

**Report on Examination**  
**of**  
**Florida Bankers Health Consortium, Inc.**  
**Lake Mary, Florida**  
**as of**  
**December 31, 2018**



**FLORIDA OFFICE OF  
INSURANCE REGULATION**



## OFFICE OF INSURANCE REGULATION

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COMMISSIONER OF AGRICULTURE

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 Florida Bankers Health Consortium, Inc. as of December 31, 2018. Our report on the examination follows.

Florida Office of Insurance Regulation  
May 21, 2020

## Contents

Scope of Examination .....	1
Summary of Significant Findings .....	2
Company History.....	2
Corporate Records.....	3
Dividends and Capital Contributions .....	3
Management and Control .....	3
Affiliated and Other Agreements .....	4
Territory and Plan of Operation.....	5
Company Growth .....	6
Reinsurance .....	6
Accounts and Records .....	6
Surplus Notes.....	6
Statutory Deposits.....	7
Financial Statements.....	7
Comments on Financial Statements .....	12
Summary of Recommendations.....	13
Subsequent Events .....	13
Conclusion .....	14

## SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2018 of Florida Bankers Health Consortium, Inc. (Company), a single-state Multiple Employer Welfare Arrangement (MEWA) domiciled in Florida. The examination covered the period of November 17, 2017 through December 31, 2018 and took place primarily in the Company's Lake Mary, Florida office. 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**

The following is a summary of significant findings and material changes in the financial statements.

### Claims Unpaid Reserves

The nature of the Claims Unpaid Reserve is an estimate based upon the best information available at the time of the review. The Company is a new entity and as such does not have the claims history to provide assistance for making this estimate. The Examining Actuary reviewed the additional 2019 claim runout and determined that the Company's Claims Unpaid reserves were deficient in the amount of \$119,396 on a net of reinsurance basis as of December 31, 2018. For this examination, an adjustment is recommended if the account balance changes in excess of \$102,390. As the reserve deficiency exceeds the examination planning materiality standard, an examination adjustment is recorded to increase Claims Unpaid by \$119,396, resulting in a total Claims Unpaid reserve of \$2,545,312 as of December 31, 2018. Additional information is provided in Comments to Financial Statements section on page 12. Recommendations relating to these examination findings are summarized beginning on page 13.

## **COMPANY HISTORY**

The Company was incorporated in Florida on January 1, 2017 and licensed by the Office on November 17, 2017. It was authorized by the State of Florida to operate as not-for-profit Multiple Employer Welfare Arrangement (MEWA) in accordance with Section 624.436, F.S. The

Company constitutes an “employee welfare benefit plan and a single employer association health plan” within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA) and provides health benefits to its members/insureds for their active employees and COBRA coverage.

### Mergers and Acquisitions

The Company was originally established as a voluntary employee beneficiary Consortium (VEBA) under section 501(c)(9) of Internal Revenue Code. Effective January 1, 2017 the Company entered into a VEBA-to-VEBA transfer by assuming all of the assets, liabilities and fiduciary responsibility for the health and welfare benefit plan offered by the Florida Bankers Insurance Trust, Inc. Upon entering into this agreement, it received assets and assumed liabilities of approximately \$7,900,000 and \$6,338,000 respectively, and a contribution to surplus of \$1,561,796.

### **CORPORATE RECORDS**

We reviewed the minutes of meetings held by the Company’s Board of Trustees. The Board’s approval of Company transactions was recorded in the minutes of its meetings.

### **DIVIDENDS AND CAPITAL CONTRIBUTIONS**

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

### **MANAGEMENT AND CONTROL**

As a MEWA, the Company is wholly-owned by its member/insureds that are also members of the Florida Bankers Association, Inc., which is composed of banks, trust companies, credit unions, savings and loan consortiums, and their holding companies and service companies (collectively,

“institutions”) that are located in Florida. The Florida Bankers Association, Inc. formed the Company in order to provide health benefits to their employees and eligible dependents. The institutions participate in the MEWA on an annual basis. Any institution that should cease participation must reimburse the Company for any allocable deficiencies and wait a minimum of three years before rejoining the Company.

The Company’s senior officers and trustees were:

**Senior Officers**

Name	Title
Angela A. O'Reilly	President & CEO
Julius J. Walker	Controller

**Board of Trustees**

Name	Location
Ray D. Colado	Winter Park, FL
Hugh F. Dailey	Ocala, FL
Lloyd B. DeVaux	Miami, FL
Greg L. Nelson	Eustis, FL
Pam P. Ricco	Tallahassee, FL
Jennifer F. Walker	Lake Wales, FL

**AFFILIATED AND OTHER AGREEMENTS**

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

Administrative Service Agreement

Effective January 1, 2017, the Company entered into a Service Agreement with Trust Management Group, Inc. (TMG) d/b/a SelectSource, a Florida non-profit corporation licensed as a Florida third party administrator. TMG is affiliated with the Company through common control. TMG provides third party administration and agency services to the Company and arranges for

fully-insured benefits to be provided to the Company's members/insureds. Administrative services include but are not limited to: web portal access for online enrollment and billing, maintaining beneficiary information, customer service, call centers, consolidated billing of premiums, calculation of premium paid to carriers, plan design, pricing, and distribution of enrollment cards plan documentation, and other services.

