



**EXAMINATION REPORT
OF
Doctors HealthCare Plans, Inc.**

NAIC Company Code: 16271

**Coral Gables, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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May 25, 2021

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 641.27, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (“the NAIC”), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of

Doctors HealthCare Plans, Inc.
2020 Ponce de Leon Blvd.
Coral Gables, FL 33134

hereinafter referred to as “the Company.” Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of December 14, 2017 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on August 11, 2020. The fieldwork concluded as of May 25, 2021. This was the first financial condition examination of the Company by the Office.

The examination was a single state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed 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. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with the NAIC Statements of Statutory Accounting Principles (“SSAP”). The examination does not attest to the fair presentation of the financial statements included herein. 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.

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319 and 641.27(1), Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

The following is a summary of significant findings of fact including material adverse findings, significant non-compliance findings, such as non-compliance with state law(s), SSAPs, annual financial statement instructions, etc. or material changes in the financial statements.

Some of the findings noted during this examination period have been resolved by the Company subsequent to the examination date. However, the findings or exceptions are discussed in detail in the body of the examination report.

Schedule Y Part 2 – Summary of Insurer’s Transactions with Affiliates

The Company did not complete Schedule Y Part 2 – Summary of Insurer’s Transactions with Affiliates in the 2019 Annual Statement.

Previous Examination Findings

This was the first financial condition examination of the Company.

COMPANY HISTORY

General

The Company was incorporated in Florida on January 25, 2017 and commenced business on January 1, 2019. The Company was granted a Health Maintenance Organization (“HMO”) license from the State of Florida in December 2017 and obtained a Medicare Advantage Plan contract with the Centers for Medicare and Medicaid Services with a member enrollment effective date of January 1, 2019.

Dividends

The Company did not declare or pay any dividends during the period under examination.

Capital Stock and Capital Contributions

As of December 31, 2019, the Company's capitalization was as follows:

Number of authorized preferred capital shares	20,000,000
Number of preferred shares issued and outstanding	19,000,000
Total preferred capital stock	\$190,000
Par value per share	\$0.01

Number of authorized common capital shares	100,000,000
Number of common shares issued and outstanding	517,500
Total common capital stock	\$5,175
Par value per share	\$0.01

The Company was capitalized with an initial contribution from shareholders in the amount of \$15,500,000 in July 2017 and subsequent contributions of \$1,500,000 and \$2,000,000 in November and December 2017, respectively.

Surplus Notes

The Company issued the following surplus notes during the exam period:

Surplus Note No.	Date Issued	Note Holder	Interest Rate	Par Value (Face Amount of the Notes)
1	8/12/2019	Rafael P. Perez	5.50%	\$ 2,000,000
2	8/27/2019	Rafael P. Perez	5.50%	\$ 2,000,000
3	8/19/2019	Martin J. Perez	5.50%	\$ 1,000,000
4	8/30/2019	Martin J. Perez	5.50%	\$ 450,000
5	10/25/2019	Rafael P. Perez	5.50%	\$ 2,500,000
6	12/27/2019	Martin J. Perez	5.50%	\$ 1,000,000
7	12/27/2019	Rafael P. Perez	5.50%	\$ 4,000,000
			Total:	\$ 12,950,000

Subsequent event: On February 26, 2020, the Company issued surplus notes #8 and #9 and requested the treatment of the additional capital as a Type 1 Subsequent Event pursuant to SSAP No. 9 from the Office. On March 17, 2020, the Office approved the surplus notes as well as the Type I Subsequent Event and instructed the Company to book the additional capital contribution as “Other Invested Assets with SSAP No. 72 Approval” on its December 31, 2019 balance sheet.

On April 15, 2020, the Company issued surplus notes #10 and #11 and requested the treatment of the additional capital as a Type 1 Subsequent Event pursuant to SSAP No. 9 from the Office. On April 27, 2020, the Office approved the surplus notes as well as the Type I Subsequent Event and instructed the Company to book the additional capital contribution as “Other Invested Assets with SSAP No. 72 Approval” on its December 31, 2019 balance sheet.

