

**NYC | Health + Hospitals
HHC Insurance Company, Inc.
HHC Physicians Purchasing Group, Inc.**

ANNUAL MEETING OF THE DIRECTORS

**November 8, 2018
1:00 p.m. Eastern Standard Time
125 Worth Street, Room 532
New York, NY**



HHC Insurance Company, Inc.

Agenda for the Annual Meeting of the Directors

November 8, 2018

125 Worth Street, Room 532

New York, NY

Conference Call in Number: 210-795-0493 Access Code 597918184

Current Directors	Mitchell Katz, M.D. Andrea Cohen John Ulberg, Jr. Machelle Allen, M.D. Bernard Rosen	Proposed Directors	Mitchell Katz, M.D. Andrea Cohen John Ulberg, Jr. Machelle Allen, M.D. Bernard Rosen
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TAB

The following agenda items will be discussed and appropriate action will be taken:

- Appointment of chairperson and declaration of quorum
- Approval of prior year meeting minutes and any other actions since that date 1
- Election of Officers for the ensuing year
- Acceptance of Executive Director and Managing Director
- Issue primary coverage to the members of HHC Physicians Purchasing Group, Inc.
- Appointment of the independent auditor and loss reserve specialist for the year ending December 31, 2018
- Review and approval of Intercompany Loan to Parent 2
- Approval of Audited December 31, 2017 Financial Statements 3
- Informational items
 - Insurance applications and coverage provided
 - Medical Malpractice Insurance Pool Update 4
 - Review of September 30, 2018 Financial Statements 5
 - Review of Underwriting Results 6
 - Business Plan Update 7
 - Regulatory Compliance Checklist 8



Office of Legal Affairs

HHC Insurance Company (HHCIC)

A subsidiary of NYC Health + Hospitals

125 Worth Street • Room 527 • New York, NY 10013

212-788-3300 • Fax: 212-267-6905

November 2018

NOTICE IS HEREBY GIVEN THAT THE HHC INSURANCE COMPANY, INC. AND THE HHC PHYSICIANS PURCHASING GROUP, INC. WILL HOLD THEIR ANNUAL MEETINGS ON **THURSDAY, NOVEMBER 08, 2018** AT 125 WORTH STREET - ROOM 532.

THE MEETING OF HHC INSURANCE COMPANY WILL START AT 1:00 PM. THE MEETING OF THE PURCHASING GROUP WILL IMMEDIATELY FOLLOW.

THANK YOU.

RESOLUTION:

Authorizing the Board of Directors of the HHC Insurance Company, Inc. to appoint the officers, confirm the re-appointment of the Board of Directors and to appoint the chairman of the Board of Directors of the HHC Insurance Company, Inc., approve the minutes of its meetings of November 21, 2017, issue primary coverage to the members of the HHC Physicians Purchasing Group, Inc., appoint the company's auditor, appoint the company's actuary, lend funds to the parent company and approve the 2017 audited financial statements.

WHEREAS, the Board of Directors of the NYC Health + Hospitals ("health care system") has authorized the President of the health care system to seek the incorporation of the HHC Insurance Company, Inc. as a wholly-owned subsidiary corporation by the New York Secretary of State and to seek the licensure of the HHC Insurance Company, Inc. as a captive insurance company in the State of New York; and

WHEREAS, the Board of Directors of the health care system has authorized the President of the health care system to commence operations of the HHC Insurance Company, Inc. after incorporation and licensure as a captive insurance company by the State of New York; and

WHEREAS, the Board of Directors of the health care system has reserved the right to approve the Bylaws of the HHC Insurance Company, Inc. and to appoint the directors of the HHC Insurance Company, Inc.; and

WHEREAS, the Board of Directors of the health care system has approved the Bylaws of the HHC Insurance Company, Inc. and appointed the directors of the HHC Insurance Company, Inc.; and

WHEREAS, the HHC Insurance Company, Inc. has been incorporated as a wholly-owned subsidiary corporation of the health care system by the Secretary of State of the State of New York; and

WHEREAS, the HHC Insurance Company, Inc. has been licensed by the New York State Department of Insurance upon the request of the officers of the HHC Insurance Company, Inc.

NOW, THEREFORE, Be It

RESOLVED, that the current Board has been re-appointed and that Mitchell H. Katz, M.D. shall serve as the Chairman of the Board of Directors of the Company;

AND FURTHER RESOLVED, that the minutes of the November 21, 2017 meeting of the HHC Insurance Company, Inc. are hereby approved;

AND FURTHER RESOLVED, that the following shall serve as officers of the HHC Insurance Company, Inc.:

Mitchell H. Katz, M.D.	President
Machelle Allen, M.D.	Vice-President
Andrea G. Cohen	Secretary
John Ulberg, Jr.	Treasurer

AND FURTHER RESOLVED, that David Cheung shall serve as Executive Director of the Company;

AND FURTHER RESOLVED, that Mary Boland shall serve as Managing Director of the Company;

AND FURTHER RESOLVED, that the Company may issue primary coverage to the members of the HHC Physicians Purchasing Group, Inc. in the amounts of \$1.3 million per occurrence / \$3.9 million in the aggregate effective January 1, 2006 through December 31, 2019;

AND FURTHER RESOLVED, that Jo Ellen Cockley of Aon Global Risk Consulting shall be appointed actuary of the Company;

AND FURTHER RESOLVED, that Dana Wilson of Grant Thornton LLP shall be appointed auditor of the Company;

AND FURTHER RESOLVED, that premium in the amount of up to \$3.0 million deposited to the benefit of the Company by the health care system and held in reserve for the payment of claims with the exception of any amounts required for payment of any outstanding claims against the Company;

AND FURTHER RESOLVED, that the audited financial statements as of December 31, 2017 are accepted.

Other Business/Information Items:

1) New applications for coverage have been received from 18 Obstetrician/Gynecologists and Neurosurgeons. As of 9/30/18, there are 303 active physicians in the program. Primary policies for the current policy year have been issued by the Company. Applications for excess coverage through MMIP were filed for 286 Health + Hospitals physicians, beginning July 1, 2016. Of the 286 excess applications filed, 273 doctors have been deemed eligible to receive excess coverage through the Plan. It was determined during the application process that 37 physicians already were covered by the Plan for excess coverage through other hospitals/carriers. There are 13 doctors that are awaiting excess coverage through the Plan because final numbers have not been determined.

