



**EXAMINATION REPORT  
OF**

**SOUTH FLORIDA OPHTHALMOLOGICAL SELF  
INSURING TRUST**

**Florida Company Code: 04387**

**MIAMI, FLORIDA**

**as of  
June 30, 2015**

**BY THE  
FLORIDA OFFICE OF INSURANCE REGULATION**

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May 12, 2017

David Altmaier  
Commissioner  
Office of Insurance Regulation  
State of Florida  
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Section 624.486, Florida Statutes, and Rule 69O-187.007, Florida Administrative Code, we have conducted an examination as of June 30, 2015, of the financial condition and corporate affairs of

**South Florida Ophthalmological Self Insurance Trust**  
19 W. Flagler St. Suite 711  
Miami, Florida 33130

hereinafter referred to as the "Trust." Such report of examination is herewith respectfully submitted.

## **SCOPE OF EXAMINATION**

This examination covered the period of July 1, 2010 through June 30, 2015 and commenced with planning at the Office on September 6, 2016 to September 9, 2016. The fieldwork commenced on September 12, 2016 and concluded as of May 12, 2017. The Trust was last examined by representatives of the Florida Office of Insurance Regulation (Office) covering the period of July 1, 2005 through June 30, 2010.

The examination included a review of the Trust records and other selected records deemed pertinent to the Trust operations and practices. In addition, the Trust Independent Audit reports, and certain work papers and related records prepared by the Trust's independent certified public accountants were reviewed and utilized, where applicable, within the scope of this examination.

The Trust's assets were valued and/or verified, and the liabilities were determined or estimated as of June 30, 2015. Transactions subsequent to year-end 2015 were reviewed where relevant and deemed significant to the Trust's financial condition.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Examination Findings**

There were no material findings, or exceptions noted during the examination as of June 30, 2015.

### **Prior Examination Findings**

The following is a summary of material adverse findings, significant non-compliance findings or material changes in the financial statements in the Office's prior examination report as of June 30, 2010, along with resulting action taken by the Trust in connection therewith.

## **Custodial Agreement**

Upon review of the Custodial Agreement between the Trust and the custodial bank, Northern Trust Bank of Florida NA; it was determined that the document was not in compliance with Rule 69O-143.042, subsections f, g, i, j, k, and l, Florida Administrative Code.

**Resolution:** The agreement was amended and is now in compliance with Rule 69O-143.042, Florida Administrative Code.

## **Audit Committee**

The board of Trustees did not establish an audit committee of three (3) or more directors of the insurer or an affiliated company as required by Section 624.424 (8)(c), Florida Statutes.

**Resolution:** The Board of Trustees established an audit committee of three (3) Directors as required by Section 624.424 (8)(c), Florida Statutes.

## **COMPANY HISTORY**

### **General**

The Trust was approved on March 1, 1976 under the laws of the State of Florida as a Malpractice Self Insurance Trust Fund and commenced business on July 1, 1976 under the name South Florida Ophthalmological Self Insuring Trust.

The Trust was authorized to transact medical malpractice liability insurance coverage for ophthalmologists who were members of the Trust. The membership was limited to ophthalmologists who were duly licensed by the State of Florida and practiced in Palm Beach, Broward or Miami-Dade counties. Membership was limited to new ophthalmologists joining existing members. At June 30, 2015, the Trust had one hundred thirty-five (135) members.

The Declaration of Trust was not amended during the period covered by this examination. The Bylaws were amended as of June 30, 2015, and submitted to the Office as required.

## **Dividends**

The Trust did not pay any dividends.

## **Capital Stock and Capital Contributions**

The Trust maintained no capital stock and received no capital contributions.

## **Surplus Notes**

The Trust did not have any surplus debentures.

## **Acquisitions, Mergers, Disposals, Dissolutions and Purchase or Sales through Reinsurance**

There were no acquisitions, mergers, disposals, dissolutions, purchases or sales through reinsurance for the period of examination.

## **CORPORATE RECORDS**

The recorded minutes of the Board of Trustees (Trustees), were reviewed for the period under examination. The recorded minutes of the Trustees documented its meetings.

