



**EXAMINATION REPORT  
OF  
BRIGHT HEALTH INSURANCE COMPANY OF FLORIDA**

**NAIC Company Code: 16501**

**Tampa, Florida  
as of  
December 31, 2019**

**BY THE  
FLORIDA  
OFFICE OF INSURANCE REGULATION**

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March 26, 2021

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

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners ("the NAIC"), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of

**BRIGHT HEALTH INSURANCE COMPANY OF FLORIDA**

3030 N. Rocky Point Drive, Suite 150A  
Tampa, Florida 33607

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

## **SCOPE OF EXAMINATION**

This examination covered the period of February 13, 2019 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on August 25, 2019. The fieldwork concluded as of March 26, 2021. This was the first financial condition examination of the Company by the Office.

The examination was a single-state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed 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 the NAIC Statements of Statutory Accounting Principles (“SSAP”). 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 information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

## SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings as a result of this examination.

## COMPANY HISTORY

### General

The Company was incorporated in Florida on February 5, 2019 and commenced business on January 1, 2020. The Company is 100% owned by Bright Health Management, which is 100% owned by Bright Health, Inc. ("BHI"). **Subsequent event:** In January 2021, BHI's name was changed to Bright Health Group, Inc.

### Dividends

The Company did not declare or pay any dividends during the examination period.

### Capital Stock and Capital Contributions

As of December 31, 2019, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	100,000
Total common capital stock	\$1,000,000
Par value per share	\$10.00

The Company's parent, Bright Health Management ("BHM"), infused capital of \$7,000,000 on February 11, 2019 and \$10,000,000 on December 23, 2019. Of the infused capital contributions, \$1,000,000 was for common capital stock, with the other \$16,000,000 being gross paid in and contributed surplus.

### Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

## Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

## MANAGEMENT AND CONTROL

### Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. The Company is governed by a five-person board of directors, comprised of officers of the Company's parent who also hold board positions in substantially all other subsidiaries of Bright Health Insurance holding group. The board of directors are elected at each annual meeting of the Company's stockholders. Directors serving as of December 31, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
George L. Mikan, III (b)	Minneapolis, Minnesota	President Bright Health Insurance Company
Robert John Sheehy (b)	Minneapolis, Minnesota	Chief Executive Officer Bright Health Insurance Company
Tomas Valdivia, M.D.	Minneapolis, Minnesota	Chief Medical Officer Bright Health Insurance Company
Brian Beutner (b)	Minneapolis, Minnesota	General Counsel and Corporate Secretary Bright Health Insurance Company
Nicolas Christianson(a)	Minneapolis, Minnesota	Vice President, Controller Bright Health Insurance Company

(a) Mr. Christianson replaced Donald Powers as a member of the Board of Directors effective October 1, 2019.

(b) Effective June 1, 2020, these directors were replaced by Simeon Schindelman, George Lyford and Keith Nelsen.

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

<b>Senior Officers</b>		
<b>Name</b>	<b>City, State</b>	<b>Title</b>
Robert John Sheehy (e)	Minneapolis, Minnesota	Chief Executive Officer
Brian Keith Beutner (e)	Minneapolis, Minnesota	Secretary
George L. Milkan, III(c) (e)	Minneapolis, Minnesota	President
Nicolas Christianson(d) (e)	Minneapolis, Minnesota	Chief Financial Officer
Tomas David Valdivia, M.D.	Minneapolis, Minnesota	Chief Medical Officer

- (c) George Mikan replaced Kyle Robert Roling as President of the Company on May 15, 2019
- (d) Nicolas Christianson replaced Donald Alan Powers, who resigned as Chief Financial Officer on October 1, 2019.
- (e) Effective June 1, 2020, Simeon Schindelman replaced Robert Sheehy as Chief Executive Officer; RaeAnn Grossman replaced George Milkan as President and Chief Operating Officer and resigned from her position effective November 27, 2020; Kara Rios replaced Nicolas Christianson; and George Lyford replaced Brian Beutner as Corporate Secretary.

To meet the audit committee requirement specified by Section 624.424(8)(c), Florida Statutes, the seven-member board of directors of BHI served as the audit committee for the group, including each of the regulated insurers. Five of the seven BHI board of directors serving in this capacity are independent as they are not part of management and have no business relationships with the Company.

