



**EXAMINATION REPORT
OF
LEON HEALTH, INC.**

NAIC Company Code: 16757

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

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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March 5, 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

Leon Health, Inc.
8600 NW 41 Street, Suite 201
Doral, Florida, US 33166

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

SCOPE OF EXAMINATION

This examination covered the period of April 8, 2020, through December 31, 2022, the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“OIR”) on October 25, 2023, to December 15, 2023. The fieldwork concluded as of February 29, 2024. This exam is the Company’s first full scope exam by representatives of OIR.

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

This is the Company's first examination.

COMPANY HISTORY

General

The Company was incorporated in Florida on July 12, 2019, and commenced insurance operations on January 1, 2022. It was licensed by OIR as a Health Maintenance Organization ("HMO") on April 8, 2020, in accordance with Part 1 of Chapter 641, Florida Statutes.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2022, the Company's capitalization was as follows:

Number of authorized voting common stock	1,000
Number of authorized non-voting common stock	99,000
Number of shares issued and outstanding	100
Total common capital stock	\$1.00
Par value per share	\$0.01

There were no changes in the capital accounts during this examination period.

Surplus Notes

The Company had a total of \$41,000,000 in Surplus Notes issued during 2022.

The Company was party to a Surplus Note No.1 dated February 18, 2022, issued to Leon Health I, LLC, in exchange for \$17,000,000 contributed to the surplus of the Company, with a simple annual interest rate of 5% per annum. The Surplus Note was approved by OIR on March 17, 2022.

The Company was party to a Surplus Note No.2 dated August 18, 2022, issued to Leon Health I, LLC, in exchange for \$12,000,000 contributed to the surplus of the Company, with a simple annual interest rate of 5% per annum. The Surplus Note was approved by OIR on September 16, 2022.

The Company was party to a Surplus Note No.3 dated October 25, 2022, issued to Leon Health I, LLC, in exchange for \$12,000,000 contributed to the surplus of the Company, with a simple annual interest rate of 5% per annum. The Surplus Note was approved by OIR on November 18, 2022. Unrecorded interest for the year ended December 31, 2022, amounted to \$1,066,666.

Acquisitions, Mergers, Disposals, Dissolutions

The Company was acquired by Lions South Florida Holdings, as approved by OIR on December 19, 2022.

On December 28, 2022, Leon Health Holdings, LLC, a parent entity of the Company, was merged with and into LMC Family Holdings, LLC, making the Company an indirect subsidiary of LMC Family Holdings, LLC.

On January 1, 2023, LMC Family Holdings, LLC contributed all of the ownership interests in Leon Health I, LLC to LHS Investment I, LLC.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of the Board of Directors (“Board”) was held in accordance with the Company’s Bylaws. Directors serving as of December 31, 2022, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Albert Raphael Maury	Coral Gables, Florida	President & Chief Executive Officer, Leon Health, Inc.
Benjamin Leon, Jr.	Coral Gables, Florida	Chairman of the Board, Leon Health, Inc.
Benjamin Leon, III	Coral Gables, Florida	Executive Vice Chairman, Leon Health, Inc.

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

Senior Officers		
Name	City, State	Title
Benjamin Leon, Jr.	Coral Gables, Florida	Chairman of the Board
Benjamin Leon, III	Coral Gables, Florida	Executive Vice Chairman
Albert Raphael Maury	Coral Gables, Florida	President & Chief Executive Officer
Henry Hernandez	Miami, Florida	Senior Vice President & Chief Operating Officer
Rafael Jose Mas, MD	Miami, Florida	Senior Vice President & Chief Medical Officer
Victor Marcus Gomez	Southwest Ranches, Florida	Senior Vice President & Chief Information Officer
Marcos Alfonso Perez	Coral Gables, Florida	Senior Vice President Business Development, Head of Provider Relations
Ann Mary Pardo	Miami Lakes, Florida	Senior Vice President, Chief Financial Officer, Treasurer, & Assistant Secretary
Carlos Fernando Junco	Miami, Florida	Senior Vice President, Chief Legal Officer and Secretary
Maritza Loreto Pereira	Miami, Florida	Vice President, Human Resources
Giancarlo Giovanni Tiffer	Miami, Florida	Vice President, Operations

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2022.

