

**REPORT ON EXAMINATION**  
**OF**  
**SOUTH FLORIDA OPHTHALMOLOGICAL**  
**SELF INSURING TRUST**

**MIAMI, FLORIDA**

**AS OF**  
**JUNE 30, 2010**

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

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Tallahassee, Florida

June 1, 2011

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 624.316, Florida Statutes, Section 624.486, Florida Statutes, and Rule 69O-187.007 (3), Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of June 30, 2010, of the financial condition and corporate affairs of:

**SOUTH FLORIDA OPHTHALMOLOGICAL SELF INSURING TRUST  
19 W. FLAGLER ST, SUITE 711  
MIAMI, FLORIDA 33130**

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

## **SCOPE OF EXAMINATION**

This examination covered the period of July 1, 2005, through June 30, 2010. The Trust was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of June 30, 2005. This examination commenced with planning at the Office on February 22, 2011, to February 25, 2011. The fieldwork commenced on February 28, 2011, and concluded as of June 1, 2011.

This financial examination was a 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, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The examination included a review of the Trust's records and other selected records deemed pertinent to the Fund's operations and practices. In addition, the Trust's Independent Audit reports, and certain work papers and related records prepared by the Trust's independent certified public accountants were reviewed and utilized, where applicable, within the scope of this examination.

The Trust's assets were valued and/or verified, and the liabilities were determined or estimated as of June 30, 2010. Transactions subsequent to year-end 2010 were reviewed where relevant and deemed significant to the Trust's financial condition.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action.

The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Exam Findings**

There were no material findings, or exceptions noted during the examination as of June 30, 2010.

### **Prior Exam Findings**

There were no adverse findings contained in the Office's prior examination as of June 30, 2005.

## **HISTORY**

### **General**

The Trust was approved on March 1, 1976, under the laws of the State of Florida as a Malpractice Self Insurance Trust Fund and commenced business on July 1, 1976, under the name South Florida Ophthalmological Self Insuring Trust.

The Trust was authorized to transact medical malpractice liability insurance coverage for ophthalmologists who were members of the Trust. The membership was limited to ophthalmologists who were duly licensed by the State of Florida and practiced in Palm Beach, Broward or Dade counties. Membership was limited to new ophthalmologists joining existing members. At June 30, 2010, the Trust had 131 members.

The Declaration of Trust and the Bylaws were not amended during the period covered by this examination.

### **Dividends to Policyholders**

The Trust did not pay any dividends.

### **Capital Stock and Capital Contributions**

The Trust maintained no capital stock and received no capital contributions.

### **Surplus Debentures**

The Trust did not have any surplus debentures.

### **Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales Through Reinsurance**

There were no acquisitions, mergers, disposals, dissolutions, purchases or sales through reinsurance for the period of examination.

## **CORPORATE RECORDS**

The recorded minutes of the Board of Trustees (Trustees) were reviewed for the period under examination. The recorded minutes of the Trustees adequately documented its meetings.

## MANAGEMENT AND CONTROL

### Management

The annual meeting of the members for the election of trustees was held in accordance with Rule 69O-187.010 (1), Florida Administrative Code. Trustees serving as of June 30, 2010, were:

### Trustees

<b>Name and Location</b>	<b>Principal Occupation</b>
Warren Lieberman, M.D. Coral Gables, Florida	Retired Ophthalmologist
Myron Tanenbaum, M.D. Miami, Florida	Ophthalmologist
Raymond Gailitis, M.D. Ft. Lauderdale, Florida	Ophthalmologist
J. Harold Stanley, M.D. Weston, Florida	Ophthalmologist
Lee Duffner, M.D. Golden Beach, Florida	Ophthalmologist
Lawrence Halperin, M.D. Boca Raton, Florida	Ophthalmologist
Carlos Buznego, M.D. Coral Gables, Florida	Ophthalmologist

The Trustees in accordance with the Trust's Bylaws appointed the following senior officers:

### Senior Officers

Name	Title
Warren Lieberman, M.D.	President
Ray Gailitis, M.D.	Vice President
Carlos Buznego, M.D.	Secretary
Harold Stanley	Treasurer

The Trust did not maintain a formal audit committee, as required by Section 624.424(8) (c), Florida Statutes. **Subsequent Event:** The Trustees appointed an audit committee, in compliance with Section 624.424 (8) (c), Florida Statutes, on May 3, 2011.

