REPORT ON EXAMINATION

OF

SOLSTICE HEALTH INSURANCE COMPANY

AS OF DECEMBER 31, 2019

EXAMINER: **SHARON CUMMINGS**

DATE OF REPORT: **January 30,2024**

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January 30, 2024

Honorable Adrienne A. Harris
Superintendent of Financial Services
Albany, New York 12257

Madam:

Pursuant to the provisions of the New York Insurance Law and acting in accordance with the instructions contained in Appointment Number 32059, dated April 9, 2020, attached hereto, I have made an examination into the condition and affairs of Solstice Health Insurance Company, an accident and health insurer licensed pursuant to Article 42 of the New York Insurance Law, as of December 31, 2019. The following report is respectfully submitted.

The examination was conducted remotely due to restrictions relating to the COVID-19 pandemic.

Wherever the designations the "Company" or "SHIC" appear herein, without qualification, they should be understood to indicate Solstice Health Insurance Company.

Wherever the designation the "Department" appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

1. SCOPE OF THE EXAMINATION

This was a combined (financial and market conduct) examination of the Company and covered the period January 1, 2015, through December 31, 2019. The financial component of the examination was conducted as a financial examination, as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2020 Edition* (the "Handbook"). The examination was conducted observing the guidelines and procedures in the Handbook. Where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2019, were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook, which provides guidance for the establishment of an examination plan based on the examiner's assessment of risk in the Company's operations and utilizes that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the Company's current financial condition, as well as identify prospective risks that may threaten the future solvency of the Company.

The examiner identified key processes, assessed the risks within those processes and assessed the internal control systems and procedures used to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, an evaluation of the overall financial statement presentation, and determined management's compliance with the Department's statutes and guidelines, Statutory Accounting Principles, as adopted by the Department, and NAIC annual statement instructions.

Information concerning the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The examination evaluated the Company's risks and management activities in accordance with the NAIC's nine branded risk categories. These categories are as follows:

- Pricing / Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The examination also evaluated the Company's critical risk categories in accordance with the NAIC's ten critical risk categories. These categories are as follows:

- Valuation / Impairment of Complex or Subjectively Valued Invested Assets
- Liquidity Considerations
- Appropriateness of Investment Portfolio and Strategy
- Appropriateness / Adequacy of Reinsurance Program
- Reinsurance Reporting and Collectability
- Underwriting and Pricing Strategy / Quality
- Reserve Data
- Reserve Adequacy
- Related Party / Holding Company Considerations
- Capital Management

The Company was audited annually, for the years 2015 through 2017, by the accounting firms Marcum LLP. For 2018 and 2019, the Company was audited by Michael Curto CPA, P.A., and Arthur Palermo J Novogradac & Company, respectively. SHIC received an unmodified opinion in each of the years covered by the examination period. A review was also made to

ascertain what actions were taken by SHIC with regard to the comments and recommendations contained in the prior report on examination. The results of the examiner's review are contained in Item No. 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

2. DESCRIPTION OF THE COMPANY

SHIC was incorporated on November 19, 2009, and licensed in New York on November 15, 2010. The Company is licensed under Article 42 of the New York Insurance Law to write accident and health insurance as defined in Section 1113(a)(3) of the New York Insurance Law. SHIC is a for-profit accident and health insurance company which provides dental and vision benefit plans to employers, individuals, and other consumers. The Company is licensed only in New York State. The Company's business operations commenced in September of 2012.

Prior to 2016, SHIC was primarily a dental and vision insurer. However, in the last four (4) years of the examination period (2016 to 2019), the Company provided ancillary products such as Administrative Services Only ("ASO"), critical illness and stop-loss programs, which as of June 2020, the Company decided to stop writing.

As of December 31, 2019, SHIC's line of business percentages were 25% Dental, 20% Vision and 55% Other Health. Other Health included ASO, Critical Illness, Stop-Loss, and

Discount lines of business. SHIC also offers Family Dental plans on the New York State of Health Marketplace (i.e., the Exchange).

A. Corporate Governance

Pursuant to the Company's charter and by-laws, management of the Company is to be vested in a board of directors (the "Board") consisting of not less than seven (7) members. As of the examination date, the board of directors was comprised of nine (9) members.

