REPORT ON EXAMINATION

OF

MEDAMERICA INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2009

DATE OF REPORT	**OCTOBER 16, 2017**
EXAMINER	**WAI WONG**

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October 16, 2017

Honorable Maria T. Vullo
Superintendent of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and acting in accordance with the instructions contained in Appointment Number 30600, dated October 27, 2010, attached hereto, I have made an examination into the condition and affairs of MedAmerica Insurance Company of New York, a domestic for-profit accident and health insurance company licensed pursuant to the provisions of Article 42 of the New York Insurance Law, as of December 31, 2009, and submit the following report thereon.

The examination was conducted at the administrative office of MedAmerica Insurance Company of New York, located at 165 Court Street, Rochester, New York.

Wherever the designations the "Company" or "MANY" appear herein, without qualification, they should be understood to indicate MedAmerica Insurance Company of New York.

Wherever the designations the "Parent" or "MI" appear herein, without qualification, they should be understood to indicate MedAmerica, Inc., a wholly-owned subsidiary of Excellus Health Plan, Inc. and MANY's Parent.

Wherever the designations “Excellus” or “EHP” appear herein, without qualification, they should be understood to indicate Excellus Health Plan, Inc., the parent of MedAmerica, Inc.

Wherever the designation “Lifetime” appears herein, without qualification, it should be understood to indicate the Lifetime Healthcare, Inc. the ultimate parent of MedAmerica, Inc. and Excellus Health Plan, Inc.

Wherever the designation, the “Department” appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services. On October 3, 2011, the New York State Insurance Department merged with the New York State Banking Department to become the New York State Department of Financial Services.

1. SCOPE OF THE EXAMINATION

The Company was previously examined as of December 31, 2006. This examination of the Company was a combined financial and market conduct review. 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, 2010 Edition* (the "Handbook"). The examination covered the three-year period from January 1, 2007 through December 31, 2009. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to the examination date were also reviewed.

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 the Company's current financial condition, as well as identify prospective risks that may threaten the future solvency of MANY.

The examiner identified key processes, assessed the risks within those processes and evaluated 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 Department statutes and guidelines, Statutory Accounting Principles, as adopted by the Department, and annual statement instructions.

Information concerning the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories.

These categories are defined as follows:

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

A concurrent examination, relative to the manner in which MANY conducts its business practices and fulfills its contractual obligations to policyholders and claimants, was conducted as of December 31, 2009.

The Company was audited annually, for the years 2007 through 2009, by the accounting firm of Deloitte & Touche LLP ("Deloitte"). MANY received an unqualified opinion in all three years. Certain audit workpapers of Deloitte were reviewed and relied upon in conjunction with this examination.

Excellus Health Plan, Inc., the parent company of MedAmerica, Inc. which in turn is MANY's parent, is subject to the provisions of Section 89.14 of Insurance Regulation No. 118, and in instances where MANY and Excellus used the same internal systems and procedures, any applicable documentation Excellus developed to comply with the Regulation was used during the examination.

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

A review was also made to ascertain what actions were taken by the Company with regard to comments and recommendations contained in prior reports on examination.

2. DESCRIPTION OF THE COMPANY

The Company was incorporated in New York State on November 2, 1987, under the name Finger Lakes Long Term Care Insurance Company, as a stock accident and health insurance company, pursuant to Section 1201 of the New York Insurance Law. On that same date, the Company's declaration of intention and charter were approved by the Attorney General of the State of New York and filed with the Department. On November 13, 1987, the Company was licensed by the Department to do the business of accident and health insurance, pursuant to Section 1113(a)(3) of the New York Insurance Law.

The Company was formed by two corporations, Rochester Hospital Service Corporation and Genesee Valley Medical Care, Inc., for the purpose of underwriting long term care insurance. Such coverage provides for health care at nursing homes and private residences.

As part of its formation, on November 2, 1987, the Company issued 1,000 shares of $300 par value, per share common stock, with 667 shares issued to the Rochester Hospital Service Corporation, and 333 shares issued to Genesee Valley Medical Care, Inc., for a sale price of $600 per share; resulting in consideration of $600,000. Of this amount, $300,000 represented paid-in capital and $300,000 represented gross paid-in and contributed surplus. On January 17, 1990, the

Company's board of directors authorized a charter amendment, increasing the Company's paid-in capital from $300,000 to $1,800,000. The amendment increased the number of shares (par value $300) the Company was authorized to issue from 1,000, to 6,000 shares. On January 17, 1990, the sale of 3,334 shares to Rochester Hospital Service Corporation, and 1,666 shares to Genesee Valley Medical Care, Inc. was completed.

The Rochester Hospital Service Corporation, which changed its name to Finger Lakes Health Insurance Company, Inc., and Genesee Valley Medical Care, Inc., which changed its name to Finger Lakes Medical Insurance Company, Inc., on December 31, 1998, merged with each other and with other corporations to become Excellus Health Plan, Inc. (EHP). As a result, EHP directly owned all of the outstanding shares of the Company.

On January 11, 2000, MedAmerica, Inc. (formerly Excellus Long-Term Care Holding Company) was formed under the New York Business Corporation Law, with EHP as its sole shareholder. On April 24, 2000, 6,000 shares of the former Finger Lakes Long Term Care Insurance Company which, on December 18, 2000, changed its name to MedAmerica Insurance Company of New York, were issued to MedAmerica, Inc. Additionally, on May 12, 2000, 10,000 shares of MedAmerica, Inc. were issued to Excellus Health Plan, Inc.