- 2) The Company was required to sign up as a Plan or Pool participant of the Medical Malpractice Insurance Pool in 2007. The Company, like all other New York Insurance Companies providing Medical Malpractice coverage, opted to be a Pool participant. The September 30, 2018 cession statement from the Pool indicates that the Company has a net equity in the Pool of \$1,027,242. Tab 4 further details the Company's Pool participation.
- 3) Review the September 30, 2018 interim financial statements. Refer to Tab 5.
- 4) Sedgwick Caronia has reported 101 open files and 464 closed files for the underwriting years 2005 through 2018. Of the closed files, 36 were closed with payment and 428 files were closed without payment. Refer to Tab 6 for further details by individual underwriting year.
- 5) Refer to Tab 7 for a summary of requests either approved or pending approval from the New York Department of Insurance.
- 6) All Regulatory matters are current. Refer to Tab 8 for details.

MINUTES OF ANNUAL MEETING OF HHC INSURANCE COMPANY, INC.

A meeting of the Board of Directors of the HHC Insurance company, (hereinafter, the "HHCIC") was held in the Board Room – Room 532 located at 125 Worth Street, New York, New York 10013 on the 21st day of November 2017 at 12:00 PM EST, pursuant to a notice which was sent to all the Directors of the Company and which was provided to the public by the Secretary. The following Directors were present in person, constituting a quorum:

Stanley Brezenoff	Dr. Machelles Allen
Plachikkat Anantharam	Bernard Rosen
Salvatore J. Russo	

Also present were Jozef Dubroja (Health + Hospitals Director of Fiscal Affairs), Jay Weinman (Health + Hospitals Corporate Comptroller), Executive Manager David Cheung, Claims Manager Mary B. Boland and Nancy Gray of Aon Insurance Managers (AIM). Daniel Scott of AIM attended via conference call.

At the request of Mr. Brezenoff, Mr. Russo chaired the meeting and Ms. Boland kept the minutes at the request of Mr. Russo.

The following resolutions were presented to the Board and approved unanimously:

- (1) The minutes of the November 15, 2016 Annual Meeting of the Board;
- (2) The confirmation of the appointment of Stanley N. Brezenoff as a member of the Board of Directors and the re-appointment of the current board.
- (2) The Election of the following Officers for the HHC Insurance Company, Inc.:

Stanley N. Brezenoff	Acting President
Machelle Allen, M.D.	Vice-President
Salvatore J. Russo	Secretary
PV Anantharam	Treasurer

- (3) The appointment of Stanley N. Brezenoff as acting Chairman of the Board.

Mr. Russo introduced seven action items/ resolutions into the Record. Then on motion by Mr. Russo, seconded by Bernard Rosen, the Board unanimously approved the following Resolutions:

- A) David C. Cheung was appointed to as the Executive Director of the Company, replacing Suzanne Blundi who resigned and has left the System. Mr. Russo recognized Ms. Blundi's contributions to the company during her tenure and wished her well in her new position.
- B) Mary B. Boland was re-appointed Managing Director of the Company.
- C) The issuance of primary insurance policies to members of the HHC Physicians Purchasing Group. There was a discussion started by Mr. Brezenoff over the policies and their issuance since the inception of the captive. A discussion was held about the Medical Malpractice Insurance Pool (MMIP) including how the excess pool is funded and the excess policies issued to the practitioners.
- D) The re-appointment of Sean Egan of KPMG as the company auditor and the re-appointment of Jo Ellen Cockley of Aon Risk Consultants as the Actuary of the Company; and,
- E) The loan back of premium in an amount up to \$4.3 million to the parent corporation, the NYC Health + Hospitals (the System), was approved. There was a discussion about the DFS concerns

about the growing amount of the annual amount loaned back to the System and the fact that this loan is a significant percentage of the assets of the captive insurance company. The Department of Financial Services (DFS) decided to limit the total amount of the loaned back premium (currently \$105.5 million with the addition of the amount just approved) to \$103 million. It was decided that the Treasurer would meet with those System managers assigned to manage the captive finances and determine how best to resolve the balance sheet issues for both companies.

- F) The Audited Financial Statements as of December 31, 2016 were approved.
- G) The DFS completed its Examination of the HHC Insurance Company. The report of the Examination as of December 31, 2014 was reviewed and accepted.

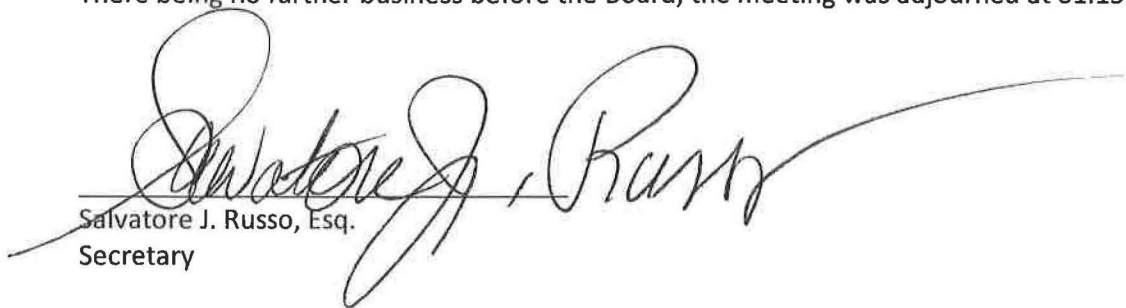
INFORMATION ITEMS:

Nancy Gray and Daniel Scott jointly presented the following seven (7) information items:

- (1) Presented by N. Gray: New applications for coverage have been received from 12 Obstetricians/Gynecologists and Neurosurgeons. As of 9/30/2017, there are 318 active physicians in the program. Primary policies have been issued for the current policy year. Applications for excess coverage through MMIP beginning July 1, 2017 were filed for 272 HHC physicians through the Purchasing Group with 260 physicians deemed eligible to receive excess coverage. It was determined during the application process that 46 physicians already had excess coverage under the Plan through other hospitals. Twelve physicians have been wait-listed for excess coverage. Once the final number of physicians in the pool has been determined, these additional excess policies will be issued and will be retroactive to the application date.
- (2) Presented by N. Gray: In 2007, the Company was required to sign up as a Plan or Pool participant of the Medical Malpractice Insurance Pool. The Company opted to be a Pool participant. The September 30, 2017 session statement from the Pool indicates that the Company has a net equity in the Pool of \$681,542.
- (3) Presented by Dan Scott: The September 30, 2017 interim financial statements were reviewed. The premium receivable by the Company from the System (parent) is \$3.2 million for the 2017 underwriting year. By agreement, the premium is loaned back to the System by the Company in the amount of \$3.2 million with the approval of the Board of Directors. This year the DFS has expressed a concern over the increasing amount of the intercompany loan which is now the largest asset the insurance company holds. As such, they denied a requested increase in the amount of the intercompany loan to \$105.5 million. It approved a loan back in the amount of \$103 million. A discussion was held about the appropriate way to handle this issue especially given the large surplus (\$77 million). It was agreed that the captive company treasurer would work with the System's Finance Department to review the financials and adjust the balance sheets as warranted including the repayment of the captive's outstanding liabilities (\$15.9 million is owed to the System by the captive) to the System.
- (4) Presented by N. Gray: Sedgwick CMS has reported 125 open files and 423 closed files for the underwriting years 2005-2017. Of the closed files, 31 were closed with payment and 392 files were closed without payment. In 2017, payments were made on 3 files.
- (5) All Regulatory matters are current. The report of the Examination of the company by the DFS was issued, reviewed and accepted.
- (6) The DFS now requires that all insurance companies comply with the newly enacted New York State Cybersecurity Rule. It has been determined that a number of exemptions from the rule apply to the captive insurance company. An account will be created in the secure portal and a statement concerning the company's compliance with a request for an exemption will be made prior to 2/15/2018.