#### Administrative Service Agreement

Effective January 1, 2018, the Consortium entered into an administrative services agreement with Blue Cross Blue Shield of Florida, Inc. (BCBSFL) and its affiliate, Health Options Inc. for the provision of health and prescription claims handling, administration, utilization, case management and other preferred medical management services through December 31, 2018. BCBSFL is paid a monthly administration fee based on plan enrollment. Upon expiration of this term, the agreement can be renewed for successive one-year terms. Subsequently, the Company terminated the claims services agreement with BCBSFL, effective December 31, 2018. Refer to Subsequent Events Section for current agreement.

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

The Company operated solely in the State of Florida. It provided to the employees of its members/insureds a self-funded medical offering as well as a variety of fully insured offerings including dental, optical, Employee Assistance Program, and Legal Plans. Additionally, administered by TMG, the Company members are offered life, accidental death & dismemberment, short and long-term disability, and voluntary benefits products.



## COMPANY GROWTH

The Company reported the following for years 2017 through 2018:

	<u>2017</u>	<u>2018</u>
Member months	77,958	57,186
Year-end enrollment	6,412	4,693
Revenues	\$ 35,659,778	\$ 27,164,363
Underwriting deductions	\$ 34,269,685	\$ 26,738,429
Net income	\$ 1,429,205	\$ 457,456
Surplus Paid-in	\$ 1,561,796	\$ -
Admitted assets	\$ 7,762,193	\$ 6,903,060
Liabilities	\$ 4,806,398	\$ 3,490,069
Capital and surplus	\$ 2,955,795	\$ 3,412,991

## REINSURANCE

As of December 31, 2018, the Company had a stop loss reinsurance agreement with Blue Cross Blue Shield of Florida (BCBSFL). Under this agreement, the Company has a net retention of \$300,000 per risk, plus a loss corridor provision of 125%. The Company received a waiver from the Office to exceed the maximum net retention of \$50,000 permitted pursuant to Section 624.439(6), F.S. Subsequently, the Company terminated the stop loss reinsurance agreement with BCBSFL, effective December 31, 2018.

## ACCOUNTS AND RECORDS

Other than the adjustments to the Claims Unpaid Reserves account discussed on Page 12, there were no significant examination findings related to the Company's accounts and records.

## SURPLUS NOTES

The Company had no surplus notes.

## **STATUTORY DEPOSITS**

The Company has \$510,836 deposited with the State of Florida as collateral as required by 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:

**Florida Bankers Health Consortium, Inc.**  
**Admitted Assets, Liabilities, Capital and Surplus**  
**December 31, 2018**

	Per Company	Examination Adjustments	Per Examination
<b>Admitted Assets</b>			
Cash, cash equivalents and short-term investments	\$ 6,059,031	\$ -	\$ 6,059,031
	6,059,031	-	6,059,031
Health care and other amounts receivable	844,029	-	844,029
<b>Total admitted assets</b>	<b>\$ 6,903,060</b>	<b>\$ -</b>	<b>\$ 6,903,060</b>

<b>Liabilities</b>			
Claims unpaid	\$ 2,425,916	\$ 119,396	\$ 2,545,312
Unpaid claims adjustment expenses	83,139	-	83,139
Aggregate health policy reserves	-	-	-
General expenses due and accrued	49,797	-	49,797
Ceded reinsurance premiums payable	357,162	-	357,162
Amounts due to affiliates	70,490	-	70,490
Aggregate write-ins for other liabilities	503,565	-	503,565
<b>Total liabilities</b>	<b>\$ 3,490,069</b>	<b>\$ 119,396</b>	<b>\$ 3,609,465</b>

<b>Capital and Surplus</b>			
Common capital stock	\$ -	\$ -	\$ -
Gross paid in and contributed surplus	1,561,796	-	1,561,796
Unassigned funds (surplus)	1,851,195	(119,396)	1,731,799
<b>Total capital and surplus</b>	<b>\$ 3,412,991</b>	<b>\$ (119,396)</b>	<b>\$ 3,293,595</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 6,903,060</b>	<b>\$ -</b>	<b>\$ 6,903,060</b>

**Florida Bankers Health Consortium, Inc.**  
**Statement of Revenue and Expenses**  
**Year Ended December 31, 2018**

Net premium income	\$ 27,161,786
Aggregate write-ins for other healthcare revenues	2,577
	<hr/> 27,164,363
Hospital and medical benefits	15,683,055
Emergency room and out-of-area	4,725,249
Prescription drugs	5,131,388
	<hr/> 25,539,692
Net reinsurance recoveries	2,929,354
Total hospital and medical	<hr/> 22,610,338
Claims adjustment expenses	1,106,369
General administrative expenses	3,021,722
Total underwriting deductions	<hr/> 26,738,429
Net underwriting gain	425,934
Net investment gains	31,522
	<hr/> 457,456
Income before federal income tax	457,456
Federal income tax	-
Net income	<hr/> <hr/> \$ 457,456

