

**REPORT ON EXAMINATION**  
**OF**  
**FLORIDA HOSPITAL EXCESS TRUST**  
**FUND**  
**MAITLAND, FLORIDA**

**AS OF**  
**MARCH 31, 2005**

**BY THE**  
**OFFICE OF INSURANCE REGULATION**

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Tallahassee, Florida

February 20, 2006

Kevin M. McCarty  
Commissioner  
Office of Insurance Regulation  
State of Florida  
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.486, Florida Statutes (FS), and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of March 31, 2005, of the financial condition and corporate affairs of:

**FLORIDA HOSPITAL EXCESS TRUST FUND  
235 SOUTH MAITLAND AVENUE, SUITE 209  
MAITLAND, FLORIDA 32751**

Hereinafter referred to as the "Trust". Such report of examination is herewith respectfully submitted.

## **SCOPE OF EXAMINATION**

This limited scope examination covered the period of April 1, 2002 through March 31, 2005, which was based on the Trust's fiscal year. The Trust was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of March 31, 2002. The fieldwork commenced on February 6, 2006, and was concluded as of February 20, 2006. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

This financial examination represented a limited scope statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code (FAC), with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value and integrity of the statement assets and the determination of liabilities, as those balances affect the financial solvency of the Trust.

The only annual statement balance examined was the Trust's admitted assets. The total assets were \$11,872,128 pursuant to the March 31, 2005 annual statement. The Trust did not have any material liabilities or reinsurance contracts to be reviewed. There were no losses or loss adjustment expenses to be considered.

We valued and/or verified the amounts of the Trust's assets as reported by the Trust in its annual statement as of March 31, 2005.

Based on the review of the Trust's control environment and the materiality level set for this examination, reliance was placed on work performed by the Trust's CPAs, after verifying the statutory requirements, for the following accounts:

Investment Accounts  
Other Expenses

## **HISTORY**

### **General**

The Trust was organized in 1975 as a Self-Insurance Trust Fund, under Rule 69O-187.004, FAC. The Trust was organized to provide excess medical malpractice liability insurance to member hospitals in the state of Florida.

On October 13, 1995, the Trust voted to purchase retroactive insurance coverage which resulted in the voluntary termination of the Trust beginning November 1, 1995. Consent Order Number 23929-98-CO confirmed the termination, the run-off mode, and the retroactive insurance transaction with American International Specialty Lines Insurance Company. The coverage included a retroactive date of April 1, 1985 and an aggregate policy limit of \$150,000.

In accordance with Section 627.357, Florida Statutes (FS), and Rule 69O-187.009, FAC, a service agent had been appointed by the Board of Trustees to serve throughout the period of run-off.

## **ACCOUNTS AND RECORDS**

The Trust's accounting records were maintained on a computerized system. The Trust's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The Trust maintained its principal operational offices in Maitland, Florida. The examination was conducted at the Office in Tallahassee, Florida.

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain financial statements showing the Company's financial position as of March 31, 2005, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

**FLORIDA HOSPITAL EXCESS TRUST FUND  
Assets**

**MARCH 31, 2005**

Classification	Per Company	Examination Adjustments	Per Examination
Bonds	\$11,738,914		\$11,738,914
Short-term investments	59,726		59,726
Interest and dividend income due & accrued	73,488		73,488
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Totals	\$11,872,128	\$0	\$11,872,128
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**FLORIDA HOSPITAL EXCESS TRUST FUND**  
**Liabilities, Surplus and Other Funds**

**MARCH 31, 2005**

<b>Liabilities</b>	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Past member equity payable	\$999,229		\$999,229
Allocated member equity payable	10,869,128		10,869,128
Other expenses	3,771		3,771
Total Liabilities	<u>\$11,872,128</u>	<u>\$0</u>	<u>\$11,872,128</u>

## **COMMENTS ON FINANCIAL STATEMENTS**

There are no comments concerning the financial statements.

## **SUMMARY OF FINDINGS**

There were no material findings or corrective actions to be taken with regard to this examination.

## CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Florida Hospital Excess Trust Fund**, as of March 31, 2005, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, John Berry, Financial Examiner/Analyst Supervisor participated in the examination.

Respectfully submitted,

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James D. Collins  
Financial Examiner/Analyst II  
Florida Office of Insurance Regulation