment. Internal risk considerations include operational and product capabilities, resources (human and financial), information systems, and financial and operational objectives. The Company’s strategic plan is comprised of internal criteria and performance measures that are established with regards to strategic objectives and

initiatives, including the establishment of milestones and completion dates. Strategic and financial plans are developed and approved by the board of directors of UCCI.

#### Insurance Regulation No. 118

The Company does not meet the premium threshold requirement of Insurance Regulation No. 118. However, UCCI and its subsidiary United Concordia Life and Health Insurance Company of Pennsylvania are subject to the Model Audit Rule (“MAR”) and its requirements. Thus, MAR management for general controls are applied to UCCI and all of UCCI’s subsidiaries, which include UCICNY. Beginning in 2010, Highmark instituted the MAR Department, in which risks from various operations of the holding company system are identified and segregated by operations cycle and entity level controls. In coordination with the Company’s management, risks identified were labeled and cataloged using specific control codes. The MAR Department performed its own control testing and accumulated its findings.

A review of control testing and the results of such testing indicated that general control management appears to be working at a satisfactory level. To the extent possible, the examiner relied upon work performed by the MAR and ERM Departments, as prescribed by the Handbook.

#### Internal Audit Department

Highmark Inc. has an established Internal Audit Department (“IAD”) function, which is independent of management, to serve Highmark Inc. and its subsidiaries. The Audit Committees

of Highmark Inc. (the “Audit Committee” or “AC”), and its affiliates are comprised entirely of independent members.

The IAD reviews and tests financial and operational controls and processes established by management to ensure compliance with laws, regulations and Highmark Inc.’s established policies.

During the course of this examination, consideration was given to the significance and potential impact of certain IAD findings. To the extent possible, the examiner relied upon work performed by the IAD, as prescribed by the Handbook.

Exhibit M of the Handbook (Understanding the Corporate Governance Structure) was utilized by the examiner as guidance for assessing Corporate Governance. Overall, it was determined that the Company’s Corporate Governance structure is adequate, sets an appropriate “tone at the top”, supports a proactive approach to operational risk management, and contributes to an effective system of internal controls. It was found that the Company’s board of directors and key executives encourage integrity and ethical behavior throughout the organization and that senior management promotes a corporate culture that acknowledges, understands and maintains an effective control environment.

Highmark and UCCI’s management appear to have an adequate approach to identifying and mitigating risks across the organization, including prospective business risks. Both companies deal proactively with their areas of risk, and management is knowledgeable about mitigation strategies. Through risk discussions and other measures, Highmark’s management

reviews significant issues and reacts to changes in the environment with a clear commitment to addressing risk factors and managing the business accordingly. Highmark's overall risk management process takes a proactive approach to identifying, tracking, and addressing significant current and emerging risk factors.

B. Territory and Plan of Operation

UCICNY is licensed pursuant to the provisions of Article 42 of the New York Insurance Law and is authorized to conduct business only within the state of New York.

The following chart depicts UCICNY's membership at each year-end:

<u>2010</u>	<u>2011</u>	<u>2012</u>
23,189	17,131	14,382

According to the Company, the primary function of UCICNY is to write indemnity dental insurance in New York to provide coverage to the large number of national accounts based in New York. In addition, UCICNY works with its affiliated company, Davis Vision, to provide vision coverage, in an effort to maintain its presence in the New York Market.

UCICNY reported net premiums written totaling \$29,423,809 during the period under examination from January 1, 2010 through December 31, 2012.

Below is a summary of the Company's total net written premium during the examination period:

<u>Year</u>	<u>Premiums</u>
2010	\$9,068,981
2011	8,789,489
2012	<u>11,565,339</u>
Total	<u>\$29,423,809</u>

The Company primarily writes dental insurance. The Company began writing vision coverage in 2012. The following is a summary of the Company's total net premiums written by line of business during the three-year period under examination:

<u>Line of Business</u>	<u>Total</u>
Dental	\$29,421,591
Vision	<u>2,218</u>
Total	<u>\$29,423,809</u>

The following table shows UCICNY's net admitted assets, capital and surplus, net premium income and net income during the period under examination:

	<u>Net Admitted Assets</u>	<u>Capital and Surplus</u>	<u>Net Premium Income</u>	<u>Net Income</u>
2010	\$4,101,149	\$2,877,977	\$9,068,981	\$(45,673)
2011	\$3,562,865	\$2,395,069	\$8,789,489	\$(536,073)
2012	\$4,376,766	\$2,956,097	\$11,565,339	\$503,398

C. Reinsurance

In July 2011, the Company entered into a reinsurance agreement with Sun Life Insurance and Annuity Company of New York (“SLNY”), whereby the Company assumed on an indemnity basis, the proportional share of 50% of SLNY’s losses with respect to new business reinsured policies. The Company assumed 25% of the in-force policies.