Subsequent to the examination date, the BHI Audit Committee was established and members were appointed on January 20, 2021.

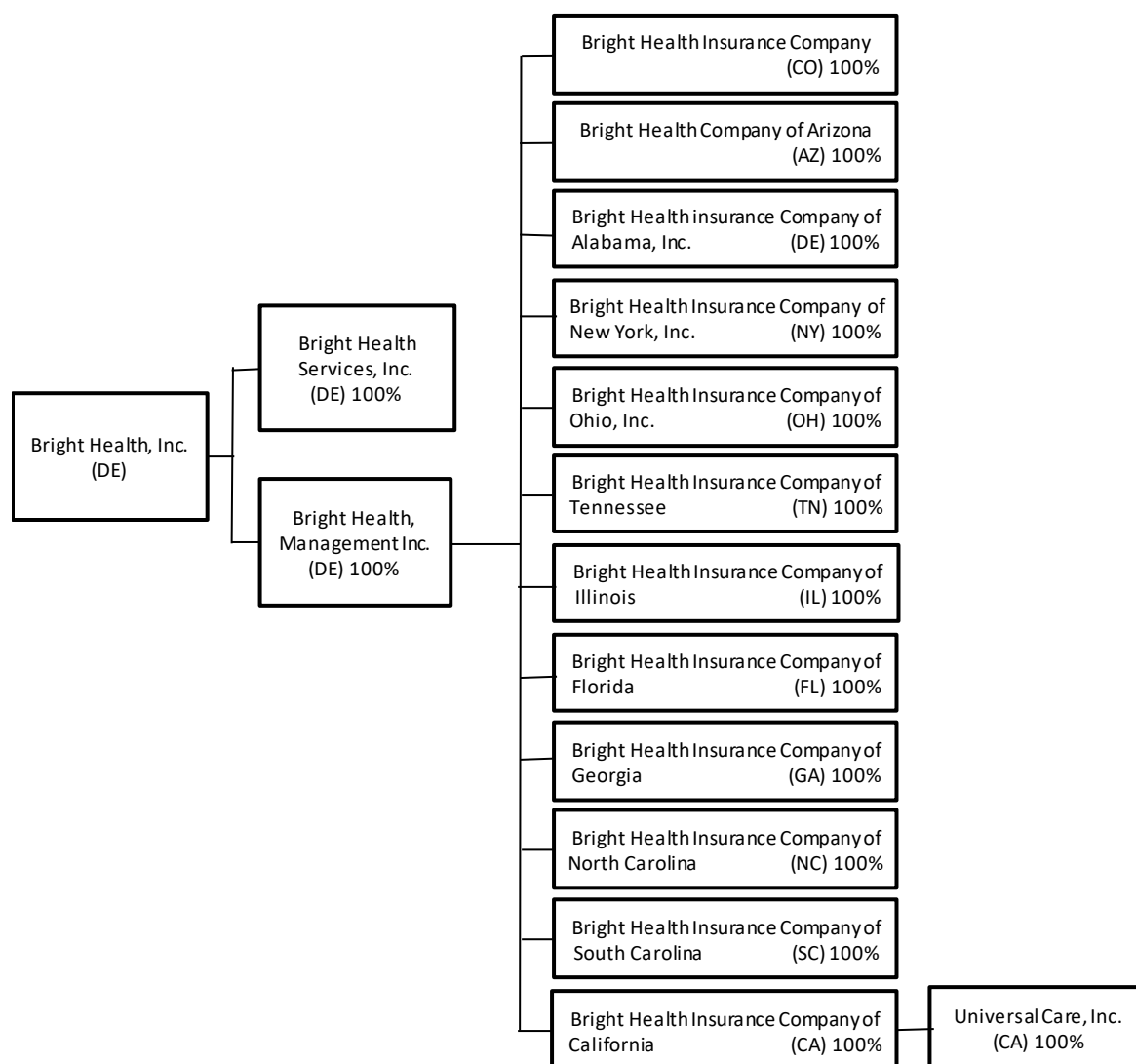
The following is a list of Audit Committee members appointed on January 20, 2021: Kedrick Adkins (Chair), Manny Kadre, Jeff Folick, and Linda Gooden.

