



**EXAMINATION REPORT  
OF  
FLORIDA BLUE MEDICARE, INC.**

**NAIC Company Code: 16490**

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

**BY THE  
FLORIDA  
OFFICE OF INSURANCE REGULATION**

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May 28, 2021

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

Dear Commissioner,

Pursuant to your instructions, in compliance with Section 641.27, Florida Statutes, 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

**Florida Blue Medicare, Inc.**  
4800 Deerwood Campus Parkway  
Jacksonville, FL 32246

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

## **SCOPE OF EXAMINATION**

This examination covered the period of January 1, 2019 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on October 5, 2020. The fieldwork concluded as of May 28, 2021. This was the first financial condition examination of the Company by the Florida Office of Insurance Regulation.

The examination was a single state holding company group 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. Florida is the lead state and all seven (7) companies are domiciled in Florida.

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 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 and 641.27(1), 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

### Current Examination Findings

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

### Previous Examination Findings

The Company was not previously examined.

## COMPANY HISTORY

### General

The Company was incorporated in Florida on June 22, 2018 and commenced business on January 1, 2020.

The Company began enrolling members during the 2019 open enrollment period and begun operations during the 2020 benefit year.

### Dividends

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

### 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	1,000
Total common capital stock	\$0.00
Par value per share	\$0.00

The Company received capital contributions of \$40,310,000 and \$160,000,000 during 2018 and 2019 respectively.

## 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

According to the Company's Bylaws, an annual shareholder meeting for the election of Directors shall be held each calendar year. Directors serving as of December 31, 2019, are shown below:

Board of Directors		
Name	City, State	Principal Occupation, Company Name
Sarah Iselin <sup>(a)</sup>	Jacksonville, Florida	EVP Government Program GuideWell and Florida Blue
Gary Dean Anderson	Port Orange, Florida	SVP, Chief Information Officer GuideWell and Florida Blue
Elana Gail Schrader, M.D.	Jacksonville, Florida	Senior Vice President of Health Care Services & President of GuideWell Health

(a) Resigned in 2021, and was replaced by Camille Irene Harrison.

The Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Katherine Fox Feeny	Jacksonville, Florida	President
Sean Arthur Lueck	Jacksonville, Florida	Treasurer
Arezou Clegg Jolly	Jacksonville, Florida	Secretary
Elana Gail Schrader	Jacksonville, Florida	Chief Medical Officer

## Holding Company System

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown below.

**Florida Blue Medicare, Inc.  
Simplified Organizational Chart  
December 31, 2019**



## AFFILIATED AND OTHER AGREEMENTS

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

### Administrative Services Agreement

Effective October 24, 2018, the Company entered into an Administrative Services Agreement with Blue Cross Blue Shield of Florida, Inc. (BCBSF) whereby BCBSF employees provide certain services, including but not limited to administrative, managerial, professional and technical services. Amounts, which include direct and indirect charges for these services and facilities, are billed monthly to the Company and are settled monthly.

### Tax Allocation Agreement

Effective January 1, 2019, the Company was included in the consolidated federal income tax return of its ultimate parent company, GuideWell Mutual. The Agreement provided for the allocation of consolidated income tax liability based upon separate taxable incomes of included companies and provided for annual a settlement of amounts due under the agreement. It also provided that an included company with a net operating loss would be reimbursed for the tax benefit associated with the loss in the year used in the group's consolidated return.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Jacksonville, Florida.

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

### **Custodial Agreement**

The Company maintained a custodial agreement with Bank of New York Mellon executed on September 26, 2019.

### **Independent Auditor Agreement**

An independent CPA, PricewaterhouseCoopers LLC, audited the Company's statutory basis financial statements for 2019, in accordance with Section 641.26 (5), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Rule 641.26(5), Florida Statutes.

### **Corporate Records Review**

The recorded minutes of the Shareholder and 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. The Company only maintained Cash and Cash Equivalents.

## **TERRITORY AND PLAN OF OPERATIONS**

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

The Company was authorized to transact insurance in Florida on January 25, 2019 and is currently authorized as a Health Maintenance Organization as of December 31, 2019.

## **REINSURANCE**

### **Reinsurance Assumed**

The Company did not assume any reinsurance during the period of this examination.

### **Reinsurance Ceded**

The Company did not cede any reinsurance during the period of this examination.