Surplus Note No.	Date Issued	Note Holder	Interest Rate	Par Value (Face Amount of the Notes)
8	2/26/2020	Rafael P. Perez	5.50%	\$ 2,500,000
9	2/26/2020	Martin J. Perez	5.50%	\$ 2,500,000
10	4/15/2020	Rafael P. Perez	5.50%	\$ 2,500,000
11	4/15/2020	Martin J. Perez	5.50%	\$ 1,500,000
			Total:	\$ 9,000,000

In accordance with SSAP No. 41R, interest payments and principal repayments require prior approval from the Office.

Acquisitions, Mergers, Disposals, Dissolutions

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

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Company Bylaws. Directors serving as of December 31, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Rafael P. Perez ⁽¹⁾	Coral Gables, FL	President & CEO, Doctors HealthCare Plans, Inc.
Martiniano J. Perez	Coral Gables, FL	Chief Financial Officer, Doctors HealthCare Plans, Inc.
Valentin Lopez	Coral Gables, FL	Occupation, Company Name
Adolfo Henriques	Miami, FL	Occupation, Company Name
Andres A. Prieto, MD	Coral Gables, FL	Occupation, Company Name

⁽¹⁾ Chairman of the Board

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Rafael P. Perez	Coral Gables, FL	President & CEO
Martiniano J. Perez ^(a)	Coral Gables, FL	Chief Financial Officer
Francisco O. Hernandez	Coral Gables, FL	Medical Director
Susan E. Griffin	Coral Gables, FL	V.P. Administration
Maria E. Duran	Coral Gables, FL	V.P. Network Development
Julieta M. Ferro ^(b)	Coral Gables, FL	V.P. Provider Relations
Mayra R. Campuzano	Coral Gables, FL	V.P. Compliance

^(a) Ivonne Garrote-Torra was appointed Chief Financial Officer on July 14, 2020. Subsequently, Martiniano Perez became President and Rafael Perez remained the CEO.

^(a) Julieta M. Ferro separated from the Company effective June 8, 2020. She was not replaced.

The Company maintained an audit committee.

Audit Committee		
Name	City, State	Title, Company Name
Valentin Lopez	Coral Gables, FL	Managing Member (CPA) Lopez & Partners, LLC
Martiniano J. Perez	Coral Gables, FL	Chief Financial Officer, Doctors HealthCare Plans, Inc.
Adolfo Henriques	Miami, FL	Vice Chairman Related Group

Holding Company System

The Company funded the start-up of DHCP Transportation Services, LLC (“DHCP Transportation”), a limited liability company organized under the laws of the State of Florida, on October 5, 2018. DHCP’s CEO and CFO are the managing members of the DHCP Transportation.

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

Ancillary Services Provider Agreement

The Company entered into an Ancillary Services Provider Agreement with DHCP Transportation on January 1, 2019. DHCP Transportation provides transportation services to DHCP’s members. Fees incurred under this agreement during 2019 amounted to \$1,279,745.

Network Primary Care Provider Agreement

The Company entered into a Network Primary Care Provider Agreement with DHCP-PCP Investments, LLC on April 1, 2019, to provide health care services to members. The agreement was terminated on July 1, 2020. This agreement was not filed with the Office at least thirty (30) days prior and within thirty (30) days after termination in accordance with NAIC Insurance Holding Company System Regulatory Act, Model Law 440, Section 5, adopted by Chapter 628.801(1), Florida Statutes. **Subsequent event:** The Company subsequently filed this agreement and termination with the Office on April 26, 2021.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Coral Gables, Florida.

