



**EXAMINATION REPORT
OF
Align Senior Care Florida, Inc.**

NAIC Company Code: 16778

**Tampa, Florida
as of
December 31, 2021**

**BY THE
FLORIDA OFFICE OF INSURANCE REGULATION**

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May 18, 2023

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 (“the NAIC”), we have conducted an examination as of December 31, 2021, of the financial condition and corporate affairs of

Align Senior Care Florida, Inc.

8270 Woodland Center Blvd
Tampa, FL 33614

hereinafter referred to as “the Company” or “ASCFL”. Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of April 20, 2020, through December 31, 2021, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“OIR”) on December 5, 2022, to December 9, 2022. The fieldwork concluded as of May 18, 2023. This is the Company’s first full scope financial examination 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 are 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 was the first financial examination of the Company. As such, there are no previous examination findings.

COMPANY HISTORY

General

The Company was incorporated in Florida on September 5, 2019, and commenced business on January 1, 2021. It was licensed by OIR as a Health Maintenance Organization on April 20, 2020, in accordance with Part 1 of Chapter 641, Florida Statutes.

ASCFL began enrolling members in mid-2021 offering only two Medicare Advantage products: an Institutional Special Needs Plan (“I-SNP”) and a Chronic Condition Special Needs Plan (“C-SNP”). Members must be enrolled in both Medicare Part A and Medicare Part B and will continue to pay the Medicare Part B premiums directly to CMS. The Company serves a niche market of members residing in Assisted Living and Skilled Nursing facilities.

ASCFL has no employees. Day-to-day management of the Company is performed through a Management Services Agreement executed with the Company’s affiliate, AllyAlign Health, Inc. (“AAH”). AAH provides management services for all wholly-owned and partially-owned Health Plans, and third-party administrator arrangements with non-owned Health Plans. AAH’s immediate parent is Innovative Long Term Care Management (“ILTCM”). ILTCM was acquired in June 2021 with New Enterprise Associates (“NEA”) becoming the ultimate controlling person (“UCP”). NEA owns Curana Health. Throughout 2021 and continuing into 2022 and 2023, AAH worked to align its operations through shared services with Curana Health. As a result, while the Company is operated through the AAH Management Services Agreement, AAH is contracting with Curana Health for various shared services such as human resources, information technology, legal, and compliance.

Dividends

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

Capital Stock and Capital Contributions

The Company was capitalized through a surplus contribution in 2020 of \$2,508,487 by its immediate parent, ILTCM. No additional capital was contributed throughout the exam period.

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 Directors was held in accordance with the Company's Bylaws. Directors serving as of December 31, 2021, are:

| Directors^(a) | | |
|--------------------------------|--------------------|---|
| Name | City, State | Principal Occupation, Company Name |
| Ann Pearson Rote | Dallas, TX | President & Chief Executive Officer, AAH |
| Julianne Christine Hug | San Francisco, CA | Chief Financial Officer & Treasurer, AAH |
| Amy Elizabeth Kaszak | The Woodlands, TX | President of Special Needs Plans, AAH |

(a) Will Saunders and RJ Gilson were reported on the 2021 Annual Statement Jurat Page in error. These Board members left the Board effective August 12, 2021, and November 12, 2021, respectively.

In accordance with the Company's Bylaws, the Board of Directors ("Board") appointed the following Officers at December 31, 2021:

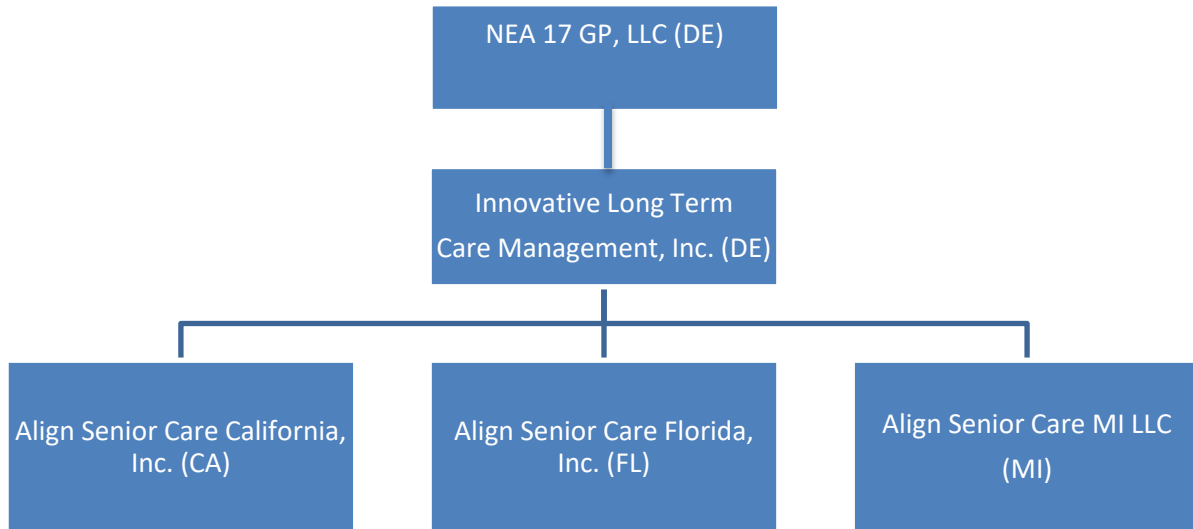
| Officers | | |
|------------------------|--------------------|---|
| Name | City, State | Principal Occupation, Company Name |
| Ann Pearson Rote | Dallas, TX | President & Chief Executive Officer, AAH |
| Julianne Christine Hug | San Francisco, CA | Chief Financial Officer & Treasurer, AAH |
| Amy Elizabeth Kaszak | The Woodlands, TX | President of Special Needs Plans, AAH |

