



**EXAMINATION REPORT
OF
FLORIDA COMBINED LIFE INSURANCE COMPANY, INC.**

NAIC Company Code: 76031

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

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	2
CURRENT EXAMINATION FINDINGS	2
PREVIOUS EXAMINATION FINDINGS	2
COMPANY HISTORY	2
GENERAL	2
DIVIDENDS	2
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	3
THE COMPANY RECEIVED A CAPITAL CONTRIBUTION OF \$10,000,000 IN 2019.	3
SURPLUS NOTES	3
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS	3
MANAGEMENT AND CONTROL	4
CORPORATE GOVERNANCE	4
HOLDING COMPANY SYSTEM	5
SIMPLIFIED ORGANIZATIONAL CHART	5
AFFILIATED AND OTHER AGREEMENTS	6
ADMINISTRATIVE SERVICES AGREEMENT.....	6
ADMINISTRATIVE SERVICES AGREEMENT.....	6
ACCOUNTS AND RECORDS	6
CUSTODIAL AGREEMENT	7
INDEPENDENT AUDITOR AGREEMENT	7
CORPORATE RECORDS REVIEW.....	7
TERRITORY AND PLAN OF OPERATIONS	7
REINSURANCE	8
REINSURANCE ASSUMED.....	8
REINSURANCE CEDED.....	8
FINANCIAL STATEMENTS	10
ASSETS.....	11
LIABILITIES, SURPLUS AND OTHER FUNDS	12
SUMMARY OF OPERATIONS	13
RECONCILIATION OF CAPITAL AND SURPLUS.....	15
COMMENTS ON FINANCIAL STATEMENT ITEMS	16
LIABILITIES	16
CAPITAL AND SURPLUS	16
SUBSEQUENT EVENTS	17
CONCLUSION	18

May 28, 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 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, 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 Combined Life Insurance Company, Inc.
4800 Deerwood Campus Parkway, Building 100, Suite 700
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. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2014 through December 31, 2018.

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 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 as a result of this examination.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company was incorporated in Florida on October 29, 1987 and commenced business on May 11, 1988.

Prior to December 31, 2018, the Company was a wholly-owned subsidiary of LSV Partners, LLC (LSVP). US Able Mutual Insurance Company (d/b/a Arkansas Blue Cross and Blue Shield) and Diversified Health Services, Inc. (DHS) jointly owned LSVP. Prior to reorganization LSVP and the Company held an economic interest in Life and Specialty Ventures, LLC (LSV), which owned 100% of US Able Life (USAL). Effective December 31, 2018, LSVP was restructured. As part of the restructuring, the Company was distributed from LSVP to DHS, and became a wholly owned subsidiary of DHS. The Company no longer had a direct economic interest in LSV. At December 31, 2019, DHS holds a 43.07% ownership interest in LSV, which retained 100% ownership of USAL. DHS was a wholly owned subsidiary of GuideWell Group, Inc. (GGI), and GGI was 100% owned by GuideWell Mutual Holding Corporation.

Dividends

The Company did not distribute any stockholder dividends during the examination period.

Capital Stock and Capital Contributions

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

Number of authorized common capital shares	1,500,000
Number of shares issued and outstanding	1,500,000
Total common capital stock	\$1,500,000
Par value per share	\$1.00

The Company received a capital contribution of \$10,000,000 in 2019.

Surplus Notes

There were no surplus notes issued by the company during the examination period.

Acquisitions, Mergers, Disposals, Dissolutions

There were no mergers or acquisitions to report during the examination period.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2019, are shown below:

Board of Directors		
Name	City, State	Principal Occupation, Company Name
Jon Richard Urbanek ⁽¹⁾	Jacksonville, Florida	President & CEO, Florida Combined Life Insurance Company, Inc.
Carl James Bailey	Jacksonville, Florida	Vice President, Chief Financial Officer, and Chief Actuary of Commercial Markets – Blue Cross and Blue Shield of Florida
Rachel Hand Bechtel	Jacksonville, Florida	Vice President of Product Development – Blue Cross and Blue Shield of Florida
Charles Divita, III	Jacksonville, Florida	Executive Vice President of Commercial Markets – Blue Cross and Blue Shield of Florida
Sondra M. Tucker	St. Augustine, Florida	VP of Corporate Development & Strategic Investments – Blue Cross and Blue Shield of Florida