## **Conflict of Interest**

The Trust adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with Rule 69O-138.001, Florida Administrative Code.

## MANAGEMENT AND CONTROL

### Management

The annual meeting of the members for the election of trustees was held in accordance with Rule 69O-187.010 (1), Florida Administrative Code. Trustees serving as of June 30, 2015 were:

#### Trustees

| <b>Name</b>                           | <b>City, State</b>   | <b>Principal Occupation</b>   |
|---------------------------------------|----------------------|---|
| Myron Tanenbaum, M.D.                 | Miami, Florida       | Ophthalmologist,<br>Myron Tenenbaum, MDPA   |
| Raymond Gaillitis, M.D.               | Margate, Florida     | Ophthalmologist,<br>Ophthalmology Consultants<br>The Center for Lasik             |
| Jay Harold Stanley, M.D. <sup>1</sup> | Plantation, Florida  | Ophthalmologist,<br>Plantation Eye Associates                                     |
| Lee Duffner, M.D.                     | Hollywood, Florida   | Retired Ophthalmologist   |
| Lawrence Scott Halperin, M.D.         | Boca Raton, Florida  | Ophthalmologist, Retina<br>Vitreous Consultants d/b/a/<br>Retina Group of Florida |
| Carlos Buznego, M.D.                  | Boca Raton, Florida, | Ophthalmologist, Center for<br>Excellence in Eye Care                             |
| William John Kelly, M.D.              | Boca Raton, Florida  | Ophthalmologist, Bedotto,<br>Wallace, Clewner & Kelly,<br>MDPA                    |

<sup>1</sup> Chairperson



In accordance with the Trust's bylaws, the Trustees appointed the following Senior Officers:

### **Senior Officers**

| <b>Name</b>              | <b>City, State</b>  | <b>Title</b>   |
|--------------------------|---------------------|----------------|
| Jay Harold Stanley, M.D. | Plantation, Florida | President      |
| Raymond Gailitis, M.D.   | Margate, Florida    | Vice President |
| Carlos Buznego, M.D.     | Miami, Florida      | Secretary      |

The Trust's Trustees appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2015:

### **Audit Committee**

| <b>Name</b>                           | <b>City, State</b>  | <b>Title</b>   |
|---------------------------------------|---------------------|----------------|
| Jay Harold Stanley, M.D. <sup>1</sup> | Plantation, Florida | President      |
| Carlos Buznego, M.D.                  | Miami, Florida      | Vice President |
| Myron Tanenbaum, M.D.                 | Miami, Florida      | Trustee        |

<sup>1</sup> Chairperson

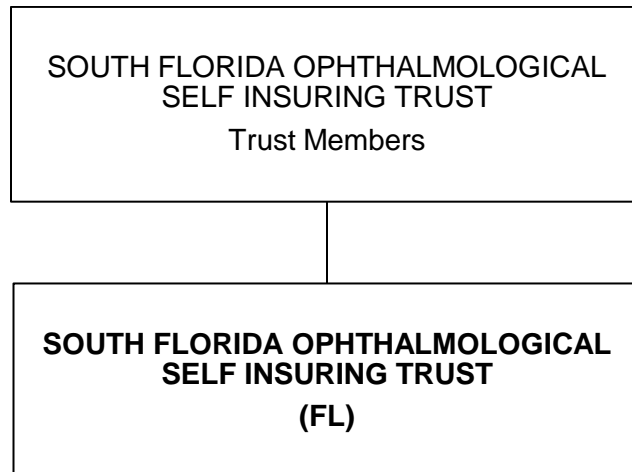
The Trust maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

### **Affiliated Companies**

The Trust had no affiliated companies.

An organizational chart as of June 30, 2015 is shown on the following page.

**South Florida Ophthalmological Self Insuring Trust**  
**Organizational Chart**  
**June 30, 2015**



## **FIDELITY BOND**

The Trust maintained fidelity bond coverage up to \$250,000 with a deductible of \$2,500, which is a sufficient amount as required by Rule 69O-187.005 (5), Florida Administrative Code.

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

The Trust had no employees.

