

**Report on Examination**  
**of**  
**Coventry Health Plan of Florida, Inc.**  
**Sunrise, Florida**  
**as of**  
**December 31, 2015**



**FLORIDA OFFICE OF  
INSURANCE REGULATION**

David Altmaier, Commissioner  
Florida Office of Insurance Regulation  
Tallahassee, Florida

Dear Sir:

In accordance with Section 641.27, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of Coventry Health Plan of Florida, Inc. as of December 31, 2015. Our report on the examination follows.

Florida Office of Insurance Regulation  
March 28, 2017

## Contents

Scope of Examination .....	1
Company History .....	2
Corporate Records .....	3
Management and Control .....	3
Fidelity Bonds and Other Insurance .....	6
Pension, Stock Ownership and Insurance Plans .....	6
Territory and Plan of Operation .....	6
Company Growth .....	7
Reinsurance .....	8
Statutory Deposits .....	8
Financial Statements .....	8
Conclusion .....	13

## SCOPE OF EXAMINATION

We have completed a financial condition examination of Coventry Health Plan of Florida, Inc. (the "Company"), a Florida health maintenance organization (HMO). The examination covered the period of January 1, 2011 through December 31, 2015 and took place primarily in the office of the Company's ultimate parent located in Hartford Connecticut. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (the "Office") was as of December 31, 2010.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The Handbook required that we plan and perform our examination to evaluate the financial condition and identify current and prospective risks of the Company. It required that we do so by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. Our examination included assessing the principles used and significant estimates made by management. It also included evaluating overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions when applicable to domestic state regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statute (F.S.) and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to other regulators and/or the Company.

## COMPANY HISTORY

The Company was incorporated in Florida as Vista Healthplan of South Florida, Inc. on September 10, 1993 and licensed by the Office as an HMO on February 28, 1995. The Company's name was changed to Coventry Health Plan of Florida, Inc. on February 25, 2010. It was authorized by the State of Florida to operate as an HMO in accordance with Part I of Chapter 641, F.S.

### Mergers and Acquisitions

On August 19, 2012, the Company's parent, Coventry Health Care, Inc., Aetna Inc. and Jaguar Merger Subsidiary, Inc. (Merger Sub) entered into an Agreement and Plan of Merger (as amended, and as may be further amended), pursuant to which, subject to the satisfaction or waiver of certain conditions, Merger Sub was merged with and into the Company's parent, Coventry Health Care, Inc., with the Company's parent, Coventry Health Care, Inc. surviving the merger as a wholly owned subsidiary of Aetna Inc. The total transaction was estimated at approximately \$7.3 billion, including the assumption of the Company's debt, based on the closing price of Aetna Inc. common shares on August 17, 2012. The Company's stockholders approved the Merger on November 21, 2012. The Merger closed on May 7, 2013.

On June 30, 2014, the Company and Coventry Summit Health Plan, Inc. were party to a statutory merger under SSAP No. 68 with the Company being the surviving entity. The merger was approved by the Office. As a result of this merger, the Company increased its common stock by 1 share.

Effective June 1, 2015, the Company entered into a Sale and Purchase Agreement with Aetna Health Inc. of Florida (AHI-FL), an indirectly wholly-owned subsidiary of Aetna Inc., whereby AHI-FL purchased all of the assets and liabilities related to the Company's operation of Medicare Advantage plans, whether arising before or after the date of the agreement.

### **CORPORATE RECORDS**

The minutes of the meetings of the Company's stockholder and board of directors were reviewed for the period examined. The minutes of the Board adequately documented its meetings and approval of Company transactions, including authorization of investments as required by Section 641.35(7), F.S.

#### Dividends and Capital Contributions

The Company distributed stockholder dividends in the amounts of \$17 million in 2012. The Company received a capital contribution \$5,266,656 in 2012.