Long term care products offered by MANY during the examination period included "Simplicity" which provides coverage for care in nursing facilities, adult care centers, hospices and home care, "Premier", a group employer sponsored product and New York State Public Employee and Retiree Long Term Care Insurance Plan (NYPERL), a New York partnership and non-partnership product marketed to New York State employees.

MedAmerica Insurance Company of New York, MedAmerica Insurance Company, and MedAmerica Insurance Company of Florida operate under common management and administration located in Rochester, New York. MANY is licensed to issue long term care policies in the state of New York, while its affiliates, MedAmerica Insurance Company ("MAPA"), a Pennsylvania domestic insurance company, was licensed to write long term care insurance in 48 states and the District of Columbia. Another affiliate, MedAmerica Insurance Company of Florida ("MAFL"), is licensed to write long term care insurance only in the state of Florida.

On December 15, 2007, MAPA surrendered its Florida license to the Florida Office of Insurance Regulation as a result of the formation of MAFL.

A. Corporate Governance

Pursuant to the Company's charter and by-laws, management of the Company is to be vested in a board of directors consisting of eighteen members. The board is to meet four times during each calendar year, in accordance with its by-laws. As of December 31, 2009, the board of directors was comprised of eighteen members as follows:

Name and Residence	Principal Business Affiliation
Hermes L. Ames III Menands, New York	Retired
Natalie L. Brown Barneveld, New York	Chief Executive Officer, Girl Scouts Foothills Council, Inc.
Randall L. Clark East Amherst, New York	Vice Chairman, Dunn Tire
Thomas S. Coughlin Brackney, Pennsylvania	Retired President & Chief Executive Officer, McFarland-Johnson, Inc.

Name and Residence	Principal Business Affiliation
Geoffrey Davis, PhD Little Falls, New York	Chief Executive Officer/District Superintendent, Hamilton Fulton Montgomery BOCES
John G. Doyle Jr. Rochester, New York	President and Chief Executive Officer, Doyle Security Systems, Inc.
Deborah A. Freund, PhD Jamesville, New York	Distinguished Professor, Syracuse University & Center for Policy Research, Maxwell School, SU
Thomas Y. Hobart Jr. E. Amherst, New York	Retired President Emeritus, New York State United Teachers
David H. Klein Pittsford, New York	President and Chief Executive Officer, Lifetime Healthcare, Inc.
Joseph Kurnath, M.D. Rochester, New York	Self-employed physician
Daniel R. Mackenzie, M.D. Trumansburg, New York	President & Chief Executive Officer, Cayuga Medical Center
Edward J. Petinella Webster, New York	President & Chief Executive Officer, Home Properties, Inc.
Carol Raphael New York, New York	President & Chief Executive Officer, Visiting Nurse Service of New York
Leonard E. Redon Pittsford, New York	Vice President-Western Operations, Paychex, Inc.
David D. Reh Victor, New York	President, The Raytec Group
Casper F. Sedgwick Fayetteville, New York	Retired, KPMG
Albert J. Simone, PhD Penn Yan, New York	Retired President, Rochester Institute of Technology
George F.T. Yancey Jr. Rochester, New York	Managing Director, Delta Point Capital Management

The minutes of the meetings of MANY's board of directors and committees thereof held during the examination period were reviewed. The meetings were generally well attended, with all directors attending at least one-half of the meetings they were eligible to attend.

As noted above, Article III of the Company's by-laws requires that the board of directors consist of eighteen members. At December 31, 2010 MANY's board consisted of only 17 members and was not in compliance with its by-laws.

It is recommended that the Company maintain the required number of members on its board of directors, in accordance with Article III of the Company's by-laws.

During the review of the board of directors meeting minutes for MedAmerica Insurance Company of New York it was found that there were instances where the board minutes did not indicate when a director left the board or when a new member was added to the board.

It is recommended that the Company's board minutes identify when a board member has left the board and the reason for leaving the board, and indicate when a replacement board member is elected or appointed to the Company's board of directors.

The principal officers of the Company at December 31, 2009, were as follows:

Name	Title
William Ellsworth Jones Jr.	President and Chief Operating Officer
Emil F. Duda*	Chief Financial Officer and Treasurer
William L. Naylon	Vice-President Finance
Stephen Rogers Sloan	Secretary
Cheryl L. Bush	Vice-President Operations
Del Lee Winkelman	Chief Actuary

It was noted that subsequent to the date of this examination, Dorothy Coleman replaced Emil F. Duda as Executive Vice President, Chief Financial Officer and Treasurer.

B. Enterprise Risk Management

As part of the risk-focused examination approach, the examiner evaluated whether the Company's management implemented effective oversight procedures to identify key risks inherent to the Company's operations, and whether management applied adequate internal controls to mitigate those risks. Effective oversight of inherent business risks should include an Enterprise Risk Management ("ERM") function that comprehensively identifies and assesses key areas of risk. This can be accomplished through a formal risk identification and controls assessment process.