## **TERRITORY AND PLAN OF OPERATIONS**

The Trust was authorized to transact insurance only in the State of Florida.

### **Treatment of Members**

The Trust established procedures for handling written complaints in accordance with Section 626.9541(1)(j), Florida Statutes.

The Trust maintained procedures for handling each type of claim in accordance with Section 626.9541(1)(i)(3)(a), Florida Statutes.

## **ACCOUNTS AND RECORDS**

The Trust maintained its principal operational offices in Miami, Florida, where part of this examination was conducted.

An independent CPA, Morrison, Brown, Argiz and & Farra, LLC, audited the Trust's statutory basis financial statements annually for the years 2011, 2012, 2013, 2014 and 2015 in accordance with Rule 69O-187.007 (1), Florida Administrative Code. Supporting workpapers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

The Trust's accounting records were maintained using Excel spreadsheets. The Trust's balance sheet accounts were verified with the line items of the annual statement and submitted to the Office.

### **Custodial Agreement**

The Trust maintained a Custodial Agreement with Northern Trust Bank, signed April 10, 2008, and amended September 30, 2011. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

### **Service Agent Agreement**

The Trust had a Service Agent Agreement (SAA) with Medical Service Agents, Inc. (MSA), executed May 1, 2013, to provide risk management and other services necessary to maintain a self-insurance trust fund. The SAA included administrative management and financial services in accordance with Rule 69O –187.002, Florida Administrative Code. MSA shall receive as and for its compensation during the term of this contract, for providing the services set forth in this agreement, \$2,000 per member of the Trust. Such fee shall vest immediately upon inception of the Trust's coverage year and shall be paid quarterly.

The SAA was amended May 2, 2015, effective July 1, 2015, to provide compensation to the MSA for each Trustees meeting attended, equivalent to the fee paid to regular Trustee members.

### **Independent Auditor Agreement**

The Trust engaged Morrison, Brown, Argiz and & Farra, LLC, CPA to perform the annual audit of its financial statements as required by Rule 69O – 137.002 (7)(c), and Rule 69O – 187.007 (1), Florida Administrative Code.

## **STATUTORY DEPOSITS**

The Trust was not required to have any securities deposited with the State of Florida.

## **FINANCIAL STATEMENTS**

The following pages contain financial statements showing the Trust's financial position as of June 30, 2015, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

**South Florida Ophthalmological Self Insuring Trust**

**Assets**

**June 30, 2015**

|                             | <b>Per Company</b> | <b>Examination<br/>Adjustments</b> | <b>Per Examination</b> |
|-----------------------------|--------------------|------------------------------------|------------------------|
| Cash on Hand and On Deposit | \$2,425,526        |                                    | \$2,425,526            |
| Securities at Market Value  | 6,773,325          |                                    | \$6,773,325            |
| Accrued Interest            | 4,108              |                                    | \$4,108                |
| Premiums due                | 242,171            |                                    | \$242,171              |
|                             | <hr/>              |                                    |                        |
| Totals                      | \$9,445,130        | \$0                                | \$9,445,130            |

**South Florida Ophthalmological Self Insuring Trust**  
**Liabilities, Surplus and Other Funds**  
**June 30, 2015**

|   | Per Company | Examination<br>Adjustments | Per<br>Examination |
|---|-------------|----------------------------|--------------------|
| Losses                                  | \$3,100,000 |                            | \$3,100,000        |
| Loss adjustment expenses                | 775,000     |                            | 775,000            |
| Unearned premiums, fees                 | 269,650     |                            | 269,650            |
| Other liabilities                       | 30,000      |                            | 30,000             |
| Total Liabilities                       | \$4,174,650 | \$0                        | \$4,174,650        |
| Trustees Account                        | \$5,270,480 |                            | \$5,270,480        |
| Surplus as regards policyholders        | \$5,270,480 | \$0                        | \$5,270,480        |
| Total liabilities and Trustees accounts | 9,445,130   | \$0                        | \$9,445,130        |