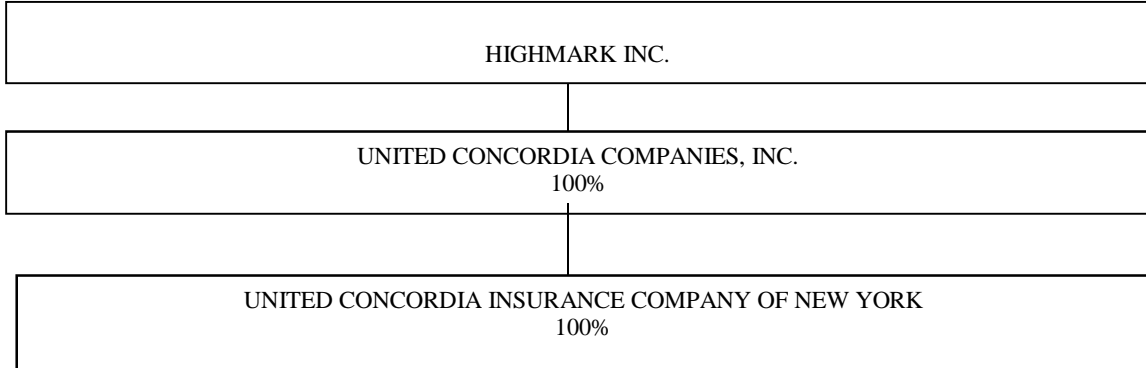
<u>Effective Period</u>	<u>Company’s Liability</u>	<u>Insured’s Retention</u>
7/1/11 thru 4/30/16*	Proportional Share of 50% of the insured’s losses with respect to the New Business Reinsured Policies.	Proportional Share of 50% of the insured’s losses with respect to the New Business Reinsured Policies.
7/1/11 thru 4/30/16*	Proportional Share of 25% of the insured’s losses with respect to In-Force Block Reinsured Policies.	Proportional Share of 75% of the insured’s losses with respect to the In-Force Block Reinsured Policies.

It was noted that the agreement contained all of the required clauses prescribed by the Department, including the insolvency clause required by Section 1308(a) of the New York Insurance Law.

\*The agreement was terminated on July 13, 2013. See the “Subsequent Events” section of this report on examination for further details. The Company did not cede any business during the period under examination.

D. Holding Company System

UCICNY is a wholly-owned subsidiary of UCCI. Its parent is a non-publicly traded corporation domiciled in the Commonwealth of Pennsylvania. The following chart depicts the Company's simplified holding company system as of December 31, 2012.



UCICNY's parent company, UCCI, is a Pennsylvania licensed insurer and third party administrator (TPA) that services more than eight million members across all 50 states and the District of Columbia in addition to family members of active duty military personnel, reservist and their family members in the U.S. and abroad. UCCI's ultimate parent is Highmark Inc., the largest insurer in Pennsylvania and a licensed Blue Cross and Blue Shield Association member.

The chart includes only the affiliates which maintain service agreements with UCICNY. The chart is also simplified due to the large number of affiliates within its holding company system and depicts only the Company's immediate and ultimate parent. It should be noted that as of December 31, 2012, United Concordia Companies, Inc. owned and controlled directly or indirectly a total of eleven (11) subsidiaries.

A review was conducted of the Company's filings made pursuant to the requirements of Article 15 of the New York Insurance Law and Part 80-1.4 of Insurance Regulation 52 (11 NYCRR 80-1.4). It was determined that the Company's filings were in compliance with the above requirements.

As of the examination date, the Company had the following agreements with members of its holding company system:

1. Management Agreement

As of December 31, 2012, UCICNY maintained a management agreement with UCCI which was approved on January 23, 1997 by the Department. This agreement automatically renews for successive one-year terms (and in fact was renewed through the exam period), unless either party gives the other written notice of termination at least sixty (60) days prior to the end of the then-current term or it can be terminated immediately upon mutual consent.

The management agreement provides for UCCI to render certain services to UCICNY. These services include management information systems, utilization review services, claims administration, marketing, collection of premiums, review of staffing and scheduling, and other related services.

2. Consolidated Tax Allocation Agreement

On April 29, 1999, UCICNY entered into a consolidated tax allocation agreement with its ultimate parent company, Highmark Inc. The Company has a



written agreement, approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to the Company. The agreement settles the consolidated federal tax liability as if the Company filed a separate income tax return. This agreement was approved by the Department on March 23, 1999.

