

Report on Examination
of
MedAmerica Insurance Company of Florida
Orlando, 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 MedAmerica Insurance Company of Florida as of December 31, 2018. Our report on the examination follows.

Florida Office of Insurance Regulation
March 18, 2020

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SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2018 of MedAmerica Insurance Company of Florida (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 Rochester, New York office. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (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 (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

There were no findings of a significant nature.

COMPANY HISTORY

The Company was incorporated in Florida on March 29, 2007 and licensed by the Office as an insurer on June 14, 2007. It was authorized by the State of Florida to operate as a life and health insurer in accordance with Section 624.401, F.S.

On December 17, 2015, the Company decided to discontinue the sale of individual policies. All policies are guaranteed renewable (or non-cancellable). The Company ceased the sale of new policies beginning in the second quarter of 2016. The Company continues to service existing insureds and only has business in Florida.

Mergers and Acquisitions

There were no mergers or acquisitions during the examination period.

CORPORATE RECORDS

We reviewed the minutes of meetings held by the Company's shareholder and Board of Directors, and by its audit, finance, governance, subsidiary, and executive committees. The Board's approval of Company transactions, including authorization of its investments as required by Section 625.304, F.S., was recorded in the minutes of its meetings.

DIVIDENDS AND CAPITAL CONTRIBUTIONS

There were no dividends distributed during the exam period. The Company received capital contributions in all years during the examination period with the exception of 2015. The following depicts the year and total contributions:

Year	Contribution
2018	\$5,000,000
2017	\$1,500,000
2016	\$500,000
2014	\$1,000,000

MANAGEMENT AND CONTROL

The Company was wholly owned by MAPA, a Pennsylvania insurer owned by MedAmerica, Inc. which was wholly owned by EHP, a New York insurer. EHP was wholly owned by Lifetime Healthcare, Inc. (Lifetime), a New York holding company.

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

Senior Officers	
Name	Title
William L. Naylor	President
Christopher C. Booth	Chief Executive Officer
Dorothy A. Coleman	Treasurer & Chief Financial Officer
Stephen R. Sloan	Secretary
Cheryl L. Bush	Senior Vice President Operations
John G. L. Giess, Jr.	Chief Actuary

Board of Directors

Name	Location
Jennifer C. Balbach	Buffalo, NY
Christopher C. Booth	Pittsford, NY
Marianne W. Gaige	Holland Patent, NY
William H. Goodrich	Fairport, NY
Austin T. Hildebrandt	Webster, NY
Dennis P. Kessler, Esq.	Rochester, NY
Patrick A. Mannion	Fayetteville, NY
Faheem A. R. Masood	Fairport, NY
Alfred D. Matt	Clinton, NY
Tyrone E. Muse II	Vestal, NY
David J. Nasca	Williamsville, NY
Louis J. Papa, M.D.	Fairport, NY
Thomas E. Rattmann	Estero, FL
Robert M. Simpson	Syracuse, NY
Judith V. Sweet	Clinton, NY
David A. Young, Jr.	Webster, NY

Audit & Compliance Committee

Jennifer C. Balbach
Marianne W. Gaige
Austin T. Hildebrandt
Patrick A. Mannion
Tyrone E. Muse III
David J. Nasca

Compensation Committee

Austin T. Hildebrandt
Patrick A. Mannion
Alfred D. Matt
Tyrone E. Muse III
Thomas E. Rattmann

Executive Committee

Jennifer C. Balbach
Christopher C. Booth
Marianne W. Gaige
Austin T. Hildebrandt
Patrick A. Mannion
Alfred D. Matt
David J. Nasca
Thomas E. Rattmann

Finance & Investment Committee

Jennifer C. Balbach
Christopher C. Booth
William H. Goodrich
Austin T. Hildebrandt
Dennis P. Kessler, Esq.
Alfred D. Matt
Thomas E. Rattmann
Judith V. Sweet

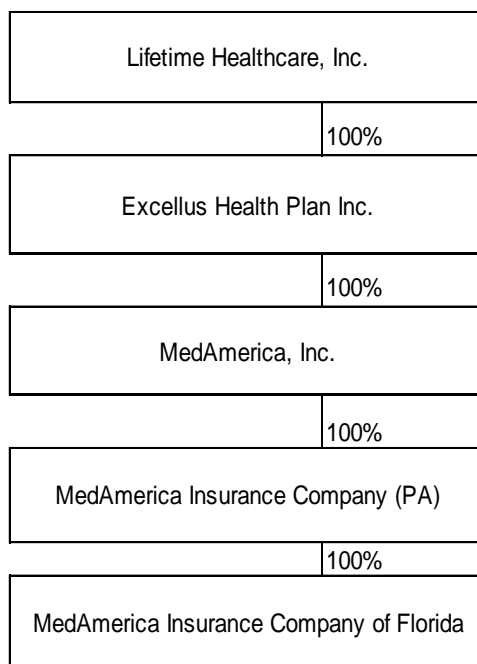
Governance & Nominating Committee

Jennifer C. Balbach
Christopher C. Booth
Austin T. Hildebrandt
Patrick A. Mannion
Alfred D. Matt
Thomas E. Rattmann

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 (F.A.C.), on November 11, 2019.