**South Florida Ophthalmological Self Insuring Trust**  
**Statement of Income**  
**June 30, 2015**

**Underwriting Income**

|                                      |                    |           |
|--------------------------------------|--------------------|-----------|
| Premiums earned                      |                    | \$983,275 |
|                                      | <b>Deductions:</b> |           |
| Losses incurred                      |                    | 199,500   |
| Loss adjustment expenses incurred    |                    | 168,524   |
| Other underwriting expenses incurred |                    | 240,696   |
| Administrative Expense               |                    | 168,078   |
| Total underwriting deductions        |                    | \$776,798 |
| Net underwriting gain or (loss)      |                    | \$206,477 |

**Investment Income**

|  |  |           |
|--|--|-----------|
| Net investment income earned   |  | \$11,827  |
| Net realized capital gains or (losses)   |  | (3,570)   |
| Net investment gain or (loss)  |  | \$8,257   |
| Net income before dividends to policyholders and<br>before federal & foreign income taxes  |  | \$214,734 |
| Dividends to policyholders   |  | \$0       |
| Net Income, after dividends to policyholders, but<br>before federal & foreign income taxes |  | \$214,734 |
| Net Income   |  | \$214,734 |

**Capital and Surplus Account**

|   |  |             |
|---|--|-------------|
| Surplus as regards policyholders, June 30 prior year    |  | \$5,053,338 |
| Net Income  |  | \$214,734   |
| Net unrealized capital gains or losses                  |  | 2,408       |
| Change in surplus as regards policyholders for the year |  | 217,142     |
| Surplus as regards policyholders, June 30 current year  |  | \$5,270,480 |

**South Florida Ophthalmological Self Insuring Trust**  
**Comparative Analysis of Changes in Surplus**  
**June 30, 2015**

**Analysis of Changes to Surplus**

Surplus at June 30, 2015, per  
Annual Financial Statement

|   | <u>Increase</u> | <u>Decrease</u> |                    |
|---|-----------------|-----------------|--------------------|
|   |                 |                 | \$5,270,480        |
| <b>ASSETS:</b>                                |                 |                 |                    |
| No Adjustment                                 |                 |                 | \$0                |
| <b>LIABILITIES</b>                            |                 |                 |                    |
| No Adjustment                                 |                 |                 | \$0                |
| Net change in surplus:                        |                 |                 | \$0                |
| Surplus at June 30, 2015,<br>after adjustment |                 |                 | <u>\$5,270,480</u> |

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

**Losses and Loss Adjustment Expenses** \$3,875,000

The total reserve included amounts for reported losses and losses incurred by not reported. The amount related to reported losses was determined on a case by case basis. In determining the liability for this amount management considered, among other factors, the Trust's loss experience, the volume of activity, and economic trends.

The Office consulting actuary, Alan Kalinski, FCAS, MAAA, of Risk and Regulatory Consulting LLC., reviewed the loss and loss adjustment expense work papers provided by the Trust and rendered an opinion that the currently held loss and loss adjustment expense reserves of the Trust are reasonable and provide an adequate amount for future liabilities.

### Capital and Surplus

The amount reported by the Trust of \$5,270,480, represents a positive amount as required by Section 624.468 (7), Florida Statutes.

## **SUBSEQUENT EVENTS**

### **Trustees**

Lee Duffner, M.D. resigned December 31, 2016 and was replaced by Joseph Trentacoste.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **South Florida Ophthalmological Self Insuring Trust** as of June 30, 2015, consistent with the insurance laws of the State of Florida.

Per examination findings, the Trust's surplus as regards policyholders was \$5,270,480, which represents a positive amount as required by Section 624.468 (7), Florida Statutes.

Members of the Office who participated in the examination include Kyra D. Brown, MBA, APIR, Financial Examiner/Analyst Supervisor, Examiner-in-Charge, and Connie Hare, CFE (Fraud), AFE, Financial Examiner/Analyst Supervisor, Examination Manager. Additionally, Alan Kalinski, FCAS, MAAA of Risk and Regulatory Consulting LLC is recognized for participation in the examination.

Respectfully submitted,

Brian Sewell, CFE, MCM  
Chief Examiner  
Florida Office of Insurance Regulation