The Company's Board did not formally appoint any principal internal Board committees over the exam period.

Holding Company System

A simplified organizational chart as of December 31, 2021, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2021 annual statement provided a list of all related companies of the holding company group.

Align Senior Care Florida, Inc.
Organizational Chart
December 31, 2021



AFFILIATED AGREEMENTS

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

Management Services Agreement

Effective February 10, 2020, the Company entered into a management services agreement with an affiliate, AAH. Under the terms of this agreement, AAH provides day-to-day management services, including plan management, utilization management and nurses, finance and accounting, business analysis, compliance support and reporting, pharmacy, network development and contracting, and human resources. Beginning January 1, 2021, the monthly Management Services Fee is due on the 10th day of each month. The Services Fee is 11% of Health Plan revenues for Part C. For administration of the Part D Prescription Drug Benefit, the fee shall be set at \$25.00 per member per month. The total fees paid under the terms of this agreement by ASCFL for 2021 were \$54,258.

Medical Director Agreement

Effective March 15, 2021, the Company entered into a Medical Director Agreement with AAH under which AAH provides the Company with medical director services through a physician duly licensed to practice medicine in Florida. Services under this agreement include oversight of the clinical direction of medical services and quality improvement functions and provision of medical management leadership as well as management of all major clinical and quality program components under the Company's operations. Fees are calculated based on the time recorded by the medical director in the provision of services specific to the Company. The total fees paid under the terms of this agreement by ASCFL for 2021 were \$8,200.

Advance Practice Participation Agreement

Effective March 12, 2021, the Company entered into an Advanced Practice Participation Agreement with Sunshine Health Partners, LLC ("Sunshine") under which Sunshine will provide the Company with nurse practitioner healthcare services through one or more nurse practitioners duly licensed and qualified to render services as a nurse practitioner in Florida. Services under this agreement include diagnosis, management and treatment, quality improvement activities, interpretation of laboratory data, reconciling medications, and evaluating each member's care plan. The Company will pay a monthly fee of \$225 for each member managed by Sunshine. Additionally, Sunshine is eligible to participate in its quality incentive program under which Sunshine may earn up to \$20 per member per month. The total fees paid under the terms of this agreement by ASCFL for 2021 were \$39,150.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Glen Allen, Virginia.

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

Independent Auditor Agreement

An independent CPA, LBMC PA, audited the Company's statutory basis financial statements annually for the years 2020 and 2021 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 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, including the authorization of investments, as required by Section 641.35(7), Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

For 2020 and 2021, benefits were targeted to meet the specific needs of Assisted Living and Skilled Nursing facility residents in Alachua, Lee, Miami-Dade, and Orange counties. ASCFL offers only two Medicare Advantage products: an I-SNP and a C-SNP. Members must be enrolled in both Medicare Part A and Medicare Part B and will continue to pay the Medicare Part B premiums directly to CMS.

The Company did not begin enrolling members until January 1, 2021. As of December 31, 2021, the Company reported only 19 enrolled members and approximately \$469,000 of total premium income for 2021. Membership enrollment was affected by the COVID-19 pandemic.

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

Partner Re XOL Reinsurance Agreement: Effective January 1, 2021 to January 1, 2022, the Company entered into an Excess of Loss reinsurance agreement with PartnerRe America Insurance Company covering the Medicare Advantage members. Under the terms of the agreement, the maximum payable per covered person is unlimited excess of the Specific Deductible per covered person of \$200,000. There is no Maximum Aggregate Limit of the Company's liability. The premium payable per covered member is \$13.30 with premium due to the reinsurer on the first day of each month. The total reinsurance premium paid under the terms of this reinsurance agreement by ASCFL for 2021 was \$2,567.

Reinsurance Broker Agreement: Epic Reinsurance served as the Company's intermediary for the agreements executed with Partner Re.

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, 2021. 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, 2021. 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.

