



**EXAMINATION REPORT  
OF  
BRIGHT HEALTH INSURANCE COMPANY OF FLORIDA**

**NAIC Company Code: 16501**

**Tampa, Florida  
as of  
December 31, 2020**

**BY THE  
FLORIDA  
OFFICE OF INSURANCE REGULATION**

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May 24, 2022

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, 2020, of the financial condition and corporate affairs of:

**BRIGHT HEALTH INSURANCE COMPANY OF FLORIDA**

3030 N. Rocky Point Drive, Suite 150A  
Tampa, Florida 33607

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, 2020 through December 31, 2020, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“OIR”) on September 15, 2021. The fieldwork concluded as of May 24, 2022. The Company’s last full scope exam by representatives of the OIR covered the period of February 13, 2019 through December 31, 2020.

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 as a result of this examination.

### Previous Examination Findings

There were no findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2019.

## COMPANY HISTORY

### General

The Company was incorporated in Florida on February 5, 2019 and was licensed by the OIR on February 13, 2019. It commenced business on January 1, 2020. The Company is 100% owned by Bright Health Management (“BHM”), which is 100% owned by Bright Health, Inc.

**Subsequent event:** In January 2021, Bright Health, Inc.’s name was changed to Bright Health Group, Inc. (“BHG”).

### Dividends

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

### Capital Stock and Capital Contributions

As of December 31, 2020, the Company’s capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	100,000
Total common capital stock	\$1,000,000
Par value per share	\$10.00

The Company’s parent, BHM, infused capital of \$8 million in the first quarter, \$5 million in the second quarter, \$14 million in the third quarter and \$88 million in the fourth quarter for a total of \$115 million in 2020.

## 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

The annual shareholder meeting for the election of the Board of Directors (“Board”) was held in accordance with Section 628.231, Florida Statutes. The Company is governed by a five-person Board, comprised of officers of the Company’s parent. The Board were elected at the annual meeting of the Company’s shareholders. Directors serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Simeon Schindelman (b)	New York City, New York	Chief Executive Officer Bright Health Insurance Company
Kara Rios (a)	Minneapolis, Minnesota	Chief Financial Officer Bright Health Insurance Company
Tomas Valdivia, M.D. (c)	Minneapolis, Minnesota	Chief Medical Officer Bright Health Insurance Company
George Lyford (d)	Boulder, Colorado	Corporate Secretary Bright Health Insurance Company

- (a) Effective January 1, 2022, Jay Matushak replaced Kara Rios as a Director.
- (b) Effective March 11, 2022, Simeon Schindelman resigned from the Board.
- (c) Effective May 2, 2022, Tomas Valdivia, M.D. resigned from the Board.
- (d) Effective May 2, 2022, George Lyford resigned from Secretary and from the Board.

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

<b>Senior Officers</b>		
<b>Name</b>	<b>City, State</b>	<b>Title</b>
Simeon Schindelman (f)	New York City, New York	Chief Executive Officer and President
Kara Rios (e)	Minneapolis, Minnesota	Chief Financial Officer
George Lyford (g)	Boulder, Colorado	Corporate Secretary
Tomas Valdivia, M.D. (h)	Minneapolis, Minnesota	Chief Medical Officer

- (e) Jay Matushak replaced Kara Rios as Chief Financial Officer on January 1, 2022.
- (f) Jay Matushak was appointed Interim Chief Executive Officer and President replacing Simeon Schindelman on March 11, 2022.
- (g) Jeff Craig replaced George Lyford as Corporate Secretary on May 2, 2022.
- (h) Tomas Valdivia, M.D. resigned as Chief Medical Officer on May 2, 2022.

