

Report on Examination
of
Devoted Health Insurance Company
Miramar, Florida
as of
December 31, 2018



**FLORIDA OFFICE OF
INSURANCE REGULATION**



OFFICE OF INSURANCE REGULATION

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David Altmaier, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399

Dear Sir:

In accordance with Section 624.316, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of Devoted Health Insurance Company as of December 31, 2018. Our report on the examination follows.

Florida Office of Insurance Regulation
April 23, 2020

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SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2018 of Devoted Health Insurance Company (Company), a single-state insurer domiciled in Florida. The examination covered the period of March 13, 2018 through December 31, 2018 and took place primarily in the Company's office in Waltham, Massachusetts and Tallahassee, Florida. This was the first financial condition examination of the Company by the Florida Office of Insurance Regulation (Office).

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, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. Our examination also included identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

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.

SUMMARY OF SIGNIFICANT FINDINGS

There were no findings of a significant nature to report for the period of this examination.

COMPANY HISTORY

The Company was incorporated in Florida on March 18, 2018 and licensed by the Office as an insurer on May 17, 2018. It was authorized by the State of Florida to operate as a life and health insurer in accordance with Section 624.401, F.S.

Mergers and Acquisitions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period of this examination.

CORPORATE RECORDS

The written consents in lieu of a meeting by the Company's Board of Directors were reviewed for the period under examination. The Company did not engage in transactions involving investment securities or loans that require Board authorization under Section 625.304, F.S.

DIVIDENDS AND CAPITAL CONTRIBUTIONS

No dividends were distributed in 2018. The Company received capital contributions in the amount of \$5,100,000 from its parent for the issuance of 5,100,000 shares of stock during 2018.

MANAGEMENT AND CONTROL

The Company is a wholly owned subsidiary of Devoted Health Holdco, LLC, which is 100% owned by Devoted Health, Inc.

As of December 31, 2018, the Company's senior officers and directors were:

Senior Officers

Name	Title
Dariel Quintana	President
Lawrence Henry	Treasurer
Jeremy Delinsky	Secretary

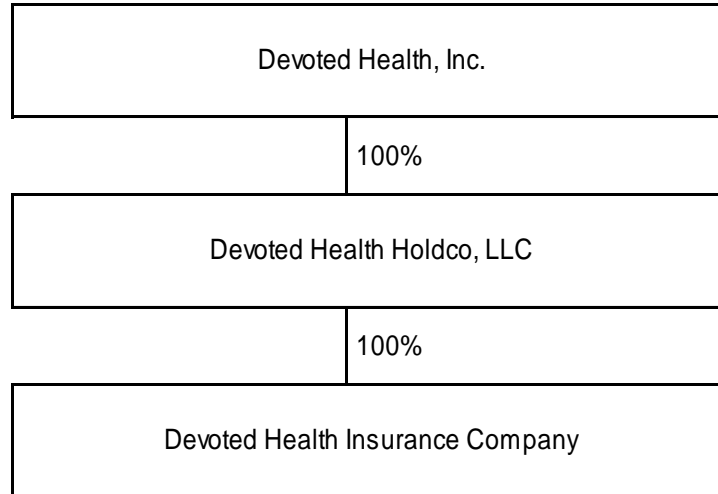
Board of Directors

Name	Location
Todd Park	Waltham, MA
Ed Park	Waltham, MA
Dariel Quintana	Miramar, FL
Jeremy Delinsky	Waltham, MA
Robert Kocher	Waltham, MA

The Company was a member of an insurance holding company system. Its latest Holding Company Registration Statement was filed timely 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 29, 2019.

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

**Devoted Health Insurance Company
Abbreviated Organizational Chart
December 31, 2018**



AFFILIATED AND OTHER AGREEMENTS

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

Administrative Services Agreement

Effective October 1, 2018, the Company entered into an Administrative Services agreement with Devoted Health, Inc., the Company's ultimate parent. Pursuant to the Agreement, Devoted Health, Inc. will provide services described in one or more Statements of Work entered into between the parties. Each Statement of Work will define the Services to be performed, the time for completion of performance, the personnel to be assigned to perform the Services, the responsibilities undertaken by each Party, and such other terms and conditions as the parties entering into such Statements of Work may agree. Fees under this agreement were \$188,453.

Tax Allocation Agreement

Effective February 14, 2018, the Company and its parent Devoted Health, Inc. entered into a Tax Sharing Agreement. Pursuant to the Agreement, the members of the Tax Sharing Agreement file a consolidated US federal income tax returns and state income tax returns.

TERRITORY AND PLAN OF OPERATION

The Company did not have any enrollees or members as of December 31, 2018. The Company plans to contract with the Center for Medicare and Medicaid Services (CMS) and offer a Medicare Preferred Provider Organization (PPO) product to individuals in Florida. The Company was only licensed in the Florida.

COMPANY GROWTH

The Company reported the following for 2018:

	<u>2018</u>
Member months	0
Year-end enrollment	0
Premiums	\$ -
Revenues	\$ -
Underwriting deductions *	\$ 103,223
Net income	\$ (55,588)
Shareholder dividends	\$ -
Paid in surplus received	\$ -
Admitted assets	\$ 5,244,865
Liabilities	\$ 200,453
Capital and surplus	\$ 5,044,412

REINSURANCE

The Company did not have any reinsurance agreements in place.

ACCOUNTS AND RECORDS

There were no significant examination findings related to the Company's accounts and records.

SURPLUS NOTES

There were no surplus notes issued by the Company during the examination period.