Align Senior Care Florida, Inc.
Assets
December 31, 2021

| | Per Company |
|---|------------------|
| Bonds | 305,338 |
| Cash, cash equivalents and short-term investments | 1,898,939 |
| Subtotal cash and invested assets | 2,204,277 |
| Investment income due and accrued | 1,569 |
| Premiums and considerations: | |
| Uncollected premiums and agents' balances | 23 |
| Accrued retrospective premiums | 2,617 |
| Amounts receivable relating to uninsured plans | 15,079 |
| Health care and other amounts receivable | 8,935 |
| Totals | 2,232,500 |

**Align Senior Care Florida, Inc.
Liabilities, Capital and Surplus
December 31, 2021**

| | Per Company |
|--|------------------|
| Claims unpaid | 249,627 |
| Accrued medical incentive pool and bonus amounts | 1,824 |
| Unpaid claims adjustment expenses | 8,455 |
| Aggregate health policy reserves | 28,464 |
| Premiums received in advance | 4,382 |
| General expenses due or accrued | 12,135 |
| Amounts due to parent, subsidiaries and affiliates | 3,852 |
| Liability for amounts held under uninsured plans | 7,036 |
| Total liabilities | 315,775 |
| Gross paid-in and contributed surplus | 2,508,487 |
| Unassigned funds (surplus) | (591,762) |
| Total capital and surplus | 1,916,725 |
| Total liabilities, capital and surplus | 2,232,500 |

Align Senior Care Florida, Inc.
Statement of Revenue and Expenses
December 31, 2021

| | Per Company |
|---|------------------|
| Net premium income | 468,786 |
| Change in unearned premium reserves and reserve for rate credits | |
| Aggregate write-ins for other health care related revenues | |
| Total revenues | 468,786 |
| Hospital and Medical: | |
| Hospital/medical benefits | 310,392 |
| Other professional services | 93,793 |
| Emergency room and out-of-area | 4,420 |
| Prescription drugs | 24,123 |
| Aggregate write-ins for other hospital and medical | 4,155 |
| Incentive pool, withhold adjustments and bonus amounts | 1,824 |
| Subtotal | 438,707 |
| Less: | |
| Claims adjustment expenses | 108,800 |
| General administrative expenses | 490,648 |
| Increase in reserves for life and accident and health contracts | 28,464 |
| Total underwriting deductions | 1,066,619 |
| Net underwriting gain or (loss) | (597,833) |
| Net investment income earned | 1,671 |
| Net investment gains (losses) | 1,671 |
| Net income or (loss) after capital gains tax and before all other federal income taxes | (596,162) |
| Federal and foreign income taxes incurred | (1,045) |
| Net Income | (595,117) |

Align Senior Care Florida, Inc.
Statement of Revenue and Expenses continued
December 31, 2021

| | Per Company |
|--|----------------|
| Capital and Surplus Account | |
| Capital and surplus, prior reporting year | 2,512,418 |
| Net Income | (595,117) |
| Change in nonadmitted assets | (576) |
| Net change in capital and surplus | (595,693) |
| Capital and surplus, end of reporting year | 1,916,725 |

Align Senior Care Florida, Inc.
Reconciliation of Capital and Surplus
December 31, 2021

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

| Capital/Surplus Change during Examination Period | | | |
|---|-----------|-----------|-----------|
| Capital and Surplus beginning balance, per Examination | | | 0 |
| | Increase | Decrease | |
| Net loss | | (591,186) | |
| Change in net unrealized capital gain (loss) | | | |
| Change in net deferred income tax | | | |
| Change in nonadmitted assets | | (576) | |
| Change in surplus notes | | | |
| Change in paid in surplus | 2,508,487 | | |
| Transferred to surplus | | | |
| Net increase (or decrease) | | | 1,916,725 |
| Capital and Surplus at December 31, 2021, per Examination | | | 1,916,725 |

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Andrew McStanley, FSA, MAAA, Director and Senior Consulting Actuary of Wakely Consulting Group, LLC, as appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2021, 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, Jason Dunavin, FSA, MAAA, Vice President 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 \$1,916,725 exceeded the minimum of \$1,500,000 required by Section 641.225, Florida Statutes.

CONCLUSION

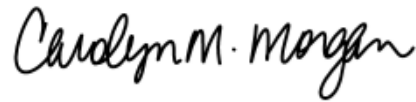
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Align Senior Care Florida, Inc. as of December 31, 2021, consistent with the insurance laws of the State of Florida.

The following individuals with the firm of Lewis & Ellis, Inc. participated in the examination: Lindsey Pittman, CPA, CFE, CISA, AES, Examiner-in-Charge and IT Specialist; David Palmer, CFE, Exam Supervisor; Jason Dunavin, FSA, MAAA, Exam Actuary. Members of OIR who participated in the examination include Alicia Thompkins-Perryman, CFE (Fraud), Examination Supervisor.

Respectfully submitted,

A handwritten signature in black ink that reads "Lindsey Pittman". The signature is written in a cursive style and is underlined.

Lindsey Pittman, CPA, CFE, CISA, AES
Examiner-in-Charge
Lewis & Ellis, Inc.

A handwritten signature in black ink that reads "Carolyn M. Morgan". The signature is written in a cursive style.

Carolyn M. Morgan, APIR
Director
Life & Health Financial Oversight
Florida Office of Insurance Regulation
Date Signed: 6/30/2023