INSOLVENCY REPORT

Name of Receivership	Florida Healthcare Plus, Inc. ("FHCP" or "Company")
Receivership Number	RLAC054615002
Date of Conservation	N/A
Date of Rehabilitation	December 10, 2014
Date of Liquidation	January 1, 2015

Scope: Examination Resources, LLC ("ER") was engaged by the Florida Department of Financial Services, Division of Rehabilitation and Liquidation ("DFS") on June 10, 2015. Pursuant to the engagement DFS instructed ER to:

1. Phase I: Prepare and submit a cost budget for each section listed in Phase II. Documentation provided by DFS was reviewed offsite in Atlanta, Georgia by Don Roof and Laura Ervin. ER submitted the required budget on July 23, 2015 and received approval of same on July 29, 2015.

2. Phase II: Engage in a forensic analysis of the following areas:

    - Review FHCP's cash outflow work prepared by the former CFO and supplement and/or refine as necessary for preferential payments/transfers pursuant to Section 631.261, Florida Statutes. Cash flow work prepared by FHCP's former CFO was reviewed offsite in Atlanta, Georgia by Don Roof and by Bradley Hazelwood in Stuart, Virginia. Don Roof also performed a search of the Florida Secretary of State website to identify other business interest of FHCP's owners, Officers, Directors and key employees to supplement the analysis prepared by the CFO. ER submitted the results of this task to DFS on November 10, 2015.

    - Review previous statutory statement audits performed prior to receivership to determine whether there are any causes of action against the appointed CPA firm. FHCP's statutory audits performed prior to receivership, as well as supporting work papers, were reviewed offsite in Stuart, Virginia by Bradley Hazelwood. ER submitted the results of the analysis to DFS on October 21, 2015.

    - Determine when FHCP was truly impaired/insolvent and prepare a damage analysis if appropriate. Statutory financial statements and related documentation was reviewed offsite in Stuart, Virginia by Bradley Hazelwood. ER submitted the initial solvency analysis to DFS on October 30, 2015. A supplemental solvency analysis was submitted to DFS on December 7, 2015. A damage analysis was not requested by DFS.

    - Prepare an Insolvency Report as required by section 631.398(3), Florida Statutes.

    - Perform other duties as assigned by the Receiver.

3. Phase III: Expert witness testimony/litigation support.

    - Provide expert witness testimony, if requested by Receiver. Expert witness testimony was not requested by DFS.

    - Perform other duties as assigned by the Receiver.

The report that follows is made pursuant to the provisions of Section 631.398(3), Florida Statutes.

<u>Business:</u>

FHCP was incorporated in the State of Florida on December 2, 2004. In September 2007, the Company was licensed as a prepaid health clinic pursuant to Chapter 641, part II, Florida Statutes.

On April 21, 2011, FHCP was licensed and commenced business as a Health Maintenance Organization ("HMO") pursuant to Part I of Chapter 641, Florida Statutes, to provide Medicare Advantage and Medicaid Managed Care products to eligible residents of Miami-Dade County, Florida. In September 2011, FCHP entered into a contract with the Centers for Medicaid and Medicare ("CMS") as a Medicare Advantage provider.

On January 1, 2012, FHCP began its initial year of enrolling members into its Medicare Advantage products and on July 1, 2013, through a contract with the Florida Agency of Healthcare Administration, began enrolling Medicaid members. According to the Company's 2011 Management Discussion and Analysis ("MD&A"), in February 2012, FHCP requested expansion of its service area to include Broward, Hillsborough, Orange, Osceola, Palm Beach, Pasco, Pinellas, Polk, Seminole and Volusia counties. The service area expansion request was subsequently approved by the Florida Agency for Healthcare Administration.

From its inception as an HMO, FHCP reported statutory losses at each reporting period (June 30, 2011 – June 30, 2014). Cumulative reported net losses for this period were ($49,719,819).

As illustrated in Exhibit 1, FHCP was a direct subsidiary of Florida HealthCare Holdings, LLC. Membership interest in Florida HealthCare Holdings was held by Carlos Javier Gonzalez (44.50%) and JQ Florida Healthcare Plus, LLC (40.50%) with the remaining 15% held by individuals each having less than a 10% interest. Florida Healthcare Plus, LLC, through a series of limited liability companies, was ultimately owned equally by Jesus Antonio Quintero Yamin and Liliana Malave Villaroel. FHCP reported one affiliate, FCC management Group, which was owned 80% by Carlos Javier Gonzalez and 20% by Ray Quirantes.

