



**EXAMINATION REPORT
OF
AvMed, Inc.**

NAIC Company Code: 95263

**Doral, Florida
as of
December 31, 2022**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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May 15, 2024

Michael Yaworsky
Commissioner
Office of Insurance Regulation
State of Florida
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 (“NAIC”), we have conducted an examination as of December 31, 2022, of the financial condition and corporate affairs of

AvMed, Inc.

3470 NW 82nd Ave. Suite 1100
Doral, Florida 33122

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, 2018, through December 31, 2022, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“OIR”) on October 17, 2023. The fieldwork concluded as of May 15, 2024. The Company’s last full scope exam by representatives of OIR covered the period of January 1, 2013, through December 31, 2017.

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

Current Examination Findings

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

Previous Examination Findings

There were no significant findings of fact for the prior examination as of December 31, 2017.

COMPANY HISTORY

General

The Company was incorporated on August 27, 1986, and obtained its Florida Certificate of Authority on May 17, 1973 as a Health Maintenance Organization (“HMO”). The Company is a Florida not-for-profit corporation, and the HMO is a network model and does not maintain its own medical facilities. The Company maintains contracts with a health care network of physicians, hospitals, and ancillary health care providers. These contracts set reimbursements at a fee-for-service, capitated, or another basis.

Sentara Holdings Florida, LLC (“SHF”) is the immediate parent for the Company, wholly owned by Sentara Healthcare (“SHC”). SantaFe HealthCare, Inc. (“SFHC”) transferred governance rights of the Company from SFHC to SHC as of December 31, 2022.

Dividends

In accordance with Section 641.365, Florida Statutes, the Company declared and paid dividends to its ultimate parent company, SFHC, in 2020 in the amount of \$5,000,000.

Capital Stock and Capital Contributions

The Company has no capital stock. As of December 31, 2022, the Company reported gross paid-in and contributed surplus of \$ 191,137,207.

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

On December 31, 2022, the Company was acquired by SHF, a Florida limited liability corporation. See the “General” section of this report.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with the Company’s Bylaws. Directors serving as of December 31, 2022, are:

Directors (a)		
Name	City, State	Principal Occupation, Company Name
Robert Camp Fort, Chair	Virginia Beach, VA	Retired
George Wilkins Hubbard, MD	Norfolk, VA	Surgeon Sentara Medical Group
Catherine Jane France Vick	Virginia Beach, VA	Chief Development & Public Affairs Officer, Virginia Port Authority
Frederick Charles Coble	Virginia Beach, VA	Human Resources Manager Baker's Crust, Inc.
Dennis Albert Matheis	Virginia Beach, VA	President & Chief Executive Officer of Sentara
Jeffrey O'Neal Smith, EdD	West Point, VA	Director Virginia Air & Space Science Center
James Leslie Hall	Suffolk, VA	Industrial Contractor All First, LLC

(a) James, M Repp and Colin S. Drozdowski were elected to the Board of Directors on January 1, 2023. Daryl L. Jones, retired attorney at DL Jones Law, and Nancy R. Boteno, higher education administrator at Broward College, were elected to the Board of Directors (Board) on November 28, 2023.

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

Senior Officers		
Name	City, State	Title
Colin Scott Drozdowski	Virginia Beach, Virginia	Chief Executive Officer
James Michael Repp	Miami, Florida	President & Chief Operating Officer
Robert Alan Broemann	Virginia Beach, Virginia	Treasurer
Patricia Joan Darnley	Virginia Beach, Virginia	Sr. Vice President, Government Programs
John Eric DeGruttola	Virginia Beach, Virginia	Sr. Vice President, Sales and Marketing
Khaled Ramzy Ghaly	Virginia Beach, Virginia	Sr. Vice President, Operations
Earl Julius Barnes II	Virginia Beach, Virginia	Assistant Secretary

Prior to the acquisition of the Company by SHC on December 31, 2022, the Company had the following Board committees: Audit and Compliance, Executive, Finance and Investment, Compensation, Governance and Nominations, Public Policy and Strategy. As of December 31, 2022, the Company did not have any Board committees.

Holding Company System

An organizational chart as of December 31, 2022, reflecting the holding company system, follows. Schedule Y of the Company's 2022 Annual Statement provided a list of all related companies of the holding company group.

AvMed, Inc.
Simplified Organizational Chart
December 31, 2022



AFFILIATED AGREEMENTS

Prior to the acquisition of the Company by SHC on December 31, 2022, the following agreements were in effect between the Company and its affiliates during the examination period.