The Company and non-affiliates had the following material agreements:

Independent Auditor Agreement

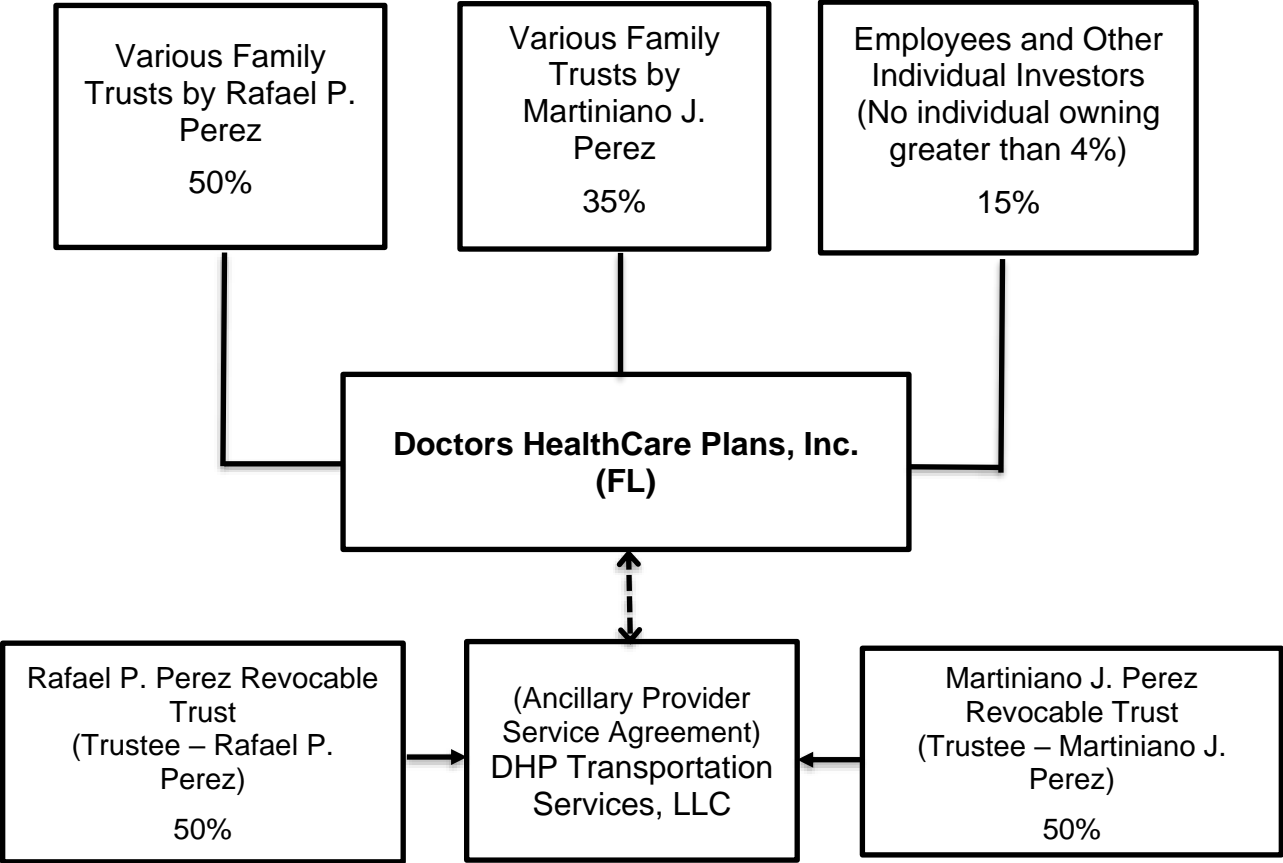
An independent CPA, Morrison, Brown, Argiz & Farra, LLC, audited the Company's statutory basis financial statements annually for the years 2017, 2018 and 2019, in accordance with Section 641.26(5), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Section 641.26(5), Florida Statutes.

Corporate Records Review

The recorded minutes of the Shareholders and Board of Directors (Board) were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 641.35(7), Florida Statutes.

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown on the following page.

Doctors HealthCare Plans, Inc.
Simplified Organizational Chart
December 31, 2019



TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida. The Company was authorized to transact insurance in Florida in December 2017 and is currently authorized as an HMO as of December 31, 2019. The Company only writes Medicare Advantage policies in Florida where it is licensed or eligible.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines.