The internal audit function is a corporate function of Lifetime Healthcare, Inc. Lifetime's internal audit department has approximately 25 employees and is responsible for the internal audits of all the Lifetime Healthcare Companies including Excellus Health Plan, Inc., MedAmerica Insurance Company, MedAmerica Insurance Company of New York, and MedAmerica Insurance Company of Florida. Internal audit is also responsible for the implementation of Section 89.14 of Insurance Regulation No. 118 requirements for Excellus Health Plan, Inc. In areas where MedAmerica Insurance Company of New York is using the same internal control system as Excellus Health Plan, Inc., the Company voluntarily follows the requirements of Section 89.14 of Insurance Regulation No. 118, although the Company is exempt from the requirements since MANY does not have annual direct written of at least five hundred million dollars ($500,000,000).

Lifetime Healthcare, Inc., the ultimate parent of the MedAmerica Insurance Company of New York, has developed an enterprise risk management program which is responsible for identifying the most significant risk areas and suggesting strategies to minimize the risk for the companies within the Lifetime Healthcare, Inc. holding company system. Lifetime Healthcare, Inc. has appointed a Chief Risk Officer who also currently serves as Senior Vice President, Chief Administrative Officer and General Counsel for Excellus Health Plan, Inc. As part of this program, a formal enterprise risk management committee for Excellus Health Plan, Inc. was instituted.

At the subsidiary level, each subsidiary company has its own designated Risk Ambassador whose responsibility it is to identify the risks relative to their individual company and the best strategy for minimizing risk. Informal senior staff meetings are held at the subsidiary level where process owners help identify risks and risk mitigation strategies. Risk identification and mitigation plans are reviewed by the Chief Risk Officer and the Audit Committee.

It was noted that MedAmerica Insurance Company of New York did not maintain minutes of the above mentioned senior staff meetings in which the identification of risks and risk mitigation strategies are made. As the meetings are used to identify specific risk and risk mitigation strategies relating to MANY, official minutes should be kept of the meetings.

It is recommended that MedAmerica Insurance Company of New York maintain official minutes of its senior staff meetings in which enterprise risk management issues are reviewed.

MedAmerica Insurance Company of New York subsequently began keeping official minutes of its senior staff meetings on February 3, 2011.

C. Territory and Plan of Operation

At December 31, 2009, the Company was authorized to transact the kinds of business specified in Section 1113(a)(3) of the New York Insurance Law (accident and health). The Company is licensed to do business in the State of New York only. During the examination period the Company's sole line of business was long term care insurance.

The Company solicited business as a direct writer for a majority of the business produced during the period under examination. The Company also entered into agreements with agents and brokers for the solicitation of business. The Company conducts all business from its home office in Rochester, New York.

The Company reported the following Capital and Surplus for each of the years under review:

Period	Capital	Surplus	Total
2009	$1,800,000	$16,939,318	$18,739,318
2008	$1,800,000	$12,872,753	$14,672,753
2007	$1,800,000	$16,185,767	$17,985,767

Based upon the lines of business for which the Company is licensed, the Company's current capital structure, and pursuant to the requirements of Articles 13 and 42 of the New York Insurance Law, the Company is required to maintain a minimum surplus in the amount of $300,000. The Company maintained capital and surplus in excess of such requirement during all years within the examination period.

MedAmerica Insurance Company of New York's contracts in force for the years under review were as follows:

	Group		Other		Total	
Year	Certificates	Premiums in Force	Policies	Premium in Force	Certificates/ Policies	Premiums in Force
2007	6,000	$9,177,126	16,556	$30,669,056	22,556	$39,846,182
2008	6,117	$9,516,518	16,829	$31,530,303	22,946	$41,046,821
2009	6,079	$9,498,379	16,397	$32,211,968	22,476	$41,710,347

MANY's total income and expenses for the three years under review were as follows:

Year	2007	2008	2009
Total Income	$ 50,141,752	$ 51,583,514	$ 51,779,561
Total Expenses	$ 62,499,411	$ 60,000,753	$ 69,191,003
Net Gain from Operations	$ (12,357,659)	$ (8,417,239)	$ (17,411,442)
Federal Taxes Incurred	$ (5,329,610)	$ (2,074,688)	$ (8,831,290)
Net realized capital gains and losses	$ 357,525	$ (441,708)	$ (584,242)
Net Loss	$ (6,670,524)	$ (6,784,259)	$ (9,164,394)

As noted in the above schedule, MANY reported a net loss in each of the three years of the examination period. Total income has remained stable during the period but increasing underwriting losses in 2009 resulted in a greater net loss in 2009 from prior periods. As discussed in the Market Conduct section of this report, rate increases were filed with and approved by the Department in 2011. They were the first rate increases instituted by the Company since its inception.

From 1989 through 2006, Excellus Health Plan, Inc. made capital and surplus contributions in the aggregate amount of $40.6 million into MedAmerica Insurance Company of New York, with $31.5 million of such amount contributed during the period 2004 to 2006.