The members of the board of directors, as of December 31, 2019, were as follows:

Name and Residence	Principal Business Affiliation
Carlos Ferrera Coral Springs, FL	Chief Operating Officer, Solstice Benefits, Inc.
Richard S. Landau Providence, RI	Mortgage Banker, Security Capital Ventures, LLC.,
Stuart Leaderman Boca Raton, FL	Osteopathic Physician, West Boca Medical Center
Michael A. Muchnicki New York, NY	President, and Chief Executive Officer, Touchstone Health
Martin Schwartzman Bayside, NY	Consulting Service SBL Solutions, LLC
Leonard A. Weiss, DMD Boca Raton, FL	President, Solstice Benefits, Inc.
Michelle S. Weiss Boca Raton, FL	Medical Doctor, Florida Medical Center
Shaun A. Weiss Boca Raton, FL	VP, Business Development and Risk, Solstice Benefits, Inc.
Nachman Weiszner Miami, FL	Chief Financial Officer, Solstice Benefits, Inc.

As of December 31, 2019, the principal officers of the Company were as follows:

Name	Title
Leonard A. Weiss	President
Carlos Ferrera	Treasurer
Nachman Weiszner	Secretary

The Board met four (4) times during each calendar year within the examination period. The minutes of the Board meetings indicated that the meetings were well attended.

Department Circular Letter No. 9 (1999) states, in part:

> "…the board obtain the following certifications annually: (i) from either the company's director of internal audit or independent CPA that the responsible officers have implemented the procedures adopted by the board, and (ii) from the company's general counsel a statement that the company's current claims adjudication procedures, including those set forth in the current claim's manual, are in accordance with applicable statutes, rules and regulations.
> Of equal importance is the adoption of written procedures to enable the board to assure itself that the company's operations in other key areas are being conducted in accordance with applicable statutes, rules and regulations."

A review of the Company's corporate governance revealed that the Company failed to comply with the requirements of Circular Letter No. 9 (1999). The Board did not obtain annual certifications from the director of Internal Audit or the independent CPA and the company's general counsel.

It is recommended that the Board of Directors comply with the requirements of Circular Letter No. 9 (1999) by obtaining the required annual certifications.

Solstice Health Insurance Company's Statement of Procedures ("SOP") No. 03 – 06 Audit Committee Charter, dated March 25, 2015, states in part the following:

> *"The Audit Committee shall include at least 3 individual members who are members of the Board of Directors and are in the business judgment of the Board of Directors,*

> *free from any relationship that would interfere with the exercise of independent judgment as an Audit Committee Member. The Audit Committee should seek members with backgrounds in finance, accounting, business, investment management, executive leadership, and business ownership."*

Review of SHIC's Audit Committee Charter and Audit Committee's ("AC") minutes revealed that the Audit Committee has only 2 members which does not comply with the Audit Committee Charter. The Audit Committee Charter requires, at least three (3) members of the Board of Directors.

It is recommended that the composition of SHIC's Audit Committee members reflect its Audit Committee Charter.

It was noted that during the examination period (January 1, 2015, through December 31, 2019) a member on the Board of Directors who was also a member of the Audit Committee, was a business consultant (lobbyist) of the Company.

According to the Handbook, Exhibit B – Examination Planning Questionnaire:

> "Independent members are individuals who are not part of company management and who do not have business relationships with the company."

Additionally, SHIC's by-laws state:

> *"The Board of Director shall establish one or more committees comprised solely of independent directors which shall be responsible for recommending the selection of independent certified public accountants, reviewing the Corporation's financial condition, the scope and results of the independent audit and any internal audits."*

This conflict of interest was discussed with the Board member during the C-level interview and with management.

It is recommended that SHIC maintain an independent Audit Committee whereby each committee member is independent of the Company's business and free from contractual services.

On March 31, 2021, subsequent to the examination date, the Company obtained a letter of resignation which released the member from his duties as a member of the Board and a member of the Audit Committee.

It was noted that SHIC's 2019 financial statement jurat page did not identify Mr. Carlos Ferrera in the "Other Officers" section as the Chief Operation Officer ("COO"). Mr. Ferrera was not appointed by the Board of Directors as the COO for any of the years under examination.

According to the "2009 SHIC Biographical Affidavits for Carlos Ferrera – executed" document, Mr. Ferrera is noted as the COO of the Company, however, he is not noted on the Jurat page as such. The Company states that Mr. Ferrera was the acting COO throughout the examination period and was not appointed by the Board. On February 25, 2021, the Board of Directors ("BOD") appointed Mr. Ferrera as COO of Solstice Health Insurance.

It is recommended that the Company correctly report its officers on the Jurat page of its financial statement.

Subsequent the examination period the Company corrected its Jurat page.

B. Territory and Plan of Operation

The Company is licensed under Article 42 of the New York Insurance Law to write accident and health insurance as defined in New York Insurance Law Section 1113(a)(3). Prior to 2016, SHIC was primarily a dental and vision insurer. In the last four (4) years of the exam period,

the Company started providing ancillary products such as Administrative Services Only ("ASO"), Critical Illness and Stop-Loss programs, all of which, as of June 2020 the Company ceased writing.

