

**Report on Examination**

**of**

**Bupa Insurance Company**

**Palmetto Bay, Florida**

**as of**

**December 31, 2018**



**FLORIDA OFFICE OF  
INSURANCE REGULATION**



FINANCIAL SERVICES  
COMMISSION

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## OFFICE OF INSURANCE REGULATION

**DAVID ALTMAIER**  
COMMISSIONER

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 Bupa Insurance Company as of December 31, 2018. Our report on the examination follows.

Florida Office of Insurance Regulation  
March 16, 2020

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## **SCOPE OF EXAMINATION**

We have completed a financial condition examination as of December 31, 2018 of Bupa Insurance Company (the Company), a single-state insurer domiciled in Florida. The examination covered the period of January 1, 2014, through December 31, 2018 and took place primarily in the Company's Palmetto Bay, Florida office. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (the Office) was as of December 31, 2013.

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 Statutes 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.

## **COMPANY HISTORY**

The Company was incorporated in Florida on July 12, 1973 and licensed by the Florida Office of Insurance Regulation as an insurer on July 16, 1973. It was authorized by the State of Florida to operate as a life and health insurer in accordance with Section 624.401, Florida Statutes. The Company was acquired in September 2005 by Grupo Bupa Sanitas S.L. (GBS), a Spanish corporation wholly owned by Bupa Investments Overseas Limited (BIOL), a corporation domiciled in England & Wales. The Company is an international healthcare company which provides international private medical insurance to residents of Latin America, primarily via local insurance affiliates and partners. Currently the Company serves primarily as the reinsurer for related insurance affiliates in the Bupa Global Latin America (BGLA) region: Bupa Bolivia, Bupa Dominicana, Bupa Ecuador, Bupa Guatemala, Bupa Mexico and Bupa Panama. The Company also maintains licenses in Anguilla, Aruba, British Virgin Islands, Puerto Rico and the U.S. Virgin Islands. Puerto Rico and the U.S. Virgin Islands are closed to new sales.

### Mergers and Acquisitions

There is nothing to report concerning mergers and acquisitions.

## **CORPORATE RECORDS**

We reviewed the minutes of meetings held by the Company's shareholder and board of directors and by its audit and finance committees. The Board's approval of Company transactions, including the authorization of its investments as required by Section 625.304, Florida Statutes, was recorded in the minutes of its meetings.

## **DIVIDENDS AND CAPITAL CONTRIBUTIONS**

In 2014, the Company received \$41.5 million as a capital contribution. The Company did not declare or distribute any dividends during the period covered by the examination.

## MANAGEMENT AND CONTROL

Bupa Insurance Company was incorporated as a life and health insurer under the laws of Florida in July 1973. The Company provides accident, health, and life insurance primarily to individuals in Latin America and the Caribbean. On September 9, 2005, the Company was acquired by Grupo Bupa Sanitas (GBS), a subsidiary of the British United Provident Association (BUPA), a corporation domiciled in England. In October 2013, Bupa Investment Overseas Limited (BIOL) acquired an interest in the Company of 33.19%. In 2014, BIOL increased its ownership interest to 59.28%. However, in December 2014, Bupa Global Holdings Limited acquired all shares owned by both GBS and BIOL, becoming the Company's sole shareholder.

Its senior officers, directors, and members of principal board committees were:

### Senior Officers

Name	Title
Moses Dodo	President
Steven Los	Secretary/Treasurer/CFO

### Board of Directors

Name	Location
Moses Dodo	Miami, Florida
Jessica Fierman	Miami, Florida
Taryn McHarg	Oxshott, United Kingdom
John Randolph Millian	Coral Gables, Florida
Francisco Lopez-Preusse	Doral, Florida
Steven Los	Coral Gables, Florida

### Audit Committee

Francisco Lopez-Preusse (Chair)  
John Randolph Millian  
Jessica Fierman

### Risk Committee

Taryn McHarg (Chair)  
Jessica Fierman  
John Randolph Millian  
Francisco Lopez-Preusse  
Steven Los