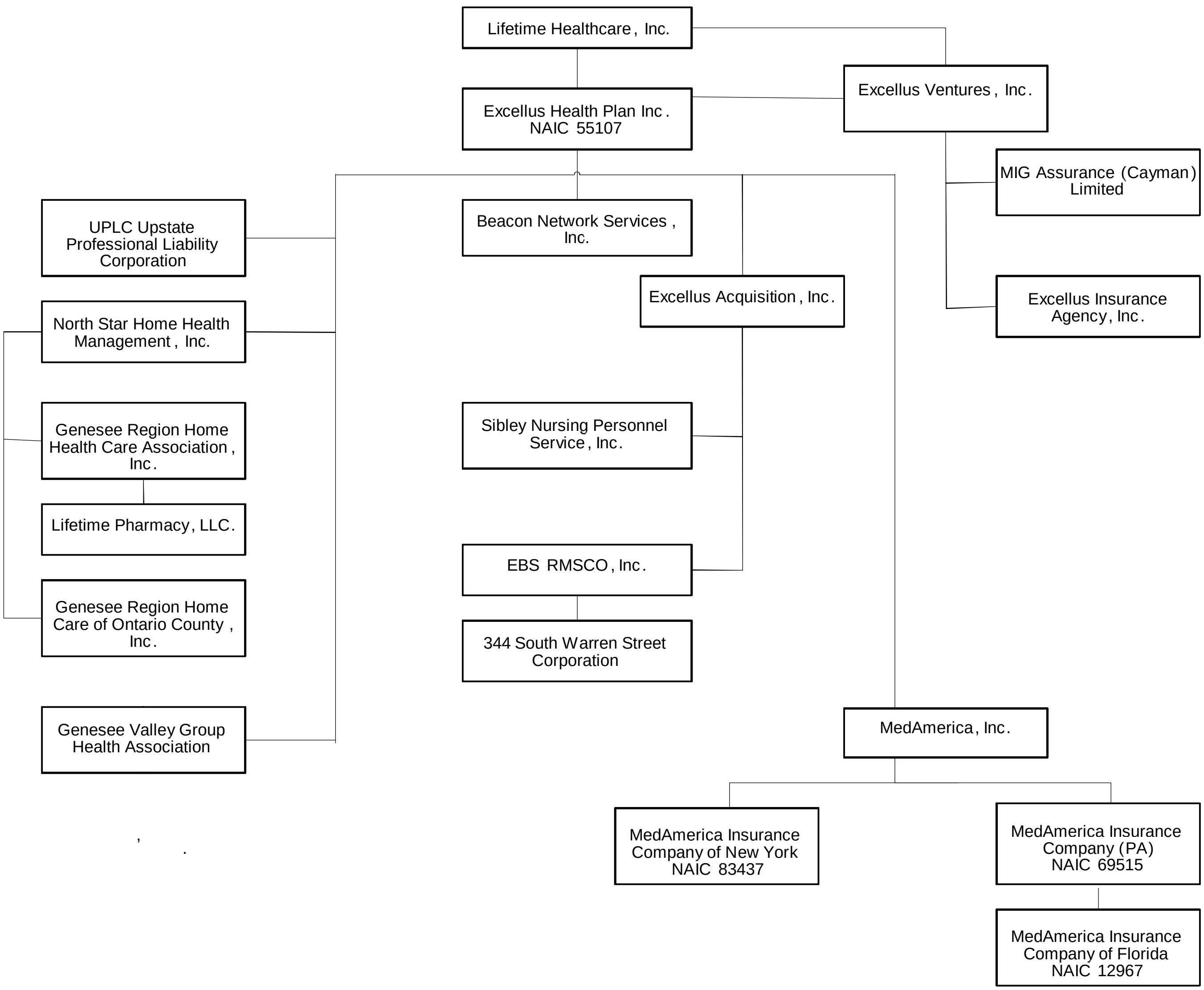
During the examination period, the surplus infusions shown in the table below were made by Excellus Health Plan, Inc. to the Company for the purpose of maintaining MANY's capital and surplus at a level in excess of its minimum risk-based capital amount (*Authorized Control Level RBC*), as prescribed by Section 1322 of the New York Insurance Law. MANY's risk based capital ratio was between 3.12 and 3.95 above its authorized control level during the exam period.

Year	Surplus Infusion	Total Adjusted Capital	Authorized Control Level	Risk Based Capital Ratio
2007	$ 11,500,000	$17,985,767	$4,935,143	3.64 to 1
2008	$ 5,500,000	$15,570,474	$4,988,464	3.12 to 1
2009	$ 15,000,000	$19,713,847	$4,992,983	3.95 to 1
Total	$ 32,000,000			

MANY filed for and received non-objection letters pursuant to Section 1505(d) of the New York Insurance Law from the Department relative to the above paid-in surplus contributions.

D. Holding Company System

The following chart depicts the Company's holding company system as of December 31, 2009:



As a member of a holding company system, the Company is required to file registration statements pursuant to the requirements of Article 15 of the New York Insurance Law and Insurance Regulation No. 52 (11 NYCRR 80). All pertinent filings made during the examination period regarding the aforementioned statute and regulation was reviewed. No problem areas were noted.

MedAmerica Insurance Company of New York is a wholly-owned subsidiary of MedAmerica, Inc., which in turn, is a wholly-owned subsidiary of Excellus Health Plan, Inc., a New York domiciled, not-for profit health insurer licensed pursuant to Article 43 of the New York Insurance Law. Lifetime Healthcare, Inc., the Company's ultimate parent, is incorporated in New York State for the purpose of acting as a holding company and acts to promote and improve the efficiency and quality of health care services in the community through the control of various subsidiaries related to the delivery of health care services. It also serves as the holding company for the entire organization and is the sole corporate member of Excellus Health Plan, Inc.

MedAmerica Insurance Company of Florida was incorporated on March 29, 2007, and was licensed by the Florida Office of Insurance Regulation on June 14, 2007. MedAmerica Insurance Company of Florida is a wholly-owned subsidiary of MedAmerica Insurance Company (MedAmerica PA).

