

LOVE CANAL MEDICAL FUND, INC. ANNUAL REPORT 2004

I INTRODUCTION

This is the report of the Board of Directors for the Love Canal Medical Fund, Inc. (LCMF) for the year 2004. 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:

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. vs. Occidental Chemical Corporation et al.** The settlement agreement called for the establishment of **the Love Canal Medical Trust Fund (LCMTF) 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.

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" (LCMF) 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 BACKGROUND and ADMINISTRATION of the LOVE CANAL MEDICAL FUND

The Love Canal Medical Fund applied for and was granted tax-exempt status under Section 501(c)(4) of the Internal Revenue Code in 1989. Federal Form 990 is filed with the Internal Revenue Service annually. A copy is available upon request. LCMF received tax-exempt status from New York State sales tax in 1991. Payment of medical expenses from LCMF to beneficiaries are tax-exempt.

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 consists 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 included at the end of this report.

B. Medical Benefits Plan

The Board of Directors of the Love Canal Medical Funds was directed by the Court to develop and submit to the court for approval, a Medical Benefits Plan containing a process for the distribution of benefits to the beneficiaries of the Love Canal Medical Trust Fund. In response, the Medical Benefits Plan was prepared first in 1987 and later updated in 1994, 1996, and 1999. The Plan is not an insurance policy. It should not be relied upon by beneficiaries as their primary or sole source for reimbursement of medical expenses. Nor should it be considered a substitute for health insurance.

The Medical Benefits Plan describes the conditions, provisions, exclusions, and limitations of the coverage provided by LCMF for medical expenses incurred by beneficiaries for medical conditions which reasonably could be associated with toxic chemicals found at the Love Canal; toxic waste site. The Plan also covers preventive and diagnostic procedures for early detection of medical conditions that could reasonably be associated with exposure to toxic chemicals. These medical conditions could have been present at the time of residency in Love Canal, or they may be any of the many medical conditions that may have developed since moving away from the area.

The Plan will pay up to a maximum of \$10,000 per beneficiary per year for covered medical expenses subject to a list of exclusions and limitations. Beneficiaries are directed to the Medical Benefits Plan Booklet for a list of these exclusions and limitations. Coverage provides for one annual routine physical examination per beneficiary per year.

C. Submission and Payment of Claims

A procedure was established to review, approve, and pay claims. Claims are submitted on forms provided by the LCMF and are also included in the Medical Benefits Plan Booklet. Claims are received and processed by Albert F. Stager, Inc., a professional claims adjuster. The claims adjuster makes recommendations based on the Medical Benefits Plan. 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 Committee which meets between Board meetings, to discuss and vote on each claim. The Board's decisions are then given to Albert F. Stager, Inc., which responds to the beneficiaries and issues payment of approved claims. Stager may contact people to clarify questions raised by the Board or to obtain additional information. 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. Albert F. Stager has processed claims for the LCMF since the program was established.

D. 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 as directed by the New York State Supreme Court.

E. 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 based on medical reasons. The Board decides on all policy issues. The appeals Board may also be contacted for expert opinion when required. Members of the Appeals Board are not paid.

F. Financial Matters

Merrill Lynch manages the investments of the Love Canal Medical Fund. The Funds of the Love Canal Medical Trust Fund are invested primarily in U.S. Government securities and to a lesser degree in Mutual Funds and Certificates of Deposit. All financial matters are approved by the Board of Directors and by the NY State Supreme Court. A statement describing the account status is sent by Merrill Lynch to the Treasurer and Chairman of the Board each month.

G. Reporting to the New York State Supreme Court

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 the budget and expenditures annually.

III YEAR 2004 ACTIVITIES

Meetings

In the year 2004, the Love Canal Medical Fund met in February, May and October, in Niagara Falls, New York. There was a full Board conference call in November and one in December.

A. Board of Directors

No new members were added to the Board of Directors in 2004.

B. Benefits Paid

The amount of benefits paid to beneficiaries in the year 2004 was \$133,374.00
The total amount of benefits paid from the inception of the Fund, including the year 2004, is \$ 837,106.00

C. Financial Statement

Investment income for the year 2004 is \$102,153.00. Total expenses, including beneficiary payments were \$170,151.00. Net loss was \$ 67,998.00. The total Fund balance at the end of the year was \$1,681,067.00.

An audit of the financial records of Love Canal Medical Fund for the year 2004 was conducted by Donald Litwin, CPA. A copy of the audit is available upon request. The financial records of the LCMF are audited annually.

D. HIPAA

The fund was mandated to become compliant in 2004 under the Health Insurance Portability and Accountability Act (HIPAA) that was passed in 1996. The entire Board and its agents underwent training and a manual was prepared that brought us in compliance with this act. This insures privacy and protection for our beneficiaries medical records. A notice of Privacy Practices was sent to all beneficiaries in April 2004.

E. Actuarial Study

In 2004 the Board realized that it would be necessary to reduce the benefit payments in future years. We contacted with Actuarial Consulting Services, Inc. of Amherst, NY to prepare four (4) scenarios of our Income, Expenses and Beneficiary Payments. A copy of the report prepared by Actuarial Consulting Services is available upon request. The results were used to modify the Plan benefits for 2005 and subsequent years.

F. Medical Benefits Plan

There was one change made to the Medical Plan in 2004.

The prescription coverage expired on December 31, 2004 and will not be renewed at this time.

All prescription claims from 2004 will be paid.

G. Outreach Activities

- 1) Efforts to encourage beneficiaries to contact LCMF continued in 2004.
- 2) A newsletter was mailed to beneficiaries with information about endometriosis and another on lupus.
- 3) An annual letter was mailed to all beneficiaries with the telephone numbers of the Fund (716-773-6578) and a toll free number for Albert F. Stager Inc. (1-800-427-1384). A prepaid post card addressed to the Love Canal Medical Fund was enclosed for beneficiaries to inform the Fund of an address or name change.
- 4) Beneficiaries use the Love Canal web site (www.lcmf.org) to down load Annual reports, bulletins and claim forms. There is also a link to the LCMF e-mail address (lcmfund@yahoo.com) that was used by beneficiaries to notify the Fund of a change of address and to request claim forms and information.
- 5) A telephone line with voice mail (716-773-6578) was put into service in 2001 for beneficiaries. This continues to be the most used method for reaching the Fund.
- 6) The LCMF continues to try to locate beneficiaries who move or whose mail is returned as non-forwardable.

**LOVE CANAL MEDICAL FUND
BOARD OF DIRECTORS SERVING IN 2004**

Janice Alexander	Resident
Joseph Dunmire	Resident
Lois Gibbs	Resident
Sheila Graziano, Esq.	Expert
Janice Hastrup PhD.	Expert
Luella Kenny	Resident
Robert J. Krul	Resident
Stephen U. Lester, MS	Expert
Adeline Levine, PhD	Expert
Richard K. Ohrbach, PhD, DDS	Expert
Barbara Quimby	Resident
Carol Segal, MD	Expert
Sandro Viola	Resident
Michael Zimmerman	Resident

LOVE CANAL MEDICAL FUND OFFICERS

Luella Kenny	Chairperson
Lois Gibbs	Vice-Chairperson
Sheila Graziano	Secretary
Joseph Dunmire	Treasurer