As of December 31, 2019, SHIC's lines of business percentages were 25% Dental, 20% Vision and 55% Other Health lines of business. Other Health included: ASO, Critical Illness, Stop-Loss, and discount lines of business. SHIC also offers Family Dental plans on the New York State of Health Marketplace (i.e., the Exchange).

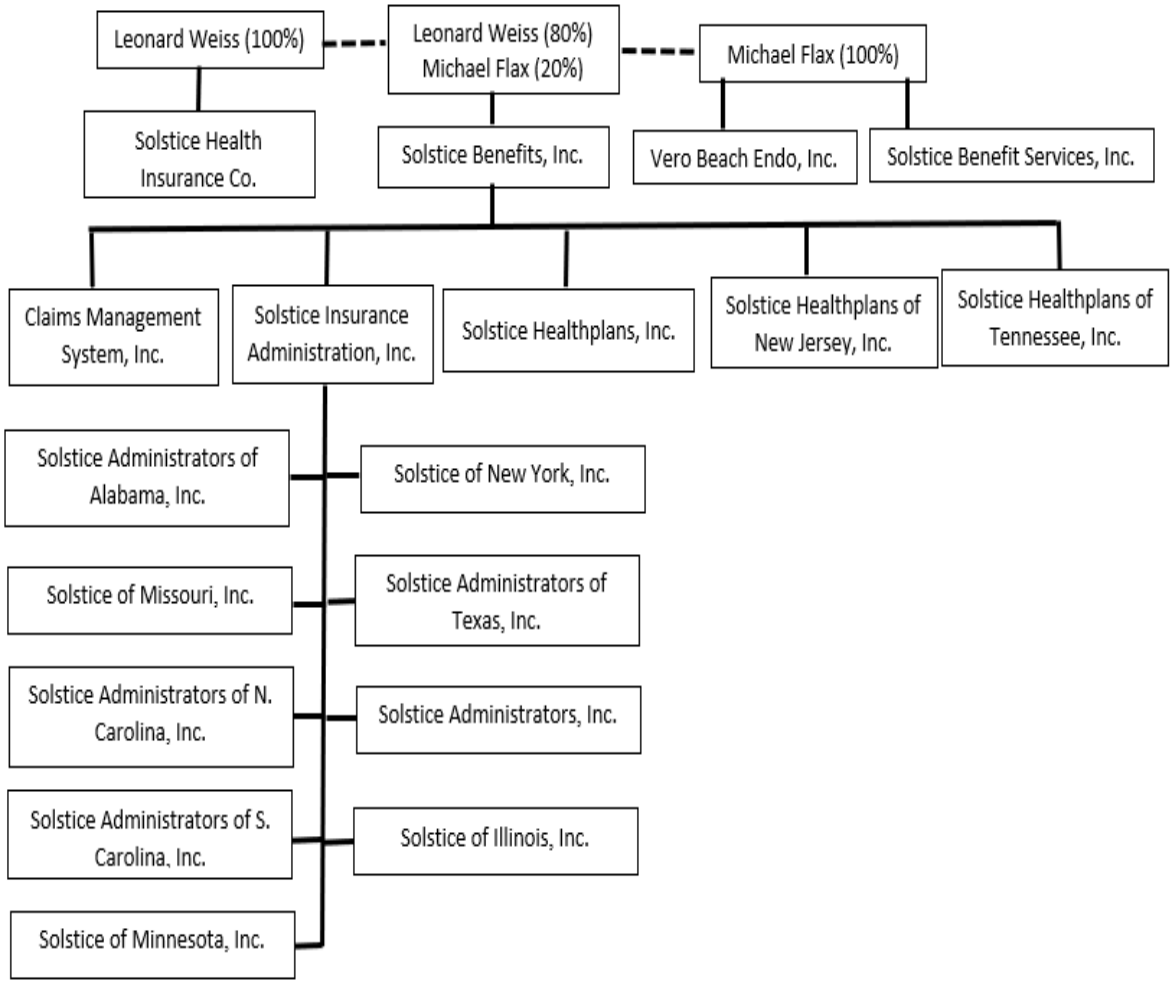
C. Reinsurance

Effective March 1, 2013, SHIC entered into a reinsurance contract with National Guardian Life Insurance Company ("NGL"), a Wisconsin based mutual insurance company not licensed to do business in New York State. Pursuant to the agreement, NGL will allow SHIC to share risks in States where SHIC is not licensed. The agreement was for a five-year term and was terminated on February 28, 2018.