- Effective January 1, 2002, MANY entered into an Administrative Services Agreement with Excellus wherein executive management, staffing of direct services, desktop and network support, human resource services, purchasing services, payroll services, accounts payable services, telecommunication services, office space, and cash flow and investment management services are provided to MANY by Excellus. In addition, EHP provides reserve calculation, premium billing, collecting and reporting, and document services to MANY. The Department issued a "non-objection" letter to the original agreement dated May 4, 2004. An amendment to the agreement was made effective December 5, 2007 with a Department non-objection letter issued dated October 3, 2007. A second amendment to the agreement was effective July 1, 2009, with a Department "non-objection" letter issued September 8, 2009.

- Effective January 1, 2002, MANY also entered into an Administrative Services Agreement with MedAmerica Insurance Company, Inc. (“MAPA”) wherein MANY provides MAPA with regular and systematic administrative services including provision of all necessary forms and documents including but not limited to applications and marketing materials, applicant underwriting pursuant to MAPA policies, issuance of policies, payment of commissions, preparation of IRS forms, calculation and remittance of reinsurance premiums, policy administration and record keeping, claim adjudication and payment, preparation and delivery of reports to MAPA, and any other services required for the general administration of policies. Reimbursement is made to MANY on an exact cost basis by MAPA. The Department issued a no-objection letter to the original agreement dated May 4, 2004. The agreement was amended effective February 1, 2008, with a Department “non-objection” letter issued dated March 8, 2008.

- Effective January, 2004, the Company maintained an administrative services agreement with Excellus Insurance Agency, Inc. (“EIA”), wherein office space, computer use, telephonic services, print and mail services, human resources and payroll services and legal services are provided to EIA by MANY. MANY is to invoice EIA for all direct and indirect costs incurred by MANY on an actual cost basis. The Department issued a “non-objection” letter to the original agreement dated July 8, 2004. The agreement was amended July 1, 2009, with the Department “non-objection” letter issued dated September 8, 2009.

- It was also noted that EHP is a party to a federal income tax allocation agreement with its parent, Lifetime Healthcare, Inc. and other eligible domestic subsidiaries, including MANY. The federal income tax allocation agreement filed with the Department contains a provision that complies with Department Circular Letter No. 33 (1979) in that a method is established to ensure the domestic insurers enforceable right to recoup federal income taxes in the event of future net losses. The federal income tax allocation agreement was approved by the Department on October 5, 2005. The agreement was refiled with the Department on December 14, 2006, to add an escrow account and letter of credit clause and changing the effective date of the agreement to January 1, 2006. On June 29, 2007, the agreement was refiled again with the Department to add additional parties to the agreement and changing the effective date of the agreement to January 1, 2007. The Department issued a “non-objection” letter dated July 12, 2007.

It is noted that the consolidated tax allocation agreement was not approved by the board of directors of MedAmerica Insurance Company of New York.

It is recommended that the board of directors of MedAmerica Insurance Company of New York approve the consolidated tax allocation agreement.

MedAmerica Insurance Company of New York's board subsequently approved the tax allocation agreement as shown in the minutes of its meeting held January 20, 2011.

E. Reinsurance

Assumed Reinsurance

- Hartford Life Insurance Company (Hartford) reinsurance agreement - effective October 1, 2001. This is a 100% quota share reinsurance agreement whereby MANY reinsured eight policies as of December 31, 2009. Hartford is a licensed insurer in New York.

- Combined Life Insurance Company of New York reinsurance agreement was effective December 31, 2008. This is a 100% indemnity reinsurance agreement. One hundred and nineteen policies were reinsured by MANY under this agreement at December 31, 2009.

The Company ceased the assumption of new reinsurance business as of December 31, 2009, although the reinsurance assumed under the above contacts remain in effect as of such date.

Ceded Reinsurance

The Company's reinsurance program, with authorized reinsurers, was established for individual policies issued on or after July 1, 2005. As of December 31, 2009, both of MANY's ceded reinsurance contracts had been terminated for any new business though the contracts were still in effect for prior business ceded prior to such date.

Quota Share Reinsurance - New Business:

- Munich American Reinsurance Company reinsurance agreement – effective October 1, 2005. This agreement reinsured, on a first dollar quota share basis, 50% of the monthly benefits on all Simplicity contracts for individual long-term care policies newly issued to those who are fifty (50) years of age or older. This agreement was terminated with regard to new business effective September 30, 2009. Cessions made prior to September 30, 2009 continues on a run-off basis.

- First Central National Life Insurance Company of New York reinsurance agreement - effective July 1, 2005. This agreement reinsured, on a first dollar quota share basis, 25% of the monthly benefits on all Simplicity individual long-term care policies with no age restriction in place. This agreement was terminated with regard to new business on December 31, 2006. Cessions made prior to December 31, 2006 continues on a run-off basis.

All agreements contained the required language, including an insolvency clause, meeting the requirements of Section 1308(a)(2)(A)(i) of the New York Insurance Law.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2009, based upon the results of this examination:

Net premiums written in 2009 to Surplus as regards policyholders	2.1 to 1
Liabilities to Liquid assets (cash and invested assets less investments in affiliates)	98.67%
Premiums in course of collection to Surplus as regards policyholders	0.23%

The above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

G. 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 statutory accounting principles and/or annual statement instructions. A description of such items is as follows:

In its supplemental compensation exhibit filed with its 2009 annual statement, MANY included payments made to senior officers under its variable pay program as "other compensation" rather than "bonuses". As the payments under the variable pay program is dependent upon performance goals the amounts should have been reported as bonuses.