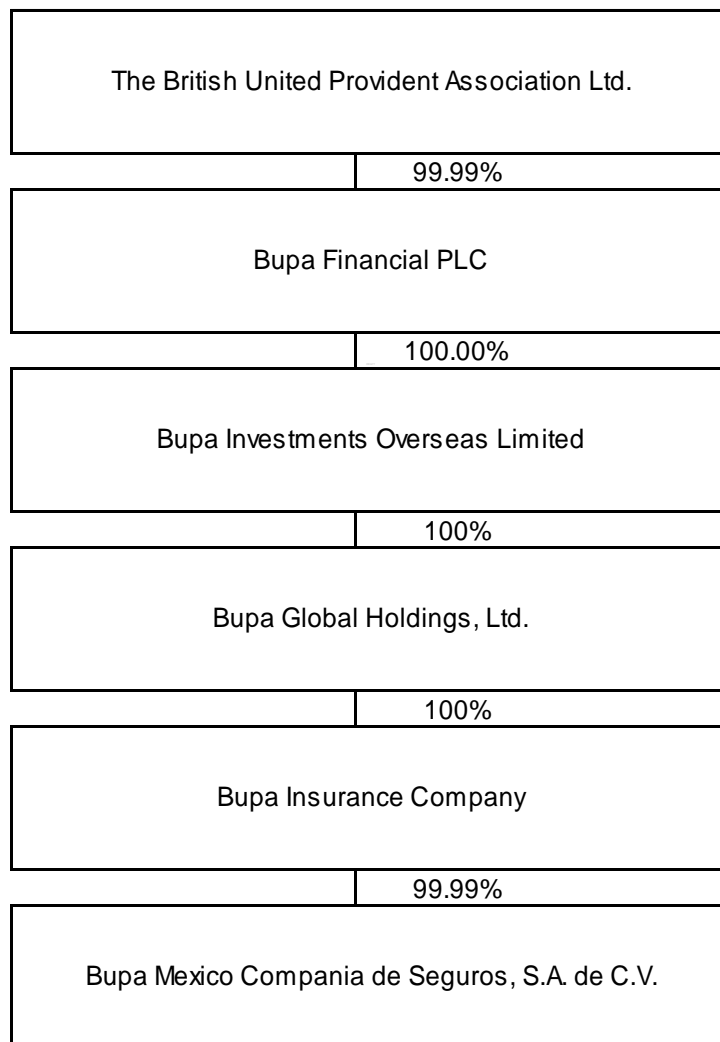
### Investment Committee

Moses Dodo (Chair)  
John Randolph Millian  
Francisco Lopez-Preusse (Alternate)  
Steven Los

The Company was a member of an insurance holding company system. Its 2018 Holding Company Registration Statement was filed with the State of Florida as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code on April 1, 2019.

An abbreviated organizational chart as of December 31, 2018, reflecting the holding company system, is shown on the following pages.

**Bupa Insurance Company  
Abbreviated Organizational Chart  
December 31, 2018**



## **AFFILIATED AND OTHER AGREEMENTS**

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

### Managing General Agent

Bupa Worldwide Corporation, an affiliated company that serves as Managing General Agent, provides certain marketing and management services. Originally entered into on July 7, 2010, and subsequently amended.

### Third Party Administrator

USA Medical Services Corporation an affiliated company that serves as a Third-Party Administrator provides certain claims administration services. Originally entered into on July 7, 2010, and subsequently amended.

### Inter-company Expense Allocation Agreement

Inter-company Expense Allocation Agreement was among Bupa Insurance Company, Bupa Investment Corporation, Inc., Bupa Worldwide Corporation, Bupa U.S. Holdings, Inc., Onup Group Corporation, U.S.A. Medical Services Corporation, BINS, Bupa Insurance Services, Ltd, Bupa Denmark Services A/S, Bupa Dominicana, S.A., Bupa Insurance (Bolivia) S.A., Bupa Panama, S.A., Bupa Guatemala, Compania De Seguros, S.A., Bupa Mexico Compania De Seguros S.A. DE C.V., Bupa Ecuador S.A., Compania De Seguros Y Reaseguros, Bupa Servicios De Evaluacion Medica, Bupa Servicio De Gestao Em Saude LTDA, and Amedex Insurance Company (Bermuda) LTD. This Agreement was effective January 1, 2015.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company writes direct business predominantly in Latin America and the Caribbean and has a renewal portfolio in sixty countries. Its principal line of business is International Private Medical Insurance to Latin America. The Company also serves primarily as the reinsurer for related insurance affiliates in the Bupa Global Latin America region.