ADJOURNMENT:

There being no further business before the Board, the meeting was adjourned at 01:15 PM.



Salvatore J. Russo, Esq.
Secretary

HHC Insurance Company

Intercompany Loan

November 8, 2018

December 31, 2017 Balance	\$ 87,125,173
Proposed Increase – Premium Receivable	<u>\$ 3,000,000 *</u>
Proposed December 31, 2018 Balance	\$ 90,125,173 **

* NYCHHC would pay HHCIC premium receivable due from NYCHHC of up to \$3,000,000 related to the 2018 underwriting year. In turn, HHCIC would loan back this amount given approval by the Board of Directors.

** State of New York Insurance Department has approved a loan back to NYCHHC of up to \$103,000,000 but denied a request for further increase during 2017.





HHC INSURANCE COMPANY, INC.
**(A Blended Component Unit of New York
City Health and Hospitals Corporation)**

Statutory Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
HHC Insurance Company, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of HHC Insurance Company, Inc., which comprise the statutory statements of admitted assets, liabilities, and surplus as of December 31, 2017 and 2016, and the related statutory statements of operations and changes in surplus, and cash flow for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by HHC Insurance Company, Inc. using statutory accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than U.S. generally accepted accounting principles. Accordingly, the financial statements are not intended to be presented in accordance with U.S. generally accepted accounting principles.



The effects on the financial statements of the variances between the statutory accounting practices described in Note 2 and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the variances between statutory accounting practices and U.S. generally accepted accounting principles discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of HHC Insurance Company, Inc. as of December 31, 2017 and 2016, or the results of its operations or its cash flow for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and surplus of HHC Insurance Company, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flow for the years then ended, in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

Emphasis of Matters

As discussed in Note 2 to the statutory-basis financial statements, primarily all transactions are with a related party, as the Company underwrites medical malpractice insurance on behalf of attending physicians practicing in the areas of Neurosurgery, Obstetrics, and Gynecology for New York City Health and Hospital Corporation, their Parent. The premiums related to this indemnity insurance coverage received are loaned back to their Parent with approval from the New York State Department of Financial Services (NYSDFS). This loan is then converted to a noninterest bearing promissory demand note with their Parent. All payments of the Company are made by the Parent and charged back to the Company through the Due to Parent account. Our opinion is not modified with respect to this matter.

KPMG LLP

New York, New York
June 6, 2018

HHC INSURANCE COMPANY, INC.
(A Blended Component Unit of New York
City Health and Hospitals Corporation)

Statutory Statements of Admitted Assets, Liabilities, and Surplus
December 31, 2017 and 2016

Admitted Assets	2017	2016
Intercompany loan	\$ 87,125,173	101,200,000
Due from MMIP	3,075,472	3,086,860
Accounts receivable	10,743	18,850
Total admitted assets	\$ 90,211,388	104,305,710
Liabilities and Surplus		
Outstanding losses and loss adjustment expenses	\$ 9,538,136	11,470,802
Premium deficiency reserve	15,696	19,240
Claims payable	—	505,000
Unearned premium	74,901	105,361
Due to parent	54,380	15,211,565
Accounts payable and accrued expense	54,886	57,424
Total liabilities	9,737,999	27,369,392
Unassigned surplus	80,473,389	76,936,318
Total liabilities and surplus	\$ 90,211,388	104,305,710

See accompanying notes to statutory financial statements.

HHC INSURANCE COMPANY, INC.
(A Blended Component Unit of New York
City Health and Hospitals Corporation)

Statutory Statements of Operations and Changes in Surplus
Years ended December 31, 2017 and 2016

	2017	2016
Underwriting income:		
Net premiums earned	\$ 1,975,954	3,425,026
Net investment income	83,663	126,052
Total underwriting income	2,059,617	3,551,078
Underwriting expenses:		
Losses and loss adjustment expenses incurred	(1,706,456)	(4,249,175)
Change in premium deficiency reserve	(3,544)	(6,322)
Net underwriting gain	3,769,617	7,806,575
Administrative expenses	(232,546)	(246,324)
Net income	3,537,071	7,560,251
Unassigned surplus at beginning of year	76,936,318	69,376,067
Unassigned surplus at end of year	\$ 80,473,389	76,936,318

See accompanying notes to statutory financial statements.

HHC INSURANCE COMPANY, INC.
(A Blended Component Unit of New York
City Health and Hospitals Corporation)

Statutory Statements of Cash Flow

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operations:		
Amounts received from New York Health and Hospitals Corporation for payment of losses	\$ 505,000	2,011,000
Losses paid	(505,000)	(2,011,000)
Net cash from operations	—	—
Net change in cash	—	—
Cash at beginning of year	—	—
Cash at end of year	\$ —	—
Noncash operating activities:		
Premiums collected	\$ 1,800,000	3,200,000
Administrative expenses paid	(212,642)	(254,373)
Payments by Parent on behalf of company	212,642	254,373
Noncash investing activities:		
Decrease (increase) in loans to Parent	\$ 14,074,827	(3,200,000)

See accompanying notes to statutory financial statements.

HHC INSURANCE COMPANY, INC.
(A Blended Component Unit of New York
City Health and Hospitals Corporation)

Notes to Statutory Financial Statements

December 31, 2017 and 2016

(1) General

HHC Insurance Company, Inc. (the Company) is a blended component unit of the New York City Health and Hospitals Corporation (HHC or Parent). The Company is a pure captive insurance company incorporated as a mutual insurer; HHC is the sole member. The Company obtained its operating license from the New York State Department of Financial Services (NYSDFS) on December 15, 2004, and commenced operations on January 1, 2005. The Company is organized as a public benefit corporation. The Company underwrites medical malpractice insurance on behalf of HHC's attending physicians practicing in the areas of Neurosurgery, Obstetrics, and Gynecology. The Company provides HHC and its insured attending physicians with indemnity insurance coverage on a claims-made basis for the first \$1.3 million per incident and \$3.9 million in the aggregate on each claim. With the existence of this insurance coverage, the insured is able to access \$1.0 million per incident and \$3.0 million in the aggregate of excess insurance coverage provided by the New York State Excess Liability Pool (State Pool) for each claim greater than \$1.3 million per incident and \$3.9 million in the aggregate. HHC provides the insured with indemnification for each claim greater than \$2.3 million per incident or \$6.9 million in the aggregate. The Company, as a blended component unit of HHC, is included in the financial statements of HHC.