It is recommended that MedAmerica Insurance Company of New York report payments made under the variable pay program as bonuses rather than other compensation on the supplemental compensation exhibit within its annual statement filings.

MedAmerica Insurance Company of New York began including payments made under the variable pay program as bonuses on its supplemental compensation exhibit filings as of the 2010 annual statement filing.

During the examination period, the Company failed to file its required Denial, Lapse and Replacement reports as required by Section 326 of the Health Insurance Portability and Accountability Act (amending certain sections of the Federal Internal Revenue Code) with the Department for calendar year 2008, when due. The Denials, Lapse and Replacement reports are to be filed with the Superintendent of Financial Services each year by June 30.

It is recommended that MedAmerica Insurance Company of New York file its Denials, Lapse and Replacement reports with the Superintendent of Financial Services each year by June 30.

H. Information Technology

Information Technology ("IT") at MANY is used for the delivery of services and products, and to provide support for all management processes. Accordingly, a review of MANY's IT systems and related operations was performed.

The Company shares the same computer systems as its parent, MedAmerica, Inc.. The Eclipse system is the only stand-alone system used and maintained by the MedAmerica companies. The Eclipse system is used for premium billing, claims processing, reinsurance and agents balances. The other IT systems used by the MedAmerica companies are Excellus systems and are maintained by Excellus. Among these systems is the general ledger (accounting) system "Lawson", investment system "EPS", operations center, database and network security.

The examiner evaluated MANY's response to the Department's information technology questionnaire, the information system internal control testing performed by its independent auditors, Deloitte and Touche, and the IT reviews conducted by the Pennsylvania Department of Insurance of MedAmerica Insurance Company and by this Department of Excellus Health Plans as of December 31, 2008.

As a result of the procedures performed, the examination team obtained reasonable assurance that information technology general controls and general application controls were functioning as management intended and that an effective system of internal controls is in place and conducive to the accuracy and reliability of financial information processed and maintained by the Company except for the following:

During the review of IT controls, it was noted that MedAmerica Insurance Company of New York did not maintain documentation of the testing of application changes conducted during the examination period and the approval of the IT manager of such test results. MedAmerica Insurance Company of New York only notes that testing was done and passed.

It is recommended that documentation be maintained for the application change testing and the approval of the IT manager of such test results.

3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and capital and surplus as of December 31, 2009, as contained in the Company's 2009 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review.

Deloitte & Touche LLP ("Deloitte") was retained by the Company to audit the Company's combined statutory basis statements of financial position as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

Deloitte 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 except for the Company's loss reserves where a under reservation was noted.

Balance Sheet

Assets

Bonds	$283,306,239
Cash and short-term investments	31,108,869
Investment income due and accrued	3,958,223
Uncollected premiums and agents' balances in the course of collection	716,800
Current federal and foreign income tax recoverable and interest thereon	5,490,210
Net deferred tax assets	3,214,313
Receivables from parent, subsidiaries and affiliates	1,052,630
Aggregate write-ins for other than invested assets	123,180
Total assets	$328,970,464

Liabilities

Aggregate reserve for accident and health contracts	$295,168,479
Contract claims - accident and health	3,324,572
Premiums and annuity considerations for life accident and health received in advance	869,893
Other amounts payable on reinsurance	222,527
Interest maintenance reserve	2,057,767
Commissions to agents due or accrued	4,524
General expenses due and accrued	4,536,375
Asset valuation reserve	974,529
Payable to parent, subsidiaries and affiliates	1,132,367
Liability for amounts held under uninsured accident and health plans	1,198,576
Payable for securities	357,046
Conditional receipts	384,496
Total liabilities	$310,231,151

Capital and Surplus

Common stock	$ 1,800,000
Gross paid-in and contributed surplus	72,067,245
Aggregate write-ins for special surplus funds	1,588,614
Unassigned funds	(56,716,541)
Total capital and surplus	$ 18,739,318
Total liabilities, capital and surplus	$328,970,469

Note: The Internal Revenue Service has not conducted any audits of the income taxes filed on behalf of the Company through tax year 2009. The examiner is unaware of any potential exposure of the Company to any tax assessments and no liability has been established herein relative to such contingency.

B. Statement of Revenue, Expenses and Capital and Surplus

Capital and surplus increased $3,570,331 during the three-year examination period, January 1, 2007 through December 31, 2009, detailed as follows:

Income		
Net premium income	$ 118,558,331	
Net investment income	28,269,134	
Amortization of the interest maintenance reserve	4,173,545	
Commission and expenses allowance on reinsurance ceded	2,503,817	
Total revenues		$ 153,504,827
Expenses		
Disability benefits and benefits paid under accident and health contracts	$ 48,211,252	
Increase in aggregate reserves of accident and health contracts	115,962,648	
Commissions on premiums	15,467,501	
Commissions on reinsurance assumed	26,674	
General insurance expenses	8,889,351	
Insurance taxes, licenses and fees, excluding federal income taxes	3,133,741	
Total expenses		191,691,167
Net underwriting loss		$ (38,186,340)
Net realized capital loss		(668,425)
Net loss before federal income taxes		(38,854,765)
Federal income taxes incurred		(16,235,588)
Net loss		$ (22,619,177)

Change in Capital and Surplus

	Gains in Surplus	Losses in Surplus	
Capital and surplus, per report on examination as of December 31, 2006			$ 15,168,987
Net loss		$ 22,619,177	
Change in deferred income tax	$ 168,225		
Change in non-admitted assets		6,592,803	
Change in asset valuation reserve		974,529	
Paid in surplus	32,000,000		
Aggregate write-ins for gains in surplus	1,588,615		
Net increase in capital and surplus			3,570,331
Capital and surplus, per report on examination as of December 31, 2009			$ 18,739,318

4. AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

The examination analysis of the claims unpaid reserves was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company’s internal records and in its filed annual statements as verified by the examiners. The examination reserve was based upon actual payments made through a point in time, plus an estimate for claims remaining unpaid at that date. Such estimate was calculated based on actuarial principles, which utilized the Company’s experience in projecting the ultimate cost of claims incurred on or prior to December 31, 2009.