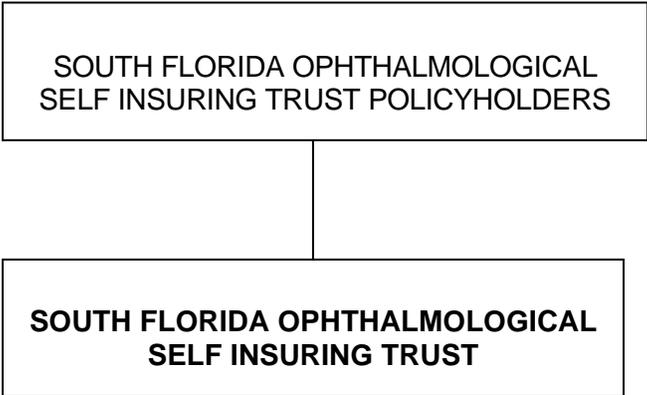
### Affiliated Companies

The Trust had no affiliated companies.

A simplified organizational chart as of June 30, 2010, is shown below.

**SOUTH FLORIDA OPHTHALMOLOGICAL SELF INSURING TRUST  
ORGANIZATIONAL CHART**

**JUNE 30, 2010**



## **FIDELITY BOND**

The Trust maintained fidelity bond coverage up to \$250,000 with a deductible of \$2,500, which was a sufficient amount as required by Rule 69O-187.005 (5), Florida Administrative Code.

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Trust had no employees.

## **TERRITORY AND PLAN OF OPERATIONS**

The Trust was authorized to transact insurance only in the State of Florida.

### **Treatment of Policyholders**

The Trust established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Trust maintained procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

## COMPANY GROWTH

### Profitability of Fund

The following table shows the profitability trend (in dollars) of the Trust for the period of examination, as reported in the filed annual statements.

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Premiums Earned	1,048,418	1,379,480	1,403,789	1,261,813	1,785,937
Net Underwriting Gain/(Loss)	680,365	814,416	69,344	(259,616)	253,129
Net Income	700,143	1,080,655	250,286	36,585	324,730
Total Assets	9,438,709	9,458,498	8,685,855	7,515,030	6,834,815
Total Liabilities	6,330,721	7,076,585	7,404,164	6,599,125	5,980,379
Surplus As Regards Policyholders	3,107,988	2,381,913	1,281,691	915,905	854,436

## LOSS EXPERIENCE

The Trust did not experience any significant changes in their loss experience.

## REINSURANCE

The Trust neither assumed nor ceded any reinsurance risk during the period of examination.

## ACCOUNTS AND RECORDS

The Trust maintained its principal operational offices in Miami, Florida, where part of this examination was conducted.

An independent CPA audited the Trust's statutory basis financial statements annually for the years 2006, 2007, 2008, 2009, and 2010 in accordance with Rule 69O-187.007 (1), Florida Administrative Code. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Trust's accounting records were maintained using Excel spreadsheets. The Trust's balance sheet accounts were verified with the line items of the annual statement as submitted to the Office.

The Trust and non-affiliates had the following agreements:

### **Custodial Agreement**

The Trust maintained a Custody Agreement with Northern Trust Bank, signed April 10, 2008.

### **Service Agent Agreement**

The Trust had a service agent agreement with Medical Service Agents, Inc. (MSA) to provide the services necessary to maintain a self insurance trust fund. The agreement included administrative management and financial services in accordance with Rule 69O – 187.002, Florida Administrative Code. For providing the services set forth in this agreement MSA was to receive, \$1,700 per member of the Trust. Such fee shall vest immediately upon inception of the Trust's coverage year and shall be paid quarterly. This agreement commenced as of July 1, 2009, and shall continue for a period of two (2) years and shall automatically be extended for two (2) year periods thereafter, unless either party gives written notice of termination to the other party at least 90 days prior to the end of any period, in which event this agreement shall terminate at the end of such period.

## **Independent Auditor Agreement**

The Trust engaged Morrison, Brown, Argiz and Company, CPA to perform the annual audit of its financial statements as required by Rule 69O – 137.002 (7) (c), and Rule 69O – 187.007 (1), Florida Administrative Code. The Trust also engaged Bloom, Gettis, and Habib, P.A., for the purpose of reporting the aforementioned information to the Office based on their compilation of the balance sheet and statutory financial statements.

## **Information Technology Report**

Computer Aid Inc. performed an evaluation of the information technology and computer systems of the Trust. Results of the evaluation were noted in the Information Technology Report provided to the Trust.

## **STATUTORY DEPOSITS**

The Trust was not required to have any securities deposited with the State of Florida.

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain financial statements showing the Trust's financial position as of June 30, 2010, 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."