Reinsurance Assumed

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

Center for Medicare & Medicaid Services covers 80% of allowed claims costs above the defined standard true out-of-pocket threshold of \$5,100 for any individual beneficiary. The Company also ceded risk on an excess of loss basis to RGA Reinsurance Company pursuant to an agreement effective January 1, 2019. The reinsurance covered 90% of the cost of eligible services in excess of \$150,000 subject to a limit of \$2,000,000 per member per agreement period.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Capital and Surplus and statutory Statement of Revenue and Expenses for the year ended December 31, 2019. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2019. (Note: Due to rounding, column amounts may not add to the totals reflected in this Report.)

Doctors HealthCare Plans, Inc.
Assets
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Cash, cash equivalents and short-term investments	\$ 7,563,142		\$ 7,563,142
Subtotal cash and invested assets	\$ 7,563,142		\$ 7,563,142
Investment income due and accrued	2,339		2,339
Premiums and considerations			
Uncollected premiums and agents' balances	412,846		412,846
Accrued retrospective premiums	1,675,872		1,675,872
Amounts receivable relating to uninsured plans	320,452		320,452
Health care and other amounts receivable	2,001,554		2,001,554
Aggregate write-ins for other than invested assets	9,000,000		9,000,000
Totals	\$ 20,976,205		\$ 20,976,205

Doctors HealthCare Plans, Inc.
Liabilities, Capital and Surplus
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$ 8,379,536		\$ 8,379,536
Accrued medical incentive pool and bonus amounts	335,690		335,690
Unpaid claims adjustment expenses	218,739		218,739
Aggregate health policy reserves	253,793		253,793
General expenses due or accrued	1,802,034		1,802,034
Liability for amounts held under uninsured plans	1,270,434		1,270,434
Total liabilities	\$ 12,260,226		\$ 12,260,226
Common capital stock	5,175		5,175
Preferred capital stock	190,000		190,000
Gross paid-in and contributed surplus	19,232,650		19,232,650
Surplus notes	21,950,000		21,950,000
Unassigned funds (surplus)	(32,661,846)		(32,661,846)
Total capital and surplus	\$ 8,715,979		\$ 8,715,979
Total liabilities, capital and surplus	\$ 20,976,205		\$ 20,976,205

Doctors HealthCare Plans, Inc.
Statement of Revenue and Expenses
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Net premium income	\$ 78,856,546		\$ 78,856,546
Total revenues	\$ 78,856,546		\$ 78,856,546
Hospital and Medical:			
Hospital/medical benefits	58,116,915		58,116,915
Other professional services	2,943,160		2,943,160
Prescription drugs	19,196,291		19,196,291
Aggregate write-ins for other hospital and medical	4,454,503		4,454,503
Incentive pool, withhold adjustments and bonus amounts	500,506		500,506
Subtotal	\$ 85,211,376		\$ 85,211,376
Less:			
Net reinsurance recoveries	107,986		107,986
Total hospital and medical	\$ 85,103,389		\$ 85,103,389
Claims adjustment expenses	218,739		218,739
General administrative expenses	16,884,022		16,884,022
Total underwriting deductions	\$ 102,206,151		\$ 102,206,151
Net underwriting gain or (loss)	(\$ 23,349,602)		(\$ 23,349,602)
Net investment income earned	12,538		12,538
Net investment gains (losses)	\$ 12,538		\$ 12,538
Net income or (loss) after capital gains tax and before all other federal income taxes	(\$ 23,337,064)		(\$ 23,337,064)
Net Income	(\$ 23,337,064)		(\$ 23,337,064)

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Capital and surplus prior reporting year	\$ 9,155,385		\$ 9,155,385
Net Income	(\$ 23,337,064)		(\$ 23,337,064)
Change in nonadmitted assets	520,034		520,034
Change in surplus notes	21,950,000		21,950,000
Capital Changes:			
Paid in	5,175		5,175
Surplus adjustments:			
Paid in	422,450		422,450
Net change in capital and surplus	(\$ 439,406)		(\$ 439,406)
Capital and surplus end of reporting year	\$ 8,715,979		\$ 8,715,979

Doctors HealthCare Plans, Inc.
Reconciliation of Capital and Surplus
December 31, 2019

No adjustments were made to surplus as regards policyholders as a result of this examination.