<u>Management:</u>

Officers and Directors of FHCP are listed in the table below (Note: Information was obtained from statutory quarterly financial statements filed with the Florida Office of Insurance Regulation. As such, dates of offices held by each individual are approximations.).

Individual	Position	Period	Notes
Carlos J. Gonzalez	Pres./Sec./Director	June 2011 – Dec. 2013	
Ramon Quirantes	CEO/Director	June 2011 – Dec. 2013	
Adelaida R. Quirantes	Treasurer/CFO/Director	June 2011 – Dec. 2013	
Peter ("Pedro") Hernandez	Director/COO	June 2011 – June 2013	Became COO 4th quarter 2011
Gustavo Leon	Director/VP- Medical Director	Dec. 2011 – March 2014	Removed from Board Dec. 2013
John Santalo	VP – Prepaid Plan	Dec. 2012 – Dec. 2013	
Georgette Vareia	VP – Operations	June 2013 – Dec. 2013	
Eduardo Marrero	VP – IT	June 2013 – Dec. 2013	
Janet Green	COO	Sept. 2013 – Dec. 2013	
Susan Molina	CEO/Director/Secretary	Dec. 2013 – Dec. 2014	
Edward Maszak	CFO	Dec. 2013 – June 2014	
Jesus Quintero	Director	Dec. 2013 – Dec. 2014	
Rene Yamin	Director	Dec. 2013 – Dec. 2014	
Leonardo Gravier	Director	Dec. 2013 – Dec. 2014	
Alberto M. Darsa	CFO	June 2014 – Dec. 2014	

As illustrated in the above table, the initial executive management team was completely replaced at the end of calendar year 2013, including Carlos Javier Gonzalez who indirectly owned 44.50% of FHCP. The change in the initial management team followed a year of significant premium growth (290%) and a net loss of ($22,833,405).

Concerns were noted regarding the effectiveness of key members of management. As discussed in further detail below in the Background/Events of Impact and Financial sections of this report, on September 8, 2014, the Florida Office of Insurance Regulation ("OIR") initiated a targeted financial examination of FHCP focusing on verifying the Company's balance sheet as of June 30, 2014. As a result of this examination, examination adjustments totaling ($14,727,669) were recommended, reducing FHCP's reported capital and surplus as of June 30, 2014 to ($11,768,225) rendering FCHP insolvent. The results of the examination highlight the ineffectiveness of FHCP's then Chief Financial Officer, Edward Maszak.

Additional concerns were noted regarding the effectiveness of key members of management as relates to the Corrective Action Plan provided to FHCP auditors in an effort to alleviate the auditor's concerns regarding the Company's ability to remain a going concern through December 31, 2014. It does not appear key members of management, to include FHCP Chief Executive Officer, Susan Molina, performed their due diligence to ensure compliance with the key elements of the Corrective Action Plan.

As discussed in further detail below in the Background/Events of Impact section of this report, on October 30, 2014, a federal grand jury in Miami returned a 36-count indictment charging FHCP Chief Operating Officer, Pedro Hernandez, a/k/a "Peter Hernandez," of Miramar, along with other members of FHCP management, with conspiracy to commit health care fraud and wire fraud, substantive counts of health care fraud, conspiracy to defraud the United States and make false statements related to health care matters and substantive counts of making false statements related to health care matters. Peter Hernandez and the other members of FHCP management indicted were later arrested and pleaded guilty in federal court.

Background/Events of Impact:

On April 21, 2011, the OIR and FCHP entered into a Consent Order ("Consent Order 116991-11-CO," Attached as Exhibit 2) pursuant to which, among other requirements, FCHP was required to maintain capital and surplus equal to the greater of $3,000,000 or 125% of the capital and surplus required by Section 641.225, Florida Statutes. As of June 30, 2014, FCHP's minimum capital and surplus requirement, pursuant to the Consent Order, was $3,000,000.

On August 14, 2014, FCHP filed its June 30, 2014 statutory financial statement with the OIR, which the OIR determined contained a material accounting error in the amount of $600,000. On August 22, 2014, FHCP filed an amended quarterly financial statement with the OIR which reported capital and surplus of $2,959,444.

