

Report on Examination

of

Orlando Lutheran Towers, Inc.

Orlando, Florida

as of

December 31, 2020



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SCOPE OF EXAMINATION

The Florida Office of Insurance Regulation (“OIR”), Life & Health Financial Oversight unit conducted a routine examination of Orlando Lutheran Towers, Inc., pursuant to Section 651.105, Florida Statutes. The objective of the examination was to determine the extent of compliance with the provisions of Chapter 651, Florida Statutes, and Rule Chapter 69O-193, Florida Administrative Code. The examination covered the period of January 1, 2013 through December 31, 2020.

COMPANY HISTORY

Orlando Lutheran Towers, Inc., a Florida not-for-profit corporation was granted a certificate of authority by the OIR to offer continuing care contracts on October 20, 1980. Orlando Lutheran Towers operates a continuing care retirement community (“CCRC”) facility located in Orlando, Florida. Orlando Lutheran Towers is self-managed and does not utilize a “manager”, or “management company”, as defined by Section 651.011(18), Florida Statutes.

Orlando Lutheran Towers operates on a calendar year basis. As of December 31, 2020, Orlando Lutheran Towers reported in its Annual Report filed with the OIR: 285 Continuing Care Units consisting of 200 Independent Living Units and 85 Assisted Living Units; 168 Skilled Nursing Units consisting of 131 Community Beds and 37 Sheltered Beds; and 4 Rental Units. As of that date, there were 428 individuals reported residing at Orlando Lutheran Towers: 293 pursuant to a continuing care contract; and, 135 not pursuant to a continuing care contract.

SUMMARY OF FINDINGS

The following is a summary of findings. The findings are discussed in more detail in the pages that follow with recommendations beginning on page 6.

AUDITED FINANCIAL STATEMENTS

The audited financial statements Orlando Lutheran Towers filed with the OIR during the scope period of the examination were reviewed for compliance with Section 651.026, Florida Statutes.

Finding:

Orlando Lutheran Towers failed to include in its 2019 Annual Report filing with the OIR, financial statements audited by an independent certified public accountant, in accordance with Section 651.026(2)(b), Florida Statutes.

Subsequent Event: In response to this examination, on February 16, 2022, Orlando Lutheran Towers submitted to the OIR audited financial statements for the calendar year ended December 31, 2019.

QUARTERLY MEETING WITH RESIDENTS

Quarterly meeting minutes, meeting notices, agenda, and meeting dates contained in the annual reports filed with the OIR during the scope period of the examination were reviewed for compliance with Section 651.085, Florida Statutes.

Finding 1:

Section 651.085(1), Florida Statutes, provides in part that the governing body of a provider, or the designated representative of the provider, shall hold quarterly meetings with the residents of the continuing care facility for the purpose of free discussion of subjects including, but not limited to,

income, expenditures, and financial trends and problems as they apply to the facility, as well as a discussion on proposed changes in policies, programs, and services.

Section 651.085(1), Florida Statutes, provides in part that residents shall be provided at least 7 days' advance notice of each quarterly meeting between the governing body of the provider, or the designated representative of the provider and the residents.

In two instances, Orlando Lutheran Towers failed to provide residents with at least 7 days' advance notice of quarterly meetings between the governing body of the provider, or the designated representative of the provider and the residents, as required by Section 651.085(1), Florida Statutes. In one instance, the meeting was held on June 23, 2015, and notice of the meeting was provided on June 17, 2015. In the remaining instance, the meeting was held on September 15, 2020, and notice of the meeting was provided September 9, 2020.

Finding 2:

Section 651.085(1), Florida Statutes, provides in part that the annual report required pursuant to Section 651.026, Florida Statutes, shall include the dates on which quarterly meetings with residents were held during the reporting period.

In three instances, Orlando Lutheran Towers failed to accurately report in its Annual Reports filed with the OIR, the dates on which quarterly meetings with residents were held, as required by Section 651.085(1), Florida Statutes.

<u>Annual Report</u>	<u>Date Meeting Held Per Annual Report</u>	<u>Date Meeting Held Per Provider</u>
2014	September 23, 2014	September 22, 2014
2014	December 8, 2014	December 20, 2014
2015	January 11, 2016	December 15, 2015

NEW FINANCING, ADDITIONAL FINANCING, OR REFINANCING

Information was obtained and reviewed related to new financing, additional financing, and refinancing during the scope period of the examination to determine compliance with Section 651.019, Florida Statutes.