## **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 the Report.)

**Florida Blue Medicare, Inc.**  
**Assets**  
**December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Cash, cash equivalents and short-term investments	\$201,495,958		\$201,495,958
Subtotals, cash and invested assets	\$201,495,958		\$201,495,958
Investment income due and accrued	268,143		268,143
Totals	\$201,764,101		\$201,764,101

**Florida Blue Medicare, Inc.**  
**Liabilities, Capital and Surplus**  
**December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Premiums received in advanced	\$3,587		\$3,587
Current federal and foreign income tax payable and interest thereon	106,804		106,804
Amounts due to parent, subsidiaries and affiliates	20,113		20,113
Total liabilities	\$130,504		\$130,504
Aggregate write-ins for special surplus funds	10,172,942		10,172,942
Gross paid in and contributed surplus	200,310,000		200,310,000
Unassigned funds (surplus)	(8,849,345)		(8,849,345)
Total capital and surplus	\$201,633,597		\$201,633,597
Total liabilities, capital and surplus	\$201,764,101		\$201,764,101

**Florida Blue Medicare, Inc.**  
**Statement of Revenue and Expenses**  
**December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
General administrative expenses	\$68,905		\$68,605
Total underwriting deductions	\$68,905		\$68,905
Net underwriting gain or (loss)	(\$68,905)		(\$68,905)
Net investment income earned	1,563,164		1,563,164
Net investment gains or (losses)	\$1,563,164		\$1,563,164
Net income or (loss) after capital gains tax and before all other federal income taxes	\$1,494,259		\$1,494,259
Federal and foreign income taxes incurred	313,794		313,794
Net income (loss)	\$1,180,465		\$1,180,465

	Per Company	Examination Adjustments	Per Examination
<b>Capital and Surplus Account</b>			
Capital and surplus prior reporting year	\$40,453,132		\$40,453,132
Net Income	\$1,180,465		\$1,180,465
Capital Changes:			
Paid in	160,000,000		160,000,000
Net change in capital and surplus	\$161,180,465		\$161,180,465
Capital and surplus end of reporting year	\$201,633,597		\$201,633,597

**Florida Blue Medicare, Inc.**  
**Reconciliation of Capital and Surplus**  
**December 31, 2019**

<b>Capital/Surplus Change during Examination Period</b>			
Capital and Surplus at December 31, 2018			\$40,453,132
	Increase	Decrease	
Increase in surplus	\$1,180,465		\$1,180,465
Paid in capital	\$160,000,000		\$160,000,000
Net increase (or decrease)			\$161,180,465
Capital and Surplus at December 31, 2019 per Examination			\$201,633,597

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

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

### **Capital and Surplus**

The amount of capital and surplus reported by the Company of \$201,633,597 exceeded the minimum of \$1,500,000 required by Section 641.225, Florida Statutes.

## **SUBSEQUENT EVENTS**

### **Network Access Agreement**

Effective January 1, 2020 the Company entered into Network Access Agreement with Health Options, Inc. (HOI) where HOI grants access to the Medicare Advantage network of participating providers to the Company for any Medicare Advantage plans issued by the Company to the State of Florida such that all Medicare Advantage participating providers will be part of the Company network of participating providers for any Medicare Advantage plans issued by the Company and will be available to provide health care services to the Company's Medicare Advantage members.

### **COVID – 19**

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

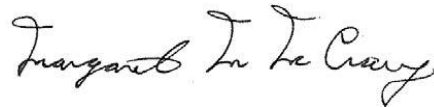
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Florida Blue Medicare, Inc. as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Omar Akel, CFE, Mario Ascic, CFE, Amy Carter, CFE, CPA, Ryne Davison, CFE, Novalene Forbes, CFE, Charles Kreske, CFE, MCM, David Palmer, CFE, MCM, Jessica Lynch, CFE, Derek Petersen, CFE, MCM, and Adrienne Sulaiman, CFE, CPA, Participating Examiners, of Lewis & Ellis, Inc. also participated in the examination. Members of the Office who participated in the examination include Marshay Spencer, APIR, Examination Manager and Glenn Coats, CFE (Fraud), APIR, Participating Examiner. Additionally, Mike Mayberry, FSA, MAAA of Lewis & Ellis, Inc. and Lindsey Pittman, CISA, CFE, CPA, AES, MCM, IT Specialist of Lewis & Ellis, Inc., are recognized for participation in the examination.

Respectfully submitted,



Katerina Bolbas, CFE, CIA, MCM  
Examiner-in-Charge  
Lewis & Ellis, Inc.



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



Carolyn M. Morgan, APIR  
Director  
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Florida Office of Insurance Regulation