Effective January 1, 2018, SHIC entered into a Quota Share reinsurance agreement with Garden Indemnity, Inc., whereby SHIC cedes some of the risk of its Critical Care line of business. This Quota Share reinsurance agreement did not require the Department's approval.

D. Holding Company System

The following chart was presented by SHIC to depict its holding company system as of December 31, 2019:



A review of the Company's records indicated that during the period January 1, 2015, through December 31, 2019, SHIC conducted business with the following related parties:

- Solstice Benefits, Inc.
- Solstice Administrators of New York, Inc.

As detailed above, Solstice Health Insurance Company is part of a holding company system that is comprised of sixteen (16) entities. Solstice Health Insurance Company is owned 100% by Leonard A. Weiss.

Solstice Benefits, Inc. ("SBI") is owned by Michael D. Flax (holds 20% of common stock and 11.07% of preferred stock), Leonard A. Weiss (holds 80% of common stock and 41.49% of preferred stock), and other investors.

Vero Beach Endo, Inc. and Solstice Benefit Services, Inc. are owned 100% by Michael D. Flax.

Despite the aforementioned ownership descriptions, SHIC is shown as an affiliated company on the organizational holding company system chart. Furthermore, the 2019 jurat page for SHIC and SBI, respectively, show that these two companies have the same three (3) officers. Additionally, six (6) of the nine (9) SHIC directors were also directors of SBI.

E. Significant Operating Ratios

The underwriting ratios presented below are on an earned-incurred basis and encompass the five-year period covered by this examination:

	Amount	Ratio
Claims (Hospital/medical benefits)	$13,973,194	28.03%
Claim adjustment expenses	5,623,164	11.28%
General administrative expenses	23,757,390	47.67%
Net underwriting gain	6,235,120	12.51%
Net Reinsurance Recoveries	253,165	0.51%
Premium revenue	$49,842,033	100.00%

3. MEDICAL LOSS RATIO

The insurance policies issued by SHIC are generally subject to Medical Loss Ratio ("MLR") requirements in accordance with New York Insurance Regulation No. 62, (11NYCRR 52.45). The MLR on SHIC's individual and dental group policies, for calendar years 2018 and 2019, were below the minimum MLR requirements set forth in the aforementioned Regulation. The Company's failure to meet the MLR requirements resulted in refunds due to its policyholders.

Parts (a)(1), and (f)(1) of Insurance Regulation No. 62 (11 NYCRR 52.45) state, in part:

> "(a) Individual insurance. The minimum loss ratio for such individual insurance shall be determined according to the following table…OR policy 60%...
> (1) OR (Optionally Renewal): Renewal is at the option of the insurance company…
>
> (f) Group and blanket insurance. The minimum loss ratio for group and blanket insurance shall be 65 percent, except that: (1) for insurance covering, less than 50 persons at inception, excluding dependents, the minimum loss ratio shall be 60 percent"

SHIC's individual dental and vision policies with an optionally renewable clause were below the minimum loss ratio (60%) set forth by Part (a)(1) of Insurance Regulation No. 62 (11 NYCRR 52.45).

For group business, the MLR varies based on group size. Policies for groups with membership of two (2) to forty-nine (49) members have an MLR requirement of 60% and policies for groups with membership of fifty (50) or more members have an MLR requirement of 65%. SHIC's loss ratios were below the minimum requirement of 60% for groups with fewer than fifty (50) members and 65% for groups with fifty or more members.

It is recommended that SHIC's loss ratio for its individual dental policies with an optionally renewable clause meet the minimum 60% requirement, in compliance with Part (a)(1) of Insurance Regulation No. 62.

It is also recommended that SHIC' loss ratio for its dental group policies meet the minimum 60% requirement for its groups with less than fifty (50) members and 65% for its groups with fifty (50) or more members, in compliance with Part (f)(1) of Insurance Regulation No. 62.

It is recommended that SHIC prepare an MLR liability account for refund of premiums to dental groups and individual members whose claim expenses did not meet the MLR percentages requirements in accordance with Insurance Regulation No. 62.

It is also recommended that SHIC refund premiums base on the difference in Insurance Regulation No. 62 MLR requirement(s) for group size and individual dental line of business and the Company's actual MLR calculations for the years 2018 and 2019.

4. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and surplus as of December 31, 2019, as contained in the Company's 2019 filed annual statement, a condensed summary of operations and a reconciliation of the surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2019, filed annual statement.