Administrative Services Agreement

Effective March 3, 2017, the Company provides management services to SFHC for which it receives management fees. These services encompass various operational and financial accounting functions, legal consultation and use of office space. For 2022 and 2021, the management fee revenue was \$796,000 and \$770,000, respectively, and is included in aggregate write-ins for other non-health revenues in the statutory-basis statements of revenues and expenses.

Administrative Services Agreement

Effective March 3, 2017 and amended February 21, 2019, SantaFe Management Services and SFHC provides executive oversight and governance, including executive leadership team assistance, personnel management, compliance management, and necessary real estate and facility needs to the Company, for which they receive fees. For 2022 and 2021, the expense to the Company for this was \$16,993,000 and \$10,328,000, respectively, and is included in general administrative expenses in the statutory-basis statements of revenues and expenses.

Administration Services Agreement

Effective January 1, 2021 and amended January 1, 2022, the Company provides third party administration services covering health benefits for SFHC. For 2022 and 2021, fee revenue related to these services was \$1,116,000 and \$986,000, respectively, and is included in general administrative expenses in the accompanying statutory- basis statements of revenues and expenses.

Provider Agreements

East Ridge Retirement Village Agreement (“East Ridge”) and Haven Hospice Contract (“Haven”) are providers within the Company's network of physicians and health care facilities. For 2022 and 2021, total hospital and medical expenses related to services provided to members by East Ridge was \$440,000 and \$295,000, respectively, and \$0 and \$0, respectively, related to services provided by Haven. There was no activity for Haven during 2022 and 2021.

ACCOUNTS AND RECORDS

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

Prior to the acquisition of the Company by SHC on December 31, 2022, the Company and non-affiliates had the following material agreements:

Custodial Agreement

The Company maintained a custodial agreement with PNC Institutional Asset Management executed on April 15, 2015. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

An independent CPA, PricewaterhouseCoopers, LLP audited the Company's statutory basis financial statements annually for the years 2022, 2021, 2020, 2019 and 2018, in accordance with Section 641.26(5), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Section 641.26(5), Florida Statutes.

Corporate Records Review

The recorded minutes of the Shareholders, Board, and the Audit and Compliance Committee 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, including the authorization of investments, as required by Section 641.35(7), Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to provide managed care services in the State of Florida. The Company provides health insurance to Large Groups (including the Federal Government), Small Groups, Individuals/Families (On-exchange and Off-exchange) and Medicare recipients. The Company also provides Administrative Services Only (ASO) plans to self-funded employer groups. The Company's members include small groups, large groups, individuals, Medicare, and federal employee health benefit plans and is licensed in 52 Florida counties. The majority of its business is in Dade, Broward, and Palm Beach counties. At risk membership as of December 31, 2022 was 102,481.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines.

Reinsurance Assumed

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

Reinsurance Ceded

The Company entered into an Excess of Loss reinsurance agreement with RGA Reinsurance Company effective January 1, 2022. By this Contract the Reinsurer agrees to reinsure the excess liability of the Company under its Policies in force at 1-1-22 to 1-1-23 and classified by the Company as Commercial group medical plans, Commercial individual medical plans Multiple Employer Welfare Arrangements ("MEWAs"), and Medicare Advantage business. Coverage for Commercial Group and MEWAs included a \$750,000 deductible. Coverage for Commercial individual and Medicare Advantage risk included a \$650,000 and \$600,000 deductible, respectively. The reimbursement percentage is 90% of covered expenses above the specific deductible up to \$1,000,000; reimbursement percentage is 100% of covered expenses in excess of \$1,000,000.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Capital and Surplus, and statutory Statement of Revenue and Expenses, which includes an analysis of changes in the Capital and Surplus Account for the year ended December 31, 2022. The financial statements are based on the statutory financial statements filed by the Company with the OIR and present the financial condition of the Company for the period ending December 31, 2022. Due to rounding, column amounts may not add to the totals reflected in this Report. There were no examination adjustments to the amounts reported by the Company.

AvMed, Inc.
Assets
December 31, 2022

	Per Company
Bonds	68,973,547
Stocks	
Common	7,381,036
Cash, cash equivalents and short-term investments	20,872,324
Subtotal cash and invested assets	97,226,907
Investment income due and accrued	486,586
Premiums and considerations	
Uncollected premiums and agents' balances	20,003,895
Accrued retrospective premiums	683,405
Amounts recoverable from reinsurer	503,901
Amounts receivable relating to uninsured plans	36,254,057
Electronic data processing equipment	30,999
Health care and other amounts receivable	35,702,243
Aggregate write-ins for other-than-invested assets	190,953,075
Totals	381,845,068