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2017, per annual statement			\$ 17,963,438
	Increase	Decrease	
Net income (loss)		\$ 28,948,167	(\$28,948,167)
Change in non-admitted assets		\$ 2,676,916	(\$ 2,676,916)
Change in surplus notes	\$ 21,950,000		\$ 21,950,000
Change in paid in capital	\$ 5,175		\$ 5,175
Change in paid in surplus	\$ 422,450		\$ 422,450
Net increase (or decrease)			(\$ 9,247,459)
Capital and Surplus at December 31, 2019 per Examination			\$ 8,715,979

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Andrew McStanley, FSA, MAAA, Senior Consulting Actuary, Wakely Consulting Group, LLC, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Scott Garduno, FSA, MAAA, Managing Member, of Taylor-Walker Consulting, LLC, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$8,715,979, exceeded the minimum of \$1,577,131 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

COVID-19

The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Florida Office of Insurance Regulation has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

On April 21, 2020 the Company received loan proceeds in the amount of \$2,034,600 under the Paycheck Protection Program (“PPP”), the PPP established as part of the Coronavirus Aid Relief and Economic Security Act (“CARES ACT”), passed by Congress in March 2020, provided loans to qualifying businesses to be used for payroll benefits, rent and utilities. The loan and accrued interest are forgivable as long as the borrower use the loan proceeds for eligible purposes. The Company has reviewed the PPP loan forgiveness requirements and determined it qualifies for application for forgiveness and as a result has submitted the application thru its corresponding bank and has received confirmation that the application has been properly completed.

The Company issued the following surplus notes subsequent to the exam period:

Surplus Note No.	Date Issued	Note Holder	Interest Rate	Par Value (Face Amount of the Notes)
8	2/26/2020	Rafael P. Perez	5.50%	\$ 2,500,000
9	2/26/2020	Martin J. Perez	5.50%	\$ 2,500,000
10	4/15/2020	Rafael P. Perez	5.50%	\$ 2,500,000
11	4/15/2020	Martin J. Perez	5.50%	\$ 1,500,000
12	3/23/2021	Rafael P. Perez	5.50%	\$ 3,650,000
13	3/23/2021	Martin J. Perez	5.50%	\$ 3,650,000
			Total:	\$ 16,300,000

SUMMARY OF RECOMMENDATIONS

Schedule Y Part 2 – Summary of Insurer’s Transactions with Affiliates

The Company did not complete Schedule Y Part 2 – Summary of Insurer’s Transactions with Affiliates in the 2019 Annual Statement. We recommend the Company disclose amounts for surplus notes and management agreements and service contracts in accordance with Health Annual Statement Instructions for the 2019 Reporting Year.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Doctors HealthCare Plans, Inc. as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Susan Carroll, CFE, CPA, Examiner-in-Charge, Rachele Gowins, CFE, MCM, Steven Sigler, CFE, AES, CISA, AMCM and Aaron Phillips, CFE, CISA of Examination Resources, LLC, participated in the examination. Members of the Office who participated in the examination include Margaret McCrary, CFE, CPA, MBA, OIR Examination Supervisor and Marshay Spencer, APIR, Financial Examiner / Analyst Supervisor, Participating Examiner. Additionally, Solomon Frazier, FSA, FCAS, MAAA and Scott Garduno, FSA, MAAA of Taylor-Walker Consulting, LLC, are recognized for participation in the examination.

Respectfully submitted,



Susan Carroll, CFE, CPA
Contract Examiner-in-Charge
Examination Resources, LLC



Margaret M. McCrary, CFE, CPA, MBA
Chief Financial Examiner
Life & Health Financial Oversight
Florida Office of Insurance Regulation



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