Independent Accountants

The CPA firm Marcum LLP was retained by the Company to audit its combined statutory basis statements of financial position as of December 31st for calendar years 2015-2017, and the related statutory-basis statements of operations, surplus, and cash flows for the year then ended. In 2018 the CPA firm Michael Curto CPA, P.A. replaced Marcum LLP. In 2019, Arthur Palemo J. Novogradac & Company, replaced Michael Curto CPA, P.A. as the Company's independent accountant.

For the examination period, each of the CPA firms concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates.

Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

A. Balance Sheet

Assets	
Cash, cash equivalents and short-term investments	$ 19,302,781
Uncollected premiums and agents' balances	703,155
Funds Held by or deposited with reinsured companies	10,756
Receivables from parent, subsidiaries, and affiliates	778,592
Health care and other amounts receivables	1,282,044
Aggregate write-ins for other-than invested assets	84,343
Net deferred tax asset	28,850
Total assets	$ 22,190,521

Liabilities	
Unpaid claims	$ 4,515,683
Premiums received in advance	112,333
Unpaid claims adjustment expenses	95,000
Aggregate health policy reserves, including the liability for MLR rebate per the Public Health Service Act	6,484,714
General expenses due or accrued	4,321,578
Current federal and foreign income tax payable and interest thereon	387,236
Funds held under reinsurance treaties	365,069
Aggregate write-ins for other liabilities	468,562
Amounts due to parent, subsidiaries, and affiliates	37,087
Total liabilities	$ 16,787,262

Capital and Surplus	
Common stock	$ 300,000
Gross paid in and contributed surplus	1,257,500
Unassigned funds (surplus)	3,845,759
Total capital and surplus	5,403,259
Total liabilities, capital, and surplus	$ 22,190,521

NOTE: The Internal Revenue Service ("IRS") has not conducted any audits of the income tax returns filed on behalf of the Company through tax year 2019. The examiner is unaware of any potential exposure of the Company to any tax assessments and no liability has been established herein relative to such contingency.

B. Statement of Revenue and Expenses, and Capital and Surplus

The Company's capital and surplus increased by $4,774,720 during the examination period, January 1, 2015, through December 31, 2019, detailed as follows:

Revenue		
Aggregate write-ins for other health care related revenues	$ 11,891,545	
Net premium income	37,950,488	
Total revenue		$ 49,842,033
Expenses		
Hospital and medical benefits	$ 13,973,194	
Net reinsurance recoveries	253,165	
Claims adjustment expenses	5,623,164	
General administrative expenses	23,757,390	
Total expenses		43,606,913
Net income underwriting gain		$ 6,235,120
Net investment income earned		152,377
Net income before income taxes		6,387,497
Aggregate write-ins for other income or expenses		(853,754)
Federal income taxes incurred		(1,174,846)
Net income		$ 4,358,897

Changes in Capital and Surplus

Capital and surplus, per report on examination, as of December 31, 2014			$ 628,539
	Gains in Surplus	Losses in Surplus	
Net income	$ 4,358,897		
Change in non-admitted assets	136,411		
Paid-in capital	450,000		
Change in net deferred income tax		$170,588	
Net increase in surplus			4,774,720
Capital and surplus, per report on examination, as of December 31, 2019			$ 5,403,259

5. CLAIMS UNPAID

The examination liability of $4,515,683 is the same amount as reported by the Company in its filed annual statement as of December 31, 2019.

The examination analysis of the claims unpaid reserve was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements as verified during the examination. The examination reserves were based upon actual payments made through a point in time, plus an estimate for claims remaining unpaid at that date. Such estimate was calculated based on actuarial principles, which utilized the Company's passed experience in projecting the ultimate cost of claims incurred on or prior to December 31, 2019.

6. SUBSEQUENT EVENTS

Coronavirus (COVID-19)

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, the coronavirus pandemic was declared a national emergency in the United States. The epidemiological threat posed by COVID-19 continues to have disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by

COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department expects the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the National Association of Insurance Commissioners (NAIC), continue to monitor the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

Acquisition Application of Solstice Health Insurance Company

On October 30, 2020, pursuant to New York Insurance Law Section 1506, UnitedHealth Group Incorporated, a Delaware corporation ("UHG"); United HealthCare Services, Inc., a Minnesota corporation and a direct wholly-owned subsidiary of UHG ("UHS"); Specialty Benefits, LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of UHS ("Specialty Benefits"); collectively, the "Applicants" or "Acquiring Parties" filed an application with the Department, for approval of Acquisition of Control (the "Application") of Solstice Health Insurance Company.

