

**Report on Examination**  
**of**  
**Solstice Benefits, Inc.**  
**Plantation, Florida**  
**as of**  
**December 31, 2014**



**FLORIDA OFFICE OF  
INSURANCE REGULATION**

Kevin M. McCarty, Commissioner  
Florida Office of Insurance Regulation  
Tallahassee, Florida

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 Solstice Benefits, Inc. as of December 31, 2014. Our report on the examination follows.

Florida Office of Insurance Regulation

March 11, 2015

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## SCOPE OF EXAMINATION

We have completed a financial condition examination of Solstice Benefits, Inc. (the "Company"); a single-state insurer domiciled in Florida. Our examination covered the one-year period of January 1, 2014, through December 31, 2014 and took place primarily in the Company's Plantation, 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 requires 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. 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 Statutory Accounting Principles. 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 significant findings of fact, as required by Section 642.319, Florida Statutes (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 are separately communicated to other regulators and/or the company.

## **COMPANY HISTORY**

The Company was incorporated in Florida on November 17, 2004. Its articles of incorporation were amended on January 6, 2011, August 11, 2011 and December 29, 2011. The Company received a permit to form a Florida domestic insurer on November 16, 2011 and was licensed by the Office as an insurer on April 27, 2012. It was authorized by the State of Florida to operate as a life and health insurer in accordance with Section 624.401, Florida Statutes (F.S.), and by the State of Georgia as a third party administrator. Prior to receiving its Florida life and health insurer certificate of authority, the Company was licensed in Florida as a prepaid limited health service organization, discount medical plan organization and third party administrator.

### Dividends and Capital Contributions

The Company neither declared nor paid any dividends during the period of this examination.

## **CORPORATE RECORDS**

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

## **MANAGEMENT AND CONTROL**

The Company was owned by Michael D. Flax, D.D.S., and affiliated with various other entities including Claims Management Systems, Inc., Solstice Insurance Administration, Inc., Solstice Healthplans of New Jersey, Inc. and Solstice Healthplans, Inc. The Company was also affiliated

with Solstice Health Insurance Company (SHIC), a New York insurer owned by Leonard A. Weiss, D.M.D. The Company and SHIC were under common control and management and Dr. Weiss owned shares of the Company's preferred stock. Its senior officers, directors, and members of principal board committees were:

Leonard Weiss, D.M.D., Mark Feinstein and Richard Landau were elected to the Board on February 28, 2014, replacing Audrey Ruden and Stuart Myerson and increasing the number of directors to six (6) from five (5) members.

**Senior Officers**

Name	Title
Leonard A. Weiss, DMD	President/CEO
Carlos Ferrera	Chief Operating Officer
Mark Hill	Chief Financial Officer
Tammy Eveslage	Compliance Officer

**Board of Directors**

Name	Location
Michael D. Flax, DDS	Plantation, Florida
Leonard A. Weiss, DMD	Plantation, Florida
Carlos Ferrera	Plantation, Florida
Mark D. Feinstein, Esq.	Plantation, Florida
Richard S. Landau	Providence, Rhode Island
Audie M. Rolnick	Plantation, Florida
Nachman Weiszner	Plantation, Florida