During 2007, the Company began participation in the Medical Malpractice Insurance Pool of New York (MMIP). MMIP is the insurer of last resort for medical malpractice coverage in New York State and is a joint underwriting facility, not a separate legal entity. The members of MMIP are all the licensed medical malpractice carriers in New York State. The Company recognizes its allocable share of the activities of MMIP 0.33% and 0.42% for MMIP's 2017 and 2016 underwriting years, respectively).

(2) Significant Accounting Policies

The accompanying statutory financial statements of the Company have been prepared in conformity with accounting principles prescribed and permitted by NYSDFS. Such practices vary from U.S. generally accepted accounting principles (GAAP). The effects of these variances on the accompanying statutory financial statements have not been determined, but are presumed to be material to the presentation of these financial statements.

NYSDFS recognizes statutory accounting principles (SAP) prescribed or permitted by the State of New York for determining and reporting the financial condition and results of operations of an insurance company. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of New York. There are no differences between New York SAP and NAIC SAP that impact the Company.

Significant differences between SAP and GAAP as they apply to the Company are as follows.

Under GAAP, successful policy acquisition costs are deferred and amortized as the related premiums are earned. For statutory purposes, policy acquisition costs are expensed as incurred.

Certain assets such as prepaid expenses and past due receivables are nonadmitted for statutory purposes while they qualify as assets under GAAP.

HHC INSURANCE COMPANY, INC.
(A Blended Component Unit of New York
City Health and Hospitals Corporation)

Notes to Statutory Financial Statements

December 31, 2017 and 2016

The statement of cash flow differs in certain respects from presentation required by GAAP as the reconciliation of net income to net cash provided by operations is not presented.

Under GAAP, the loan to HHC (the Parent) would be reported as an offset to equity to the extent it was used to capitalize the Company. The intercompany loan is reflected as a receivable for statutory reporting.

(a) Use of Estimates

The preparation of statutory financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Intercompany Loan

The Company writes premiums with HHC related to indemnity insurance coverage. The premiums are loaned back to HHC with the consent of NYSDFS. The Company received approval from NYSDFS on October 14, 2016 to increase the loan to HHC up to \$103.0 million. HHC is required to pay the funds back within twenty-four hours of demand request from the Company.

Subsequent to this approval, the Company initiated a formal written noninterest-bearing promissory demand note with HHC in the amount of \$101.2 million effective December 31, 2016, thereby converting the balance due from New York City Health and Hospitals Corporation to a loan.

During the fourth quarter of 2017, \$15.9 million of the due to parent balance was net settled against the intercompany loan.

The Company initiated a formal written noninterest-bearing promissory demand note with HHC in the amount of \$87.1 million effective December 31, 2017, thereby reducing the balance due from New York City Health and Hospitals Corporation.

(c) Due from MMIP

Effective July 1, 2007, the Company began participation in the Medical Malpractice Insurance Pool of New York State (MMIP). MMIP is the insurer of last resort for medical malpractice coverage in New York State and is a joint underwriting facility, not a separate legal entity. The members of MMIP are all the licensed medical malpractice carriers in New York State. Members of MMIP participate in its writings, expenses, servicing allowance, management fees, and losses in the proportion that the net direct medical malpractice premiums of each such member written during the preceding calendar year bears to the aggregate net direct medical malpractice premiums written in New York State by all members.

HHC INSURANCE COMPANY, INC.
(A Blended Component Unit of New York
City Health and Hospitals Corporation)

Notes to Statutory Financial Statements

December 31, 2017 and 2016

MMIP has entered into a management agreement with a servicing company. The servicing company is responsible for, among other things, collecting premiums on behalf of the members and paying claims under the policies. All such premiums are deposited in an account in the name of MMIP (Working Fund Account). The servicing company pays all claims out of the amount on deposit in the Working Fund Account. Losses or expenses that exceed the balance in the Working Fund Account are required to be paid by the members in accordance with their participation percentages. Since the Company's effective participation date, there have been no losses or expenses that exceeded the Working Fund Account; accordingly, the Company has not made any payments to MMIP. Refer to note 3 for further detail on MMIP activity.

(d) Due from (to) Parent

All receipts (payments) of the Company are made by the Parent and charged back to the Company through the due from (to) Parent account. Refer to note 4.

(e) Outstanding Losses and Loss Adjustment Expenses

Outstanding reserves for losses and loss adjustment expenses are estimates of the ultimate cost of reported claims incurred and unpaid. Case reserves are recorded when reported by HHC and claims handlers to the Company. A claim is considered made when the physician requests representation in a lawsuit. Outstanding reserves for losses and loss adjustment expenses are based on expected trends in claim severity and frequency and other factors, which may vary significantly as claims are settled. Accordingly, the Company has engaged an independent actuary to estimate the liability reported. The unpaid liabilities include case reserves and estimated development on known claims, which is also referred to as incurred but not enough reported (IBNER) reserve. The IBNER reserve is calculated as the difference between the estimated ultimate value of the subject claims and the aggregate value at which the subject claims are currently reserved. Since coverage is provided on a claims-made basis, there is no need to estimate the ultimate value of claims that have been incurred but not reported (true IBNR) as of the valuation date. Outstanding reserves for losses and loss adjustment expenses are continually reviewed and modified to reflect current conditions. The actual incurred losses and loss adjustment expenses may vary significantly from the estimated amounts included in the accompanying financial statements. Although it is not possible to measure the degree of variability inherent in such estimates, management believes the outstanding reserves for losses and loss adjustment expenses are adequate. Necessary adjustments are reflected in operations in the period in which estimates are revised.

(f) Premium Deficiency

The Company recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of expected losses and loss adjustment expenses, expected dividends to the stockholder, and maintenance costs exceed unearned premiums and anticipated investment income. Premium deficiencies of \$15,696 and \$19,240 were recognized in 2017 and 2016, respectively, as a result of MMIP activity.

HHC INSURANCE COMPANY, INC.
(A Blended Component Unit of New York
City Health and Hospitals Corporation)

Notes to Statutory Financial Statements

December 31, 2017 and 2016

(g) Premiums

Premiums written are accrued for and are earned on a daily pro rata basis over the terms of the policies to which they relate. Unearned premium as of December 31, 2017 and 2016 amounted to \$74,901 and \$105,361, respectively. All unearned premium at December 31, 2017 and 2016 is related to MMIP business.

(h) Taxes

The Company is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a New York domiciled captive insurance company, the Company pays premium tax instead of state income tax. Accordingly, no provision for federal and state income taxes has been made in the accompanying financial statements. Premium taxes are accrued and paid quarterly. Refer to note 2(i) for further details on premium taxes.

