



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

ACTS RETIREMENT-LIFE COMMUNITIES, INC.

D/B/A

AZALEA TRACE

AS OF

December 31, 2012

FLORIDA COMPANY CODE 88012

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PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations unit, conducted a routine market conduct examination of ACTS Retirement-Life Communities, Inc. d/b/a Azalea Trace (“Azalea Trace”) f/k/a Azalea Trace, Inc., pursuant to Section 651.105, Florida Statutes. The scope period of this examination was January 1, 2008 through December 31, 2012. The on-site and desk examination procedures were completed on August 22, 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 Azalea Trace. 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

Azalea Trace is a division of ACTS Retirement-Life Communities, Inc., a Pennsylvania non-profit corporation, that was granted a certificate of authority by the Office to offer continuing care contracts on May 30, 1980. Azalea Trace is located in Pensacola, Florida and is one of several affiliated Florida Continuing Care Retirement Communities. Azalea Trace is operating under a management agreement with ACTS Management Services, Inc., an affiliated company. As of December 31, 2012, Azalea Trace reported 374 Continuing Care Units, of which 324 were Independent Living Units and 50 Assisted Living Units. In addition, there were 82 Skilled Nursing Units, of which 47 were classified as Community Beds and 35 as Sheltered Beds. There were no Rental Units reported. As of the same date, there were 527 individuals residing at the community.

REQUIRED DISCLOSURES

Azalea Trace provided a list containing 195 continuing care contracts executed during the scope period of the examination. A random sample consisting of 62 transactions 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 to the prospective resident or their legal representative a copy of Section 651.071, Florida Statutes, entitled “Contracts as preferred claims on liquidation or receivership.” Of the 62 contracts in the sample, 35 contracts were executed on or after July 1, 2010. All 35 transactions were reviewed to determine compliance with disclosure requirements of Section 651.091(3)(h), Florida Statutes.

REQUIRED DISCLOSURES (Continued)

In 14 instances, Azalea Trace failed to provide as a required disclosure, a copy of Section 651.071, Florida Statutes, entitled “Contracts as preferred claims on liquidation or receivership”, to the prospective residents or their legal representative, as required by Section 651.091(3)(h), Florida Statutes.

Subsequent Event: In September 2011, Azalea Trace filed the required disclosure documents and adequately documented that required disclosure documents had been properly afforded to prospective residents.

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 ACTS Retirement-Life Communities, Inc. d/b/a Azalea Trace.