### 3. Investment Management Agreement

On April 21, 2003, UCICNY entered into an investment management agreement with its ultimate parent company, Highmark Inc. This agreement automatically renews for successive one-year terms unless either party gives the other written notice of termination at least sixty (60) days prior to the end of the then-current term or it can be terminated upon mutual consent.

The agreement provides for Highmark Inc. to provide services which include the supervision and direction of investment of cash and other assets of the Company. This includes the purchase and sale of securities, pursuant to the Company's written criteria, standards and guidelines and in accordance with all appropriate sections of the New York Insurance Law pertaining to investments.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2012, based upon the results of this examination. The ratios presented below are on an earned-incurred basis and encompass the three-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Claims	\$22,011,788	74.80%
Claims adjustment expenses	728,882	2.48%
General administrative expenses	6,834,336	23.22%
Net underwriting loss	<u>(146,197)</u>	<u>(.50%)</u>
Premiums earned	<u>\$29,428,809</u>	<u>100.00%</u>

F. Accounts and Records

During the course of the examination, it was noted that the Company's treatment of certain items was not in accordance with specified Statements of Statutory Accounting Principles (SSAP) of the NAIC *Accounting Practices and Procedures Manual*, NAIC Financial Condition Examiners Handbook and NAIC annual statement instructions. A description of such items is as follows:

1. Location of Books and Records - the Company indicated in its annual statements filed with the Department during the examination period that the primary location of its books and records was New York City, New York. However, the primary location of the Company's books and records and officers/staff, decision makers and other personnel handling the majority of the Company's applications are located in Harrisburg, Pennsylvania.

It is recommended that the Company change the reported primary location of its books and records location to the Harrisburg address within its annual and quarterly statement filings with the Department.

2. Reinsurance Agreement - on July 1, 2011, the Company entered into a reinsurance agreement with Sun Life Insurance and Annuity Company of New York, which was in effect during the years covered by this exam. However, details of the reinsurance agreement were not reflected in the 2011 filed annual statement, as required by the NAIC annual statement instructions.

It is recommended the Company disclose the reinsurance agreement and its terms in its filed Annual Statements, as required by the NAIC annual statement instructions.

### **3. FINANCIAL STATEMENTS**

#### **A. Balance Sheet**

The following statements show the assets, liabilities, capital and surplus as of December 31, 2012, as contained in the Company's 2012 filed annual statement, a condensed summary of operations and a 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 Company's financial condition as presented in its financial statements contained in the December 31, 2012 filed annual statement.

#### **Independent Accountants**

The firm of PwC was retained by the Company to audit the Company's statutory basis statements of financial position as of December 31<sup>st</sup> of each year in the examination period, and the related statutory-basis statements of operations, surplus, and cash flows for the year then ended.

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

<u>Assets</u>	<u>Examination</u>	<u>Company</u>
Bonds	\$2,283,344	\$2,283,344
Cash	1,725,409	1,725,409
Investment income due and accrued	3,343	3,343
Uncollected premiums and agents' balances in course of collection	123,667	123,667
Other amounts receivable under reinsurance contracts	209,897	209,897
Net deferred tax asset	23,856	23,856
Receivables from parent, subsidiaries and affiliates	<u>7,250</u>	<u>7,250</u>
 Total admitted assets	 <u>\$4,376,766</u>	 <u>\$4,376,766</u>
 <u>Liabilities</u>		
Claims unpaid	\$579,616	\$579,616
Unpaid claims adjustment expenses	26,293	26,293
Premiums received in advance	205,524	205,524
General expenses due or accrued	58,028	58,028
Current federal and foreign income tax payable and interest	314,010	314,010
Amounts withheld or retained for the account of others	1,332	1,332
Amounts due to parent, subsidiaries and affiliates	157,227	157,227
Aggregate write-ins for other liabilities	<u>78,639</u>	<u>78,639</u>
 Total liabilities	 <u>\$1,420,669</u>	 <u>\$1,420,669</u>
 <u>Capital and Surplus</u>		
Common capital stock	\$1,000,000	\$1,000,000
Gross paid in and contributed surplus	1,512,135	1,512,135
Unassigned funds surplus	<u>443,962</u>	<u>443,962</u>
 Total capital and surplus	 <u>\$2,956,097</u>	 <u>\$2,956,097</u>
 Total liabilities and capital and surplus	 <u>\$4,376,766</u>	 <u>\$4,376,766</u>

**Note:** The Internal Revenue Service has not conducted any federal income tax audits of the Company through tax year 2012. The examiner is unaware of any potential exposure by the Company to any tax assessment and no liability has been established herein relative to any contingency.