As a result of the capital and surplus impairment, on August 27, 2014, the OIR issued an Oder of Suspension (Attached, without exhibits, as Exhibit 3). Pursuant to the Notice of Rights attached to the Order of Suspension, FHCP had until September 23, 2014, to file a petition challenging the Order of Suspension. FHCP failed to file a petition or otherwise request an administrative hearing in accordance with Sections 120.569, 120.57(1), or 120.57(2), Florida Statutes, by September 23, 2014. As a result, on September 29, 2014, the OIR issued a Final Order of Suspension (Attached as Exhibit 4) suspending FHCP's authority to enroll new subscribers until, among other things, FHCP filed an accurate financial statement reflecting compliance with their minimum capital and surplus requirements.

Due to the material accounting error described above, on September 8, 2014, the OIR initiated a targeted financial examination of FHCP focusing on verifying the Company's balance sheet as of June 30, 2014. On October 17, 2014, the OIR received an Examination Issue Summary Report (Attached as Exhibit 5) outlining the findings of the examination.

Based on the Examination Issue Summary Report, the OIR determined FHCP's total assets were overstated by $4,897,682 and total liabilities were understated by $9,829,987, resulting in examination adjustments totaling ($14,727,669). The examination adjustments reduced FHCP's reported capital and surplus as of June 30, 2014 to ($11,768,225) rendering FCHP insolvent.

On October 17, 2014, then Commissioner of Insurance Kevin M. McCarty referred the FHCP matter to the Honorable Jeff Atwater, Chief Financial Officer, for the institution of delinquency proceedings. On October 20, 2014, the DFS filed an Application with Circuit Court of the Second Judicial Circuit in and for Leon County, Florida for an Oder Requiring FHCP to Show Cause Why It Should Not Be Placed in Receivership for Purposes of Liquidation, Injunction, and Notice of Automatic Stay. After consideration of said Application, the Court entered its Oder Requiring FHCP to Show Cause on October 21, 2014.

A hearing was conducted on the Order to Show Cause on November 14, 2014, wherein the DFS and FHCP appeared and presented evidence and argument. The Court took the matter under advisement and set the hearing for continuance to be heard on December 8, 2014. As a result of additional motions and filings made by the DFS and FHCP, two additional hearings were held before the scheduled December 8, 2014, continuance. A hearing was held on November 21, 2014, on the DFS' Emergency Motion Renewing Its Application for Order to Show Cause and the Court *sua sponte* set and held an Emergency hearing on December 5, 2014. The Court set the hearing for continuance to be heard on December 10, 2014. The DFS and FHCP appeared at the November 21, 2014, the December 5, 2014, and the December 10, 2014 hearings and presented evidence and argument. After review and consideration of the pleadings of record and oral arguments, the Court issued its Order Appointing the Florida Department of Financial Services as Receiver of Florida Healthcare Plus, Inc. for Purposes of Immediate Rehabilitation and Automatic Liquidation Effective January 1, 2015, Injunction, and Notice of Automatic Stay.

As discussed above, FHCP was authorized by the Centers for Medicare and Medicaid Services to offer Medicare Advantage HMO plans to Medicare beneficiaries residing in Miami-Dade, Broward, Hillsborough, Orange, Osceola, Palm Beach, Pasco, Pinellas, Polk, Seminole and Volusia counties in Florida. Based on the investigations performed by the U.S. Department of Health and Human Services, Office of Inspector General, Federal Bureau of Investigation, Florida Office of the Attorney General, Medicaid Fraud Control Unit, and the Diplomatic Security Service, it was determined that certain individuals associated with FHCP (the "Conspirators") had been recruiting individuals who resided in Nicaragua and the Dominican Republic to enroll in Medicare Advantage plans and Florida Medicaid by falsely and fraudulently representing in enrollment applications that they resided in Florida. In these enrollment applications, the Conspirators represented that the foreign residents resided in Florida by using non-residential addresses, the addresses of beneficiaries' friends and relatives, and addresses associated with the Conspirators. The Conspirators induced the individuals residing in Nicaragua and the Dominican Republic to enroll in Medicare Advantage plans, including FHCP plans, by making false and fraudulent representations, including that Medicare benefits were available in Nicaragua and the Dominican Republic. As a result of the submission of these false and fraudulent enrollment applications, the Conspirators caused the Center for Medicare and Medicaid services to make monthly capitation payments to FHCP and other Medicare Advantage plans. The Conspirators also caused the Florida Medicaid program to pay Medicare premiums and deductibles for many beneficiaries who did not reside in Florida, a benefit for which non-Florida residents would not be entitled.