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

**MedAmerica Insurance Company of Florida
Abbreviated Organizational Chart
December 31, 2018**



AFFILIATED AND OTHER AGREEMENTS

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

Investment Advisor Agreement

The Company executed an investment management agreement with Income Research & Management (Manager) effective June 9, 2009 and amended January 11, 2012. The Manager warranted it is registered as an investment advisor under the Investment Advisors Act of 1940. This agreement authorizes the Manager, on behalf of the Company, as its agent and attorney-in-fact

without consent or consultation to issue instructions to purchase, sell or trade any security in the account and generally perform any other act to carry out its obligation under this agreement. The agreement may be terminated by either party by written notice to all parties, effective 30 days after such notice.

Tax Allocation Agreement

The Company executed a tax allocation agreement with Lifetime effective January 1, 2007. The agreement stipulates that during the existence of the agreement, the parties agree to file federal corporate income tax returns on a consolidated basis to the extent permitted by the Internal Revenue Code. The agreement sets forth standards for allocation, payment and settlement procedures. The agreement will remain in force until such time the parties mutually agree to termination or the consolidated group fails to file a corporate income tax return. The Agreement shall be governed by and construed under the laws of the State of New York.

Supervising General Agent Agreement

The Company executed a supervising general agent agreement with Excellus Insurance Agency, Inc. (Agent) effective December 14, 2007. The Agent, a company owned by Excellus Ventures, Inc., was engaged by the Company to recruit, train and supervise agents in the solicitation of long-term care products. Amendments to the agency agreement were subsequently executed with effective dates on September 1, 2009 adding new policy forms. All other terms and conditions remained intact. The agreement terminated January 1, 2015.

Capital Support Agreement

Excellus has guaranteed the payment of the direct policyholder obligations associated with insurance policies directly issued by the Company after June 24, 1997 and prior to July 1, 2010.

The capital support agreement requires Excellus to ensure the Company has sufficient liquid assets for the timely payment of amounts due on policies directly issued between July 1, 2010 and September 26, 2016. Effective September 26, 2016, in accordance with its terms, Excellus terminated the capital support agreement. After this date, policies issued by the Company are not subject to this agreement. No contributions were required from Excellus to satisfy this agreement at December 31, 2018 and 2017.

Business Associate Agreement

The Company became party to a business associate agreement with MAPA effective September 7, 2017. The agreement is intended to comply with the then-current requirements applicable to business associates under the implementing regulations relating to privacy, security and breach notification and enforcement at 45 Code of Federal Regulations Parts 160-64 for the administrative simplification provisions of the Health Insurance Portability and Accountability Act of 1996. The agreement replaced the original business associate agreement dated November 18, 2013.

Long-Term Care Administrative Services Agreement

The Company entered into a long-term care administrative services agreement with MAPA effective April 1, 2007. Pursuant to the agreement, MAPA will provide services to the Company. The term of the initial agreement was five years and automatically renews for one year on each anniversary from the initial effective date, unless termination notice is given 180 days in advance.

TERRITORY AND PLAN OF OPERATION

The Company provided long-term care insurance products through licensed agents and brokers. It was authorized to transact insurance solely in the State of Florida.

COMPANY GROWTH

The Company reported the following for years 2014 through 2018:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Premiums	\$ 4,482,034	\$ 4,245,207	\$ 4,096,045	\$ 3,864,261	\$ 3,777,699
Revenues	\$ 5,755,491	\$ 5,698,809	\$ 5,615,901	\$ 5,588,719	\$ 5,764,761
Net income	\$ 188,686	\$ (696,142)	\$ 213,673	\$ (508,710)	\$ (3,721,557)
Paid in surplus received	\$ 1,000,000	\$ -	\$ 500,000	\$ 1,500,000	\$ 5,000,000
Admitted assets	\$28,040,881	\$31,926,436	\$36,587,283	\$41,835,225	\$50,408,474
Liabilities	\$24,463,613	\$28,932,948	\$32,931,986	\$36,769,890	\$44,047,451
Capital and surplus	\$ 3,577,269	\$ 2,993,486	\$ 3,655,296	\$ 5,065,334	\$ 6,361,020

REINSURANCE

There were no reinsurance arrangements in effect during the examination period.