Compliance & Risk Management Committee		
Name	City, State	Title
Milagros Yzquierdo, Chair	Miami, Florida	Compliance and Privacy Officer
Albert Raphael Maury	Coral Gables, Florida	President & Chief Executive

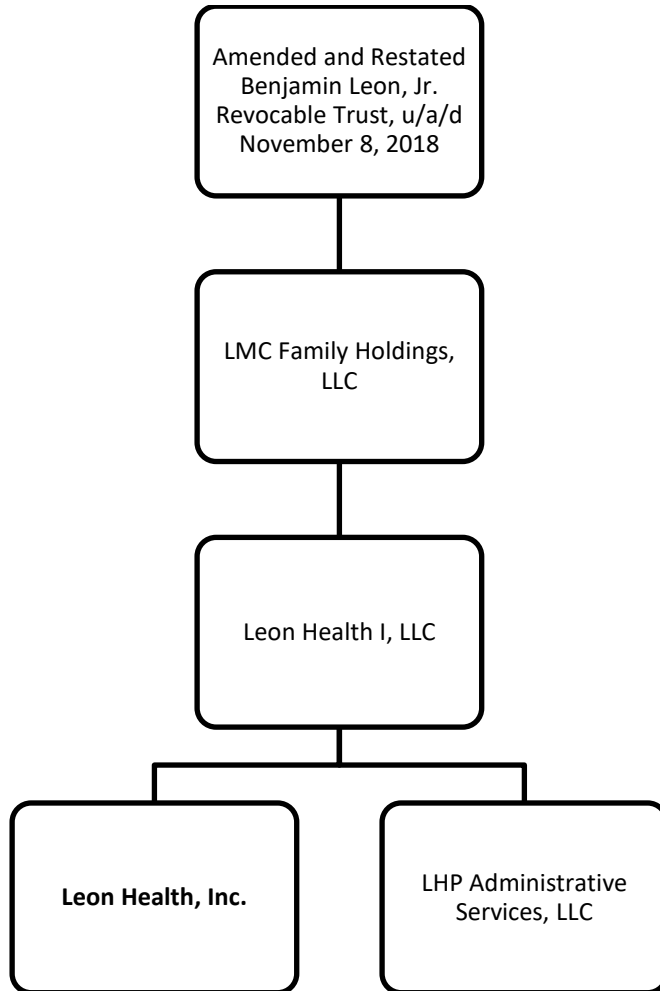
Ann Mary Pardo	Miami Lakes, Florida	Senior Vice President and Chief Financial Officer
Henry Hernandez	Miami, Florida	Senior Vice President & Chief Operating Officer
Victor Marcus Gomez	Southwest Ranches, Florida	Senior Vice President & Chief Information Officer

Quality Assurance Committee		
Name	City, State	Title
Rafael Jose Mas, MD, Chair	Miami, Florida	Senior Vice President & Chief Medical Officer
Henry Hernandez	Miami, Florida	Senior Vice President & Chief Operating Officer
Michelle Bissessar	Miami, Florida	Vice President of Health Services
Giancarlo Giovanni Tiffer	Miami, Florida	Vice President, Operations
Laura Aravena	Miami, Florida	Director, Credentialing
Ernie Otero	Fort Lauderdale, Florida	Director, Information Technology
Milagros Yzquierdo	Miami, Florida	Compliance and Privacy Officer
Aracelis Rivera Torres	Miami, Florida	Director of Pharmacy
Claudia Llanes	Pembroke Pines, Florida	Director of Claims
Omar Velasco	Miramar, Florida	Senior Healthcare Data Analyst
Scarlet Martinez	Miami, Florida	Director of Sales and Marketing

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.

**Leon Health, Inc.
Organizational Chart
December 31, 2022**



AFFILIATED AGREEMENTS

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

Third Amended and Restated Administrative Services Agreement

Effective January 1, 2022, the Company entered a Third Amended and Restated Administrative Services Agreement with LHP Administrative Services, LLC, LHP Administrative Services, LLC provides managerial services relative to the operations of the HMO including: Executive Management and Administration, Accounting and Financial Support, Policies and Procedures,

Education and Training, Documents, Operating Reports, Member Files, Tax Returns, Supplies, Insurance. Amounts incurred under this agreement for the year ended December 31, 2022, amounted to \$37,876,739.

Third Amended and Restated Medical Services Agreement

Effective January 1, 2022, the Company entered a Third Amended and Restated Medical Services Agreement with Leon Medical Centers, LLC (“LMC”). LMC is the primary medical provider for Company’s members. LMC provides or arranges to be provided certain primary care medical services, specified specialty care services, pharmacy services and specified ancillary services to Leon Health Medicare Advantage members. Amounts incurred under this agreement for the year ended December 31, 2022, were approximately 59% of total Hospital, Medical and prescription drugs expenses.

Sales Agency Agreement

Effective October 1, 2021, the Company entered a Sales Agency Agreement with Leon Marketing, Inc. The agreement enables the Sales Agency to sell Leon Health’s Medicare Advantage and Prescription Drug Plans in the geographic areas where the Sales Agency is licensed and authorized by applicable governmental authorities. Reported commission amounts incurred under this agreement for the year ended December 31, 2022, amounted to \$8,488,793.