## COMPANY GROWTH

The Company reported the following for years 2014 through 2018:

*(In millions except member months and year-end enrollment)*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Member months	1,321,539	1,242,075	410,535	336,984	289,311
Year-end enrollment	109,986	99,992	31,020	26,745	22,410
Premiums	\$ 409.8	\$ 347.9	\$ 291.9	\$ 292.4	\$ 266.0
Total Revenue	\$ 413.2	\$ 367.7	\$ 315.4	\$ 295.6	\$ 260.9
Net income (loss)	\$ 17.9	\$ 45.9	\$ 12.7	\$ 0.9	\$ (5.9)
Stockholders Dividends	\$ -	\$ -	\$ -	\$ -	\$ -
Paid in Capital Received	\$ 41.5	\$ -	\$ -	\$ -	\$ -
Admitted assets	\$ 401.2	\$ 379.4	\$ 320.0	\$ 322.2	\$ 309.8
Liabilities	\$ 276.5	\$ 209.0	\$ 167.0	\$ 169.7	\$ 171.3
Capital and surplus	\$ 124.7	\$ 170.4	\$ 153.0	\$ 152.5	\$ 138.5

## REINSURANCE

On January 1, 2018 the Company renewed their Excess of Loss (XOL) treaty with Axis Insurance Company covering its health risks, which has been in place for the full five years of the examination period. The expiration of this contract is January 1, 2019. The amount retained by the Company is \$400,000 per claimant. The full risk per claimant between \$400,000 and \$5,000,000 is then transferred to Axis after meeting an aggregate deductible on the sum of all such claims. This pure transfer of risk is contracted for a fixed premium per member explicitly stated in the contract. The contract was bid out to the market resulting in a competitive premium for the risk transferred. There are no additional premiums, allowances, or loss adjustments based on the portfolio experience that would limit the risk to Axis or return risk to the Company.

The Company assumed proportional accident and health insurance risks pursuant to agreements with various affiliated and unaffiliated companies. The significant agreements are described below.

The Company assumes health risks from affiliates. The Company has treaties with Bupa Mexico, Bupa Guatemala Compañía de Seguros S.A. (Bupa Guatemala), and Bupa Dominicana S.A. (Bupa DR), companies under common ownership, which have both coinsurance and XOL elements, these contracts encompass more than 95% of the Company's assumed business.

The coinsurance treaty with Bupa Compañía Seguros de Vida S.A. of Chile, (Cruz Blanca) was terminated in 2018. On December 1, 2018 the Company entered into a retrocession reinsurance contract with Axis Re Se, a European public limited company, whereby the Company will reinsure 100% of both premiums and losses written by Cruz Blanca. This contract expires upon termination of original reinsurance contract and after all amounts due under this agreement have been paid.

The Company entered into a reinsurance contract with Lloyds Syndicate #2001 on January 28, 2015 and renewed this agreement through January 28, 2018. This agreement is managed by Amlin Underwriting Limited, covering 85% of both premiums and losses underwritten by Amlin and will expire upon termination by either party.

In 2017, Bupa Insurance Company entered into a reinsurance contract with Compañía de Seguros Bolivar S. A. (Seguros Bolivar), a company incorporated in Colombia, where the Company reinsures 95% of both premiums and losses written by Seguros Bolivar. The contract was effective for the 2018 period.

## **SURPLUS NOTES**

The Company had no surplus notes.

## **STATUTORY DEPOSITS**

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes, and with other jurisdictions as required:

Holder	Description	Book / Adjusted	
		Carrying Value	Fair Value
Florida	US Treasury	\$ 290,949	\$ 307,070
<b>Total Florida Deposits</b>		<u>290,949</u>	<u>307,070</u>
U.S. Virgin Islands	US Treasury	\$ 484,724	\$ 477,285
British Virgin Islands	Cash	507,971	507,971
Anguilla	Cash	45,006	45,006
Aruba	Cash	250,000	250,000
<b>Total Statutory Deposits</b>		<u>1,578,650</u>	<u>1,587,332</u>