### **Holding Company System**

The Company is 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 March 30, 2020.

BHI is a for-profit privately held company and ultimate parent. BHI established a wholly owned subsidiary BHM. BHM, was established as a health insurer management corporation to provide operational support to all insurers in the group by centralizing and sharing governance, policies and procedures, IT systems platforms, key functional activities, and any other process or function pertinent to the operations of a health insurer group. BHM provides these services to its subsidiary health insurers under the terms of a shared services management agreement.

Both BHI and BHM are Delaware domiciled entities based at the group's main administrative address and primary location of books and records in Minneapolis, Minnesota. The following organizational chart depicts the Company's relationship within the holding company system:





BHM and BHIFL entered into a management service agreement effective April 15, 2019. The Company's policy is to not allocate any shared expenses incurred by the BHM management company to the regulated subsidiaries until the Company begins to write premiums. BHIFL did not write any premiums in 2019, therefore, no shared expenses were allocated to BHIFL in 2019.

All significant service and management agreements are maintained at the parent level and allocated down to affiliated entities on a direct and indirect basis. The following agreements were in effect between the Company and its affiliates as of December 31, 2019:

### **Tax Allocation Agreement**

All insurers in the Bright Health's group are included in the tax sharing agreement. The Company was added to the agreement effective August 1, 2019. The agreement provides for allocation of consolidated federal income tax liability, state and local income tax liability, and certain related matters.

### **Management Agreement**

The health insurers in the group, including the Company, have no employees. As with each of the insurers in the group, the Company holds a management service agreement with BHM, which was effective as of April 15, 2019. The agreement was established to centralize staffing, governance, policies and procedures, and platforms, and provide these services to its subsidiary insurance companies under the terms of a shared services management agreement for a fair and reasonable cost allocation.

While the Management Service Agreement was in effect during 2019, BHM did not allocate any shared expenses incurred to the Company, until the Company began writing premiums. As a result, no management fees were allocated to the Company during 2019.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Minneapolis, Minnesota. There were no significant examination findings related to the Company's accounts and records.

The Company and non-affiliates had the following material agreements:

### **Custodial Agreement**

The Company maintained a custodial agreement with U.S. Bank N.A. executed on August 29, 2019. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

### **Independent Auditor Agreement**

The Company was given permission to waive an external audit in 2019. In addition, the Company received a waiver acceptance from the Office for their Statement of Actuarial Opinion. The Company does not have any other permitted statutory accounting practices as of the examination date.

### **Corporate Records Review**

The recorded minutes of the Shareholder(s), Board of Directors (Board) were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company was authorized to transact insurance only in the State of Florida. It writes comprehensive health policies for individuals and families and provides Medicare Advantage policies for Medicare-eligible enrollees. The Company did not write any premiums during 2019. Beginning January 1, 2020, the Company began offering individual comprehensive major medical

policies both on and off the health exchanges, focusing in the Jacksonville, Orlando, and Pensacola metropolitan area. The coverage includes “care partners” such as independent primary care medical homes, integrated hospital systems, and emerging Accountable Care Organizations.

The Company utilizes third parties for a number of functions, including management services, third party administrator services, actuarial consulting, pharmacy benefit manager services, marketing, investment management and custodial services, and IT.

The Company was authorized to transact insurance in Florida on February 13, 2019, and is currently authorized for the Accident and Health line of business as of December 31, 2019.

## **REINSURANCE**

The Company did not have any reinsurance during the examination period.

## **FINANCIAL STATEMENTS**

The following includes the Company's statutory Statement of Assets, Liabilities, Capital and Surplus and statutory Statement of Revenue and Expenses for the year ended December 31, 2019. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2019. (Note: Due to rounding, column amounts may not add to the totals reflected in this Report.)