ACCOUNTS AND RECORDS

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 had cash deposited with the State of Florida in the amount of \$128,398 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:

MedAmerica Insurance Company of Florida
Admitted Assets, Liabilities, Capital and Surplus
December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Admitted Assets			
Bonds	\$ 41,414,411	\$ -	\$41,414,411
Cash, cash equivalents and short-term investments	2,691,787	-	2,691,787
Other invested assets	337,472	-	337,472
	44,443,670	-	44,443,670
Investment income due and accrued	570,523	-	570,523
Uncollected premiums and agents' balances	59,329	-	59,329
Net deferred tax asset	258,717	-	258,717
Guaranty funds receivable or on deposit	84,644	-	84,644
Receivables from parent, subsidiaries and affiliates	4,991,590	-	4,991,590
Total admitted assets	\$ 50,408,473	\$ -	\$50,408,473
Liabilities			
Aggregate reserve for accident and health contracts	\$ 42,538,526	\$ -	\$ 42,538,526
Contract claims: Accident and health	80,348	-	80,348
Premiums and annuity considerations for life and health contracts received in advance less discount including accident and health premiums	60,699	-	60,699
Interest Maintenance Reserve (IMR)	825,352	-	825,352
Commissions to agents due or accrued-life and annuity contracts	5,305	-	5,305
Transfers to Separate Accounts due or accrued (net)	182,361	-	182,361
Taxes, licenses and fees due or accrued, excluding federal income taxes	11,813	-	11,813
Current federal and foreign income taxes	185,827	-	185,827
Miscellaneous liabilities: Asset Valuation Reserve (AVR)	137,863	-	137,863
Miscellaneous liabilities: Payable to parent, subsidiaries and affiliates	19,356	-	19,356
Total liabilities	\$ 44,047,450	\$ -	\$ 44,047,450
Capital and Surplus			
Common capital stock	\$ 15,000	\$ -	\$ 15,000
Gross paid in and contributed surplus	13,485,000	-	13,485,000
Unassigned funds (deficit)	(7,138,977)	-	(7,138,977)
Total capital and surplus	6,361,023	-	6,361,023
Total liabilities, capital and surplus	\$ 50,408,474	\$ -	\$ 50,408,474

MedAmerica Insurance Company of Florida
Statement of Revenue and Expenses
Year Ended December 31, 2018

Premiums and annuity considerations	\$ 3,777,699
Net investment income	1,950,445
Amortization of Interest Maintenance Reserve	36,618
Total revenues	5,764,761
Disability benefits and benefits under accident and health contracts	1,471,563
Increase in aggregate reserves for life and accident and health contracts	7,160,683
Commissions on premiums, annuity considerations, and deposit type contract	272,140
General insurance expenses	301,677
Insurance taxes, licenses and fees, excluding federal income taxes	75,863
Total underwriting deductions	9,281,926
Net underwriting gain	(3,517,166)
Federal and foreign income taxes	188,880
Income before realized capital gains (losses)	(3,706,046)
Net realized capital gains (losses)	(15,512)
Net income	\$ (3,721,557)

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

Capital and surplus - December 31, 2013	\$ 2,407,240
Net income	188,686
Change in nonadmitted assets	743
Change in asset valuation reserve	(19,400)
Surplus adjustment: Paid in	1,000,000
<hr/>	
Capital and surplus - December 31, 2014	3,577,269
Net income	(696,142)
Change in nonadmitted assets	1,048
Change in asset valuation reserve	111,311
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Capital and surplus - December 31, 2015	2,993,486
Net income	213,671
Change in nonadmitted assets	826
Change in asset valuation reserve	(52,688)
Surplus adjustment: Paid in	500,000
<hr/>	
Capital and surplus - December 31, 2016	3,655,295
Net income	(508,710)
Change in net deferred income tax	365,308
Change in nonadmitted assets	(168,390)
Change in asset valuation reserve	(38,174)
Surplus adjustment: Paid in	1,500,000
Aggregate writ-ins for gains and losses in surplus	260,004
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Capital and surplus - December 31, 2017	5,065,333
Net income	(3,721,557)
Change in net deferred income tax	935,847
Change in nonadmitted assets	(873,033)
Change in asset valuation reserve	(45,570)
Surplus adjustment: Paid in	5,000,000
<hr/>	
	6,361,020
Examination adjustments	-
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Capital and surplus - December 31, 2018	<u>\$ 6,361,020</u>

MedAmerica Insurance Company of Florida
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.

Capital and surplus, December 31, 2018 - per annual statement				\$ 6,361,020
	<u>Per</u>	<u>Per</u>	<u>Increase</u>	
	<u>Company</u>	<u>Examination</u>	<u>(Decrease)</u>	
			<u>In Capital</u>	
			<u>& Surplus</u>	
Total assets	\$ 50,408,474	\$ 50,408,474	\$ -	
Total liabilities	\$ 44,047,451	\$ 44,047,451	\$ -	-
Capital and surplus, December 31, 2018 - per examination				<u>\$ 6,361,020</u>

COMMENTS ON FINANCIAL STATEMENTS

The actuarial reserves and claims liabilities were reviewed and it was determined that the reserves as reported by the Company are acceptable. There were no material changes required to be made to the Company's financial statements.

SUMMARY OF RECOMMENDATIONS

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

SUBSEQUENT EVENTS

As of July 1, 2019, Christopher Martin Gorecki became the Chief Financial Officer.

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

At December 31, 2018, the Company's capital and surplus was \$6,361,023 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: Rick Buchwald, CFE, CFE (Fraud), MCM, CIA, associated with the firm of Baker Tilly; and from the Florida Office of Insurance Regulation: Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor; and Emmaculate Muambo, CFE (fraud), APIR, Financial Control Specialist.

Respectfully submitted,



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