## FINANCIAL STATEMENTS

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

**Bupa Insurance Company**  
**Admitted Assets, Liabilities, Capital and Surplus**  
**December 31, 2018**

	Per Company	Examination Adjustments	Per Examination
<b>Admitted Assets</b>			
Bonds	\$192,421,186	\$ -	\$ 192,421,186
Common Stock	12,698,553	-	12,698,553
Cash, cash equivalents and short-term investments	64,000,690	-	64,000,690
Contract Loans	242,748	-	242,748
Other invested assets	13,666,426	-	13,666,426
	<u>\$283,029,603</u>	<u>\$ -</u>	<u>\$ 283,029,603</u>
Investment income due and accrued	1,388,813	-	1,388,813
Uncollected premiums and agents' balances	1,819,878	-	1,819,878
Amounts recoverable from reinsurers	60,364	-	60,364
Other amounts receivable under reinsurance contracts	18,271,119	-	18,271,119
Net deferred tax asset	3,735,889	-	3,735,889
Receivable from parent, subsidiaries and affiliates	1,498,140	-	1,498,140
Healthcare and other amounts receivable	642	-	642
<b>Total admitted assets</b>	<u>\$309,804,448</u>	<u>\$ -</u>	<u>\$ 309,804,448</u>
<b>Liabilities</b>			
Claims unpaid	\$ 35,931,303	\$ -	\$ 35,931,303
Unpaid claims adjustment expenses	654,004	-	654,004
Aggregate health policy reserves	113,759,660	-	113,759,660
Aggregate life policy reserves	1,579,106	-	1,579,106
Premiums received in advance	2,091,646	-	2,091,646
General expenses due or accrued	5,139,949	-	5,139,949
Current federal and foreign income tax	56,884	-	56,884
Ceded reinsurance premium payable	537,846	-	537,846
Remittances and items not allocated	973,584	-	973,584
Amounts due to parents, subsidiaries and affiliates	867,491	-	867,491
Aggregate write-ins for other liabilities	9,684,985	-	9,684,985
<b>Total liabilities</b>	<u>\$ 171,276,458</u>	<u>\$ -</u>	<u>\$ 171,276,458</u>
<b>Capital and Surplus</b>			
Common capital stock	\$ 10,517,727	\$ -	\$ 10,517,727
Gross paid in and contributed surplus	127,984,490	-	127,984,490
Unassigned funds (deficit)	25,773	-	25,773
<b>Total capital and surplus</b>	<u>\$ 138,527,990</u>	<u>\$ -</u>	<u>\$ 138,527,990</u>
<b>Total liabilities, capital and surplus</b>	<u>\$ 309,804,448</u>	<u>\$ -</u>	<u>\$ 309,804,448</u>

**Bupa Insurance Company**  
**Statement of Revenue and Expenses**  
**Year Ended December 31, 2018**

Net premium income	\$ 265,972,727
Change in unearned premium reserves and reserve for rate credits	(6,578,081)
Aggregate write-ins for other health care revenues	1,502,944
<u>Total Revenues</u>	<u>\$ 260,897,590</u>
Hospital and medical benefits	60,039,916
Other professional services	2,247,245
Emergency room and out-of-area	906,642
Prescription drugs	8,750,020
	<u>\$ 71,943,823</u>
Net reinsurance recoveries	(107,911,857)
<u>Total hospital and medical</u>	<u>\$ 179,855,680</u>
Non health claims (net)	(299,252)
Claims adjustment expenses	5,474,466
General administrative expenses	91,636,715
<u>Total underwriting deductions</u>	<u>\$ 276,667,609</u>
Net underwriting gain (loss)	(15,770,019)
Net investment income earned	5,473,979
Net realized capital gains (losses)	(50,751)
Net investment gains	5,423,228
Aggregate write-ins for other income or expenses	4,837,460
<u>Income (loss) before federal income tax</u>	<u>\$ (5,509,331)</u>
Federal income tax	385,656
<u>Net income</u>	<u>\$ (5,894,987)</u>

**Bupa Insurance Company**  
**Statement of Changes in Capital and Surplus**  
**Five Years Ended December 31, 2018**

Capital and surplus - December 31, 2013	\$	68,460,652
Net income		17,932,278
Change in net unrealized capital gains(loss) less capital gains tax of \$0		(2,165,551)
Change in net deferred income tax		1,642,113
Change in nonadmitted assets		(2,636,474)
Capital Changes - Paid in		41,500,000
<hr/>		
Capital and surplus - December 31, 2014	\$	124,733,018
Net income		45,881,751
Change in net unrealized capital gains(loss) less capital gains tax of \$0		(2,116,267)
Change in net unrealized foreign exchange capital gain or loss		2,790,859
Change in net deferred income tax		(920,897)
Change in nonadmitted assets		68,885
<hr/>		
Capital and surplus - December 31, 2015	\$	170,437,349
Net income		12,740,041
Change in net unrealized capital gains(loss) less capital gains tax of \$0		(6,329,024)
Change in net unrealized foreign exchange capital gain or loss		832,091
Change in net deferred income tax		2,775,317
Change in nonadmitted assets		(27,497,200)
<hr/>		
Capital and surplus - December 31, 2016	\$	152,958,575
Net income		920,621
Change in net unrealized capital gains(loss) less capital gains tax of \$0		(4,893,676)
Change in net unrealized foreign exchange capital gain or loss		(4,604,505)
Change in net deferred income tax		(9,220,500)
Change in nonadmitted assets		17,351,717
<hr/>		
Capital and surplus - December 31, 2017		152,512,232
Net income		(5,894,987)
Change in net unrealized capital gains(loss) less capital gains tax of \$0		(3,174,859)
Change in net unrealized foreign exchange capital gain or loss		981,555
Change in net deferred income tax		3,385,943
Change in nonadmitted assets		(9,281,894)
		<hr/>
		138,527,990
Examination adjustments		-
<hr/>		
Capital and surplus - December 31, 2018	\$	138,527,990