While the Company believes it has adequately provided for all tax positions, amounts asserted by taxing authorities could be greater than amounts provided for in the financial statements. Accordingly, additional provisions for federal tax-related matters could be required in the future as underlying matters are settled or otherwise resolved.

(i) Administrative Expenses

The Company incurs premium taxes as a result of writing insurance in the State of New York. These costs are expensed as incurred. The Company incurred premium taxes of \$7,528 in 2017 and \$13,274 in 2016. The Company incurred New York Section 206 assessment fees of \$21,001 in 2017 and \$9,963 in 2016. The Company also incurred underwriting expenses as a result of participating in MMIP of \$14,335 in 2017 and \$16,991 in 2016. Other administrative expenses include letter of credit fees, state examination, audit, actuarial, captive management and consulting service fees of \$189,682 in 2017 and \$206,096 in 2016. Total administrative expenses incurred totaled \$232,546 in 2017 and \$246,324 in 2016.

HHC INSURANCE COMPANY, INC.
(A Blended Component Unit of New York
City Health and Hospitals Corporation)
Notes to Statutory Financial Statements
December 31, 2017 and 2016

(3) MMIP Activity

The Company recognized its proportionate share of MMIP's activities in the accompanying financial statements as follows:

	2017	2016
Admitted assets:		
Due from MMIP	\$ 3,075,472	3,086,860
Total admitted assets	\$ 3,075,472	3,086,860
Liabilities:		
Reserve for losses and loss adjustment expenses	\$ 2,349,108	2,621,774
Premium deficiency reserve	15,696	19,240
Unearned premiums reserves	74,901	105,361
Total liabilities	2,439,705	2,746,375
Accumulated surplus	635,767	340,485
Total liabilities and accumulated deficit	\$ 3,075,472	3,086,860
	2017	2016
Premiums written	\$ 145,494	210,900
Change in unearned premium reserves	30,460	14,126
Total underwriting income	175,954	225,026
Underwriting expenses	(35,665)	(166,669)
Net underwriting income	211,619	391,695
Net investment income	83,663	126,052
Net income	\$ 295,282	517,747

HHC INSURANCE COMPANY, INC.
(A Blended Component Unit of New York
City Health and Hospitals Corporation)
Notes to Statutory Financial Statements
December 31, 2017 and 2016

(4) Due to Parent Activity

The following table summarizes payments made by the Parent on behalf of the Company for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Balance as of January 1	\$ (15,211,565)	(12,946,192)
Administrative expenses paid	(212,642)	(254,373)
Losses paid	(505,000)	(2,011,000)
Settlement against intercompany loan	<u>15,874,827</u>	<u>—</u>
Balance as of December 31	<u>\$ (54,380)</u>	<u>(15,211,565)</u>

(5) Outstanding Losses and Loss Adjustment Expenses

The summary of changes in outstanding losses and loss adjustment expenses for 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Balance as at January 1	\$ 11,470,802	18,096,345
Incurred losses related to:		
Current year	1,889,963	3,324,548
Prior year	<u>(3,596,419)</u>	<u>(7,573,723)</u>
Total incurred	<u>(1,706,456)</u>	<u>(4,249,175)</u>
Paid losses related to:		
Current year	(268)	(465)
Prior year	<u>(225,942)</u>	<u>(2,375,903)</u>
Total paid	<u>(226,210)</u>	<u>(2,376,368)</u>
Balance as at December 31	<u>\$ 9,538,136</u>	<u>11,470,802</u>

The gross provision for insured events of prior years decreased by \$3,596,419 and \$7,573,723 in 2017 and 2016 respectively, due to favorable loss development. The favorable development for both 2017 and 2016 was primarily the result of a significant number of claims closing without any liability to the physicians insured by the Company. In these cases, it was determined that all of the liability resided with the hospitals.

HHC INSURANCE COMPANY, INC.
(A Blended Component Unit of New York
City Health and Hospitals Corporation)
Notes to Statutory Financial Statements
December 31, 2017 and 2016

(6) Service Agreements

The Company has a management agreement with Aon Insurance Managers (USA) Inc. (the Manager). The Manager performs, under the direction and control of the Company, certain management, accounting, and administrative services on behalf of the Company. The management fee is subject to annual negotiation. Management fee expense amounts of \$55,282 and \$54,490 are included in administrative expenses in the accompanying statutory statement of operations and changes in surplus for the years ended December 31, 2017 and 2016, respectively.

(7) Restricted Cash and Minimum Surplus Requirements

As a pure captive insurance company incorporated as a mutual insurer in the State of New York, the Company is subject to a minimum requirement of \$250,000 in statutory surplus in the form of cash or a letter of credit. At December 31, 2017 and 2016, the Company was in compliance with this minimum surplus requirement with a \$250,000 letter of credit.

The payment of dividends by the Company to HHC must be approved by NYSDFS and the Company's Board of Directors. As of December 31, 2017 and 2016, no dividends had been declared or paid.

(8) Commitments and Contingencies

The Company has a letter of credit of \$250,000 for the benefit of NYSDFS. The letter of credit is automatically renewable annually and has an expiration date of May 22, 2018. The letter of credit was renewed on May 22, 2018 and now expires on May 22, 2019.

Management is not aware of any potential matters, including litigation and investigations arising in the ordinary course of business that may have an adverse effect on the Company's financial position, results of operations, or cash flows.

HHC INSURANCE COMPANY, INC.
(A Blended Component Unit of New York
City Health and Hospitals Corporation)
Notes to Statutory Financial Statements
December 31, 2017 and 2016

(9) Reconciliation to New York Captive Annual Report

The tables below reconcile total assets, total liabilities, total unsigned surplus as presented in the Company's annual report at December 31, 2017 and 2016 as filed with NYSDFS, to the amounts shown in the accompanying financial statements:

		2017		
		Total assets	Total liabilities	Total surplus
Amounts per annual report	\$	90,461,388	9,737,999	80,723,389
Adjustment for letter of credit		(250,000)	—	(250,000)
Per audited financial statements	\$	<u>90,211,388</u>	<u>9,737,999</u>	<u>80,473,389</u>
		2016		
		Total assets	Total liabilities	Total surplus
Amounts per annual report	\$	104,555,710	(27,369,392)	77,186,318
Adjustment for letter of credit		(250,000)	—	(250,000)
Per audited financial statements	\$	<u>104,305,710</u>	<u>(27,369,392)</u>	<u>76,936,318</u>

There were no differences between net income reported in the audited financial statements and the annual report at December 31, 2017 and 2016 as filed with NYSDFS.

(10) Subsequent Events

The Company considers events or transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued on June 6, 2018 and subsequent events have been evaluated through that date. There were no subsequent events requiring disclosure in the financial statements.

