



**EXAMINATION REPORT
OF
Solstice Healthplans, Inc.**

NAIC Company Code: N/A

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

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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March 8, 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 636.039, 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

Solstice Healthplans, Inc.
7901 SW 6TH CT, SUITE 400
Plantation, FL 33324

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, 2015 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on September 17, 2019. This examination initially began as a four-year examination covering the period of January 1, 2015 through December 31, 2018. In April 2020, the examination was rolled-forward to include the year 2019 in the examination scope. The fieldwork concluded as of March 8, 2021. This is the Company’s first full scope exam by representatives of 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 and 636.039, 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

Some of the findings noted during this examination period have been resolved by the Company subsequent to the examination date. However, the findings or exceptions are discussed in detail in the body of the examination report.

Previous Examination Findings

This is the first examination of the Company.

COMPANY HISTORY

General

The Company was incorporated in Florida on October 2, 2013 and obtained its Certificate of Authority as a Prepaid Limited Health Services Organization (PLHSO) from the Office on December 31, 2014. The Company commenced operations in August 2015 whereby it utilized its PLHSO license to administer dental benefit plans to its members.

Dividends

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

Capital Stock and Capital Contributions

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

Number of authorized common capital shares	5,000
Number of shares issued and outstanding	1
Total common capital stock	\$0
Par value per share	No par

In 2017, a reclassification was made for the Company's no par common stock value. The Company reported \$205,594 common capital stock in its December 31, 2016 NAIC Annual Statement. In 2017, the common capital stock was reported at \$0 with the previous reported

value reclassified to gross paid-in and contributed surplus. An additional \$200,000 of capital was also contributed to the Company by its parent, Solstice Benefits, Inc. in 2017.

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

Directors serving as of December 31, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Leonard A. Weiss, DMD	Plantation, Florida	President & Chief Executive Officer, Solstice Benefits, Inc.
Mark D. Feinstein, Esq.	Plantation, Florida	Attorney, Feinstein and Sorota, P.A.
Carlos Ferrera	Plantation, Florida	Chief Operating Officer, Solstice Benefits, Inc.

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

Senior Officers		
Name	City, State	Title
Leonard A. Weiss	Plantation, Florida	President
Mark D. Feinstein, Esq.	Plantation, Florida	Treasurer
Carlos Ferrera	Plantation, Florida	Secretary

The Company's Board has not appointed any internal committees.