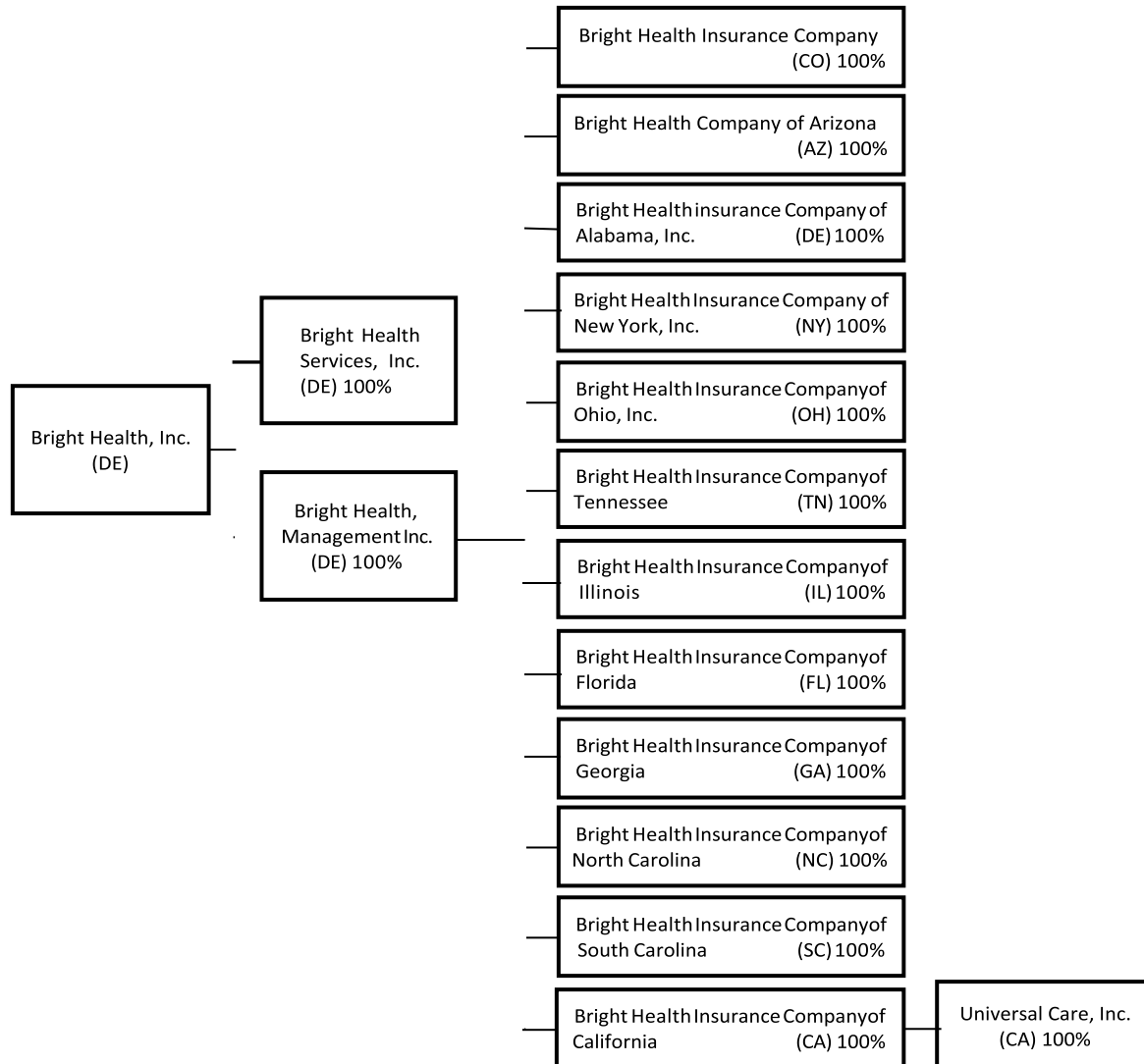
Subsequent to the examination date, on January 20, 2021, the BHM Audit Committee was established and members Kedrick Adkins (Chair), Manny Kadre, Jeffrey Folick, and Linda Gooden were appointed.