HHC Insurance Company, Inc.

Unaudited Financial Statements

For the Period Ended September 30, 2018

ACIM Client Service Team:

Name:	Role:	Contact Details:
Nancy Gray	Team Leader Regional Managing Director - Americas	Nancy.Gray@aon.com
Dan Scott	Account Executive	Dan.Scott@aon.com
Divya H S	Accountant	Divya.h.s@aon.com
Chryssa O'Toole	Insurance Services Senior Insurance Officer	Chryssa.OTOole@aon.com

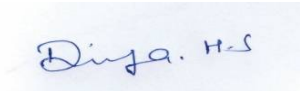
HHC Insurance Company, Inc.

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For the Period Ended September 30, 2018

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Prepared by:



Reviewed by:



Date prepared and reviewed

30 October 2018

HHC Insurance Company, Inc.

Comparative Balance Sheets

As of September 30, 2018 and December 31, 2017

Unaudited

	<u>As of</u> <u>September 30, 2018</u>	<u>As of</u> <u>December 31, 2017</u>
<u>ASSETS</u>		
Premium Receivable	\$ 1,800,000	\$ -
Intercompany Loan Receivable	87,125,173	87,125,173
MMIP Receivable	3,102,057	3,075,472
Deferred Premium Taxes	1,800	-
Prepaid New York Premium Taxes	2,764	10,174
Prepaid New York Section 206 Fees	-	569
	<hr/>	<hr/>
TOTAL ASSETS	\$ 92,031,794	\$ 90,211,388
<u>LIABILITIES</u>		
Outstanding Loss and LAE Reserves	\$ 5,114,210	\$ 5,724,659
Incurred But Not Reported Loss & LAE Reserves	4,527,941	3,813,477
Premium Deficiency Reserve	6,441	15,696
Unearned Premium	513,991	74,901
Claims Payable	914,688	-
Accounts Payable	68,074	54,886
Intercompany Payable	170,130	54,380
	<hr/>	<hr/>
TOTAL LIABILITIES	11,315,475	9,737,999
<u>NET ASSETS</u>		
Available for Operations - Prior Year	80,473,389	76,936,318
Available for Operations - Current Year	242,931	3,537,071
	<hr/>	<hr/>
TOTAL NET ASSETS	80,716,319	80,473,389
TOTAL LIABILITIES AND NET ASSETS	\$ 92,031,794	\$ 90,211,388

HHC Insurance Company, Inc.

Comparative Statements of Income

For Period Ended September 30, 2018 and 2017

Unaudited

	<u>YTD</u> <u>September 30, 2018</u>	<u>YTD</u> <u>September 30, 2017</u>
<u>INCOME</u>		
Gross Premium Written	\$ 1,893,494	\$ 3,342,293
Change in Unearned Premium	(439,090)	(801,978)
Gross Premium Earned	1,454,404	2,540,315
Interest Income	46,529	68,338
TOTAL INCOME	1,500,933	2,608,653
<u>EXPENSES</u>		
Net Losses and Loss Adjustment Expenses Incurred	1,124,220	2,275,504
Change in Premium Deficiency Reserve	(9,255)	(6,026)
Underwriting Expenses	29,806	43,118
General & Administrative Expenses	113,231	151,903
TOTAL EXPENSES	1,258,002	2,464,499
CHANGE IN UNRESTRICTED NET ASSETS	\$ 242,931	\$ 144,154

HHC Insurance Company, Inc.

Schedule of Expenses

For Period Ended September 30, 2018 and 2017

Unaudited

	<u>9/30/2018</u>	<u>9/30/2017</u>
<u>UNDERWRITING EXPENSES</u>		
New York Premium Taxes	\$ 5,610	\$ 9,921
Other Taxes and Expenses	7,921	11,627
Insurance Department Assessment Fees	16,275	21,570
	<hr/>	<hr/>
TOTAL UNDERWRITING EXPENSES	\$ <u>29,806</u>	\$ <u>43,118</u>
<u>GENERAL & ADMINISTRATIVE EXPENSES</u>		
Actuarial Fees	\$ 17,250	\$ 10,250
Audit Fees	-	44,500
Insurance Consulting Services - AHPIA	54,000	54,000
LOC Fees	1,417	1,422
Management Fees	40,565	41,731
	<hr/>	<hr/>
TOTAL GENERAL & ADMINISTRATIVE EXPENSES	\$ <u>113,231</u>	\$ <u>151,903</u>

HHC Insurance Company, Inc.

Schedule of Receivables and Payables

As of September 30, 2018 and December 31, 2017

	<u>Unaudited</u> <u>9/30/2018</u>	<u>12/31/2017</u>
<u>MMIP RECEIVABLE</u>		
Premium Receivable	\$ 5,082,202	\$ 4,988,708
Underwriting Expenses Payable	(417,854)	(409,933)
Interest Income Receivable	952,420	905,891
Losses & LAE Paid	(2,514,711)	(2,409,194)
TOTAL MMIP RECEIVABLE	\$ 3,102,057	\$ 3,075,472
<u>INTERCOMPANY RECEIVABLE (PAYABLE)</u>		
Income from MMIP	\$ 2,032,537	\$ 2,032,537
Less:		
LOC Fees	(170,031)	(169,552)
AHPIA Consulting Service	(855,675)	(819,675)
Aon Management Fees	(705,150)	(664,585)
Actuarial Fees	(371,601)	(348,601)
Audit Fees	(484,900)	(484,900)
State Examination Fees	(22,315)	(22,315)
Premium Taxes	(432,655)	(432,655)
Assessment Fees	(711,330)	(695,624)
Losses Paid	(12,823,838)	(12,823,838)
Transfer to Intercompany Loan Receivable	14,374,827	14,374,827
TOTAL INTERCOMPANY RECEIVABLE/(PAYABLE)	\$ (170,130)	\$ (54,380)
<u>CLAIMS PAYABLE</u>		
Porter, Aneferri - Closed on 3/6/2018	\$ 200,000	\$ -
Samuel, Naquan - Closed on 5/4/2018	500,000	-
Corzo, Savian - Closed on 6/11/2018	139,688	-
Singh, Samrath - Closed on 6/29/2018	75,000	-
TOTAL CLAIMS PAYABLE	\$ 914,688	\$ -
<u>ACCOUNTS PAYABLE</u>		
LOC Fees Payable	\$ 1,417	\$ 479
AHPIA-Consulting Services	36,000	18,000
Legal Fees	13,407	13,407
Actuarial Fee	17,250	23,000
TOTAL ACCOUNTS PAYABLE	\$ 68,074	\$ 54,886
<u>STATE TAXES PAYABLE</u>		
Premium Taxes Payable (Receivable), beginning of period	\$ (10,174)	\$ (4,426)
State Taxes Payable (Receivable), beginning of period	(569)	(14,425)
Current Period Liability - Premium Taxes	7,410	7,527
Current Period Payments - Premium Taxes	-	(13,276)
Current Period Liability - NY Section 206	16,275	21,001
Current Period Payments - NY Section 206	(15,706)	(7,145)
TOTAL PREMIUM TAXES PAYABLE (RECEIVABLE)	\$ (2,764)	\$ (10,174)
TOTAL NY SECTION 206 FEES PAYABLE (RECEIVABLE)	\$ -	\$ (569)