B. Statement of Revenue, Expenses and Capital and Surplus

Capital and surplus increased by \$13,840 during the three-year examination period, January 1, 2010 through December 31, 2012, as detailed below:

Revenue

Total revenue		\$29,428,809
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Expenses

Claims and claims adjustment expenses	22,740,670	
General administration expenses	6,834,336	
Total underwriting deductions		<u>\$29,575,006</u>
Net underwriting losses		(146,197)
Net investment gain		38,622
Net loss before federal income taxes		<u>\$(107,575)</u>
Federal income taxes		29,227
Net loss		<u>\$(78,348)</u>

Capital and Surplus

Capital and surplus, per report on examination, as of December 31, 2009		\$2,942,257
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	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>
Net Income (loss)		\$78,348
Change in net deferred income tax		<u>32,076</u>
Change in non-admitted assets	<u>\$124,264</u>	
Net increase in capital and surplus		<u>\$13,840</u>

Capital and surplus, per report on examination, as of December 31, 2012		<u>\$2,956,097</u>
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#### **4. SUBSEQUENT EVENTS**

The reinsurance treaty between UCICNY and Sun Life Insurance and Annuity Company of New York (“SLNY”) terminated on July 31, 2013. The reinsurance agreement had contributed \$5,013,471 in assumed premiums which represented 43.3% of the Company’s total net premium income during 2012.

On August 29, 2013, the Department received a request from the Company to approve an affiliated transaction for the “Transfer of Liabilities” between an affiliated company, United Concordia Insurance Company (“UCIC”), an Arizona domestic Company and UCICNY. The transfer of liabilities transaction discharged UCICNY of its obligations as the reinsurer, as of the termination date.

According to the transfer of liabilities agreement, the termination date is also the date when reinsurance between UCIC and Sun Life and Health Insurance Company (“SLHIC”) became effective. The request for the transfer of liabilities agreement from UCICNY to UCIC was approved by the Department on September 18, 2013.

On April 29, 2013, Highmark Health became the sole corporate member of Highmark Inc. As a result, the Company’s parent, UCCI, became an indirectly owned subsidiary of Highmark Health.

## **5 MARKET CONDUCT ACTIVITIES**

In the course of this examination, a review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed to encompass the more precise scope of a market conduct examination. The review was directed at the practices of the Company in the following major areas:

- A. Claims Processing
- B. New York Prompt Pay Law
- C. Explanation of Benefit Statements
- D. Utilization Review
- E. Agents and Brokers

### A. Explanation of Benefits Statements

A review of the explanation of benefits statements (“EOB”) issued by the Company revealed that such statements did not comply with the requirements of Section 3234(b)(7) of the New York Insurance Law. The EOB statements did not contain notification regarding the time limit, place, and manner in which an appeal can be made.

Section 3234(b) of the New York Insurance Law states in part:

“(b) The explanation of benefits form must include at least the Following:  
(7) a telephone number or address where an insured or subscriber may obtain clarification of the explanation of benefits, as well as a description of the time limit, place and manner in which an appeal of a denial of benefits must be brought under the policy or certificate and a notification that failure to comply with such requirements may lead to forfeiture of a consumer's right to challenge a denial or rejection, even when a request for clarification has been made.”



It is recommended that the Company comply with Section 3234(b)(7) of the New York Insurance Law by including all required information on its explanation of benefits statements.

B. Claims Procedure Manual

The Company's board of directors has not adopted the policies and procedures of the Company's claims procedure manual in the manner described in Insurance Circular Letter No. 9 (1999). The Circular Letter describes the responsibilities of the board of directors of health insurers with regard to the management and control of claims processing, among other things.

Insurance Circular letter No. 9 (1999) states in part:

“In order to fulfill its responsibility to oversee the claims adjudication process it is critical that the board adopt procedures to ensure that all claims are being processed accurately, uniformly, and in accordance with applicable statutes, rules, and regulations. One way for the board to ensure itself that such procedures are in place is to direct the officers responsible for claims adjudication to (i) issue, and up-date as necessary, a claims manual which sets forth the company's claims adjudication procedures; (ii) distribute the claims manual and necessary up-dates to all persons responsible for the supervision, processing and settlement of claims and obtain an acknowledgement of receipt; and (iii) provide the training necessary to ensure the claim manual's implementation including a formal educational program and periodic re-training. It is recommended that the board obtain the following certifications annually: (i) from either the company's director of internal audit or independent CPA that the responsible officers have implemented the procedures adopted by the board, and (ii) from the company's general counsel a statement that the company's current claims adjudication procedures, including those set forth in the current claims manual, are in accordance with applicable statutes, rules and regulations.”