The approved acquisition application proposed that Specialty Benefits will purchase all of the issued and outstanding equity interests of Solstice Benefits, Inc., Solstice Benefit Services, Inc., a Florida corporation ("SBS"), and the SHIC pursuant to a Stock Purchase Agreement dated October 16, 2020. On March 17, 2021, the Department approved the acquisition. On March 31,

2021, the acquisition was completed and closed. Immediately upon closing of the acquisition, Solstice became a direct wholly-owned subsidiary of Specialty Benefits and an indirect wholly-owned subsidiary of UHS and UHG.

7. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed to encompass the more precise scope of a market conduct examination.

The general review was directed at practices of the Company in the following major areas:

A. Termination Notices
B. Prospective Utilization Review
C. Retrospective Utilization Review

A. Termination Notices

Part 243.2(b)(1)(iii) of Insurance Regulation No. 152 (11 NYCRR 243.2) states in part:

> "(b)(1) A policy record for each insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer… A policy record shall include: (iii) the contract or policy forms issued including the declaration pages, endorsements, riders, and termination notices of the contract or policy. Binders shall be retained if a contract or policy was not issued;"

A request for evidence of termination notices sent to subscribers, revealed that the Company was unable to provide termination notices or identify the dates when such notices were sent to subscribers.

It is recommended that Solstice Health Insurance Company comply with Part 243.2(b)(1)(iii) of Insurance Regulation No. 152 by maintaining records of termination notices sent to members for six years from its creation or until after the filing of a report on examination.

B. Prospective Utilization Review

Sections 4903(b)(1) and 4903(e)(2) of the New York Insurance Law state, in part:

> "(b)(1) A utilization review agent shall make a utilization review determination involving health care services which require pre-authorization and provide notice of a determination to the insured or insureds designee and the insureds health care provider by telephone and in writing within three business days of receipt of the necessary information, or for inpatient rehabilitation services following an inpatient hospital admission provided by a hospital or skilled nursing facility, within one business day of receipt of the necessary information....
>
> (e) Notice of an adverse determination made by a utilization review agent shall be in writing and must include…
> (2) instructions on how to initiate standard appeals and expedited appeals pursuant to section four thousand nine hundred four and an external appeal pursuant to section four thousand nine hundred fourteen of this article…"

Review of prospective utilization cases filed in 2019, revealed the following:

1) One (1) out of twenty-four (24) cases, SHIC did not make a determination within three (3) business days of receipt of the necessary information.

2) Twenty-four (24) out of twenty-four (24) cases, SHIC sent written EOB notices to the insureds' health care providers; however, the EOBs did not include external appeal instructions.

It is recommended that SHIC comply with Section 4903(b)(1) of the New York Insurance Law by making utilization review determinations in a timely manner.

It is further recommended that SHIC comply with Section 4903(e)(2) of New York Insurance Law by providing external appeal instructions to the insured's health care providers.

C. Retrospective Utilization Review

Section 4903(e)(2) of the New York Insurance Law states, in part:

> "(e) Notice of an adverse determination made by a utilization review agent shall be in writing and must include:
> (2) instructions on how to initiate standard appeals and expedited appeals pursuant to section four thousand nine hundred four and an external appeal pursuant to section four thousand nine hundred fourteen of this article…"

A review of retrospective utilization cases filed in 2019, revealed that for twenty-four (24) out of twenty-four (24) cases, 100% external appeal instructions were not included.

It is recommended that SHIC comply with Section 4903(e)(2) of New York Insurance Law by providing external appeal instructions.

8. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination as of December 31, 2014, contained the following twenty-seven (27) comments and recommendations pertaining to the financial and market conduct examination (page number refers to the prior report on examination):

ITEM NO.		PAGE NO.
	Corporate Governance	
1.	It is recommended that, as a good corporate governance practice, the Company establish procedures that the Board meeting minutes contain ample and accurate records of attendance and a full description of the issues discussed during the meetings, in order to document the board's exercise of its fiduciary duties. *The Company has complied with this recommendation.*	6
2.	It is recommended that the Company comply with its conflict-of-interest policy by requiring all members of the Board, officers, and key employees sign a conflict-of-interest statement not only upon being hired, but also, every year thereafter. *The Company has complied with this recommendation.*	6
3.	It is recommended that the Company follow the guidelines of its conflict-of-interest policy by refraining from entering into agreements with customers, clients, or suppliers of materials or services, or competitors of the Company for which the officers and the directors of the Company serve as employees, officers, directors, or consultants. *The Company has complied with this recommendation.*	7
4.	It is recommended that the Company comply with Section IV – Manner in which Corporate Powers will be Exercised – of the Company's charter, by obtaining the Board's approval for all material decisions impacting the Company, such as investment, entering into agreements with other parties, and matters of similar importance. *The Company has complied with this recommendation.*	8

ITEM NO. **PAGE NO.**

Territory and Plan of Operation

5. It is recommended that Solstice maintain a net premium to surplus ratio of 4:1 to comply with its premium writing commitment with the Department. 9

The Company has complied with this recommendation.