Additionally, the Conspirators caused individuals associated with Pharmovisa Inc., Axis Le Professional Medical Group, Inc., and Rodney Montoya Corp. in Miami to be designated as the primary care physicians for the beneficiaries residing in Nicaragua and the Dominican Republic. The Conspirators paid for the beneficiaries to travel from the Dominican Republic so that they could be seen by a U.S. licensed physician. The physician would then provide diagnoses which were used to calculate the amount of money FHCP and other Medicare Advantage plans would receive from Medicare. It was determined that the Conspirators fraudulently obtained approximately $25,247,413 from Medicare and Florida Medicaid.

As a result of the investigation discussed above, on October 30, 2014, a federal grand jury in Miami returned a 36-count indictment charging Peter Hernandezr, Freddy Zeron, of Miami and Nicaragua, Erendira V. Delgado, a/k/a "Eren Delgado," of Miami, Edgardo Rodriguez, of Nicaragua, Rodney Montoya, of Miami, Santiago Bernabe Montoya, of Miami, Jose Eloy Sanchez, a/k/a "Jose Eloy Sanchez Arguello," of Coral Gables and Nicaragua, Abram J. Rodriguez, a/k/a "Abe Rodriguez," of Miami, Mirna L Blanco, of Hialeah, Deborah Smith, of Hialeah and Augustin Abaga, of Sunny Isles for allegedly participating in a scheme to defraud Medicare and Medicaid. The Conspirators were charged with conspiracy to commit health care fraud and wire fraud, substantive counts of health care fraud, conspiracy to defraud the United States and make false statements related to health care matters and substantive counts of making false statements related to health care matters. Beginning on November 19, 2014, ten of the eleven individuals charged in the Indictment were arrested. Sanchez remained at large and was believed to be in Nicaragua. All ten individuals arrested pleaded guilty in federal court.

Underwriting Results:

As indicated above, on January 1, 2012, FHCP began its initial year of enrolling members into its Medicare Advantage products. FHCP reported net underwriting and net losses for each reporting period in calendar year 2012. Cumulative net underwriting and net losses for the year were ($7,030,303) and ($7,040,110), respectively. Additionally, for the year ending December 31, 2012, FHCP's reported net loss ratio was 66.60% and its reported expense ratio was 60.61% for a combined ratio of 127.21%. Per Note 1 of the Company's 2012 statutory audit report, management attributed the calendar year losses to start up expenditures.

As was the case in 2012, FHCP reported net underwriting and net losses for each reporting period in calendar year 2013. Cumulative net underwriting and net losses for the year were ($22,803,626) and ($22,833,405), respectively. For the period ending December 31, 2013, FHCP's reported net loss ratio was 93.88%, a significant deterioration from the prior year, and its expense ratio improved, at least in part, as a result of the premium growth (290%) discussed above, to 28.74% for a combined ratio of 122.62%.

For the first six months of calendar year 2014, FCHP reported net underwriting and net losses of ($15,860,198) and ($15,852,502) respectively. For the same period, FCHP's reported net loss ratio was 105.81% and its reported expense ratio was 20.56% for a combined ratio of 126.37%. June 30, 2014 was the last quarterly statutory financial statement filed prior to the delinquency proceeding.

Reinsurance:

According to statutory financial statements filed with the OIR, FHCP had a reinsurance agreement with American National Insurance Company (NAIC # 60739) in force as of the date of liquidation. American National Insurance Company ("ANIC") is a Texas domiciled Life and Health insurer. As of the date of liquidation and as of the date of this report, ANIC held an A.M. Best rating of "A" and was licensed in the State of Florida.

As a review of FHCP's reinsurance program was not within the scope of ER's engagement, the specific terms of the agreement with ANIC are not known. However, as of December 31, 2013, FHCP reported reinsurance premium paid to ANIC in the amount of $2,565,346 (Schedule 2 – Part 3 – Section 2) and reinsurance recoverable on paid and unpaid losses due from ANIC in the amount $1,390,000 (Schedule S – Part 2). As part of the OIR's targeted financial examination, 72% of the reinsurance recoverables due from ANIC as of December 31, 2013, were vouched to subsequent receipts. Additionally, as of June 30, 2014, FHCP reported amounts recoverable from reinsurers in the amount of $385,821 and other amounts receivable under reinsurance contracts in the amount of $110,965.