### **MANAGEMENT AND CONTROL**

The Company is a wholly owned subsidiary of Aetna Inc. Aetna Inc. is a national-managed health care company that provides a full range of risk and fee-based managed care products and services, including HMO's, preferred provider organizations (PPO), point-of-service products (POS), Medicare Advantage, Medicare Prescription Drug Plans, Medicare Private Fee-For-Service Plans (PFFS), Medicaid, Worker's Compensation, and Network Rental to a broad cross section of individuals, employer and government-funded groups, government agencies, and other insurance carriers and administrators in all 50 states.

Its senior officers and directors were:

**Senior Officers**

<b>Name</b>	<b>Title</b>
Christopher A. Ciano	President and Chief Executive Officer
Elaine R. Cofrancesco	Vice President and Treasurer
Edward C. Lee	Vice President and Secretary

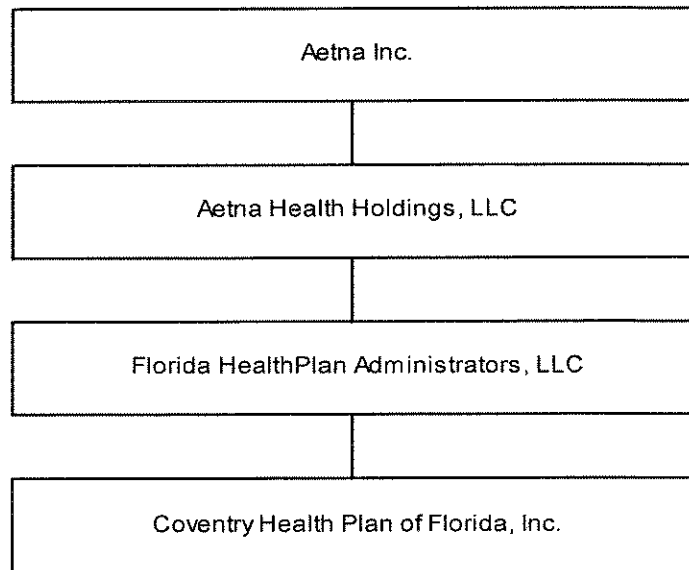
**Board of Directors**

<b>Name</b>	<b>Location</b>
Christopher A. Ciano	Ft. Lauderdale, Florida
Robert J. Finkelman	Coral Springs, Florida

The Company was a member of an insurance holding company system. Its latest holding company registration statement was filed with the State of Florida as required by Section 628.801, F.S., and Rule 69O-143.046, Florida Administrative Code (F.A.C.), on March 17, 2016.

An abbreviated organizational chart reflecting a holding company system is shown below.

**Coventry Health Plan of Florida, Inc.  
Abbreviated Organizational Chart  
December 31, 2015**



The following agreements were in effect between the Company and its affiliates.

Management Services Agreement

The Company entered into an administrative services agreement effective January 1, 2014, with Aetna Health Management, LLC (AHM) to provide services with respect to the Commercial, Medicare Advantage, Medicare Part D, Medicare/Medicaid or standard Medicaid products.

Tax Allocation Agreement

The results of the Company's operations were included in the consolidated federal income tax returns of Aetna Inc. pursuant to a 2013 tax allocation agreement. The income tax of the



consolidated group was allocated to the Company as if the Company had filed tax returns on a separate return basis.

#### Pharmacy Benefit Agreement

The Company entered into a pharmacy benefit services agreement with Coventry Prescription Management Services, Inc. effective January 1, 2011.

### **FIDELITY BONDS AND OTHER INSURANCE**

The Company maintained general and professional liability insurance at acceptable levels and required its providers to certify and maintain appropriate levels of medical malpractice insurance or its equivalent in accordance with Rule 69O-191.069, F.A.C. The policies provided for written notification to the Office of any reduction, cancellation, non-renewal or termination of required coverage. In addition, the Company was insured by a blanket fidelity bond issued by a licensed Florida carrier, as required by Section 641.22(7), F.S., in the amount of \$10 million.

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

The Company had no employees and did not directly provide employee benefits, nor sponsor retirement plans.

### **TERRITORY AND PLAN OF OPERATION**

The Company held a health care provider certificate issued by the Florida Agency for Health Care Administration pursuant to Part III of Chapter 641, F.S., valid until January 30, 2016. The Company had no members as of January 1, 2016 and was not actively conducting business.