Holding Company System

6. It is recommended that the Company follow the guidelines of Paragraphs 4 and 5 of Statement of Statutory Accounting Principles No. 25 by revising its organizational chart to add Vero Beach Endo, Inc. to the chart and showing that SHIC is affiliated to all the entities within the holding company system. 12

The Company has complied with this recommendation.

7. It is recommended that the Company comply with the NAIC Annual Statement Instructions Health by revising its organizational chart to show the affiliation among the entities. 13

The Company has complied with this recommendation.

8. It is recommended that the Company submit the consulting agreement with Vero Beach Endo, Inc. (mentioned above) and resubmit the temporary personnel leasing agreement with SBI and the administrative services agreement with SNY to the Department as required by Section 1505(d)(3) of the New York Insurance Law. 14

The Company has complied with this recommendation.

ITEM NO.		PAGE NO.
9.	It is recommended that the Company comply with the requirements of Section 1505(d)(3) of the New York Insurance Law by submitting/ resubmitting all existing and future agreements between SHIC and any other companies in the holding system, for the Department's review and non-disapproval. *The Company has complied with this recommendation.*	16
	Holding Company Transactions	
10	It is recommended that SBI and SHIC follow the guidelines of the temporary personnel leasing agreement by charging / paying the amounts due according to the terms and the clauses of the agreement, which is subject to review and approval by the Department. *The Company has complied with this recommendation.*	16
11	It is recommended that where applicable, the Company comply with Section 1505(d)(3) of the New York Insurance Law by giving the required notice to the Superintendent and receiving approval prior to entering into a regular or systematic basis agreement with its affiliates. *The Company has complied with this recommendation.*	16
	Location of Corporate Records	
12.	It is recommended that the Company comply with the requirements of Section 325(b) of the New York Insurance Law and the approval granted by the Department by maintaining in the New York home office the following items: (1) Company's Charter / By-Laws; (2) records containing the names, addresses of its shareholders, the number and class of shares held by each shareholder and the dates when they became owners of record; and (3) a statement that the insurer will comply with any notice from the Superintendent directing the insurer to return all or any of its books of account to New York State. *The Company has complied with this recommendation.*	18

ITEM NO.		PAGE NO.
	Investment Policy	
13.	It is recommended that the Company revise its investment policy to comply with the limitations of the New York statutes, including Article 14 of the New York Insurance Law, as opposed to the current policy which is governed by the limitations of Florida statutes.	18
	The Company has complied with this recommendation.	
	Minimum Loss Ratio	
14.	It is recommended that Solstice's loss ratio for its individual dental and vision policies with an optionally renewable clause meet the minimum 60% requirement, in compliance with Part (a)(1) of Insurance Regulation 62.	23
	The Company has complied with this recommendation.	
15.	It is also recommended that Solstice's loss ratio for its group dental and vision policies meet the minimum 60% requirement for its groups with less than fifty members and 65% for its groups with fifty or more members, in compliance with Part (f)(1) of Insurance Regulation 62.	23
	The Company has complied with this recommendation.	
	Subsequent Events	
16.	It is recommended that the Company follow the guidelines of its conflict-of-interest policy and refrain from entering into agreements that would require the officers and the directors of the Company to serve as employees, officers, directors, or consultants for a customer, client, or supplier of materials or services, or competitor of the Company.	24
	The Company has complied with this recommendation.	

ITEM NO. **PAGE NO.**

17. It is recommended that the Company comply with Section IV of the Company's charter titled "Manner in which Corporate Powers will be Exercised" by obtaining the board's approval on all the Companies' major decisions such as investments, entering into agreements with other parties, and other matters of importance. 25

The Company has complied with this recommendation.

Grievance/Utilization Review

18. It is recommended that the Company comply with the requirements prescribed by Section 3217-a and Article 49 of the New York Insurance Law by establishing and adhering to grievance and utilization review policies that are in compliance with the requirements of Section 3217-a and Article 49 of the New York Insurance Law. 27

The Company has complied with this recommendation.

19. It is recommended that the Company comply with Section 210 of the New York Insurance Law by reporting to the Department a number of grievances and utilization review appeals that is accurate. 27

The Company has complied with this recommendation.

Claim Forms

20. It is recommended that the Company comply with the requirements of Part 86.4 of Insurance Regulation 95 by including the fraud warning statement on its claim forms. 28

The Company has complied with this recommendation.