As a result of this review, the Department determined that the Company’s reserve as of the examination date was understated in relation to its surplus position.

Subsequent to the examination period and prior to the date of this report, the Department's findings were addressed through reserve strengthening, receipt of approval for premium rate increases for most of its existing policies, and the cessation of the sale of new products. This is further detailed in the Subsequent Events section of this report on examination.

5. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business 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:

Claims processing
Rating
Notices to policyholders

A. New York State Public Employee Retiree Long Term Care Contract (NYPERL Contract)

MedAmerica Insurance Company of New York filed for rate increases on its NYPERL Contract that were approved by the Department on January 11, 2011. The NYPERL Contract is a group contract issued to the New York State Department of Civil Service ("DCS"). NYPERL issued certificates under this group contract to DCS employees. Certificate holders under the NYPERL Contract can have either New York State (NYS) Partnership or non-Partnership (traditional) long term care insurance.

NYS Partnership insurance certificate holders have purchased qualifying insurance benefits under the NYS Partnership for Long Term Care Program ("Program"). If those NYS Partnership insurance certificate holders keep their qualifying insurance benefits in-force, exhaust their qualifying insurance benefits on long term care service expenses and otherwise meet Program requirements, then those NYS Partnership insurance certificate holders can have New York State Medicaid pay for their long term care services without first spending down their assets (Medicaid Asset Disregard Protection). Those NYS Partnership insurance certificate holders will have to contribute toward long term care services received in accordance with usual Medicaid rules.

With regard to the implementation of the above mentioned rate increase, MANY was responsible for informing the certificate holders of the rate increase by means of a rate increase notice and for providing counseling to the certificate holders relative to the various policy options provided to the certificate holder regarding the rate increase, through their customer service hotline. Certificate holders were given three main options regarding the increase; accepting the increase and paying the additional premium, decreasing benefits to offset the premium increase and canceling the policy and accepting the Company's non-forfeiture option.

Section 1117(b)(4) of the New York Insurance Law states the following in part:

> "(b) The Superintendent may authorize such contracts in connection with a plan for long term care pursuant to the following criteria:…
> (4) the plan, the contract and other materials describing the plan fully and clearly state the benefits and limitations of such plan;…"

A review of the rate increase notices and the Company's customer service hotline found the following:

- The rate increase notice was not sufficiently clear in describing to the certificate holder what the insured should do if they choose to accept the rate increase.
- The rate increase notice did not inform the certificate holder of the level to which the certificate holder could reduce their benefits before going below the minimum benefit levels that apply to the policy and are required to be maintained in order for the certificate holder to retain Medicaid Asset Disregard Protection relative to Partnership policies.
- The rate increase notice did not sufficiently explain that the non-forfeiture benefit described in the rate notice was a limited benefit that would not adequately provide comprehensive long term care benefits, and that current Partnership certificate holders would lose their Medicaid Asset Disregard Protection benefit if they selected the non-forfeiture option.
- The examiner's on-site review of MANY's customer service area found that the customer service representatives did not have the latest version of the Company's frequently asked question (FAQ) script relative to the rate increase options and the consequences of the selection of each option.

It is recommended that the Company comply with Section 1117(b)(4) of the New York Insurance Law when providing rate increase letters to describe more clearly the action the certificate holder should take if the certificate holder chooses to continue his/her current coverage and pay the rate increase.

It is recommended that the rate increase letter describe the level of benefit reduction that Partnership certificate holders may choose before reaching the minimum benefit levels needed to retain their Medicaid Asset Disregard Protection benefit.

It is recommended that the rate increase letter emphasize that the non-forfeiture benefit option is a limited benefit that would not adequately provide comprehensive long term care benefits, and that Partnership certificate holders would lose their Medicaid Asset Disregard Protection benefit if they choose the non-forfeiture benefit.

It is recommended that MedAmerica Insurance Company of New York customer service telephone operators be provided and use the most current NYPERL rate increase “frequently asked questions” script relative to the rate increase options and the consequences of the selection of each option.

B. Guaranteed Purchase Option

MedAmerica Insurance Company of New York provides certificate holders an option to purchase inflation protection on their policies referred to as a Guaranteed Purchase Option. The Department received a complaint that an individual had received this purchase option which gave them thirty days to purchase the protection, however the certificate holder received a letter three days later from the Company withdrawing the offer because MANY had not heard from the insured. The Company indicated to the examiner that the letter was issued in error because of a system edit error.

MedAmerica Insurance Company of New York subsequently corrected the system edit and provided all of the individuals who received the three-day withdrawal letter the full thirty days to purchase the coverage.

It is recommended that MANY review its system produced benefit change option and other notices prior to mailing in order to ensure that all notices to certificate holders contain correct information.