⁽¹⁾ Chairman

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

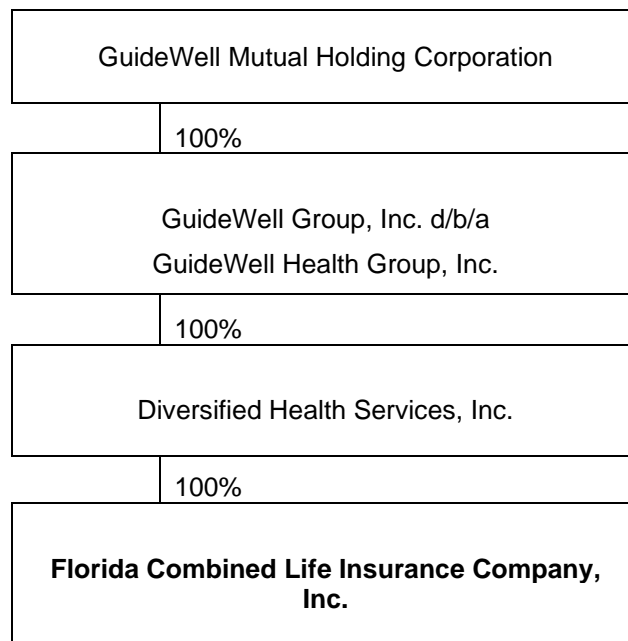
Senior Officers		
Name	City, State	Title
Jon R. Urbanek	Jacksonville, Florida	President & Chief Executive Officer
Carl J. Bailey	Jacksonville, Florida	Treasurer
Rachel H. Bechtel	Jacksonville, Florida	Chief Operating Officer
Arezou C. Jolly	Jacksonville, Florida	Secretary
Craig Provenzano	Jacksonville, Florida	VP of Tax

The Company did not maintain an audit committee, as required by Section 624.424(8)(c), Florida Statutes. However, subsequent to December 31, 2019, the Company's Board of Directors established an Audit Committee with the following members serving on the Committee: Carl Bailey, Charles Divita III, and William Coats.

Holding Company System

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

**Florida Combined Life Insurance Company, 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

On January 1, 2019, the Company and USABLE Life entered into a broad-based administrative service agreement for USABLE Life to provide the Company recordkeeping, operational and product management services. Pursuant to the agreement, the Company paid USABLE Life \$22,484,257 during the year ended December 31, 2019.

Administrative Services Agreement

On December 16, 2010, Blue Cross and Blue Shield of Florida (BCBSFL) and USABLE Life and its affiliate companies, including the Company, entered into an administrative service agreement whereby BCBSFL to provide the sharing of certain property, equipment and facilities related to provision of certain services, such as enrollment, billing and accounts receivable, financial services and service level agreement. Services shall be performed for group and individual business, fully insured and Administrative Services Only.

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 settlements 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 Regions Bank executed on November 25, 2009.

Independent Auditor Agreement

An independent CPA, BKD, LLP, audited the Company's statutory basis financial statements annually for the year 2019, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

Corporate Records Review

The recorded minutes of the Shareholder and Board of Directors (Board) were reviewed for the period under examination. The Shareholder and Board minutes contained a written consent for the election of directors and officers for 2019 in lieu of a meeting.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states:

Alabama	Florida	Georgia
North Carolina	South Carolina	

The Company was authorized to transact insurance in Florida on May 11, 1988, and is currently authorized for the following lines of business as of December 31, 2019:

Accident and Health	Life
Group Life and Annuities	

The Company primarily writes Accident and Health insurance policies in the states where it is licensed or eligible. The majority of the Company's direct business is written in the State of Florida. The Company wrote approximately \$142,000,000 in direct business in Florida during 2019.

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

Effective July 1, 2008, the Company assumed certain dental risks from Blue Cross and Blue Shield of Florida under a 100% quota share participation basis reinsurance agreement.

Reinsurance Ceded

Effective July 1, 2005 and later amended, the Company entered into a group life and disability insurance proportional share reinsurance agreement, and an individual life insurance proportional share reinsurance agreement with USAL. As part of the agreements, the Company will perform certain administrative duties involved in the marketing, sales, servicing and administration of policies reinsured, and USAL shall at its sole cost, perform all administrative functions not specifically delegated to the Company.

Effective January 1, 2005, the Company entered into individual life insurance proportional share reinsurance agreement with USAL. The Company ceded 100% of the Company's liability incurred under the individual insurance plans. The Company was appointed by USAL as its administrative agent for the purposes of marketing, servicing and administering the individual life insurance business reinsured pursuant to this contract.

Effective July 1, 1998, the Company entered into a coinsurance agreement with Swiss Re Life and Health America, Inc. Under the Agreement, the Company ceded certain life and accidental death liabilities. The Company ceded eligible expenses in excess of the \$50,000 retention for group life policies, and 90% of each certificate is reimbursed for group accidental death and dismemberment. Effective June 30, 2005, the agreement was terminated for new and in-force business. Life reserves will continue to be held under this agreement for life waiver of premium.

Effective January 1, 2008, the Company entered into dental insurance reinsurance agreement with USAL. Under the agreement, the Company ceded 100% of certain dental plans to USAL.

Effective January 1, 2008, the Company entered into a dental insurance proportional share reinsurance agreement whereby the Company ceded 100% of the Company's dental insurance products to USAL.