## COMPANY GROWTH

The Company reported the following for years 2011 through 2015:

*(Dollars are in millions.)*

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Member months	639,860	656,311	671,179	843,554	314,384
Year-end enrollment	52,618	56,341	95,576	57,734	5,126
Premiums	\$ 269.9	\$ 293.5	\$ 268.0	\$ 700.1	\$ 372.7
Revenues	\$ 269.9	\$ 293.5	\$ 813.5	\$ 700.8	\$ 372.7
Underwriting deductions	\$ 267.9	\$ 273.1	\$ 260.4	\$ 699.3	\$ 360.9
Net income	\$ 3.7	\$ 19.8	\$ 19.0	\$ 2.7	\$ 13.8
Shareholder dividends	\$ -	\$ 17.0	\$ -	\$ -	\$ -
Paid in surplus received	\$ -	\$ 5.3	\$ -	\$ -	\$ -
Admitted assets	\$ 96.4	\$ 81.2	\$ 186.5	\$ 199.0	\$ 125.9
Liabilities	\$ 54.8	\$ 37.7	\$ 95.8	\$ 98.5	\$ 54.3
Capital and surplus	\$ 41.6	\$ 43.5	\$ 90.7	\$ 100.5	\$ 71.6

## **REINSURANCE**

The company has no outside reinsurance arrangements other than participation in the Affordable Care Act programs.

## **STATUTORY DEPOSITS**

The Company maintained on deposit with the Office an insolvency protection deposit of \$2,130,000 in accordance with Section 641.285, F.S., and a Rehabilitation Administrative Expense Fund deposit of \$10,000 in accordance with Section 641.227, F.S.

## **FINANCIAL STATEMENTS**

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified, the impact of such adjustment would be documented separately following the Company's financial statements. Financial Statements, as reported and filed by the Company with the Office, are reflected in the following pages:

**Coventry Health Plan of Florida, Inc.**  
**Admitted Assets, Liabilities, Capital and Surplus**  
**December 31, 2015**

	Per Company	Examination Adjustments	Per Examination
<b>Admitted Assets</b>			
Bonds	\$ 76,582,973	\$ -	\$ 76,582,973
Cash, cash equivalents and short-term investments	27,849,737	-	27,849,737
	104,432,710	-	104,432,710
Investment income due and accrued	396,592	-	396,592
Uncollected premiums and agents' balances	908,824	-	908,824
Accrued retrospective premiums	77,207	-	77,207
Amounts recoverable from reinsurers	1,548,704	-	1,548,704
Current federal and foreign income tax recoverable	3,606,493	-	3,606,493
Net deferred tax asset	14,955,333	-	14,955,333
<b>Total admitted assets</b>	<b>\$ 125,925,863</b>	<b>\$ -</b>	<b>\$ 125,925,863</b>
<b>Liabilities</b>			
Claims unpaid	\$ 2,628,259	\$ -	\$ 2,628,259
Unpaid claims adjustment expenses	48,740	-	48,740
Aggregate health policy reserves	2,775,996	-	2,775,996
Aggregate health claim reserves	30,446	-	30,446
Premiums received in advance	591,977	-	591,977
General expenses due or accrued	1,177,601	-	1,177,601
Amounts withheld or retained for account of others	833,573	-	833,573
Remittances and items not allocated	116,406	-	116,406
Amounts due to parents, subs and affiliates	45,454,155	-	45,454,155
Aggregate write-ins for other liabilities	656,073	-	656,073
<b>Total liabilities</b>	<b>54,313,226</b>	<b>-</b>	<b>54,313,226</b>
<b>Capital and Surplus</b>			
Aggregate write-ins for special surplus funds	6,780,000	-	6,780,000
Common capital stock	2	-	2
Gross paid in and contributed surplus	90,135,162	-	90,135,162
Unassigned funds (deficit)	(25,302,527)	-	(25,302,527)
<b>Total capital and surplus</b>	<b>71,612,637</b>	<b>-</b>	<b>71,612,637</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 125,925,863</b>	<b>\$ -</b>	<b>\$ 125,925,863</b>

