

LOVE CANAL MEDICAL FUND, INC. ANNUAL REPORT 1998

I. INTRODUCTION

This is the report of the Board of Directors for the Love Canal Medical Fund, Inc. (LCMF) for the year 1998. The following two paragraphs describe the creation of the Love Canal Medical Trust Fund and the Love Canal Medical Fund, Inc.

A. *Creation of the Love Canal Medical Trust Fund: Beneficiaries*

On December 20, 1983, the Supreme Court, State of New York, County of Niagara, approved a settlement agreement between the plaintiffs and the defendants in the case of ***Urban et al. v. Occidental Chemical Corporation et al.*** The settlement agreement called for the establishment of the Love Canal Medical Trust Fund for the benefit of the living plaintiffs of the lawsuit. The purpose of the Medical Trust Fund is to provide future benefits to plaintiffs who incur medical expenses related to medical problems which reasonably could have been associated with exposure to toxic chemicals emanating from a former landfill in Niagara Falls, New York, known as the "Love Canal." Individuals who are eligible for benefits from the Love Canal Medical Trust Fund are limited to those thirteen hundred twenty-eight (1328) plaintiffs who entered into the settlement agreement. The Articles of Incorporation state that the Medical Trust Fund should be in existence until the last eligible recipient is deceased, which is likely to be 80 years from inception.

B. *Creation of the Love Canal Medical Fund, Inc.*

On January 4, 1985, the same Court ordered the establishment of a not-for-profit corporation to be named the "Love Canal Medical Fund, Inc." to administer the Love Canal Medical Trust Fund, subject to the Court's supervision. The Court ordered that the Fund receive from the settlement the amount of one million (\$1,000,000) dollars and directed that the Fund report to the Court annually concerning its activities, and that all expenditures be approved by the Court. The Fund's Certificate of Incorporation was filed with the Secretary of State, State of New York, on August 5, 1985. All of the Board's actions are subject to Court approval.

II. 1998 ANNUAL REPORT

A. Board Members

The initial members of the Board of Directors were appointed by the New York State Supreme Court. Additional Board members have been appointed by the Board and approved by the Court. Half of the Board of Directors consist of one-time residents of Love Canal and half are experts in professions related to administration of the Fund. All Directors volunteer their services. A current list of the Board of Directors is attached.

B. Appeals Board

The Fund established an Appeals Board in 1990. The purpose of the Appeals Board is to review any claim appealed by a beneficiary that has been rejected for payment by the Board of Directors. Members of the Appeals Board are contacted at the beginning of each calendar year to ascertain whether they remain willing to participate. Members of the Appeals Board are not paid. The Appeals Board may also be contacted for expert opinion when required.

C. Meetings

The Love Canal Medical Fund Board met in May, July, and September in Niagara Falls, New York and in Grand Island, New York in November 1998.

D. Claims Processed

The amount of benefits paid to beneficiaries in 1998 was \$38,132.00. The total amount paid from inception of this Plan up to and including 1997 benefits is \$232,615.00.

E. Taxes

In 1989, Love Canal Medical Fund applied for and was granted tax exempt status under Section 501(C)4 of the Internal Revenue Code. Each year, Federal Form 990 is filed with the Internal Revenue Service. A copy is available upon request.

In 1991, LCMF received tax-exempt status from New York State sales tax. Benefits paid to beneficiaries are tax exempt.

F. Medical Benefits Plan and Claims

1. A procedure remains in place for approval and payment of claims: Claims are received and processed by Albert F. Stager, Inc. These claims are assigned a file number, so

that the identity of the claimant is not known to Board members. The processed claims are then sent to the LCMF Board. Claims are reviewed by the full Board or its authorized subcommittee between Board meetings to discuss and vote on each claim. The Board's decisions are then given to Albert F. Stager, Inc., who issues payments to beneficiaries. People whose claims are denied are also contacted by Albert F. Stager, Inc., given the reason for the denial, and a description of the appeals process.

2. An Appeals Board was established to review claims through the appeal process outlined in the By-laws, and is available to continue serving as a review body for participants/beneficiaries.

3. A revised Medical Plan was mailed to the last known address of each beneficiary in early 1996. In 1998, the Board of Directors reviewed the Benefit Plan and the changes are mentioned in Section III, Issues: Medical Benefit Plan.

4. Claims for Board Members

Some members of the Board of Directors are beneficiaries of the Fund. The Court ruled that Board members who are beneficiaries are entitled to payment of their medical claims. Procedures were established so that Board Members who have a claim against the Fund do not review or vote on their own claims. They are excused from that portion of the meeting. Claims paid to Board members are taken from the principal of the fund and not the earnings of the fund, as directed by the New York State Supreme Court.

G. Financial Matters

1. Merrill Lynch manages Love Canal Medical Fund investments.

2. Merrill Lynch is investing the funds in U.S. Government securities and to a small degree in Mutual Funds. All financial matters are approved by the Board of Directors. A statement describing the account status is sent to the Treasurer and Chairman of the Board each month.

3. In 1993, LCMF began investing in a socially responsible fund, the Calvert Group, to diversify its investments as well as to ensure continued growth to meet possible future claims over the life of the Trust Fund. In 1998, the Board of Directors increased the investment from the initial \$100,000 to \$200,000.

4. The Love Canal Medical Fund Board reports annually to the Supreme Court of the State of New York concerning its activities and all financial matters. The Court reviews and approves budget and expenditures annually.

5. An audit of the financial records of Love Canal Medical Fund for 1997 was conducted by Donald Litwin, CPA. A copy of the audit is available upon request.

III. ISSUES

A. Medical Benefit Plan

Beginning in 1999: Prescription coverage was increased to \$2,000 beginning January 1, 1999 until December 31, 2003. Coverage for mental health testing and treatment expenses was increased to \$2,000 and will also continue until December 31, 2003. Annual physical reimbursement was increased from \$150.00 per person per year to \$250.00 per person per year effective until December 31, 2003. One deductible of \$100.00 will be applied to all beneficiaries, eliminating a separate deductible for participants that did not have insurance coverage (previously \$300 per person per year). Hearing medical conditions as well as birth defects leading to hearing loss that could have been attributable to exposure of toxic chemicals at Love Canal will also be covered.

B. Additional Board Business

1. In 1998, the LCMF Board obtained a non-profit bulk mail stamp and began mailing out quarterly newsletter bulletins to the participants.

2. A continuing effort was made to locate beneficiaries who move or whose mail is returned as nonforwardable. One of our participants and two of our Board members are reviewing the current list of non-located participants.

IV. NEW BOARD MEMBERS

The Board of Directors established a policy for reviewing candidates for Board of Director positions, and reviewed a list of current participants in the LCMF for potential ex-residents for the Board. One potential expert was interviewed by the Nominating Subcommittee and has been approved for Board of Director membership beginning in 1999.

**BOARD OF DIRECTORS
SERVING IN 1998**

Janice Alexander	- Resident
Joseph Dunmire	- Resident
Lois Gibbs	- Resident
Sheila Graziano, LLB	- Expert
JoAnn Hale	- Resident
Luella Kenny	- Resident
Stephen U. Lester, MS	- Expert
Adeline Levine, PhD	- Expert
Joan Matty, RN, MS	- Expert
Barbara Quimby	- Resident
Carol Segal, MD	- Expert
Virginia Troy, RN, MS	- Expert
Paul Zuccari	- Resident

LOVE CANAL MEDICAL FUND OFFICERS

Luella Kenny	- Chairperson
JoAnn Hale	- Vice-Chairperson
Sheila Graziano	- Secretary
Joseph Dunmire	- Treasurer