

Report on Examination

of

**Employer Choice Insurance Company, Inc.
d/b/a Concert Health Plan**

Orlando, Florida

as of

December 31, 2011

By The

Florida Office of Insurance Regulation

Kevin M. McCarty, Commissioner
Florida Office of Insurance Regulation
200 E. Gaines Street
Tallahassee, Florida 32399-0305

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 Employer Choice Insurance Company, Inc. d/b/a Concert Health Plan as of December 31, 2011. Our report on the examination follows.

Florida Office of Insurance Regulation
September 28, 2012

Contents

Scope of Examination	1
Summary of Significant Findings.....	2
Company History	2
Corporate Records	2
Management and Control.....	3
Fidelity Bonds and Other Insurance	5
Pension, Stock Ownership and Insurance Plans	5
Territory and Plan of Operation	6
Company Growth.....	6
Reinsurance	6
Statutory Deposits	7
Financial Statements	8
Comments on Financial Statements	12
Summary of Recommendations	12
Subsequent Events	12
Conclusion.....	13

SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2011 of Employer Choice Insurance Company, Inc. d/b/a Concert Health Plan (the "Company"), a single-state insurer domiciled in Florida. This was the first full-scope financial condition examination of the Company by the Florida Office of Insurance Regulation (the "Office"). The last financial condition examination of the Company by the Office was a limited-scope examination as of December 31, 2010.

This examination covered the period of January 1, 2011 through December 31, 2011. 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 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.

The examination was conducted primarily in the Company's Orlando, Florida office.

SUMMARY OF SIGNIFICANT FINDINGS

As reported on page 12, the examination resulted in a finding that, in its 2011 annual statement, the Company reported an admitted asset in the amount of \$45,240 which was not allowable by Florida Statutes (F.S.).

COMPANY HISTORY

The Company was incorporated in Florida on April 9, 2009 and licensed by the Office as an insurer on July 15, 2009. It was authorized by the State of Florida to operate as an accident and health insurer in accordance with Section 624.401, F.S.

Dividends and Capital Contributions

The Company neither distributed dividends nor received capital contributions during the period examined.

CORPORATE RECORDS

The minutes of the meetings of the shareholder 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 the authorization of investments as required by Section 625.304, F.S.

MANAGEMENT AND CONTROL

The Company was owned by North American Health Services, Inc., a subsidiary of Adventist Health System Sunbelt Healthcare Corporation d/b/a Adventist Health System. It was affiliated through common ownership with Florida Hospital Healthcare System, Inc., a third party administrator.

The Company's senior officers and directors were:

Senior Officers

<u>Name</u>	<u>Title</u>
Peter J. Weiss, M.D.	President
Daryl L. Tol	Secretary
Lewis A. Seifert	Treasurer

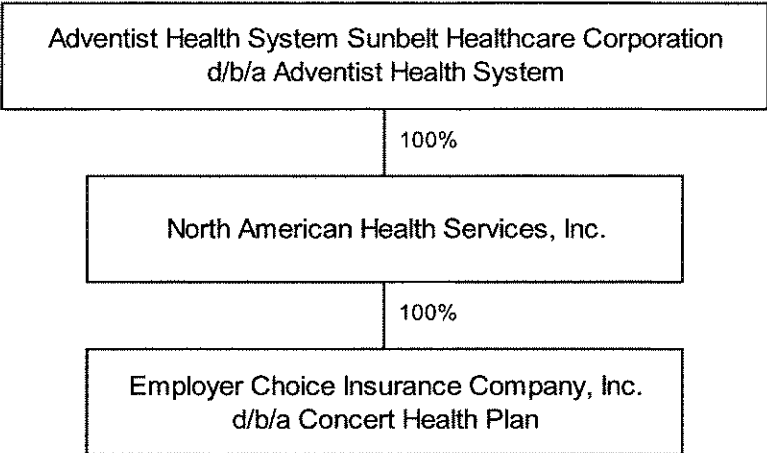
Board of Directors

<u>Name</u>	<u>Location</u>
D. Kevin Lay	Windermere, Florida
Richard E. Morrison	Orlando, Florida
Lewis A. Seifert	Oviedo, Florida
Eddie Soler	Apopka, Florida
Daryl L. Tol	Deland, Florida

The Company was a member of an insurance holding company system as defined by Rule 690-143.045(3), Florida Administrative Code (F.A.C.). Its latest holding company registration statement was filed with the State of Florida as required by Section 628.801, F.S., and Rule 690-143.046, F.A.C., on May 23, 2012.

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

**Employer Choice Insurance Company, Inc.
d/b/a Concert Health Plan
Abbreviated Organizational Chart
December 31, 2011**



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

Management and Services Agreement

In return for per member per month fees, Florida Hospital Healthcare System, Inc. provided personnel and staffing, purchasing, accounting, budgeting, billing, collection, claims processing and payment, and other services to the Company in accordance with a December 1, 2010 agreement.

Consolidated Tax Agreement

The Company entered into a tax sharing agreement with North American Health Services, Inc. effective November 4, 2011. The agreement provided for the allocation among members of the group of federal and state tax liabilities, credits, refunds, benefits, and similar items related to income tax returns for calendar year 2011 and later years.

FIDELITY BONDS AND OTHER INSURANCE

The Company was a named insured on an Adventist Health System executive, entity and employment practices liability policy. The policy included crime coverage of up to \$10,000,000 with a deductible of \$150,000, which exceeded the suggested minimum amount of coverage for the Company as recommended by the NAIC of \$5,000,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

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

TERRITORY AND PLAN OF OPERATION

The Company operated solely in the State of Florida. It provided a variety of health insurance plans, including preferred provider organization and high deductible health plans, to small and large employers in Central Florida.