**Coventry Health Plan of Florida, Inc.**  
**Statement of Revenue and Expenses**  
**(As reported by the Company)**  
**Year Ended December 31, 2015**

Net premium income	\$ 372,668,929
Hospital and medical benefits	201,883,201
Other professional services	11,310,755
Outside referrals	20,387,684
Emergency room and out-of-area	16,464,243
Prescription drugs	37,569,720
Incentive pool, withhold adjustments and bonus	22,361,096
	<hr/> 309,976,699
Net reinsurance recoveries	1,872,356
	<hr/> Total hospital and medical 308,104,343
Claims adjustment expenses	6,393,269
General administrative expenses	46,435,523
Increase in reserves	0
	<hr/> Total underwriting deductions 360,933,135
Net underwriting gain	11,735,794
Net investment gains	6,983,295
	<hr/> Income before federal income tax 18,719,089
Federal income tax	4,952,402
	<hr/> Net income \$ 13,766,687

### Five Years Ended December 31, 2015

Capital and surplus - December 31, 2010	\$ 37,410,464
Net income	3,663,499
Change in net deferred income tax	324,273
Change in nonadmitted assets	214,437
Aggregate write-ins for gains or (losses)	-
<hr/>	
Capital and surplus - December 31, 2011	41,612,673
Net income	19,814,035
Change in net deferred income tax	(4,614,927)
Change in nonadmitted assets	3,711,086
Surplus adjustment: paid in	5,266,656
Dividends to stockholder	(17,000,000)
Aggregate write-ins for gains or (losses)	(5,266,656)
<hr/>	
Capital and surplus - December 31, 2012	43,522,867
Net income*	8,496,256
Change in net deferred income tax*	(520,700)
Change in nonadmitted assets*	(220,542)
Dividends to stockholder*	-
<hr/>	
Capital and surplus - December 31, 2013*	51,277,881
Net income	2,701,860
Change in net deferred income tax	(3,092,045)
Change in nonadmitted assets	10,183,018
Dividends to stockholder	-
Increase due to merger*	39,439,415
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Capital and surplus - December 31, 2014	100,510,129
Net income	13,766,687
Change in net deferred income tax	15,589,614
Change in nonadmitted assets	(57,214,443)
Aggregate write-ins for gains or (losses)	(1,039,350)
<hr/>	
	71,612,637
Examination adjustments	-
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Capital and surplus - December 31, 2015	\$ 71,612,637
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\*Historical data was used with a separate increase to C&S due to merger noted on page 2 of this report.

**Coventry Health Plan of Florida, Inc.  
Comparative Analysis of Changes in Capital and Surplus  
December 31, 2015**

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

<b>Capital and surplus, December 31, 2015 - per annual statement</b>			<b>\$71,612,637</b>
	<u>Per Company</u>	<u>Per Examination</u>	<u>Increase (Decrease) In Capital &amp; Surplus</u>
Total assets	\$ 125,925,863	\$ 125,925,863	\$ -
Total liabilities	\$ 54,313,226	\$ 54,313,226	\$ -
<b>Capital and surplus, December 31, 2015 - per examination</b>			<u><u>\$71,612,637</u></u>

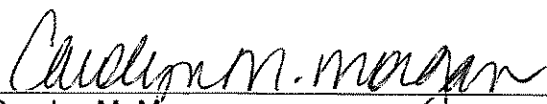
## CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Coventry Health Plan of Florida, Inc. consistent with the insurance laws of the State of Florida.

At December 31, 2015, the Company's capital and surplus was \$ 71,612,637 and the Company was in compliance with the minimum capital and surplus requirement of Section 641.225, F.S.

In addition to the undersigned, the following individuals participated in the examination: Joanne Campanelli, CFE, of Examination Resources, LLC. We also recognize Luke Stavenau, AFE, Financial Examiner Supervisor; Marshay Spencer, APIR, Financial Specialist; Lisa Parker, Actuary, participating in the examination.

Respectfully submitted,

  
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Carolyn M. Morgan  
Director, Life & Health Financial Oversight  
Florida Office of Insurance Regulation