AvMed, Inc.
Liabilities, Capital and Surplus
December 31, 2022

	Per Company
Claims unpaid	128,787,033
Accrued medical incentive pool and bonus amounts	3,331,840
Unpaid claims adjustment expenses	3,265,970
Aggregate health policy reserves	62,156,263
Premiums received in advance	1,090,858
General expenses due or accrued	35,512,672
Remittances and items not allocated	56,268
Liability for amounts held under uninsured plans	58,757,726
Aggregate write-ins for other liabilities	1,166,667
Total liabilities	294,125,297
Gross paid-in and contributed surplus	191,137,207
Unassigned funds (surplus)	(103,417,436)
Total capital and surplus	87,719,771
Total liabilities, capital and surplus	381,845,068

AvMed, Inc.
Statement of Revenue and Expenses
December 31, 2022

	Per Company
Net premium income	764,165,777
Aggregate write-ins for other non-health revenues	1,334,406
Aggregate write-ins for other health care related revenues	1,034
Total revenues	765,501,217
Hospital/medical benefits	673,222,074
Outside referrals	
Emergency room and out-of-area	12,305,973
Prescription drugs	90,955,191
Incentive pool, withhold adjustments and bonus amounts	3,159,208
Aggregate write-ins for other hospital and medical	12,048,441
Subtotal	791,690,887
Less:	
Net reinsurance recoveries	271,054
Total hospital and medical	791,419,833
Claims adjustment expenses	45,638,661
General administrative expenses	92,677,359
Increase in reserves for life and accident and health contracts	(8,072,730)
Total underwriting deductions	921,663,123
Net underwriting gain or (loss)	(156,161,906)
Net investment income earned	3,914,576
Net realized capital gains (losses) less capital gains tax	(3,981,635)
Net investment gains (losses)	(67,059)
Net income or (loss) after capital gains tax and before all other federal income taxes	(156,228,965)
Net Income (loss)	(156,228,965)

	Per Company
Capital and Surplus Account	
Capital and surplus, prior reporting year	55,299,969
Net Income (Loss)	(156,228,965)
Change in net unrealized capital gains (losses) less capital gains tax	(1,667,334)
Change in net deferred income tax	
Change in nonadmitted assets	5,236,395
Surplus adjustments:	
Paid in	185,079,706
Net change in capital and surplus	32,419,802
Capital and surplus, end of reporting year	87,719,771

AvMed, Inc.
Reconciliation of Capital and Surplus
December 31, 2022

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, 2017, per Examination			80,122,599
	Increase	Decrease	
Net Income (Loss)		154,963,150	
Change in net unrealized capital gain (loss)		4,632,513	
Change in nonadmitted assets		12,631,965	
Aggregate write-ins for surplus		254,906	
Change in paid in surplus	185,079,706		
Dividend		5,000,000	
Net increase (or decrease)			7,597,172
Capital and Surplus at December 31, 2022, per Examination			87,719,771

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Michael L. Rasmussen, FSA, MAAA, at Optum was appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2022, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The OIR consulting actuary, Scott Garduno, FSA, MAAA, Managing Member of Taylor-Walker Consulting, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$87,719,771 exceeded the minimum of \$29,412,530 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

On December 31, 2022, the Company was acquired by SHC. The acquisition allowed SHC to make a \$185,080,000 capital contribution to the Company, with \$132,080,000 received on January 3, 2023 and \$53,000,000 on February 23, 2023.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of HPMP of Florida, Inc. as of December 31, 2022, consistent with the insurance laws of the State of Florida.

The following individuals with the firm of The NOVO Consulting Group, LLC participated in the examination: Lori Ruggiero, CFE, CIE, MCM, Examiner-in-Charge; Jeff Good, CFE, CIE, MCM, Supervisor; Ray Conover, MCM, AIE, Are, FLMI, Participating Examiner; and Cliff Day, MPA, MCM, CPM, CSM, Participating Examiner. Members of OIR who participated in the examination include Margaret McCrary, CFE, CPA, MBA, Chief Financial Examiner and Examination Manager and Otonye Dago, Participating Examiner. Additionally, Scott Garduno, FSA, MAAA of Taylor-Walker Consulting Group, LLC and Robert Ficken, CPA, CISA, CFE, AES, CRISC, CISSP, IT Specialist of The NOVO Consulting Group, LLC are recognized for participation in the examination.

Respectfully submitted,

Lori Ruggiero

Lori Ruggiero, CFE, CIE, MCM
Examiner-in-Charge
The NOVO Consulting Group, LLC

Carolyn M. Morgan

Carolyn M. Morgan, APIR
Director
Life & Health Financial Oversight
Florida Office of Insurance Regulation
Date Signed: 6/28/24