STATUTORY DEPOSITS

The Company maintained on deposit with the office a deposit of \$100,000 in accordance with Section 624.411, F.S.

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If, during 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:

Devoted Health Insurance Company
Admitted Assets, Liabilities, Capital and Surplus
December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Admitted Assets			
Bonds	\$ -	\$ -	\$ -
Cash, cash equivalents and short-term investments	5,244,865	-	5,244,865
	5,244,865	-	5,244,865
Investment income due and accrued	-	-	-
Uncollected premiums and agents' balances	-	-	-
Accrued retrospective premiums	-	-	-
Receivable relating to uninsured plans	-	-	-
Current income tax recoverable	-	-	-
Net deferred tax asset	-	-	-
Receivables from parent, subsidiaries, affiliate	-	-	-
Health care and other amounts receivable	-	-	-
Aggregate write-ins for other than invested assets	-	-	-
Total admitted assets	\$ 5,244,865	\$ -	\$ 5,244,865
Liabilities			
Claims unpaid	\$ -	\$ -	\$ -
Unpaid claims adjustment expenses	-	-	-
Aggregate health policy reserves	-	-	-
General expenses due or accrued	12,000	-	12,000
Amounts due to parent, subsidiaries, affiliates	188,453	-	188,453
Aggregate write-ins for other liabilities	-	-	-
Total liabilities	\$ 200,453	\$ -	\$ 200,453
Capital and Surplus			
Aggregate write-ins for special surplus funds	\$ -	\$ -	\$ -
Common capital stock	-	-	-
Gross paid in and contributed surplus	5,100,000	-	5,100,000
Unassigned funds (deficit)	(55,588)	-	(55,588)
Total capital and surplus	\$ 5,044,412	\$ -	\$ 5,044,412
Total liabilities, capital and surplus	\$ 5,244,865	\$ -	\$ 5,244,865

Devoted Health Insurance Company
Statement of Revenue and Expenses
Year Ended December 31, 2018

Net premium income	\$	-
Prescription drugs		-
<hr/>		
Net reinsurance recoveries	\$	-
<hr/>		
Total hospital and medical		-
Claims adjustment expenses		-
General administrative expenses		103,223
<hr/>		
Total underwriting deductions		103,223
<hr/>		
Net underwriting gain (loss)		(103,223)
Net investment gains		47,635
Aggregate write-ins for other expenses		-
<hr/>		
Income before federal income tax		(55,588)
Federal income tax		-
<hr/>		
Net income	\$	(55,588)
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Devoted Health Insurance Company
Statement of Changes in Capital and Surplus
Five Years Ended December 31, 2018

Capital and surplus - December 31, 2017	\$	-
Net income		(55,588)
Change in net deferred income tax		-
Change in nonadmitted assets		-
Capital Paid In		5,100,000
Aggregate write-ins for gains or (losses)		-
		<hr/> 5,044,412
Examination adjustments		-
Capital and surplus - December 31, 2018	\$	<hr/> <hr/> 5,044,412

Devoted Health Insurance Company
Comparative Analysis of Changes in Capital and Surplus
December 31, 2018

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

	<u>Per Company</u>	<u>Per Examination</u>	<u>Increase (Decrease) In Capital & Surplus</u>	
Capital and surplus, December 31, 2018 - per annual statement				\$ 5,044,412
Total assets	\$ 5,244,865	\$ 5,244,865	\$ -	
Total liabilities	\$ 200,453	\$ 200,453	\$ -	-
Capital and surplus, December 31, 2018 - per examination				<u>\$ 5,044,412</u>

COMMENTS ON FINANCIAL STATEMENTS

There were no material comments to the Company's financial statement for the examination period.

SUMMARY OF RECOMMENDATIONS

There were no significant findings of facts to report and therefore no related recommendations for the examination period.

SUBSEQUENT EVENTS

Effective April 1, 2019, Robert Kocher resigned as a Board Director and was replaced with Adam Thackery.

Effective January 22, 2020, the Company amended its Articles of Incorporation to reduce the total number of shares of capital stock which the Company shall have the authority to issue to 1,000 shares all of which shares denominated "Common Stock" having a par value of \$0.0001 per share. The Amended Articles of Incorporation were approved by the Florida Secretary of State on February 25, 2020. Upon further review of the Amended Articles of Incorporation, it was determined that the Amended Articles of Incorporation were in violation Section of 628.081(3)(d), F.S. As a result, the examination notified the Company of the violation and the Company responded that they were in the process of filing Amended Articles of Incorporation that are in compliance with Section 628.081, F.S.

In March 2020, the World Health Organization recognized the coronavirus (COVID-19) outbreak as a pandemic. While the complete effects of COVID-19 on the economy and financial markets are still unknown, the Office recognizes that it could have a significant impact on all domestic insurers, including the Company. The Office will continue to closely monitor this situation and share information with the Company as appropriate regarding these developments.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Devoted Health Insurance Company consistent with the insurance laws of the State of Florida.

At December 31, 2018, the Company's capital and surplus was \$5,044,412 and the Company was in compliance with the minimum capital and surplus requirement of Section 624.408, F.S.

In addition to the undersigned, the following individuals participated in the examination: David Palmer, CFE, Administrative Examiner; Neeraj Gupta, CFE, Examiner-in-Charge; Ryne Davison, Participating Examiner, and Aaron Phillips, CISA, IT examiner associated with the firm of Lewis & Ellis, Inc.; and from the Florida Office of Insurance Regulation: Margaret McCrary, CFE, CPA, MBA, Chief Financial Examiner, and Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor.

Respectfully submitted,



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