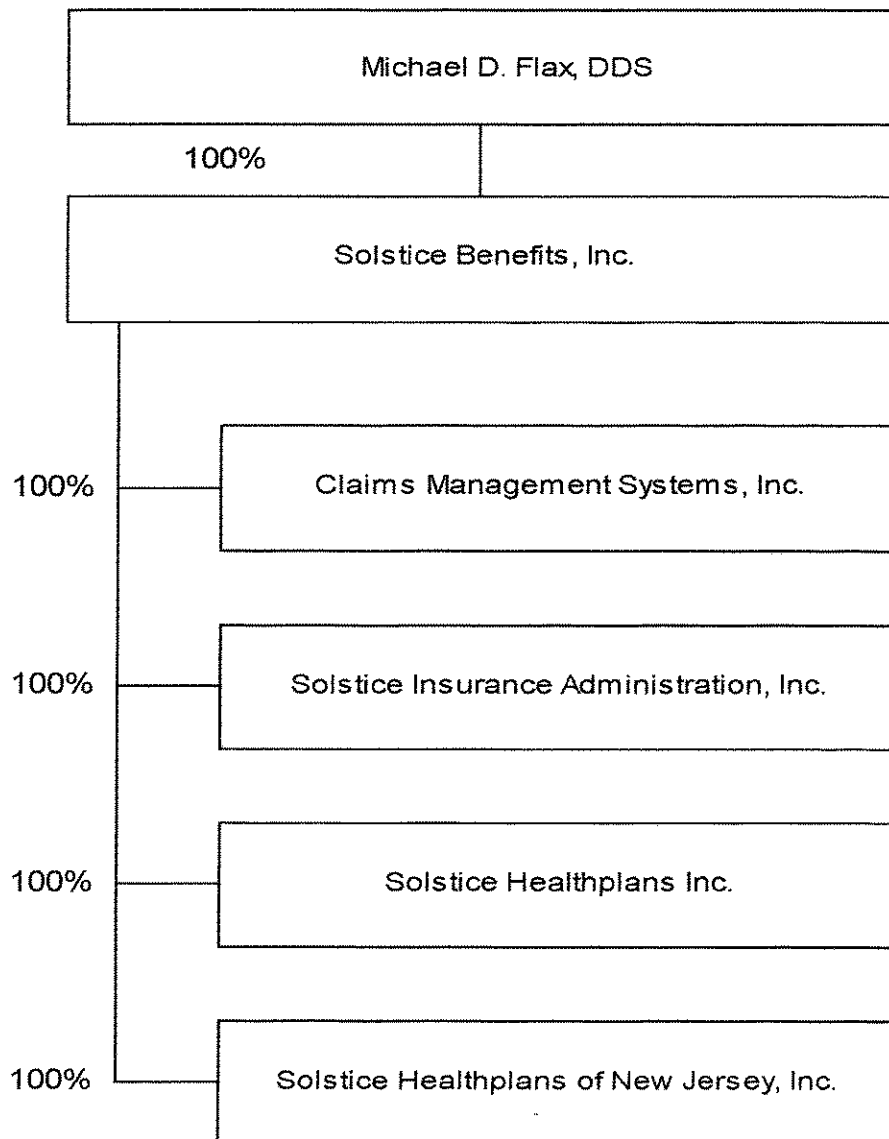
**Audit Committee**

Audie M. Rolnick  
 Mark D. Feinstein, Esq.  
 Richard S. Landau

The Company was a member of an insurance holding company system. Its latest holding company registration statement was filed with the State of Florida as required by Section 628.801, F.S., and Rule 69O-143.046, Florida Administrative Code, on April 1, 2015.

An organizational chart as of December 31, 2014, reflecting the holding company system, is shown:

**Solstice Benefits, Inc.  
Abbreviated Organizational Chart  
December 31, 2014**



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

#### Personnel Leasing Agreement

The Company provided employee leasing services to Solstice Health Insurance Company (SHIC) pursuant to a January 1, 2010 agreement, which was retroactively amended March 31, 2014. Pursuant to the agreement, the Company shall lease personnel to SHIC, as required, to perform the following services: enrollment of individuals and employer groups; installation of individuals and new groups into a billing and claims system; billing and collection of premiums from individuals and employer groups; claims investigation, processing and adjudication; and member service. Services were provided to SHIC in exchange for monthly fees based on the hours worked by the leased personnel by function.

#### Consulting Agreements

Leonard A. Weiss, D.M.D., provided consulting services to the Company pursuant to a consulting agreement effective January 1, 2010. Under the agreement, fees for the services were payable at the rate of \$20,000 per month. In addition, the agreement provided for reimbursement to Dr. Weiss of ordinary and necessary expenses incurred by him in connection with the services. The agreement was effective until terminated by either party. The agreement was terminated as of April 17, 2014, the date that Dr. Weiss was approved as CEO of the Company.