Financial:

On April 21, 2011, FHCP was licensed as an HMO by the OIR pursuant to Consent Order 116991-11-CO which required, among other things, FCHP to maintain capital and surplus equal to the greater of $3,000,000 or 125% of the capital and surplus required by Section 641.225, Florida Statutes. As of June 30, 2011, FHCP reported Common Capital Stock of $1,000; Gross Paid-In and Contributed Surplus of $5,279,823; and Unassigned Surplus of ($1,389,678) for Total Capital and Surplus of $3,891,145.

As indicated above, FHCP incurred net operating losses from its inception as a licensed HMO until the date of liquidation. Due to these losses, FHCP relied on surplus contributions and surplus note transactions to maintain capital and surplus in compliance with the minimum required by Consent Order 116991-11-CO (until the second quarter of calendar year 2014). In its second amended June 30, 2014, quarterly financial statement filed with OIR (as more fully discussed below), FHCP reported Common Capital Stock of $1,000; Gross Paid-In and Contributed Surplus of $31,094,023; Surplus Notes of $10,940,000; Unassigned Funds of ($54,493,248); and Aggregate Write-ins for Special Surplus Funds of $690,000 for Total Capital and Surplus of ($11,768,225). As such, from June 30, 2011 to June 30, 2014, additional surplus contributed to FCHP was $25,814,200; cash received in exchange for surplus notes was $10,940,000; and cumulative net losses incurred were ($49,719,819).

As mentioned above, FCHP amended its June 30, 2014 quarterly financial statement on two occasions. The second amendment was the result of the OIR's targeted financial examination as of the same date. The findings of the OIR's targeted financial examination were as follows:

- Cash was overstated by $2,611,534.
- Uncollected premiums were overstated by $44,000.
- Accrued retrospective premiums were overstated by $144,417.
- Health care and other amounts receivable was overstated by $2,077,731.
- Aggregate write-ins for other than invested assets were overstated by $20,000.
- Claims unpaid were understated by $8,700,171.
- Unpaid claims adjustment expense was understated by $438,522.
- Aggregate health claims reserves were understated by $156,584.
- General expenses due or accrued were understated by $500,970.
- Aggregate write-ins for other liabilities were understated by $33,740.

As a result of the above described adjustments, FHCP's total capital and surplus was reduced by $14,727,669 from the balance included in its originally filed June 30, 2014 quarterly financial statement.

Additionally, as noted in our previously submitted report (*2013 Insolvency Determination*), during the first quarter of 2014, FHCP requested and obtained approval from the OIR to record a series of capital contributions totaling $12,000,000 as a Type 1 Subsequent Event for the year ended December 31, 2013. After recording these capital contributions, FHCP reported $5,003,002 in capital and surplus as of December 31, 2013. If approval to record the $12,000,000 Type 1 Subsequent Event receivable had not been obtained, FHCP's capital and surplus as of December 31, 2013 would have been ($6,996,998).

With respect to FHCP's capitalization and financial flexibility, it should be noted that by execution of Consent Order 116991-11-CO, FHCP represented that Carlos J. Gonzalez would make all necessary funds available to maintain FHCP's compliance with the surplus requirements of Section 641.225, Florida Statutes and paragraph (8) of the Consent Order. It should also be noted that Jesus Quintero executed a letter dated April 1, 2014 (Exhibit 6), stating: "This letter is to confirm that Jesus Quintero, as a Shareholder, is willing and capable of providing financial support to Florida Health Care Plus, Inc., as needed, for the foreseeable future including through December 31, 2014, in order for the Company to have sufficient cash flows to maintain operations and meet its capital requirements." This letter was executed and delivered to FHCP's auditor in an effort to alleviate the auditor's concerns regarding the Company's ability to remain a going concern through December 31, 2014.

Miscellaneous/Other: N/A

Conclusion:

Based on the information reviewed within the scope of our engagement, we believe the following factors significantly contributed to the failure of FHCP.

1. Rapid Growth

The table below illustrates FHCP's Medicare Advantage premium in the first two full years of its CMS contract.

Period	Direct Written Premium	Percentage Increase
January 1, 2012 – December 31, 2012	$25,835,874	100%
January 1, 2013 – December 31, 2013	$103,286,841	300%

As shown above, FCHP incurred significant growth in its Medicare Advantage line of business in calendar year 2013. In 2011, FHCP was licensed by the OIR to provide Medicare Advantage products in Miami-Dade County. In February 2012, one month after the effective date of initial enrollment of Medicare beneficiaries under its contract with CMS, FCHP applied and was subsequently approved by the Florida Agency of Healthcare Administration to expand its service area to eleven additional counties. This geographical expansion appears to have significantly contributed to its growth in 2013 and, as more fully discussed below, appears to have contributed to its unusually high administrative expenses and created significant financial leverage for the Company.