HHC Insurance Company, Inc.
NYCHHC Underwriting Results by Underwriting Year
as of September 30, 2018

Underwriting Year	Policy Period	Premium Written	Premium Earned	Losses & LAE Paid	Case Reserves	IBNR Reserves	Total Loss & LAE Incurred	Net Underwriting Results	Closed with Payment	Closed without Payment	Open Files
2005	1/1/05 - 12/31/05	6,800,000	6,800,000	-	-	-	-	6,800,000	0	8	0
2006	1/1/06 - 12/31/06	12,400,000	12,400,000	1,500,000	-	-	1,500,000	10,900,000	2	45	0
2007	1/1/07 - 12/31/07	16,500,000	16,500,000	140,000	-	-	140,000	16,360,000	2	37	0
2008	1/1/08 - 12/31/08	12,100,000	12,100,000	1,575,000	-	35,000	1,610,000	10,490,000	3	47	0
2009	1/1/09 - 12/31/09	12,400,000	12,400,000	3,423,407	408,865	4,000	3,836,273	8,563,727	5	64	9
2010	1/1/10 - 12/31/10	14,000,000	14,000,000	1,729,838	255,000	15,162	2,000,000	12,000,000	4	44	2
2011	1/1/11 - 12/31/11	6,200,000	6,200,000	880,000	5,000	5,000	890,000	5,310,000	3	36	1
2012	1/1/12 - 12/31/12	5,400,000	5,400,000	1,738,000	15,000	97,000	1,850,000	3,550,000	4	36	3
2013	1/1/13 - 12/31/13	5,400,000	5,400,000	240,000	1,370,000	(410,000)	1,200,000	4,200,000	2	34	7
2014	1/1/14 - 12/31/14	5,500,000	5,500,000	1,236,000	25,000	239,000	1,500,000	4,000,000	5	25	5
2015	1/1/15 - 12/31/15	5,500,000	5,500,000	875,000	687,000	538,000	2,100,000	3,400,000	3	29	20
2016	1/1/16 - 12/31/16	3,200,000	3,200,000	339,688	945,000	315,313	1,600,000	1,600,000	2	14	21
2017	1/1/17 - 12/31/17	1,800,000	1,800,000	75,000	140,000	1,585,000	1,800,000	-	1	9	27
2018	1/1/18 - 12/31/18	1,800,000	1,350,000	-	35,000	1,315,000	1,350,000	-	0	0	6
Total		\$109,000,000	\$108,550,000	\$13,751,932	\$ 3,885,865	\$ 3,738,475	\$ 21,376,273	\$ 87,173,727	36	428	101

HHC Insurance Company

Summary of Business Plan Updates to the State of New York

November 21, 2017 through November 8, 2018

Date	Summary Description	Date Approved
10/02/18	Permitted practice request to file on statutory basis versus GASB.	10/04/18
10/02/18	Request for waiver of actuarial certification on MMIP reserves.	10/04/18
10/02/18	Permitted practice request to carry MMIP balances on statutory basis of accounting.	10/04/18



REGULATORY COMPLIANCE CHECKLIST

A regulatory compliance checklist has been prepared to illustrate the various filings that are required to be made during the year and their status.

Reports and Filings

		Due Date	Responsible Party	Comments
a)	YE 12/31/17 Annual Report – NY Article 70 Sec. 7006(a)	03/01/2018	Aon Insurance Managers	Filed
b)	2017 Annual Certification of Loss Reserves	03/01/2018	Aon Insurance Managers & Aon Global Risk Consulting	Filed
c)	2017 NY Captive Franchise Tax Return - Article 70 Sec. 7012	04/15/2018	Aon Insurance Managers	Filed
d)	2018 NY Captive Franchise Tax Deposits – Quarterly Installment Payments	03/15/2018 06/15/2018 09/15/2018 12/15/2018	Aon Insurance Managers	Not Required Not Required Not Required Pending
e)	2018 NY 206 Assessments – Quarterly Installment Payments	03/10/2018 06/10/2018 09/10/2018 12/10/2018	Aon Insurance Managers	Filed Filed Filed Pending
f)	Annual License Renewal-Article 70 Sec. 7003(e)	06/30/2018	Aon Insurance Managers	Filed
g)	2017 Annual Audited Financial Statements Article 70 Sec. 7006(b)	07/01/2018	Aon Insurance Managers & KPMG, LLP	Filed
h)	2017 Parent Audited Annual Report-Article 70 Sec. 7006(c)	07/01/2018	Aon Insurance Managers	Filed

Corporate Documentation

		Due Date	Responsible Party	Comments
a)	Biographical affidavits on file with the Dept.	When changed	Aon Insurance Managers	In Compliance
b)	Annual Directors meeting in New York – Article 70 Sec. 7003 (b) (2)	Annually	Aon Insurance Managers	In Process for 2018
c)	Appointment of Directors by NYC Health + Hospitals	Every two years	NYC Health + Hospitals	In Compliance
d)	Board of Directors – Article 70, Section 7005 (g) – Pure captives incorporated in the state of New York shall have at least three directors, with at least two of the directors being residents of New York			In Compliance

Underwriting Activities

	Due Date	Responsible Party	Comments
a) Changes in Business Plan given approval by Department – Article 70 Sec. 7003 (d)	Date of change	Aon Insurance Managers	In Compliance
b) Principal place of business in New York	N/A	Aon Insurance Managers	In Compliance
c) Allowable lines insured – Article 70 Sec. 7005	N/A	Aon Insurance Managers	In Compliance
d) TRIA Data Filing	05/15/18	Aon Insurance Managers	N/A

Financial Standing

	Comments
a) Minimum unimpaired capital and surplus of \$250,000 – Article 70, Section 7004	In Compliance with \$250,000 LOC.
b) Legal investments – Article 70, Section 7009	In Compliance

Examination Process

	Comments
a) The Company was examined in 2016 as of December 31, 2014 – subject to exam every five years - Article 70, Section 7007	Next exam expected in 2020 as of December 31, 2019

Policy Documentation

	Comments
a) Copy of the policies on file with the Company	AHPIA maintains this documentation.

Other Items

	Comments
a) Annually, the Company shall submit to the NY DFS through a secure portal a statement covering the prior calendar year certifying that the Company is in compliance with the New York Cybersecurity Rule and any relevant portions of that rule as applicable to the Company.	Due by February 15 th every year.