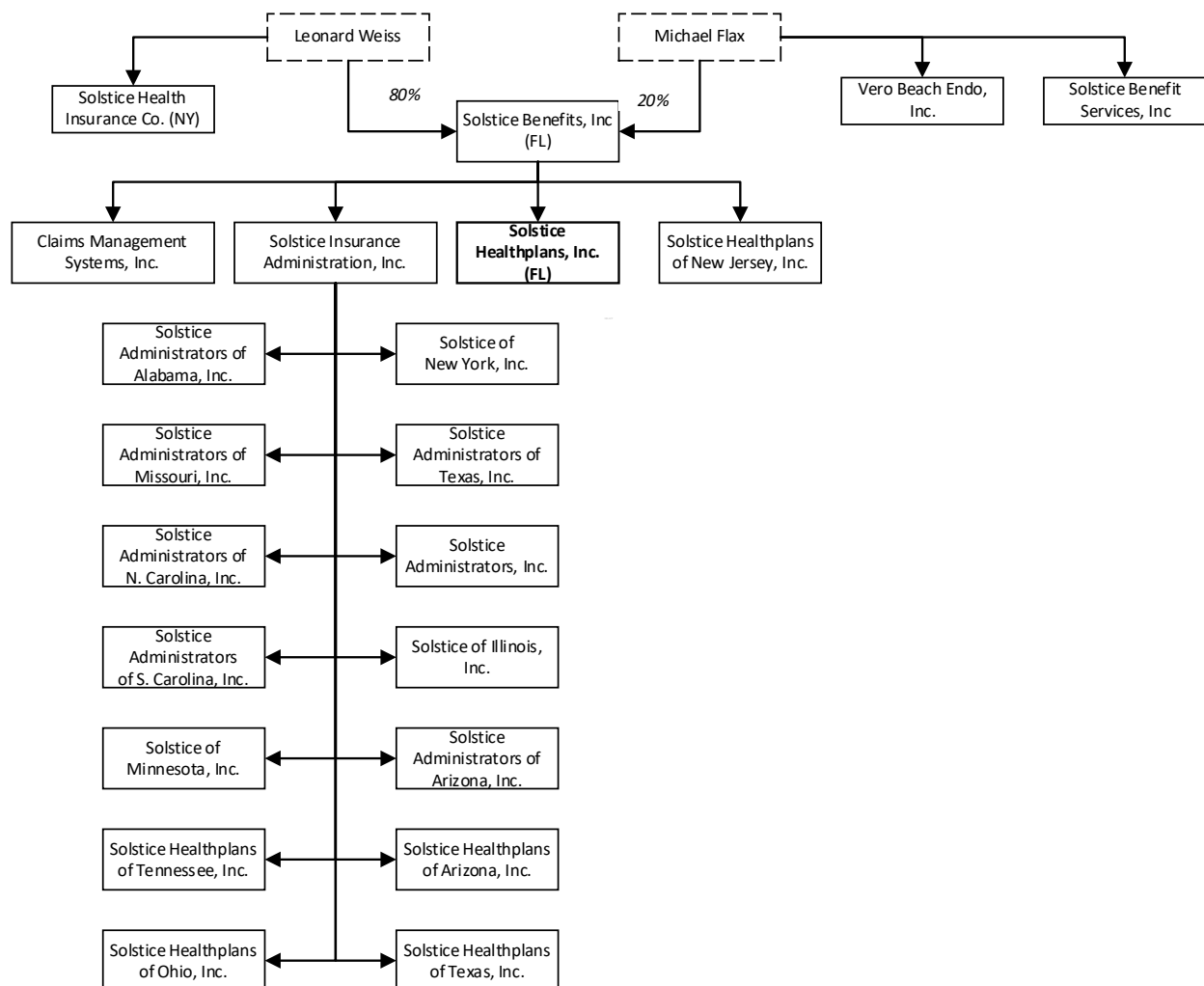
Holding Company System

The Company is member of a holding company system and is a wholly-owned subsidiary of Solstice Benefits, Inc. ("SBI"). The Company has no subsidiaries. Leonard Weiss is the ultimate controlling person. The following organizational chart reflects the Company and related parties as of December 31, 2019:

Solstice Healthplans, Inc.

Organizational Chart

December 31, 2019



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

Administrative Service Agreement

The Company entered into an Administrative Service Agreement with Solstice Benefits, Inc. on January 1, 2015 to provide certain management services and for access to SBI's provider network. The agreement continues in force for an initial term of three (3) years and will automatically renew for successive one (1) year periods subject to negotiation regarding compensation terms, unless otherwise terminated within the guidelines of the agreement. The service fee paid by the Company each month was an amount up to 37.25% of gross premiums, plus one dollar (\$1.00) per member per month for access to the SBI provider network. Fees incurred under this agreement during 2019 amounted to \$3,521,086 for services, and \$769,059 for network access. These amounts exclude expense, commission, and claim reimbursements paid by SBI on behalf of the Company. The amounts charged were in accordance with the agreement.

During the period of examination, the Company did not settle the intercompany balances by a cash transfer.

Subsequent Event: This was brought to the Company's attention during the examination and it began settling the intercompany balances subsequent to the examination date.

The Company agreement with SBI specifies certain accounts to be used for collection of premiums and payment of claims. At the examination date, these bank accounts had not been established.

Subsequent Event: Subsequent to the examination date, the Company established its own claims bank account and began paying some claims directly from its own claims bank account but was still implementing the new claims account payment process.

Consolidated Tax Allocation Agreement

The Company, along with its parent and other affiliates, elected to file a consolidated federal income tax return. On December 31, 2019, the method of allocation between the Company and other parties to the agreement was based on the ratio of each entity's taxable income to the consolidated taxable income. Each member of the group recorded an inter-company income tax receivable or payable with SBI. As noted in the Administrative Services Agreement section, the Company did not settle its intercompany balances during the examination period.

Subsequent Event: This was brought to the Company's attention during the examination and it began settling the intercompany balances subsequent to the examination date.

ACCOUNTS AND RECORDS

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

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

Independent Auditor Agreement

An independent CPA, Novogradac & Company LLP audited the Company's statutory basis financial statements for the year 2019 in accordance with Section 636.043(6), Florida Statutes. Michael Curto CPA, PA audited the Company's statutory basis financial statements for the year 2018 in accordance with Section 636.043(6), Florida Statutes. Marcum LLP audited the Company's statutory basis financial statements for the years 2017, 2016, and 2015 in accordance with Section 636.043(6), Florida Statutes. Supporting work papers for the 2018 and 2019 audits were reviewed, and were prepared by the CPA firms as required by Section 636.043(6), Florida Statutes.

Corporate Records Review

The recorded minutes of the Shareholder and the 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. The Company does not hold any investments that would require Board authorization per Section 636.042, Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact prepaid limited health services in the State of Florida on December 31, 2014, and is only authorized in the state of Florida as of December 31, 2019. The Company writes prepaid dental policies in Florida.

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; statutory Statement of Revenue and Expenses; and the statutory Analysis of Changes in Surplus 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.)