2. Unusually High Administrative Expenses

As discussed above, management of FHCP undertook a geographical expansion early on in its initial contract period with CMS. As highlighted in FCHP's 2012 MD&A, to support this expansion effort the Company opened satellite offices in Tampa, Orlando and Palm Beach County during 2012.

While the Company's reported loss ratio for calendar year 2012 was unusually favorable at 66.60%, its reported expense ratio of 60.61% was extraordinarily high. To add context to the reported expense ratio, the recognized industry expense ratio benchmark is 15%. Additionally, while FCHP's expense ratio for calendar year 2013 improved to 28.74% as a result of the increased premium volume described above, it remained well above the industry benchmark and at a level where profitability for the Medicare Advantage line of business would be difficult.

3. Inadequate Pricing

To some extent, pricing of Medicare Advantage products is not within the control of insurers writing Medicare Advantage products. Nevertheless, it is important to note that FHCP's loss ratio deteriorated from 66.60% in calendar year 2012 to 93.88% in calendar year 2013. Although an evaluation of the Company's losses and product structure was not reviewed as part of this engagement, on the surface the high loss ratio appears to be related to inadequate pricing and/or failure to properly determine risk scores of its insured population.

4. Inadequate Capital/Unreliable Capital Sources

Following its initial enrollment of Medicare beneficiaries in the fall of 2011, FCHP's projected premium to surplus ratio was 6.20% which compared favorably to the industry benchmark of 10 to 1. However, management knew, or should have known, that the Company's total capital and surplus of $3,349,755 would not be sufficient to support its startup expenditures and planned expansions related to the Medicare Advantage business.

This fact materialized during calendar year 2012, as evidenced by the $6,919,000 of capital contributions that were required to offset its operating loss of ($7,040,110) and to maintain required minimum surplus of $3,000,000 (Note: FHCP's reported capital and surplus as of December 31, 2012 was $3,099,072). While FHCP was successful in obtaining the additional capital needed to stay in compliance with the OIR Consent Order, presumably as a result of Carlos J. Gonzalez guarantee, the infusion of capital as losses are incurred, rather than in advance, increases the risk of default by those individuals that have pledged capital support.

Entering the 2013 contract year with CMS, the need for additional capital was even more evident than in the prior year. Initial enrollment in the fall of 2012 increased approximately 225% from year-end 2012 and the Company's projected premium to surplus ratio was 24.96%, indicating significant financial leverage. As was the case in 2012, capital was infused into FCHP as losses were incurred, rather than in advance, to offset the reported ($22,833,405) net loss and to maintain compliance with the OIR's minimum capital and surplus requirement.

It should also be noted that, notwithstanding Carlos J. Gonzalez's reported 44.50% indirect ownership of FHCP he was removed as an executive officer and director during the fourth quarter of 2013 (along with the rest of the executive management team) and Jesus Quintero, a 20.25% indirect owner of FHCP, pledged financial support to the Company through December 31, 2014. As indicated above, Mr. Quintero's support was documented only by a letter that was provided to FHCP's auditor.

Despite the material losses incurred to date, FHCP entered its third contract year with CMS. Enrollment for this contract year in the fall of 2013 resulted in similar enrollment to the prior year and the Company's projected premium to surplus ratio was 23.22%, again indicating significant financial leverage and the need for additional capital to support the anticipated volume of business for calendar year 2014.

As we now know, neither Mr. Quintero or Mr. Gonzalez were willing or able to contribute the necessary capital to support FHCP's ongoing losses that were incurred during calendar 2014, resulting in the ultimate liquidation of the Company.

One suggestion to minimize the potential for and/or mitigate the impact of future insolvencies is the adoption of the National Association of Insurance Commissioner's Risk Based Capital Model Law for health insurers. Adoption of this model law would assist the OIR in measuring the amount of capital appropriate for a health insurer to support its overall business operations in consideration of its size and risk profile. The model law also defines specific regulatory actions that may be warranted or required based on an insurer's Risk Based Capital Ratio.

References:

All documents relied upon in preparing this report were provided by the DFS and FCHP’s auditor.