It is recommended that the Company's board of directors adopt and approve the Company's claims processing procedures to aid in ensuring that all claims are being processed

accurately, uniformly, and in accordance with applicable statutes, rules, and regulation in compliance with Insurance Circular Letter No. 9 (1999) “Adoption of Procedure Manuals”.

It is also recommended that the board obtain a certification annually: (i) from either the Company’s director of internal audit or independent CPA that the responsible officers have implemented the procedures adopted by the board; and (ii) from the Company’s general counsel a statement that the Company’s current claims adjudication procedures, including those set forth in the current claims manual, are in accordance with applicable statutes, rules and regulations.

## 6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination as of December 31, 2009, contained the following six (6) comments and recommendations (page numbers refer to the prior report on examination):

<u>ITEM NO.</u>	<u>PAGE NO.</u>
<u>Board of Directors</u>	
1. It is recommended that directors who do not participate consistently in the required meetings improve upon their attendance or be replaced.	7
<i>The Company has complied with this recommendation.</i>	
<u>Complaint Handling</u>	
2. It is recommended that the Company comply with its policy and procedures and mail out resolution letters to the complainant.	19
<i>The Company has complied with this recommendation.</i>	
3. It is recommended that the Company comply with its policy and procedures and send an acknowledgment letter to the complainant if the case takes more than 30 days to resolve.	20
<i>The Company has complied with this recommendation.</i>	
<u>Producer Termination</u>	
4. It is recommended that the Company implement a procedure that tracks producer license renewals and expirations and ensures that producers with an expired license are issued an appointment termination.	21
<i>The Company has complied with this recommendation.</i>	
<u>Policy Termination Notice</u>	
5. It is recommended that the Company comply with Department Regulation 78 (Parts (a), (b), (c), (d), (e), and (f) and include the required provisions in its termination notices.	22
<i>The Company has complied with this recommendation.</i>	

**ITEM NO.****PAGE NO.**Utilization Review

6. It is recommended that the Company comply with Section 4904(c) of the New York Insurance Law, and ensure that the utilization review agent notify the insured, the insured's designee and, where appropriate, the insured's health care provider, in writing of the appeal determination within two business days of the rendering of such determination. 23

*The Company has complied with this recommendation.*

## **7. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

<b><u>ITEM</u></b>	<b><u>PAGE NO.</u></b>
<p>A.        <u>Board of Directors</u></p> <p style="margin-left: 40px;">i. It is recommended that significant events affecting the Company should be brought to the attention of the Board of Directors during their meetings along with the necessary information to allow the Board to make appropriate decisions and to provide direction to the Company’s management.</p> <p style="margin-left: 40px;">ii. It is also recommended that discussion of key significant events involving the Company be reflected in the minutes of the Board of Directors.</p>	<p>7</p> <p>7</p>
<p>B.        <u>Accounts and Records</u></p> <p style="margin-left: 40px;">It is recommended that the Company change the reported primary location of its books and records location to the Harrisburg address within its annual and quarterly statement filings with the Department.</p>	<p>18</p>
<p>C.        <u>Reinsurance</u></p> <p style="margin-left: 40px;">It is recommended the Company disclose the reinsurance agreement and its terms in the Annual Statements, as required by the NAIC.</p>	<p>18</p>
<p>D.        <u>Explanation of Benefits Statements</u></p> <p style="margin-left: 40px;">It is recommended that the Company comply with Section 3234(b) of the New York Insurance Law and include all required information on its explanation of benefits statements.</p>	<p>24</p>
<p>E.        <u>Claims Procedure Manual</u></p> <p style="margin-left: 40px;">i. It is recommended that the Company’s board of directors adopt and approve the Company’s claims processing procedures to ensure that all claims are being processed accurately, uniformly, and in accordance with applicable statutes, rules, and regulations in compliance with Insurance Circular Letter No. 9 (1999) “Adoption of Procedure Manuals”.</p>	<p>25</p>

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- ii. It is also recommended that the board obtain a certification annually: (i) from either the Company's director of internal audit or independent CPA that the responsible officers have implemented the procedures adopted by the board, and (ii) from the Company's general counsel a statement that the Company's current claims adjudication procedures, including those set forth in the current claims manual, are in accordance with applicable statutes, rules and regulations.

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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:

**Froilan Estebal**

as a proper person to examine the affairs of

**United Concordia Insurance Company of New York**

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

**Company**

with such other information as it 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 7th day of November, 2013

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:



Lisette Johnson  
Bureau Chief  
Health Bureau