Trade Consultants, Inc. provided advisory services to the Company pursuant to a consulting agreement. The agreement was effective February 1, 2012 and remains in effect until terminated by either party. The services were related to strategic development, capital formation and development, business analysis, sales and marketing, corporate and transactional structuring, and issue resolution matters. Under the agreement, fees were payable to Trade Consultants, Inc.



at the rate of \$15,000 per month. The agreement was amended to decrease the monthly fees to \$7,500 effective March 1, 2014.

Marilyn Raphael provided marketing and business development services to the Company pursuant to a consulting agreement. The agreement was effective January 1, 2010 and remains in effect until terminated by either party. Under the agreement, fees were payable to Ms. Raphael at the rate of \$14,500 per month. The agreement was amended to increase the monthly fees to \$18,056 effective January 1, 2012. The agreement was amended again to reduce the monthly fees to \$9,028 effective March 1, 2014.

Feinstein & Sorota, P.A. provided legal advisory services to the Company pursuant to a consulting agreement. The agreement was effective January 1, 2012 and remains in effect until terminated by either party. Under the agreement, fees were payable to Feinstein & Sorota, P.A. at the rate of \$8,333 per month.

Michael Flax, D.D.S. per a consulting agreement, is to be the President of the Company, at the discretion of the board of directors, and shall perform all duties and services for the Company commensurate with the position. The Company had a verbal agreement with Dr. Flax during the examination period, but entered into a written agreement effective May 6, 2014. The agreement remains in effect until terminated by either party. Under the written agreement, fees are payable to Dr. Flax at the rate of \$30,000 per month. It is noted that the Dr. Leonard Weiss, CEO, assumed the title of President in April 2014 from Dr. Flax. Dr. Flax remains as Chairman of the Board.

### Administrative Service Agreements

The Company provided administrative, sales, marketing, network development and management, group administration, claims, customer service, information technology, finance, and accounting services to Solstice Administrators, Inc., Solstice of Illinois, Inc., and Solstice of New York, Inc. pursuant to agreements effective January 1, 2011 and retroactively amended March 31, 2014. The agreements were initially effective for terms of three (3) years and automatically renewed for one (1) year periods thereafter. Under the agreements, fees for provided services were based on hourly rates and were payable monthly.

Under an agreement effective March 26, 2006, the Company provided benefits, administrative, and claims services to Solstice Benefit Services, Inc. (formerly, Starmark Benefit Services, Inc.), while Solstice Benefit Services, Inc. provided enrollment and promotion services to the Company.

The Company had agreements in place to provide administrative, sales, marketing, network development and management, group administration, claims, customer service, information technology, finance, and accounting services to Claims Management Systems, Inc., Solstice Insurance Administrators, Inc., Solstice Administrators of Alabama, Inc., Solstice Administrators of North Carolina, Inc., Solstice Administrators of South Carolina, Inc., Solstice Administrators of Tennessee, Inc., Solstice Administrators of Missouri, Inc. and Solstice Administrators of Texas, Inc. effective January 1, 2013 and retroactively amended March 31, 2014. The agreements were initially effective for terms of three years and automatically renewed for one-year periods thereafter. Under the agreements, fees for provided services were based on hourly rates and were payable monthly.

The Company had an agreement to provide administrative, sales, marketing, network development and management, group administration, claims, customer service, information

technology, finance, and accounting services to Solstice Healthplans of New Jersey, Inc. effective May 1, 2013 and retroactively amended March 31, 2014. The agreement was initially effective for terms of three years and automatically renewed for one-year periods thereafter. Under the agreement, fees for provided services were based on hourly rates and were payable monthly.

#### Tax Sharing Agreement

The Company filed a consolidated federal income tax return which included the operations of its subsidiaries pursuant to a tax allocation agreement dated April 23, 2013 and later amended. The agreement provided for the allocation of income tax liability in accordance with the ratio which that portion of the consolidated taxable income attributable to each member having taxable income bears to the consolidated taxable income. It also provided that each member shall pay amounts to the parent on the applicable due date that said amount would have been paid had the member not been included in the consolidated return, or as soon after that date as possible. In lieu of actual payments, adjustments to intercompany payables and receivables will be made if such exists on the subsidiary's books.