Pediatric Dental Coverage

21. It is recommended that the Company keep track when a member reaches the pediatric out of pocket maximum in order to ensure compliance with federal law 45 CFR §156.150. 29

The Company has complied with this recommendation.

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Explanation of Benefits

22. It is recommended that the Company comply with Sections 3234(a) and (b)(5) of the New York Insurance Law by ensuring that the EOBs contain and reflect the correct co-payment amounts. 30

The Company has complied with this recommendation.

Advertisements

23. It is recommended that the Company comply with Part 215.13(a) of Insurance Regulation 34 by identifying and clearly stating the name of the Company in all of its advertisement materials. 30

The Company has complied with this recommendation.

Prompt Pay

24. It is recommended that the Company comply with Sections 3224-a(a) and (b) of the New York Insurance Law by paying any undisputed portion of a claim in the requisite timeframes. 32

The Company has complied with this recommendation.

25. It is recommended that the Company comply with Section 2114(a)(3) of the New York Insurance Law by paying commissions for services in soliciting, negotiating, or selling in this state any new contract of accident or health insurance only to licensed accident and health producers. 32

The Company has complied with this recommendation.

26. It is recommended that the Company comply with Section 2112(d) of the New York Insurance Law by filing producer termination notices with the Department within 30 days of the termination of its producers. 33

The Company has complied with this recommendation.

ITEM NO.		PAGE NO.
27.	It is recommended that the Company comply with Section 4235(h)(1) of the New York Insurance Law by filing with the Department its rates of commission, compensation or other fees or allowances to agents and brokers pertaining to the solicitation or sale of its insurance. *The Company has complied with this recommendation.*	33

9. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Corporate Governance	
i.	It is recommended that the Board of Directors comply with the requirements of Circular Letter No. 9 (1999) by obtaining the required annual certifications.	6
ii.	It is recommended that the composition of SHIC's Audit Committee members reflect its Audit Committee Charter.	7
iii.	It is recommended that SHIC maintain an independent Audit Committee whereby each committee member is independent of the Company's business and free from contractual services.	8
iv.	It is recommended that the Company correctly report its officers on the Jurat page of its financial statement.	8
B.	Medical Loss Ratio	
i.	It is recommended that SHIC's loss ratio for its individual dental policies with an optionally renewable clause meet minimum 60% requirement, in compliance with Part (a)(1) of Insurance Regulation No. 62.	13
ii.	It is also recommended that SHIC's loss ratio for its dental group policies meet the minimum 60% requirement for its groups with less than fifty (50) members and 65% for its groups with fifty (50) or more members, in compliance with Part (f)(1) of Insurance Regulation No. 62.	13
iii.	It is recommended that SHIC prepare an MLR liability account for refund of premiums to dental groups and individual members whose claim expenses did not meet the MLR percentages requirements in accordance with Insurance Regulation No. 62.	13

ITEM **PAGE NO.**

Medical Loss Ratio (Cont'd)

iv. It is also recommended that SHIC refund premiums base on the difference in Insurance Regulation No. 62 MLR requirement(s) for group size and individual dental line of business and the Company's actual MLR calculations for the years 2018 and 2019. 13

C. Termination Notices

i. It is recommended that Solstice Health Insurance Company comply with Part 243.2(b)(1)(iii) of Insurance Regulation No. 152 by maintaining records of termination notices sent to members for six years from its creation or until after the filing of a report on examination. 20

D. Prospective Utilization Review

i. It is recommended that SHIC comply with Section 4903(b)(1) of the New York Insurance Law by making a utilization review determination in a timely manner. 20

ii. It is further recommended that SHIC comply with Section 4903(e)(2) of New York Insurance Law by providing external appeal instructions to the insured's health care providers. 20

E. Retrospective Utilization Review

i. It is recommended that SHIC comply with Section 4903(e)(2) of New York Insurance Law by providing external appeal instructions. 21

Respectfully submitted,

Sharon Cummings, PIR
Financial Services Examiner 1

STATE OF NEW YORK)
) SS.
)
COUNTY OF NEW YORK)

Sharon Cummings

APPOINTMENT NO. **32059**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***LINDA A. LACEWELL****, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Sharon Cummings

as a proper person to examine the affairs of the

Solstice Health Insurance Company

and to make a report to me in writing of the said

Company

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name and affixed the official Seal of the Department at the City of New York

this 9th day of April, 2020

LINDA A. LACEWELL
Superintendent of Financial Services

By: Alice W. McKenney

Alice McKenney
Deputy Bureau Chief
Health Bureau