To meet the audit committee requirement specified by Section 624.424(8)(c), Florida Statutes, the seven-member Board of BHG served as the Audit Committee for the group. Five of the seven BHG Board serving in this capacity were independent as they are not part of management and have no business relationships with the Company.

### **Holding Company System**

BHG is a for-profit privately held company and ultimate parent. BHG established a wholly owned subsidiary BHM.

The following organizational chart depicts the Company's relationship within the holding company system:



All significant service and management agreements are maintained at the parent level and allocated down to affiliated entities on a direct and indirect basis. The following agreements were in effect between the Company and its affiliates as of December 31, 2020:

### **Tax Allocation Agreement**

The Company became party to a tax sharing agreement with BHG on August 1, 2019. The agreement provides for the allocation of consolidated federal income tax liability, state and local income tax liability, and certain related matters.

## **Management Agreement**

The Company holds a management service agreement with BHM, which was effective as of April 15, 2019. The agreement was established to provide staffing, governance, policies and procedures, and platforms. Total management fee expenses incurred in 2020 were \$28,710,683.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Minneapolis, Minnesota. There were no significant examination findings related to the Company's accounts and records.

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

## **Custodial Agreement**

The Company maintained a custodial agreement with U.S. Bank N.A. executed on August 29, 2019. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

## **Corporate Records Review**

The recorded minutes of the Shareholders and 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.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company was authorized to transact insurance only in the State of Florida and is currently authorized for the Accident and Health line of business as of December 31, 2020. It writes comprehensive health policies for individuals and families and provides Medicare Advantage policies for Medicare-eligible enrollees. Beginning January 1, 2020, the Company began offering individual comprehensive major medical policies both on and off the health exchanges, focusing in the Jacksonville, Orlando, and Pensacola metropolitan areas. The coverage includes "care

partners” such as independent primary care medical homes, integrated hospital systems, and emerging Accountable Care Organizations.

The Company utilizes third parties for a number of functions, including management services, third party administrator services, actuarial consulting, pharmacy benefit manager services, marketing, investment management, custodial services, and IT.

## **REINSURANCE**

### **Reinsurance Assumed**

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

### **Reinsurance Ceded**

The Company entered a binding term sheet with RGA Reinsurance Company (Barbados) Ltd., a US subsidiary of Reinsurance Group of America, Inc., on January 1, 2019. Under the terms of the renewable agreement, the reinsurer assumes up to 50% of the premium and loss risk of the Company.

The Company was party to an excess loss reinsurance agreement with Swiss Re Life & Health America, Inc. effective January 1, 2020. The reinsurer assumes unlimited business excess \$200,000 per Member per Agreement Period for Medicare Advantage and \$400,000 per Member per Agreement Period for individual members.

## **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, 2020. 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, 2020. 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.

**Bright Health Insurance Company of Florida**  
**Assets**  
**December 31, 2020**

	Per Company
Bonds	\$ 68,301,394
Cash, cash equivalents and short-term investments	117,207,249
Subtotal cash and invested assets	\$185,508,643
Investment income due and accrued	260,487
Uncollected premiums and agents' balances in the course of collection	367,973
Contracts subject to redetermination	70,886
Amounts recoverable from reinsurers	9,824,138
Other amounts receivable under reinsurance contracts	20,000
Amounts receivable relating to uninsured plans	271,756
Health care and other amounts receivable	998,912
<b>Totals</b>	<b>\$197,322,795</b>

**Bright Health Insurance Company of Florida**  
**Liabilities, Capital and Surplus**  
**December 31, 2020**

	Per Company
Claims unpaid	\$ 32,414,003
Unpaid claims adjustment expenses	963,265
Aggregate health policy reserves	61,724,388
Premiums received in advance	10,923,253
General expenses due or accrued	11,041,460
Ceded reinsurance premiums payable	8,455,851
Amounts due to parent, subsidiaries and affiliates	937,612
Liability for amounts held under uninsured plans	26,019
<b>Total liabilities</b>	<b>\$ 126,505,851</b>
Common capital stock	\$ 1,000,000
Gross paid in and contributed surplus	131,000,000
Unassigned funds (surplus)	(61,183,056)
<b>Total capital and surplus</b>	<b>\$70,816,944</b>
<b>Total liabilities, capital and surplus</b>	<b>\$197,322,795</b>