#### **FIDELITY BONDS AND OTHER INSURANCE**

The Company maintained fidelity bond coverage of \$1,000,000 with a deductible of \$10,000, which adequately provided for the suggested minimum amount of coverage for the Company as recommended by the NAIC of \$175,000.

#### **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company provided various benefits to eligible employees. Benefits included group medical, life, short-term and long-term disability, vision and dental insurance; paid time off; employee

assistance; and participation in a Section 401(k) savings plan, however, the Company was not obligated to provide and did not match any of the contributions.

### TERRITORY AND PLAN OF OPERATION

The Company was authorized to transact accident and health insurance in Florida. The Company administered and marketed a wide range of dental and vision benefit plans, including fully-insured and Indemnity/PPO, ASO, pre-paid and discount dental programs, fully insured and discount vision programs, and third party administration. Through its various products, the Company provided benefits and services to approximately 380,000 members. Dental products account for 97.3% for premium and Vision accounts for 2.7% of premium.

The Company marketed its products to employer groups and individuals, primarily through independent brokers/marketers and consultants. During 2013 and 2014, the Company developed Solstice Marketplace, a private health care exchange and benefits enrollment platform. This proprietary software allowed groups to manage enrollment and eligibility through an online portal ("Solstice Marketplace") which are made available to third parties. The Company participated in the Federally Facilitated Marketplace (FFM) in the State of Florida offering Affordable Care Act (ACA) certified standalone dental plans to individual consumers since 2014. The Company offered two (2) plans on the FFM in 2014: a PPO pediatric dental plan and a PPO family plan.

## COMPANY GROWTH

The Company reported the following for years 2012 through 2014:

	2012	2013	2014
Member months	6,177,645	7,289,030	4,640,545
Year-end enrollment	521,387	633,524	383,320
Premiums	9,752,895	13,082,224	9,969,577
Revenues	20,964,059	25,745,501	16,524,039
Underwriting deductions	19,827,678	26,733,260	17,545,537
Net income	786,502	(1,404,947)	(2,375,070)
Shareholder dividends	0	0	0
Paid in surplus received	979,414	824,175	1,188,809
Admitted assets	5,849,322	5,423,696	5,060,848
Liabilities	1,738,334	2,909,608	3,107,429
Capital and surplus	4,110,988	2,514,088	1,953,419

## REINSURANCE

The Company purchased a reinsurance policy for its Dental PLHSO plans with Hannover Life Reassurance Company of America ("Hannover") effective February 1, 2014. Under this agreement, Solstice cedes 50% quota share liability under each policy written up to the maximum issue limit of \$10,000 per insured per year. Hannover pays a Ceding Allowance equal to 30% of the Reinsurer's share of Gross Written Premium.

## STATUTORY DEPOSITS

The Company maintained on deposit with the Office a cash deposit of \$104,799 in accordance with Section 624.411, F.S.

**Admitted Assets, Liabilities, Capital and Surplus  
December 31, 2014**

	Per Company	Examination Adjustments	Per Examination
<b>Admitted Assets</b>			
Common Stocks	\$ 216,118		\$ 216,118
Cash, cash equivalents and short-term investments	1,877,449	-	\$ 1,877,449
Subtotals, cash, and invested assets	2,093,567	-	2,093,567
Uncollected premiums and agents' balances	675,068	-	675,068
Amounts recoverable from reinsurers	396,929	-	396,929
Amounts recoverable under reinsurance contracts	271,387	-	271,387
Federal/foreign income tax recoverable and interest therec	231	-	231
Net deferred tax asset	110,077	-	110,077
Receivable from PSA	865,089	-	865,089
Health care and other amounts receivable	34,800	-	34,800
Aggregate write-ins for other than invested assets	613,700	-	613,700
<b>Total admitted assets</b>	<b>\$ 5,060,848</b>	<b>\$ -</b>	<b>\$ 5,060,848</b>