**SOUTH FLORIDA OPHTHALMOLOGICAL SELF INSURING TRUST**  
**Assets**

**June 30, 2010**

	<b>Per Trust</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Cash on Hand and On Deposit	\$192,995		\$192,995
Securities at Market Value	9,046,753		9,046,753
Accrued Interest	28,150		28,150
Premiums due	148,811		148,811
Other Assets	22,000		22,000
	<hr/>		
Totals	<u>\$9,438,709</u>	<u>\$0</u>	<u>\$9,438,709</u>

**SOUTH FLORIDA OPHTHALMOLOGICAL SELF INSURING TRUST**  
**Liabilities, Surplus and Other Funds**

**June 30, 2010**

	<b>Per Trust</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Losses	\$4,840,000		\$4,840,000
Loss adjustment expenses	1,210,000		1,210,000
Unearned Premium	250,721		250,721
Other Liabilities	30,000		30,000
<b>Total Liabilities</b>	<b>\$6,330,721</b>	<b>\$0</b>	<b>\$6,330,721</b>
 Trustees Account	 \$3,107,988		 \$3,107,988
Surplus as regards policyholders	\$3,107,988	\$0	\$3,107,988
<b>Total liabilities, surplus and other funds</b>	<b>\$9,438,709</b>	<b>\$0</b>	<b>\$9,438,709</b>

**SOUTH FLORIDA OPHTHALMOLOGICAL SELF INSURING TRUST**  
**Statement of Income**

**June 30, 2010**

**Underwriting Income**

Premiums earned		\$1,048,418
	<b>Deductions:</b>	
Losses incurred		(406,000)
Loss expenses incurred		396,729
Other underwriting expenses incurred		239,341
Administrative Expense		137,983
Total underwriting deductions		\$368,053
Net underwriting gain or (loss)		\$680,365

**Investment Income**

Net investment income earned		\$118,158
Net realized capital gains or (losses)		(39,540)
Net investment gain or (loss)		\$78,618

**Other Income**

Net gain or (loss) from agents' or premium balances charged off		\$0
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		0
Total other income		\$0

Net income before dividends to policyholders and before federal & foreign income taxes		\$758,983
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$758,983
Federal & foreign income taxes		58,840
Net Income		\$700,143

**Capital and Surplus Account**

Surplus as regards policyholders, June 30 prior year		\$2,381,913
Net Income		\$700,143
Net unrealized capital gains or losses		25,932
Change in non-admitted assets		
Change in provision for reinsurance		
Change in excess statutory over statement reserves		
Surplus adjustments: Paid in		0
Less Retrospective Rate Credits Paid		
Examination Adjustment		0
Change in surplus as regards policyholders for the year		\$726,075
Surplus as regards policyholders, June 30 current year		\$3,107,988

A comparative analysis of changes in surplus is shown below.

**SOUTH FLORIDA OPHTHALMOLOGICAL SELF INSURING TRUST  
Comparative Analysis of Changes in Surplus**

**June 30, 2010**

The following is a reconciliation of Surplus as regards policyholders between that reported by the Trust and as determined by the examination.

Surplus as Regards Policyholders June 30, 2010	\$3,107,988
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	<u>PER Trust</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
<b>ASSETS:</b>			
No Adjustment			\$0
<b>LIABILITIES:</b>			
No Adjustment			\$0
Net Change in Surplus:			0
Surplus as Regards Policyholders June 30, 2010 Per Examination			\$3,107,988

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

<b>Losses and Loss Adjustment Expenses</b>	<u>\$6,050,000</u>
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The total reserve included amounts for reported losses and losses incurred by not reported. The amount related to reported losses was determined on a case by case basis. In determining the liability for this amount management considered, among other factors, the Trust's loss experience, the volume of activity, and economic trends.

The Office consulting actuary, G. Clinton Sornberger, FCAS, MAAA, of Actuaries Inc., reviewed the loss and loss adjustment expense work papers provided by the Trust and rendered an opinion that the currently held loss and loss adjustment expense reserves of the Trust are reasonable and provide an adequate amount for future liabilities.

### Capital and Surplus

The amount reported by the Trust of \$3,107,988, represents a positive amount as required by Section 624.468 (7), Florida Statutes.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **South Florida Ophthalmological Self-Insuring Trust** as of June 30, 2010, consistent with the insurance laws of the State of Florida.

Per examination findings, the Trust's Surplus as regards policyholders was \$3,107,988, which represents a positive amount as required by Section 624.468 (7), Florida Statutes.

In addition to the undersigned, Kethessa Carpenter, CPA, Financial Examiner/Analyst Supervisor of the Office; G. Clinton Sornberger, FCAS, MAAA, consulting actuary of Actuaries Inc.; and Jane Snurr, IT Business Analysis Manager, and Richard Martin, CISA, both of Computer Aid Inc. participated in the examination.

Respectfully submitted,

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Vetrecia Smith  
Financial Specialist  
Florida Office of Insurance Regulation