**Bright Health Insurance Company of Florida**  
**Statement of Revenue and Expenses**  
**December 31, 2020**

	Per Company
Net premium income	\$113,925,656
Change in unearned premium reserves and reserve for rate credits	32,144
Total revenues	\$113,957,800
Hospital/medical benefits	128,300,430
Other professional services	131,707
Prescription drugs	12,768,058
Subtotal	\$141,200,195
Net reinsurance recoveries	28,711,481
Total hospital and medical	\$112,488,714
Claims adjustment expenses	3,977,228
General administrative expenses	56,666,431
Increase in reserves for life and accident and health contracts	1,276,521
Total underwriting deductions	174,408,894
Net underwriting gain or (loss)	\$(60,451,094)
Net investment income earned	322,335
Net realized capital gains (losses)	4,230
Net investment gains	\$326,565
Net gain or (loss) from agents' of premium balances charged off	(742,492)
Net income (loss)	\$(60,867,021)

	Per Company
<b>Capital and Surplus Account</b>	
Capital and surplus prior reporting year	\$16,937,137
Net Income	\$ (60,867,021)
Change in nonadmitted assets	(253,172)
Capital Changes:	
Paid in	115,000,000
Net change in capital and surplus	\$53,879,807
Capital and surplus end of reporting year	\$70,816,944

**Bright Health Insurance Company of Florida  
Reconciliation of Capital and Surplus  
December 31, 2020**

<b>Capital/Surplus Change during Examination Period</b>			
Capital and Surplus at December 31, 2019, per Examination			\$ 16,937,137
	Increase	Decrease	
Net income or (loss)		\$60,867,021	
Change in non-admitted assets		\$253,172	
Change in paid in surplus	\$115,000,000		
Net increase (or decrease)			\$53,879,807
Capital and Surplus at December 31, 2020 per Examination			\$ 70,816,944

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

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

**Losses and Loss Adjustment Expenses**

Donna Novak, Actuary of NovaRest Actuarial Consulting, Inc., appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2020, 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, MAA of Taylor-Walker Consulting, LLC, 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 \$70,816,944, exceeded the minimum of \$11,452,678 required by Section 624.408, Florida Statutes.

### **SUBSEQUENT EVENTS**


The COVID-19 pandemic has continued to develop throughout 2020 and 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The OIR has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The OIR continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

## CONCLUSION

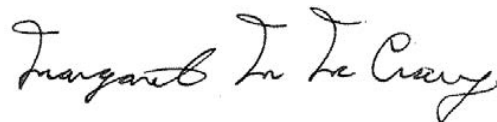
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Bright Health Insurance Company of Florida as of December 31, 2020, consistent with the insurance laws of the State of Florida.

The following individuals from the firm of Examination Resources, LLC participated in the examination: Rachelle Gowins, CFE, MCM, Examiner-in-Charge; Jean Adams-Harris, CFE, CPA, CISA, MCM, Exam Manager; Renee Hanshaw, CPA, CFE, Participating Examiner; James Gowins, CISA, AES, AFE, MCM, IT Specialist; and Aaron Phillips, CISA, CFE, IT Specialist. Members of the OIR who participated in the examination include Margaret M. McCrary, CFE, CPA, MBA, Chief Financial Examiner and Examination Supervisor; and Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor and Participating Examiner. Additionally, Scott Garduno, FSA, MAAA and Solomon Frazier, FSA, FCAS, MAAA, Actuarial Specialists associated with the firm of Taylor-Walker Consulting, LLC, are recognized for participation in the examination.

Respectfully submitted,



Rachelle Gowins, CFE, MCM  
Examiner-in-Charge  
Examination Resources



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