Finding 1:

Section 651.019(1), Florida Statutes (2016), requires the provider to submit to the OIR a general outline including intended use of proceeds, with respect to any new financing, additional financing, or refinancing at least 30 days before the closing date of such transaction.

In one instance, Orlando Lutheran Towers failed to submit to the OIR a general outline, including intended use of proceeds, with respect to a financing transaction that closed on or about October 19, 2016, in accordance with Section 651.019(1), Florida Statutes (2016).

Finding 2:

Section 651.019(2), Florida Statutes, requires the provider to submit to the OIR copies of the executed financing documents within 30 days after the closing date of the transaction.

In three instances, Orlando Lutheran Towers failed to submit to the OIR copies of executed financing documents within 30 days after the closing date of the transactions, in accordance with Section 651.019(2), Florida Statutes. In the first instance, Orlando Lutheran Towers closed on a financing transaction on or about December 3, 2015; the OIR was provided copies of the executed financing documents 73 days later on February 14, 2016. In the second instance, Orlando Lutheran Towers closed on a financing transaction on or about October 19, 2016; the OIR was provided copies of the executed financing documents 247 days later on June 23, 2017. In the final instance, Orlando Lutheran Towers closed on a

financing transaction on or about May 20, 2020; the OIR was provided copies of the executed financing documents 84 days later on August 13, 2020.

DISCLOSURE DOCUMENTS

Information pertaining to the disclosure documents utilized by Orlando Lutheran Towers during the scope period of the examination was requested for review to determine compliance with Sections 651.091(3), and 651.091(4), Florida Statutes.

Finding:

Section 651.091(3), Florida Statutes, provides in part that before entering into a contract to furnish continuing care, the provider undertaking to furnish the care, or the agent of the provider, shall make full disclosure, and provide copies of specific disclosures to the prospective resident or his or her legal representative. Section 651.091(4), Florida Statutes, provides in part that a true and complete copy of the full disclosure document to be used must be filed with the OIR.

Orlando Lutheran Towers failed to provide documentation to demonstrate that its disclosure documents utilized between January 1, 2013 and February 4, 2020, had been filed with the OIR prior to use, as required by Section 651.091(4), Florida Statutes. Accordingly, the examination was unable to determine compliance with this requirement.

MINIMUM LIQUID RESERVE

As of December 31, 2020, Orlando Lutheran Towers' Minimum Liquid Reserve was funded in accordance with Section 651.035, Florida Statutes.

SUMMARY OF RECOMMENDATIONS

AUDITED FINANCIAL REPORTS

The OIR recommends Orlando Lutheran Towers file as part of its Annual Report to the OIR financial reports audited by an independent certified public accountant, in accordance with Section 651.026, Florida Statutes.

QUARTERLY MEETING WITH RESIDENTS

Finding 1: The OIR recommends Orlando Lutheran Towers establish adequate procedures and controls to ensure that residents are provided at least 7 days' advance notice of each statutory quarterly meeting, in accordance with Section 651.085(1), Florida Statutes.

Finding 2: The OIR recommends Orlando Lutheran Towers establish adequate procedures and controls to ensure that the actual dates on which the quarterly meetings with residents are held, are accurately reported in its Annual Reports filed with the OIR, in accordance with Section 651.085(1), Florida Statutes.

NEW FINANCING, ADDITIONAL FINANCING, OR REFINANCING

The OIR recommends Orlando Lutheran Towers establish adequate procedures and controls to ensure compliance with the provisions of Section 651.019, Florida Statutes, pertaining to new financing, additional financing, or refinancing.

DISCLOSURE DOCUMENTS

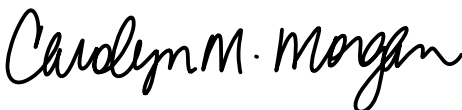
The OIR recommends Orlando Lutheran Towers establish adequate procedures and controls to ensure that a true and complete copy of its full disclosure documents are filed with the OIR, in accordance with Section 651.091(4), Florida Statutes. The OIR further recommends Orlando Lutheran Towers obtain documentation to demonstrate that the disclosures documents have been filed with the OIR.

CONCLUSION

This Final Report of Examination is based upon the information provided to the OIR from Orlando Lutheran Towers, Inc., and additional research conducted by the OIR.

The following individuals from the Florida Office of Insurance Regulation participated in the examination: Bernie L. Stoffel, Senior Management Analyst Supervisor and Kyle Barber, Financial Specialist.

Respectfully submitted,



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Director
Life & Health Financial Oversight
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Date signed: February 3, 2023