**Bupa 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.

<b>Capital and surplus, December 31, 2018 - per annual statement</b>				\$ 138,527,990
			<b>Increase (Decrease) In Capital &amp; Surplus</b>	
	<b>Per Company</b>	<b>Per Examination</b>		
Total assets	\$ 309,804,448	\$ 309,804,448	\$ -	
Total liabilities	\$ 171,276,458	\$ 171,276,458	\$ -	-
<b>Capital and surplus, December 31, 2018 - per examination</b>				<u><u>\$ 138,527,990</u></u>

## **COMMENTS ON FINANCIAL STATEMENTS**

### **Aggregate Reserves for Life, Accident & Health Contracts**

Matthew W. Richard, ASA, MAAA Chief Actuary for Bupa Global Latin America and an employee of BUPA Worldwide Corporation, appointed by the Board, rendered an opinion that the reserves and related actuarial values carried in the balance sheet as of December 31, 2018, made a reasonable provision for all Aggregate Reserve obligations of the Company under the terms of its policies and agreements.

Jay C. Miniati, FSA, MAAA of Jay Miniati Actuarial Services reviewed the actuarial work papers provided by the Company and they were in concurrence with this opinion.

### **Capital and Surplus**

The amount of capital and surplus reported by the Company of \$138,527,990 exceeded the minimum of \$16,426,467 required by Section 624.408, Florida Statutes.



## **SUMMARY OF RECOMMENDATIONS**

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

## **SUBSEQUENT EVENTS**

The following were significant events that occurred subsequent to the examination as-of date.

### Organizational Structure

On October 14, 2019, following Bupa Group's strategic plan to continue growing in Latin America, BGLA was divided into 3 different business units:

1. Business Unit Mexico (BU Mexico): Following the creation of a separate Bupa Mexico Business Unit, Luk Vanderstede, General Manager of Bupa Mexico, now reports to Iñaki Peralta, General Director of Sanitas Seguros (health funding arm of the market unit for Europe and Latin America).
2. Business Unit Brazil (BU Brazil): Care Plus Medicina Assistencial Ltda. (Care Plus) was also created as a separate Business Unit. Moses Dodo, Chairman of Care Plus and Bupa Insurance Company, will continue leading Luiz Camargo, CEO of Care Plus, and his team from Miami.
3. Business Unit BGLA (BU BGLA): Diego Fernandez, General Manager of BGLA, continues to lead this business unit, as well as hold the responsibility to develop the domestic insurance and healthcare provision business in LatAm (other than the markets covered by existing Business Units in Mexico, Brazil and Chile). Bupa's operations in Peru, led by Paco Alvarez-Calderón, are now part of BGLA, reporting to Mr. Fernandez.

### Change in management, director or officer positions

In April of 2019, Steven Los resigned as Chief Financial Officer, Director, Treasurer, and Secretary. Sara Herrera became the interim CFO while still maintaining her position as Controller/CAO. She was appointed CFO on November 1, 2019, and the Controller position was awarded to Victor Orozco to begin February 24, 2020.

In June of 2019, Diego Fernandez was elected to serve as President of the Company with Moses Dodo's position shifting to Vice President.

In June of 2019, John Millian resigned as the Board Chair. The Board subsequently elected Moses Dodo to serve as Board Chair.

In August of 2019, Edison Vallejo resigned as Director of Health Risk Management. The position is still vacant, the Providers Service Manager is leading the Health Risk Management function on an interim basis.

In September of 2019, Taryn McHarg resigned as director of the Board. The vacancy was filled by Diego Fernandez.

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 Bupa Insurance Company consistent with the insurance laws of the State of Florida.

At December 31, 2018, the Company's capital and surplus was \$138,527,990 and the Company was in compliance with the minimum capital and surplus requirement of Section 624.408, Florida Statutes.

In addition to the undersigned, the following individuals participated in the examination: Sheri L. Kenney, CFE, MCM, Tracy D. Gates CISA, CFE, Travis R. Harrison, Lori G. Jester, and Jay C. Miniati, FSA, MAAA, associated with the firm of Highland Clark, LLC; and from the Florida Office of Insurance Regulation: Shantia S. Simmons, APIR, Financial Examiner/Analyst Supervisor; and Emmaculate Muambo, APIR, Financial Control Analyst.

Respectfully submitted,



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Carolyn M. Morgan, APIR

Director, Life & Health Financial Oversight

Florida Office of Insurance Regulation