COMPANY GROWTH

The Company reported the following for years 2010 and 2011:

(In thousands except member months)

	<u>2010</u>	<u>2011</u>
Member months	-	8,045
Premiums	\$ -	\$ 724.0
Revenues	\$ -	\$ 724.0
Underwriting deductions	\$ 184.4	\$ 1,083.3
Net income (loss)	\$ (183.2)	\$ (358.6)
Shareholder dividends	\$ -	\$ -
Paid in surplus received	\$ -	\$ -
Admitted assets	\$ 4,844.1	\$ 4,582.0
Liabilities	\$ 15.1	\$ 111.6
Capital and surplus	\$ 4,829.0	\$ 4,470.4

REINSURANCE

The Company maintained excess of loss reinsurance coverage with Munich Reinsurance America, Inc. The policy covered 90% of the Company's eligible expenses in excess of \$150,000 per year up to \$2,000,000. In addition, the Company maintained human organ and bone marrow transplant reinsurance with UnitedHealthcare Insurance Company covering 100% of eligible in-network expenses and 60% of eligible out-of-network expenses. The policies were effective May 1, 2011.

STATUTORY DEPOSITS

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

Employer Choice Insurance Company, Inc.
d/b/a Concert Health Plan
Admitted Assets, Liabilities, Capital and Surplus
December 31, 2011

	Per Company	Examination Adjustments	Per Examination
Admitted Assets			
Cash, cash equivalents and short-term investments	\$ 4,536,800	\$ -	\$ 4,536,800
Aggregate write-ins for other than invested assets	45,240	(45,240)	-
Total admitted assets	\$ 4,582,040	\$ (45,240)	\$ 4,536,800
Liabilities			
Claims unpaid	\$ 75,385	\$ -	\$ 75,385
Unpaid claims adjustment expenses	1,371	-	1,371
Premiums received in advance	15,562	-	15,562
Amounts due to parent, subsidiaries and affiliates	19,319	-	19,319
Total liabilities	111,637	-	111,637
Capital and Surplus			
Common capital stock	100	-	100
Gross paid in and contributed surplus	4,999,900	-	4,999,900
Unassigned funds	(529,597)	(45,240)	(574,837)
Total capital and surplus	4,470,403	(45,240)	4,425,163
Total liabilities, capital and surplus	\$ 4,582,040	\$ (45,240)	\$ 4,536,800

Employer Choice Insurance Company, Inc.
d/b/a Concert Health Plan
Statement of Revenue and Expenses
(As reported by the Company)
Year Ended December 31, 2011

Net premium income	\$ 724,043
Hospital and medical benefits	180,161
Other professional services	157,694
Emergency room and out-of-area	43,683
Prescription drugs	46,603
	<hr/> 428,141
General administrative expenses	655,169
Total underwriting deductions	<hr/> 1,083,310
Net underwriting gain (loss)	(359,267)
Net investment income earned	674
Net income (loss)	<hr/> <hr/> \$ (358,593)

**Employer Choice Insurance Company, Inc.
d/b/a Concert Health Plan
Statement of Changes in Capital and Surplus
Year Ended December 31, 2011**

Capital and surplus - December 31, 2010	\$ 4,828,996
Net income (loss)	(358,593)
	<hr/> 4,470,403
Examination adjustment	(45,240)
Capital and surplus - December 31, 2011	<hr/> <u>\$ 4,425,163</u>

Employer Choice Insurance Company, Inc.
d/b/a Concert Health Plan
Comparative Analysis of Changes in Capital and Surplus
December 31, 2011

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

Capital and surplus, December 31, 2011 - per annual statement			\$ 4,470,403
	Per	Per	Increase
	Company	Examination	(Decrease)
	_____	_____	In Capital
			& Surplus
Aggregate write-ins for other than invested assets	\$ 45,240	\$ -	\$ (45,240)
Net change in capital and surplus			(45,240)
Capital and surplus, December 31, 2011 - per examination			<u><u>\$ 4,425,163</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Aggregate Write-Ins For Other Than Invested Assets

\$0

The \$45,240 reported by the Company in its 2011 annual statement as 'aggregate write-ins for other than invested assets' consisted of prepaid expenses. Because prepaid expenses were not allowable as admitted assets by Section 625.031(7), F.S., the reported asset was non-admitted upon examination.

SUMMARY OF RECOMMENDATIONS

Aggregate Write-Ins for Other Than Invested Assets

As reported above, the amount reported by the Company in its 2011 annual statement as 'aggregate write-ins for other than invested assets' consisted of prepaid expenses and was, therefore, non-admitted upon examination. **We recommend that, in future statements filed with the Office, the Company not report prepaid expenses as admitted assets in accordance with Section 625.031(7), F.S.**

SUBSEQUENT EVENTS

On March 22, 2012, the Company's board of directors retroactively appointed Mr. David L. Vis as the Company's chief financial officer effective February 1, 2012.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC were followed in ascertaining the financial condition of Employer Choice Insurance Company, Inc. d/b/a Concert Health Plan consistent with the insurance laws of the State of Florida.

The Company's capital and surplus at December 31, 2011 after an examination adjustment was \$4,425,163 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 this examination: Faisal Harianawalla, Financial Examiner/Analyst; Cathy S. Jones, CPA, CFE, Financial Examiner/Analyst Supervisor; and Kerry A. Krantz, Actuary.

Respectfully submitted,

Darlene L. Lenhart-Schaeffer, CFE, CISA
Financial Examiner/Analyst
Florida Office of Insurance Regulation