



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

CYPRESS COVE AT HEALTHPARK FLORIDA, INC.

D/B/A

CYPRESS COVE

AS OF

September 30, 2012

FLORIDA COMPANY CODE 88169

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PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations unit, conducted a periodic market conduct examination of Cypress Cove at HealthPark Florida, Inc. d/b/a Cypress Cove (hereinafter "Cypress Cove") pursuant to Section 651.105, Florida Statutes. The scope period of this examination was from October 1, 2009 through September 30, 2012. The on-site and desk examination procedures were completed on September 12, 2013.

The objective of the examination was to determine the extent of compliance with the provisions of Chapter 651, Florida Statutes and Chapter 690-193, Florida Administrative Code Rules. This market conduct examination did not encompass a financial compliance examination.

This final report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by Cypress Cove. This report is a report by exception, and the information within has been limited to identification of exceptions, errors or unusual problems noted during the examination.

COMPANY OPERATIONS

Cypress Cove is a not-for-profit Continuing Care Retirement Community located in Fort Myers Florida. Cypress Cove was granted a certificate of authority by the Office to offer continuing care contracts on July 23, 1997 and is managed by Lee FP, Inc., an affiliated company. As of September 30, 2012, Cypress Cove reported 400 Continuing Care Units of which, 362 were Independent Living Units, and 38 were Assisted Living Units. In addition, there were 64 Skilled Nursing Units reported; all of which were classified as Sheltered Beds. Cypress Cove also reported six Rental Units.

REQUIRED ESCROW DEPOSITS OR WAIVERS

Cypress Cove provided a list containing the 116 continuing care contracts executed during the scope period of the examination. A random sample consisting of 52 transactions was selected from the list. Of the 52 contracts in the sample, 43 contracts were executed on or after July 1, 2010. The 43 contracts were tested for compliance with Section 651.055(2), Florida Statutes.

Findings:

For continuing care contracts executed on or after July 1, 2010, Section 651.055(2), Florida Statutes, provides that during the seven-day rescission period, the resident's funds must be held in escrow unless otherwise requested by the resident, pursuant to Section 651.033(3)(c), Florida Statutes. Section 651.033(3)(c), Florida Statutes, provides that, at the request of an individual resident of a facility, the provider may hold the check for the seven-day period and shall not deposit it during this time period.

REQUIRED ESCROW DEPOSITS OR WAIVERS (Continued)

In 17 instances Cypress Cove failed to deposit resident funds into an escrow account for the seven-day rescission period of the contract or, obtain authorization from the prospective resident to hold and not deposit the check for the seven-day period.

Specifically, in each of the 17 instances the continuing care contract was executed between July 1, 2010 and May 22, 2012, and the funds paid by prospective residents were not deposited into an escrow account nor was authorization obtained from any of the prospective residents to hold the funds for the seven-day contract rescission period.

Recommendation: The Office recommends that during the rescission period of the contract Cypress Cove manage funds in accordance with Section 651.055(2), Florida Statutes.

REQUIRED DISCLOSURES

Cypress Cove provided a list containing the 116 continuing care contracts executed during the scope period of the examination. A random sample consisting of 52 contracts was selected from the list and tested for compliance with Section 651.091(3), Florida Statutes.

Findings:

Effective July 1, 2010 Section 651.091(3)(h), Florida Statutes, required the provider to include as a required disclosure document, a copy of Section 651.071, Florida Statutes, entitled "Contracts as preferred claims on liquidation or receivership." Of the 52 contracts in the sample, 43 contracts were executed on or after July 1, 2010. All 43 transactions were reviewed to determine compliance with disclosure requirements of Section 651.091(3)(h), Florida Statutes which became effective July 1, 2010.

In 43 instances, Cypress Cove failed to provide as a required disclosure, a copy of Section 651.071, Florida Statutes, to the prospective residents or their legal representative, as required by Section 651.091(3)(h), Florida Statutes.

Subsequent Event: In October 2013, Cypress Cove filed the required disclosure documents with the Office.

Recommendation: The Office recommends Cypress Cove establish adequate procedures and controls to ensure all disclosures are provided to prospective residents or their legal representatives.

EXAMINATION FINAL REPORT SUBMISSION

The Office hereby issues this Final Report based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by Cypress Cove.