**Bright Health Insurance Company of Florida**  
**Assets**  
**December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 5,992,479		\$ 5,992,479
Cash, cash equivalents and short-term investments	12,311,194		12,311,194
Subtotal cash and invested assets	\$18,303,673		\$18,303,673
Investment income due and accrued	35,071		35,071
Totals	\$18,338,744		\$18,338,744

**Bright Health Insurance Company of Florida**  
**Liabilities, Capital and Surplus**  
**December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Premiums received in advance	\$ 1,271,796		\$ 1,271,796
General expenses due or accrued	56,323		56,323
Amounts due to parent, subsidiaries and affiliates	73,488		73,488
Total liabilities	\$ 1,401,607		\$ 1,401,607
Aggregate write-ins for special surplus funds	\$ 1,000,000		\$ 1,000,000
Common capital stock	16,000,000		16,000,000
Unassigned funds (surplus)	(62,863)		(62,863)
Total capital and surplus	\$16,937,137		\$16,937,137
Total liabilities, capital and surplus	\$18,338,744		\$18,338,744

**Bright Health Insurance Company of Florida**  
**Statement of Revenue and Expenses**  
**December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Net premium income	\$0		\$0
General administrative expenses	13,961		13,961
Net underwriting gain or (loss)	\$(13,961)		\$(13,961)
Net investment income earned	110,990		110,990
Net income or (loss) after capital gains tax and before all other federal income taxes	\$ 97,029		\$ 97,029
Federal and foreign income taxes incurred	73,768		73,768
Net Income	\$ 23,261		\$ 23,261

	Per Company	Examination Adjustments	Per Examination
<b>Capital and Surplus Account</b>			
Capital and surplus prior reporting year	\$0		\$0
Net Income	\$ 23,261		\$ 23,261
Change in nonadmitted assets	(86,124)		(86,124)
Capital Changes:			
Common Stock	1,000,000		1,000,000
Paid in	16,000,000		16,000,000
Net change in capital and surplus	\$16,937,137		\$16,937,137
Capital and surplus end of reporting year	\$16,937,137		\$16,937,137

**Bright Health Insurance Company of Florida**  
**Reconciliation of Capital and Surplus**  
**December 31, 2019**

<b>Capital/Surplus Change during Examination Period</b>			
Capital and Surplus at February 13, 2019, per Examination			\$ 0
	Increase	Decrease	
Net income	\$23,261		\$23,261
Change in net unrealized capital gain (loss)	0		0
Change in net deferred income tax	0		0
Change in non-admitted assets		\$86,124	(86,124)
Change in capital (common stock)	1,000,000		1,000,000
Change in paid in surplus	16,000,000		16,000,000
Transferred to surplus	0		0
Net increase (or decrease)			\$16,937,137
Capital and Surplus at December 31, 2019 per Examination			\$ 16,937,137

No adjustments were made to surplus as regards policyholders as a result of this examination.

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

### **Losses and Loss Adjustment Expenses**

The office waived the Company's 2019 filing of the actuarial opinion. The Office consulting actuary, Scott Garduno, FSA, MAA of Taylor-Walker Consulting, LLC performed the limited actuarial review for this examination as there were no work papers to rely on, since the Company had no premiums or established loss reserves.

### **Capital and Surplus**

The amount of capital and surplus reported by the Company of \$16,937,137, exceeded the minimum of \$1,500,000 required by Section 624.408, Florida Statutes.

## **SUBSEQUENT EVENTS**


The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Florida Office of Insurance Regulation has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Bright Health Insurance Company of Florida as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned Renee Hanshaw, CPA, CFE, Examiner-in-Charge, and Neal Rischall, CFE, MCM; James Gowins, CISA, AES, AFE, MCM; Steven Sigler, CFE, AES, CISA, AMCM and Rachelle Gowins, CFE, MCM associated with the firm of Examination Resources, LLC Members of the Office who participated in the examination include Margaret M. McCrary, CFE, CPA, MBA, OIR Supervising Examiner. Additionally, Scott Garduno, FSA, MAAA and Solomon Frazier, FSA, FCAS, MAAA associated with the firm of Taylor-Walker Consulting, LLC, are recognized for participation in the examination.

Respectfully submitted,

  
Renee Hanshaw, CPA, CFE  
Examiner-in-Charge  
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Margaret M. McCrary, CFE, CPA, MBA  
Chief Financial Examiner  
Life & Health Financial Oversight  
Florida Office of Insurance Regulation



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