



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

COMMUNITY SUPPORTS, INC.

D/B/A

LAKEVIEW TERRACE

AS OF

December 31, 2012

FLORIDA COMPANY CODE 88029

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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 Community Supports, Inc. d/b/a Lakeview Terrace (hereinafter "Lakeview Terrace") pursuant to Section 651.105, Florida Statutes. The scope period of this examination was from January 1, 2010 through December 31, 2012. The on-site and desk examination procedures were completed on December 19, 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 Lakeview Terrace. 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

Lakeview Terrace is a not-for-profit Continuing Care Retirement Community located in Altoona Florida. Lakeview Terrace is affiliated through common ownership with several other entities, including Lakeview Terrace Health Care Center, which provides the skilled nursing services for residents. The affiliates, including Lakeview Terrace, are collectively contracted under an "Advisory and Support Services Agreement" with DSI Management, LLC. As of December 31, 2012, Lakeview Terrace reported: 206 Continuing Care Units, all of which were Independent Living Units; no Assisted Living Units; and 12 Rental Units. In addition, there are no Skilled Nursing Units at Lakeview Terrace; skilled nursing is provided on-site by an affiliated entity. As of the same date, Lakeview Terrace also reported 314 individuals residing at the facility.

REQUIRED DISCLOSURES

Lakeview Terrace provided a list containing the 113 continuing care contracts executed during the scope period of the examination. A random sample consisting of 43 contracts was selected from the list and tested for compliance with Section 651.091(3), Florida Statutes.

Findings:

Section 651.091(3), Florida Statutes, provides in pertinent 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 the disclosure documents to the prospective resident or to his or her legal representative.

REQUIRED DISCLOSURES (Continued)

1. **In seven instances Lakeview Terrace failed to timely provide the required disclosure documents to prospective residents or their legal representative, as required by Section 651.091(3), Florida Statutes.** Lakeview Terrace failed to substantiate that the prospective residents or their legal representatives received the required disclosure documents before entering into the continuing care contracts.
 - 1a. **Recommendation:** The Office recommends Lakeview Terrace establish adequate procedures to ensure all required disclosure documents are properly delivered to prospective residents or their legal representatives.

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 43 contracts in the sample, 38 contracts were executed on or after July 1, 2010. All 38 transactions were reviewed to determine compliance with disclosure requirements of Section 651.091(3)(h), Florida Statutes.

2. **In seven separate instances Lakeview Terrace failed to provide 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.**
 - 2a. **Recommendation:** The Office recommends Lakeview Terrace establish adequate procedures to ensure all required disclosures are properly afforded to prospective residents or their legal representatives.

CANCELLATIONS AND REFUNDS

Lakeview Terrace provided a list 118 of continuing care contracts that were cancelled during the scope period of the examination. A sample consisting of 43 contract cancellations was selected and tested to verify the amount of the refund paid, if any, and whether such refunds were properly issued. Of the 43 sample contract cancellations, 15 of the cancellations examined were eligible for refunds.

Findings:

Section 651.055(1)(g)2, Florida Statutes, requires the refund for a continuing care contract in which the resident does not receive a transferable membership or ownership right in the facility, and has occupied his or her unit, be paid no later than 120 days after giving the notice of intention to cancel.

CANCELLATIONS AND REFUNDS (Continued)

In three instances Lakeview Terrace failed to timely issue refunds within 120 days from the resident's notice of intention to cancel their contract as required by Section 651.055(1)(g)2, Florida Statutes. These refunds were issued 126, 129, and 182 days after the residents gave the notice of intention to cancel. One late refund was also included as an exception in the last Market Conduct Final Examination Report for the examination period ending December 31, 2009.

Recommendation: The Office recommends Lakeview Terrace establish adequate procedures to ensure applicable refunds are issued pursuant to Florida Statutes.

DISCHARGES

Lakeview Terrace terminated three continuing care contracts and discharged the residents from the community during the scope period of the examination. The three discharges were examined for compliance with Section 651.061(1), Florida Statutes.

Findings:

Section 651.061(1), Florida Statutes provides in pertinent part that any contract entered into after October 1, 1997, and terminated by the provider for just cause, the provider shall pay to the resident any refund due upon the resident vacating the community, less a reasonable amount to cover anticipated costs. Any funds retained and not used for such purposes will be refunded to the resident within 45 days of vacating the unit.

In three instances Lakeview Terrace terminated a continuing care contract for just-cause and failed to timely issue the refunds, as required by Section 651.061(1), Florida Statutes. Specifically, the three residents whose continuing care contract was terminated by Lakeview Terrace for just-cause were issued their refunds between 77 and 99 days after vacating the community.

Recommendation: The Office recommends Lakeview Terrace review its internal controls and procedures to ensure that refunds stemming from the termination of the continuing care contract by the provider for just-cause are issued in accordance with the provisions of Section 651.061(1), Florida Statutes.

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 Lakeview Terrace.