HHC Physicians Purchasing Group, Inc.

Agenda for the Annual Meeting of the Directors

***November 8, 2018
125 Worth Street, Room 532
New York, NY***

TAB

The following agenda items will be discussed and appropriate action will be taken:

- Election of Officers for the ensuing year
- Approval of prior year meeting minutes and any other actions since that date

9

RESOLUTION:

Authorizing the Board of Directors of the HHC Physicians Purchasing Group, Inc. to appoint the officers of the HHC Physicians Purchasing Group, Inc., and to approve the minutes of its meeting of November 21, 2017.

WHEREAS, the Board of Directors of the NYC Health + Hospitals (“health care system”) has authorized the President of the health care system to seek the incorporation of the HHC Physicians Purchasing Group, Inc. as a wholly-owned subsidiary corporation by the New York Secretary of State and to seek the registration of the HHC Physicians Purchasing Group, Inc. as an insurance purchasing group in the State of New York; and

WHEREAS, the Board of Directors of the health care system has authorized the President of the health care system to commence operations of the HHC Physicians Purchasing Group, Inc. after incorporation and registration as a purchasing group by the State of New York; and

WHEREAS, The Board of Directors of the health care system has reserved the right to approve the Bylaws of the HHC Physicians Purchasing Group, Inc. and to appoint the directors of the HHC Physicians Purchasing Group, Inc.; and

WHEREAS, the Board of Directors of the health care system has approved the Bylaws of the HHC Physicians Purchasing Group Inc. and appointed the directors of the HHC Physicians Purchasing Group, Inc.; and

WHEREAS, the HHC Physicians Purchasing Group, Inc. has been incorporated as a wholly-owned subsidiary corporation of the health care system by the Secretary of State of the State of New York; and

WHEREAS, the HHC Physicians Purchasing Group, Inc. has been registered by the NYS Department of Insurance upon the request of the officers of the HHC Physicians Purchasing Group, Inc.

NOW, THEREFORE, Be It

RESOLVED, that the following shall serve as Directors of the HHC Physicians Purchasing Group, Inc.:

Mitchell H. Katz, M.D.
Machelle Allen, M.D.
Andrea G. Cohen
John Ulberg, Jr.
Bernard Rosen

And that Mitchell H. Katz, M.D. shall serve as the Chairman of the Board of Directors of the Group;

AND FURTHER RESOLVED, that the following shall serve as officers of the HHC Physicians Purchasing Group, Inc.:

Mitchell H. Katz, M.D.	President
Machelle Allen, M.D.	Vice-President
Andrea G. Cohen	Secretary
John Ulberg, Jr.	Treasurer

Information Items

- 1) The Purchasing Group has been registered and approved by the New York State Department of Insurance to act as a purchasing group within the State. The business of the group is to obtain, on behalf of its members, who are employees of the health care system's affiliates, primary insurance for medical malpractice from the HHC Insurance Company, Inc., a captive insurance company.
- 2) The physician members of the group have obtained primary medical malpractice insurance coverage in the amount of \$1.3 million per occurrence /\$3.9 million in the aggregate from the captive insurer for 2018. Insurance policies have been issued for the members of the group by the captive. The members of the group have also received excess coverage in the amount of \$1 million per occurrence /\$3 million in the aggregate from MMIP.

**MINUTES OF ANNUAL MEETING OF THE HHC PHYSICIANS PURCHASING
GROUP, INC.**

A meeting of the Board of Directors of the HHC Physicians Purchasing Group, Inc., (hereinafter, the "PPG") was held in the Board Room – Room 532 located at 125 Worth Street, New York, New York 10013 on the 21st day of November at 12:40 PM EST, pursuant to a notice which was sent to all the Directors of the Company and which was provided to the public by the Secretary.

The following Directors were present in person, constituting a quorum:

Stanley Brezenoff	Plachikkat Anantharam
Salvatore J. Russo	Bernard Rosen
Dr. Mabelle Allen	

Also present were David Cheung, Mary B. Boland and Nancy Gray from Aon Insurance Manager (AIM). Daniel Scott from AIM attended via conference call.

The meeting was called to order at 1:15 PM. Salvatore J. Russo chaired the meeting at the request of Mr. Brezenoff. Ms. Boland kept minutes at the request of Mr. Russo.

The following resolutions were presented to the Board by Mr. Russo, and on motion by Mr. Rosen, duly seconded by Mr. Brezenoff, were unanimously approved by the Board:

- (1) Approval of the minutes of the November 15, 2016 annual meeting;
- (2) Re-appointment of the Board of Directors with the appointment of Mr. Brezenoff as the interim Chairman; and,
- (3) The appointment of the following officers of the HHC Physicians Purchasing Group Inc.:

Stanley Brezenoff	Acting President
Mabelle Allen, M.D.	Vice-President
Salvatore J. Russo	Secretary
PV Anantharam	Treasurer

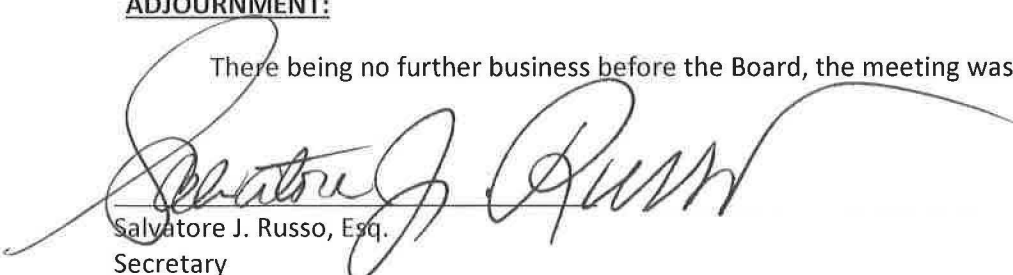
INFORMATION ITEMS:

Nancy Gray presented two information items:

- (1) The PPG has been registered and approved by the New York State Department of Financial Services to act as a purchasing group within the State. The business of the PPG is to obtain on behalf of its members, who are employees of NYCHHC's affiliates, primary insurance for medical malpractice from the HHC Insurance Company ("HHCHC", a captive insurance company).
- (2) The physician members of the group have obtained primary medical malpractice insurance coverage in the amount of \$1.3 million per occurrence/\$3.9 million in the aggregate from HHCIC for 2016. Insurance policies have been issued for the PPG by the HHCIC. The members of the PPG have also received excess coverage in the amount of \$1 million per occurrence/\$3 million in the aggregate from MMIP (unless they have coverage through another excess carrier which would then write the excess coverage for the covered physician).

ADJOURNMENT:

There being no further business before the Board, the meeting was adjourned at 1:30 PM.



Salvatore J. Russo, Esq.
Secretary