**Florida Bankers Health Consortium, Inc.**  
**Statement of Changes in Capital and Surplus**  
**Two Years Ended December 31, 2018**

Capital and surplus - January 1, 2017	\$	-
Net income		1,429,205
Change in net deferred income tax		(35,206)
Surplus Paid-in		1,561,796
Aggregate write-ins for gains or (losses)		-
<hr/>		
Capital and surplus - December 31, 2017		2,955,795
Net income		457,456
Change in net deferred income tax		(260)
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Capital and surplus - December 31, 2018		3,412,991
Examination adjustments		(119,396)
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Capital and surplus - December 31, 2018	\$	3,293,595

**Florida Bankers Consortium, Inc.**  
**Comparative Analysis of Changes in Capital & 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 &amp; surplus, December 31, 2018 - per annual statement</b>			\$ 3,412,991
	<u>Per Company</u>	<u>Per Examination</u>	<u>Increase (Decrease) In Capital &amp; Surplus</u>
Claims Unpaid	\$ 2,425,916	\$ 2,306,520	\$ (119,396)
Net change in capital and surplus			<u>(119,396)</u>
<b>Capital &amp; surplus, December 31, 2018 - per examination</b>			<u><u>\$ 3,293,595</u></u>

## COMMENTS ON FINANCIAL STATEMENTS

### Claims Unpaid and Unpaid Claims Adjustment Expenses

The Examination evaluated the reasonableness and adequacy of the Claims Unpaid and Unpaid Claims Adjustment Expense reserves as of December 31, 2018. The Examination Actuary reviewed runoff triangles for all segments through November 30, 2019, which indicates actual runoff of \$1,907,389, and compared it to the reported lag-determined liabilities of \$1,542,651 as of December 31, 2018. Based on this comparison, the Company's Claims Unpaid reserves are deficient by \$364,738 as of December 31, 2018. It is noted that there were 2019 reinsurance recoveries of \$245,342 relating to claims incurred in 2018. Thus, the reinsurance recoveries reduce the reserve deficiency to \$119,396 on a net of reinsurance basis as of December 31, 2018. The reserve deficiency was driven by two large claims incurred in May and September 2018, and paid in January 2019. Large claims have a significant impact on a small block of business, and the deficiency resulted from unexpected adverse development rather than a systematic issue with reserving assumptions and methods. As the reserve deficiency exceeds the examination planning materiality standard of \$102,390, an examination adjustment is recommended to increase Claims Unpaid by \$119,396, resulting in a total Claims Unpaid reserve of \$2,545,312 as of December 31, 2018.

### Gross Paid In and Contributed Surplus and Unassigned Funds

As of December 31, 2018, the total capital and surplus reported by the Company of \$3,412,991, exceeded the minimum required by Section 624.4392, Florida Statutes. Examiners posted an examination adjustment in the amount of (\$119,396) to Unassigned Funds to reflect the increase in Claims Unpaid, which reduced the Company's total capital and surplus to \$3,293,595 as of December 31, 2018.

## SUMMARY OF RECOMMENDATIONS

### Claims Unpaid Reserves

As reported on page 12, the Examining Actuary determined that Company's Claims Unpaid reserves were deficient in the amount of \$119,396 on a net of reinsurance basis as of December 31, 2018. **We recommend that an examination adjustment be recorded to increase Claims Unpaid by \$119,396, which results in a total Claims Unpaid reserve of \$2,545,312 and total capital and surplus of \$3,293,595 as of December 31, 2018. Examiners acknowledge that the impact of this adjustment has been reflected in the Company's surplus at December 31, 2019 as the subsequent payments made during 2019 have been included in the income statement resulting in no impact to surplus as reported at December 31, 2019.**

## SUBSEQUENT EVENTS

Effective January 1, 2019, the Company entered into an administrative services agreement with Blue Cross Blue Shield of Florida and its affiliated Health Options Inc.

Effective January 1, 2019, the Company enter a new reinsurance contract was executed with Sunlife Assurance Company of Canada.

### COVID-19 Impact

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 Florida Bankers Health Consortium, Inc. consistent with the insurance laws of the State of Florida.

At December 31, 2018, the Company's capital and surplus was \$3,412,991. After the examination adjustment of (\$119,396), the Company's capital and surplus was \$3,293,595, 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: Richard Nelson, CFE, CIE, Examiner-in-Charge, Joanne Smith, CFE, MCM, Supervising Examiner, Joel Tapsoba, CFE, AIPR, Participating Examiner, Megan Hubbuch CPA, AFE, CPCU, AIAF, Participating Examiner, Tammy Gavin, ARe, MCM, Participating Examiner, and Uso Sayers, CISA, IT Specialist, associated with the firm of Johnson Lambert LLP; and Scott Garduno, FSA, MAAA, Examining Actuary, associated with the firm of Taylor-Walker Consulting, LLC; and from the Florida Office of Insurance Regulation: Shantia Simmons, AIPR, Financial Examiner/Analyst Supervisor.

Respectfully submitted,



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