Effective August 1, 1988, the Company entered into Group Long-term Disability Reinsurance agreement with UNUM Life Insurance Company (UNUM). Effective October 1, 2008, the Company was released of any liability related to specific claims for a certain reserve transfer amount to Reliance Standard Life Insurance Company, which was acting as managing agent for UNUM.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds and statutory Summary of Operations 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 Combined Life Insurance Company, Inc.
Assets
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$15,706,158		\$15,706,158
Cash, cash equivalents and short-term investments	2,361,323		2,361,323
Subtotals, cash and invested assets	\$18,067,481		\$18,067,481
Investment income due and accrued	125,338		125,338
Reinsurance:			
Amounts recoverable from reinsurers	5,914,444		5,914,444
Other amounts receivable under reinsurance contracts	2,564,572		2,564,572
Amounts receivable relating to uninsured plans	1,009,606		1,009,606
Net deferred tax asset	33,124		33,124
Guaranty funds receivable or on deposit	1,961,494		1,961,494
Receivables from parent, subsidiaries and affiliates	206,052		206,052
Aggregate write-ins for other-than-invested assets	390,806		390,806
Totals	\$30,272,915		\$30,272,915

Florida Combined Life Insurance Company, Inc.
Liabilities, Surplus and Other Funds
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Contract liabilities not included elsewhere:			
Other amounts payable on reinsurance	\$12,182,001		\$12,182,001
Commissions to agents due or accrued	2,383,017		2,383,017
General expenses due or accrued	106,993		106,993
Taxes, licenses and fees due or accrued excluding federal income taxes	15,434		15,434
Amounts withheld or retained by reporting entity as agent or trustee	180,202		180,202
Remittances and items not allocated	20,463		20,463
Miscellaneous liabilities:			
Asset valuation reserve	30,056		30,056
Payable to parent, subsidiaries and affiliates	712,072		712,072
Aggregate write-ins for liabilities	391,727		391,727
Total liabilities	\$16,021,964		\$16,021,964
Common capital stock	1,500,000		1,500,000
Gross paid-in and contributed surplus	12,577,856		12,577,856
Aggregate write-ins for special surplus funds	2,545,932		2,545,932
Unassigned funds (surplus)	(2,372,836)		(2,372,836)
Total surplus and other funds	\$14,250,952		\$14,250,952
Total liabilities, surplus and other funds	\$30,272,915		\$30,272,915

Florida Combined Life Insurance Company, Inc.
Summary of Operations
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Net investment income	\$294,768		\$294,768
Amortization of interest maintenance reserve	(4,200)		(4,200)
Commissions and expense allowances on reinsurance Ceded	36,841,358		36,841,358
Totals	\$37,131,926		\$37,131,926
Commissions on premiums, annuity considerations and deposit-type contract funds	11,367,112		11,367,112
Commissions and expense allowances on reinsurance assumed	25,651		25,651
General insurance expenses and fraternal expenses	23,810,942		23,810,942
Insurance taxes, licenses and fees, excluding federal income taxes	1,720,374		1,720,374
Totals	\$36,924,079		\$36,924,079
Net gain from operations before dividends to policyholders, refunds to members and before income taxes	\$207,847		\$207,847
Federal and foreign income taxes incurred	33,798		33,798
Net gain from operation after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	174,049		174,049
Net income	\$174,049		\$174,049

Florida Combined Life Insurance Company, Inc.
Capital and Surplus Account
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Capital and surplus, December 31, prior year	\$4,092,723		\$4,092,723
Net Income	\$174,049		\$174,049
Change in net deferred income tax	(22,534)		(22,534)
Change in nonadmitted assets	17,070		17,070
Change in asset valuation reserve	(10,357)		(10,357)
Surplus adjustment:			
Paid in	\$10,000,000		\$10,000,000
Net change in capital and surplus for the year	\$10,158,228		\$10,158,228
Capital and surplus, December 31, current year	\$14,250,952		\$14,250,952

Florida Combined Life Insurance Company, Inc.
Reconciliation of Capital and Surplus
December 31, 2019

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2018, per Examination			\$4,092,723
	Increase	Decrease	
Increase in surplus	\$174,049		\$174,049
Change in net deferred income tax		(\$22,534)	(\$22,534)
Change in non-admitted assets	\$17,070		\$17,070
Change in asset valuation reserve		(\$10,357)	(\$10,357)
Change in paid in surplus	10,000,000		\$10,000,000
Net increase (or decrease)			\$10,158,229
Capital and Surplus at December 31, 2019, per Examination			\$14,250,952

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Benjamin M. Cohen, FSA, MAAA, Consulting Actuary of Wakely Actuarial, 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, Mike Mayberry, FSA, MAAA of Lewis & Ellis, 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 \$14,250,952 exceeded the minimum of \$1,500,000 required by Section 624.408, 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.

Administrative Services Agreement

Effective January 1, 2020, the Company amended its Administrative Services Agreement with USAL to include additional items which amends and augments the functions, responsible parties, and description of delegated functions set forth within the Administrative Services Agreement.

CONCLUSION

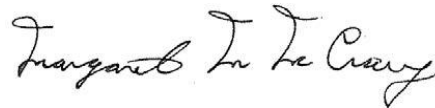
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Florida Combined Life Insurance Company, Inc as of December 31, 2019, consistent with the insurance laws of the State of Florida.

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 Pitman, CISA, CFE, CPA, CISA, AES, MCM, IT Specialist of Lewis & Ellis, Inc. are recognized for participation in the examination.

Respectfully submitted,



Katerina Bolbas, CFE, CPA, MCM
Examiner-in-Charge
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Margaret M. McCrary, CFE, CPA, MBA
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