<b>Liabilities</b>			
Claims unpaid	\$ 1,331,563	\$ -	\$ 1,331,563
Unpaid claims adjustment expenses	86,688	-	\$ 86,688
Premiums received in advance	72,882	-	\$ 72,882
General expenses due or accrued	292,831	-	\$ 292,831
Ceded reinsurance premiums payable	977,882	-	\$ 977,882
Amounts withheld/retained for the account of others	199,326	-	\$ 199,326
Borrowed money and interest thereon	36,546	-	\$ 36,546
Amounts due to PSA	5,324	-	\$ 5,324
Liability for amounts held under uninsured plan	95,503	-	\$ 95,503
Aggregate write-ins for other liabilities	8,884	-	\$ 8,884
<b>Total liabilities</b>	<b>3,107,429</b>	<b>-</b>	<b>3,107,429</b>

<b>Capital and Surplus</b>			
Common capital stock	5,000	-	5,000
Preferred capital stock	5,336	-	5,336
Gross paid in and contributed surplus	6,768,936	-	6,768,936
Unassigned funds (deficit)	(4,825,853)	-	(4,825,853)
<b>Total capital and surplus</b>	<b>1,953,419</b>	<b>-</b>	<b>1,953,419</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 5,060,848</b>	<b>\$ -</b>	<b>\$ 5,060,848</b>

**Solstice Benefits, Inc.**  
**Statement of Revenue and Expenses**  
**(As reported by the Company)**  
**Year Ended December 31, 2014**

Net premium income	\$ 9,969,577
Risk Revenue	5,373,681
Aggregate write-ins for other health care related revenues	1,180,781
	16,524,039
Hospital and medical benefits	10,304,180
	10,304,180
Net reinsurance recoveries	2,339,091
Total hospital and medical	7,965,089
Claims adjustment expenses	2,874,933
General administrative expenses	6,705,515
Total underwriting deductions	17,545,537
Net underwriting gain	-1,021,498
Net investment gains	3,891
Aggregate write-ins for other income or expenses	-1,337,062
Income before federal income tax	-2,354,669
Federal income tax	20,401
Net income	\$ (2,375,070)



**Solstice Benefits, Inc.**  
**Statement of Changes in Capital and Surplus**  
**One year ended December 31, 2014**

Capital and surplus - December 31, 2013	2,514,088
Net income	(2,375,070)
Change in net unrealized capital gains and losses	(10,736)
Change in net deferred income tax	593,847
Change in nonadmitted assets	41,291
Paid in capital	1,190
Paid in surplus	1,188,809
<b>Capital and surplus - December 31, 2014</b>	<b>1,953,419</b>

**Solstice Benefits, Inc.**  
**Comparative Analysis of Changes in Capital and Surplus**  
**December 31, 2014**

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, 2014 - per annual statement</b>	\$		1,953,419
		<b>Increase (Decrease) In Capital &amp; Surplus</b>	
		<b>Per <u>Company</u></b>	<b>Per <u>Examination</u></b>
Total assets	\$ 5,060,848	#	\$ 5,060,848
Total liabilities	\$ 3,107,429	\$	3,107,429
<b>Capital and surplus, December 31, 2014 - per examination</b>			\$ 1,953,419

## **SUBSEQUENT EVENTS**

Subsequent to the date of examination, Nachman Weiszner, Controller, was appointed as CFO and Treasurer effective May 27, 2015, replacing Mark Hill. Mr. Weiszner was also elected to the Board of Directors at the May 27, 2015 shareholder meeting, pending approval from the Office.

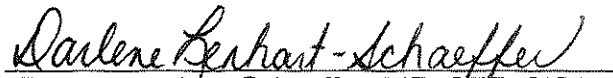
## CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Solstice Benefits, Inc. consistent with the insurance laws of the State of Florida.

At December 31, 2014, the Company's capital and surplus was \$1,953,419 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: Cathy Jones, Examinations Manager, Kerry Krantz, Actuary and Jorge Guzman, Reinsurance Financial Specialist, Participating Examiner and Highland Clark, LLC.

Respectfully submitted,



Darlene Lenhart-Schaeffer, PIR, CFE, CISA  
Chief Examiner  
Florida Office of Insurance Regulation