ACCOUNTS AND RECORDS

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

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

Independent Auditor Agreement

An independent CPA, BDO USA, LLP, audited the Company’s statutory basis financial statements annually for the years 2022, 2021, and 2020, 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, the Compliance & Risk Management Committee, Quality Assurance Committee, Credentialing and Provider Advisory Committee, Utilization Management Committee, and Drug Utilization 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.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to provide managed care services in the State of Florida. The Company offers Medicare Advantage products in one county in Florida. As of December 31, 2022, the Company reported 36,346 members.

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, 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. There were no examination adjustments to the amounts reported by the Company. Due to rounding, column amounts may not add to the totals reflected in this Report.

Leon Health, Inc.
Assets
December 31, 2022

	Per Company
Cash, cash equivalents and short-term investments	147,935,876
Subtotal cash and invested assets	147,935,876
Uncollected premiums and agents' balances in the course of collection	3,437,521
Accrued retrospective premiums and contracts subject to redetermination	1,794,403
Health care and other amounts receivable	9,391,033
Aggregate write-ins for other-than-invested assets	16,993
Totals	162,575,826

Leon Health, Inc.
Liabilities, Capital and Surplus
December 31, 2022

	Per Company
Claims unpaid	54,000,629
Accrued medical incentive pool and Bonus amounts	2,334,707
Unpaid claims adjustment expenses	1,928,748
Aggregate health policy reserves	5,354,889
Liability for amounts held under uninsured plans	37,634,690
Total liabilities	101,253,663
Common capital stock	1
Gross paid-in and contributed surplus	34,999,999
Surplus notes	41,000,000
Unassigned funds (surplus)	(14,677,837)
Total capital and surplus	61,322,163
Total liabilities, capital and surplus	162,575,826

Leon Health, Inc.
Statement of Revenue and Expenses
December 31, 2022

	Per Company
Net premium income	541,096,267
Total revenues	541,096,267
Hospital and Medical:	
Hospital/medical benefits	484,998,707
Prescription drugs	27,386,115
Incentive pool, withhold adjustments and bonus amounts	(9,165,293)
Subtotal	503,219,529
Total hospital and medical	503,219,529
Claims adjustment expenses	1,928,748
General administrative expenses	38,683,636
Total underwriting deductions	543,831,913
Net underwriting gain or (loss)	(2,735,646)
Net investment income earned	2,398
Net income or (loss) after capital gains tax and before all other federal income taxes	(2,733,248)
Net income or (loss)	(2,733,248)

	Per Company
Capital and Surplus Account	
Capital and surplus, prior reporting year	22,850,879
Net income or (loss)	(2,733,248)
Change in nonadmitted assets	204,532
Change in surplus notes	41,000,000
Net change in capital and surplus	38,471,284
Capital and surplus, end of reporting year	61,322,163

Leon Health, Inc.
Reconciliation of Capital and Surplus
December 31, 2022

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

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2021, per Examination			22,850,879
	Increase	Decrease	
Net income or (loss)		(2,733,248)	
Change in nonadmitted assets	204,532		
Change in surplus notes	41,000,000		
Net increase (or decrease)			38,471,284
Capital and Surplus at December 31, 2022, per Examination			61,322,163

Liabilities

Losses and Loss Adjustment Expenses

Michael Rasmussen, Senior Director, Actuarial Consulting, OptumInsight 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, Margaret Hermann, FSA, MAAA, of INS Consultants, 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 \$61,322,163 exceeded the minimum of \$1,500,000 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

On August 16, 2022, a Contribution and Purchase Agreement was executed among Lions South Florida Holdings, LLC, LMC Family Holdings, LLC, LMC Family Holdings 2.0, LLC and LHS Investment I, LLC for the indirect acquisition of 48% of Leon Health, Inc. by Lions South Florida Holdings, LLC. A Form A for the transaction was approved by OIR December 19, 2022. The transaction closed on January 1, 2023, resulting in LMC Family Holdings, LLC, contributed all of the ownership interest in Leon Health I, LLC to LHS Investments I, LLC, a Delaware limited liability company. The Amended and Restated Benjamin Leon Jr. Revocable Trust still holds the majority (52%) voting rights.

CONCLUSION

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

The following individuals with the firm of The INS Companies participated in the examination: Rick Doran, CFE, CIE, MCM, Examiner-in-Charge; Kelly Willison, CPA, CFE, CFE (Fraud), Examination Manager, John Albertini, CISA, CISM, CISSP, IT Examination Supervisor, Margaret Hermann, FSA, MAAA, and Sophie Evans, MAcc, Participating Examiner. Members of OIR who participated in the examination include Shantia Simmons, APIR, Examination Oversight Manager and Jamaal Maddox, APIR, Participating Examiner.

Respectfully submitted,



Rick Doran, CFE, CIE, MCM
Examiner-in-Charge
The INS Companies



Carolyn M. Morgan, APIR
Director
Life & Health Financial Oversight
Florida Office of Insurance Regulation
Date Signed: 7/30/24