Solstice Healthplans, Inc.
Assets
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Cash, cash equivalents and short-term investments	\$357,194		\$357,194
Subtotals cash and invested assets	\$357,194		\$357,194
Premiums and considerations			
Uncollected premiums and agents' balances in the course of collection	762,859		762,859
Net deferred tax asset	7,545		7,545
Receivables from parent, subsidiaries and affiliates	710,378		710,378
Total	\$1,837,976		\$1,837,976

Solstice Healthplans, Inc.
Liabilities, Capital and Surplus
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$783,000		\$783,000
Unpaid claims adjustment expenses	40,000		40,000
Premiums received in advance	141,558		141,558
General expenses due or accrued	95,621		95,621
Current federal and foreign income tax payable	18,795		18,795
Total liabilities	\$1,078,975		\$1,078,975
Gross paid-in and contributed surplus	405,594		405,594
Unassigned funds (surplus)	353,407		353,407
Total capital and surplus	\$759,001		\$759,001
Total liabilities, capital and surplus	\$1,837,976		\$1,837,976

Solstice Healthplans, Inc.
Statement of Revenue and Expenses
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Net premium income	\$14,671,192		\$14,671,192
Total revenues	\$14,671,192		\$14,671,192
Hospital and Medical:			
Hospital/medical benefits	7,724,396		7,724,396
Subtotal	\$7,724,396		\$7,724,396
Less:			
Net reinsurance recoveries	0		0
Total hospital and medical	\$7,724,396		\$7,724,396
Claims adjustment expenses	2,599,604		2,599,604
General administrative expenses	4,189,228		4,189,228
Total underwriting deductions	\$14,513,228		\$14,513,228
Net underwriting gain or (loss)	\$157,964		\$157,964
Net investment income earned	1,606		1,606
Net investment gains ((losses)	\$1,606		\$1,606
Aggregate write-ins for other income or expenses	(4,072)		(4,072)
Net income or (loss) after capital gains tax and before all other federal income taxes	\$155,498		\$155,498
Federal and foreign income taxes incurred	35,915		35,915
Net Income	\$119,583		\$119,583

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Capital and surplus prior reporting year	\$637,011		\$637,011
Net Income	\$119,583		\$119,583
Change in net deferred income tax	2,406		2,406
Net change in capital and surplus	\$121,989		\$121,989
Capital and surplus end of reporting year	\$759,001		\$759,001

Solstice Healthplans, Inc.
Reconciliation of Capital and Surplus
December 31, 2019

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

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2014			\$200,977
	Increase	Decrease	
Net Income	\$350,269		\$350,269
Change in net deferred income tax	7,544		7,544
Change in paid in capital		\$205,383	(205,383)
Change in paid in surplus	405,594		405,594
Net increase (or decrease)			\$558,024
Surplus at December 31, 2019 per Examination			\$759,001

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Steven F. Cyboran, ASA, MAAA, FCA, CEO and Consulting Actuary of Cyboran Consulting, LLC was appointed by the Board and rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019 made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Karen Elsom, FSA, MAAA, Consulting Actuary of Lewis & Ellis Inc. reviewed the loss and loss adjustment expense work papers provided by the Company and she was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$ 759,001 exceeded the minimum of \$150,000 required by Section 636.045, Florida Statutes.

SUBSEQUENT EVENTS**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.

SUMMARY OF RECOMMENDATIONS

Administrative Services Agreement

As discussed within the body of this examination report, the Company was not utilizing its own bank accounts for collection of premiums and payment of claims as per its agreement with SBI. The Company did establish a claims bank account subsequent to the examination date and paid some claims from this account. So that the Company is fully in compliance with the terms of this agreement, we recommend that the Company continue to fully implement the use of its claims account and establish a separate premium account. If the Company determines that the separate premium account is not necessary, an amendment to the agreement should be filed with the Office.

CONCLUSION

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

In addition to the undersigned, Charlie Kreske, CFE; Derek Peterson, CFE, and Jessica Lynch, CFE, Participating Examiners of Lewis & Ellis Inc. also participated in the examination. Members of the Office who participated in the examination include Marshay Spencer, APIR and Glenn Coats, APIR, Participating Examiners. Additionally, Karen Elsom, FSA, MAAA, Contract Actuary of Lewis & Ellis Inc.; Jenny Jeffers, AES, CISA, CFE and Joanna Latham, AES, CISA, CPA, CFE, CRISC Contract IT Specialists of Jennan Enterprises, LLC; and Lindsey Pittman, CPA, CFE, CISA, AES, MCM, Contract IT Specialist of Lewis & Ellis Inc. are recognized for participation in the examination.

Respectfully submitted,



Adrienne Sulaiman, CFE
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
Life & Health Financial Oversight
Florida Office of Insurance Regulation