



INFORMATIONAL MEMORANDUM

OIR-15-05M

ISSUED

May 15, 2015

Florida Office of Insurance Regulation

Kevin M. McCarty, Commissioner

To all Health Maintenance Organizations (“HMOs”) required to file financial statements with the Life and Health Financial Oversight business unit within the Florida Office of Insurance Regulation (“Office”)

This memorandum is intended to provide guidance to HMOs operating in Florida regarding financial solvency reporting requirements.

Continuous Compliance:

- HMOs are required to remain in compliance with Florida laws and regulations, the most recent NAIC Accounting Practices and Procedures Manual, and individual solvency and reporting requirements **at all times**, not just at the end of each reporting period. *See* Section 641.225, Fla. Stat.
- Pursuant to Section 641.39001, Florida Statutes, except with written permission of the Office, **it is a felony for an officer or director of an HMO to authorize or permit the HMO to solicit or accept new or renewal insurance contracts or provider contracts after the officer or director knew or reasonably should have known the HMO was impaired or insolvent.**

Required Solvency Reporting:

- The financial solvency reporting checklist for HMOs operating in Florida can be found at http://www.floir.com/siteDocuments/2015_HMOFilingChecklist.pdf on the Office’s website.
- Florida Statutes can be found at <http://www.leg.state.fl.us/Statutes/index.cfm?Mode=View%20Statutes&Submenu=1&Tab=statutes&CFID=114803233&CFTOKEN=38630272>.
- The Florida Administrative Code can be found at <https://www.flrules.org/>.
- NAIC resources concerning financial statement filings, including information on the NAIC Accounting Practices and Procedures Manual for guidance concerning statutory accounting principles, can be found at http://naic.org/industry_financial_filing.htm.

- Company-specific solvency requirements should be closely monitored by individual entities.

Financial Statement Reporting Periods:

- In general, transactions must occur on or before the cutoff date for the filing period in order to be included on the financial statement for that filing period.
- For entities filing according to statutory accounting principles, Statement of Statutory Accounting Principles (“SSAP”) No. 9 outlines when certain events or transactions that occur subsequent to a filing period, but before the filing of a financial statement, may be recognized and recorded on a financial statement for the prior filing period. Subsequent events and transactions that may be recognized and recorded on a financial statement are called “Type I” subsequent events. SSAP No. 72 outlines when a certain event will be considered a Type I subsequent event and as of March 2015 states:

*Notes or other receivables received as additional capital contributions satisfied by receipt of cash or readily marketable securities **prior to the filing of the statutory financial statement** shall be treated as a Type I subsequent event in accordance with SSAP No. 9 and as such shall be considered an admitted asset based on the evidence of collection **and approval of the domiciliary commissioner**. To the extent that the notes or other receivables are not satisfied, they shall be nonadmitted.*

- It is your responsibility under the Florida Insurance Code to be intimately familiar with **all** SSAPs, which are contained in the NAIC’s Accounting Practices and Procedures Manual, which is available to companies at:
http://www.naic.org/prod_serv_accounting_reporting.htm#app_manual.

HMOs Not in Compliance with Solvency Requirements:

- Florida law provides for suspension or revocation of an HMO’s certificate of authority for failure to meet Florida solvency requirements.

Transparency:

- HMOs have a responsibility to immediately notify the Office of all material transactions and changes of control.

Should a reporting entity have **any** questions or concerns regarding financial solvency requirements or the entity’s ability to meet the financial solvency requirements, please immediately contact the analyst at the Florida Office of Insurance Regulation assigned to the entity.