6. SUBSEQUENT EVENTS

MedAmerica Insurance Company of New York received the following additional surplus infusions from its parent Excellus Health Plans for the years 2010 through 2016:

2010	$20,000,000
2011	$ 7,300,000
2012	$ 5,000,000
2014	$ 7,300,000
2015	$51,700,000
2016	$20,600,000

On January 29, 2016, MANY notified the Department regarding its decision to discontinue offering individual long term care insurance policies in New York effective February 15, 2016. MANY will, however, continue to accept applications for new policies/certificates under MANY's Insurance Participation Agreements with the New York State Partnership for Long Term Care for a brief period of time. Additionally, MANY will continue to offer coverage under its contract with New York State Department of Civil Services for the New York State Employee and Retiree Long Term Care Insurance Plan ("NYPERL") through the end of that contract period, which expires on April 30, 2016. The decision to discontinue writing new individual business does not affect current insureds. The current policies will remain in force per the term of the contract or until all benefits are exhausted. MANY will not cancel or decline to renew an existing policy, so long as the premium is paid. Notification of the decision to discontinue individual business was sent to MANY's producers.

7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

There were seven (7) recommendations from the prior report on examination as of December 31, 2006, as follows (page number refers to the prior report on examination):

ITEM NO.		PAGE NO.
	Management and Controls	
1.	It is recommended that the Company maintain the required number of members on its board of directors, in accordance with Article III of the Company's by-laws. *The Company has complied with this recommendation.*	9
	Investment Activities	
2.	It is recommended that the Company obtain monthly statements directly from its custodian, as well as listings of all holdings and investment transactions initiated during the preceding month by the investment managers, identify any discrepancies with the custodian bank statement, and take any required appropriate action immediately. It is also recommended that the Company reconcile such statements to its investment records on a monthly basis. *The Company has complied with this recommendation.*	17
3.	It is recommended that the Company formalize all changes, including modifications to its investment compensation arrangements, and to existing and future investment management agreements, by means of a signed and authorized addendum or amendment. *The Company has complied with this recommendation.*	18
	Accounts and Records	
4.	It is recommended that the Company comply with its established check signing policy by having an officer at the Vice President level or higher approve all requests for a check in the amount of $10,000 or higher. *The Company has complied with this recommendation.*	19

ITEM NO.		PAGE NO.
	Accounts and Records (Continued)	
5.	It is recommended that the Company comply with the requirements of Part 52.44(a)(1) of Department Regulation No. 62 and file its Annual Experience Data report with the Department on an annual basis. It is further recommended that the Company file such Annual Experience Data report in a timely manner. *The Company has complied with this recommendation.*	19
6.	It is recommended that the Company file its Rescissions, Denials, and Lapse & Replacements reports with the Department in a timely manner (by their due dates). *The Company has not fully complied with this recommendation. A similar recommendation is included within this report on examination.*	20
	Aggregate Reserve for Accident and Health Contracts	
7.	The Department will follow up with the Company to determine that agreed to changes to MANY's reserving methodology have been implemented. *The Company has complied with this recommendation.*	24

There were two (2) recommendations from the information systems review from the appendix of the prior report on examination as of December 31, 2006, as follows (page number refers to the prior report on examination):

ITEM NO.		PAGE NO.
	MedAmerica Insurance Company of New York Claims System Logical Security	
1.	It is recommended that Company management ensure that critical transactions are segregated, logged and reviewed. *The Company has complied with this recommendation.*	5
	MedAmerica Insurance Company of New York Eclipse Application Change Control	
2.	It is recommended that Company management remove developer access to production, or systematically log and review all changes that are being made by developers. It is further recommended that Company management implement a version control package to help manage concurrent development. *The Company has complied with this recommendation.*	6

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM			PAGE NO.
A.		Corporate Governance	
	i.	It is recommended that the Company maintain the required number of members on its board of directors, in accordance with Article III of the Company's by-laws.	9
	ii.	It is recommended that the Company's board minutes identify when a board member has left the board and the reason for leaving the board, and indicate when a replacement board member is elected or appointed to the Company's board of directors.	9
B.		Enterprise Risk Management	
		It is recommended that MedAmerica Insurance Company of New York maintain official minutes of its senior staff meetings in which enterprise risk management issues are reviewed.	11
C.		Holding Company System	
		It is recommended that the board of directors of MedAmerica Insurance Company of New York approve the consolidated tax allocation agreement.	17
		MedAmerica Insurance Company of New York's board subsequently approved the tax allocation agreement as shown in the minutes of its meeting held January 20, 2011.	
D.		Accounts and Records	
	i.	It is recommended that MedAmerica Insurance Company of New York report payments made under the variable pay program as bonuses rather than other compensation on the supplemental compensation exhibit within its annual statement filings.	20
	ii.	It is recommended that MedAmerica Insurance Company of New York file its Denials, Lapse and Replacement reports with the Superintendent of Financial Services each year by June 30.	21

Respectfully submitted,

____

Wai Wong,
Principal Insurance Examiner

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

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

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Wai Wong

Subscribed and sworn to before me
this _____ of _____________, 2017

Appointment No. **30600**

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, **James J. Wrynn**, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

Wai Wong

as a proper person to examine into the affairs of the

MedAmerica Insurance Company of New York

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

Company

with such other information as he shall deem requisite.

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

this 27th day of October, 2010

James J. Wrynn
Superintendent of Insurance