



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

JOHN KNOX VILLAGE OF CENTRAL FLORIDA, INC.

AS OF

December 31, 2012

FLORIDA COMPANY CODE 88025

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PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations unit, conducted a routine market conduct examination of John Knox Village of Central Florida, Inc. (hereinafter "John Knox Village of Central Florida") pursuant to Section 651.105, Florida Statutes. The scope period of this examination was January 1, 2010 through December 31, 2012. The onsite and desk examination procedures were completed on September 12, 2013.

The objective of the examination was to determine the extent of compliance with the provisions of Chapter 651, Florida Statutes and Chapter 690-193, Florida Administrative Code Rules. This market conduct examination did not encompass a financial compliance examination.

This final report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by John Knox Village of Central Florida. This report is a report by exception, and the information within has been limited to identification of exceptions, errors or unusual problems noted during the examination.

COMPANY OPERATIONS

John Knox Village of Central Florida, a Florida not-for-profit corporation, is located in Orange City, Florida, and was granted a certificate of authority by the Office to offer continuing care contracts on April 14, 1980. John Knox of Central Florida is managed by Riverwood Retirement Management, Inc., a non-affiliated entity, in accordance with a June 1, 2010 management agreement.

As of December 31, 2012, John Knox Village of Central Florida reported 501 Continuing Care units that consisted of 452 Independent Living units and 49 Assisted Living units. In addition, there were 150 Skilled Nursing units that consisted of 90 Sheltered Beds and 60 Community Beds. There were no Rental units reported at this community. As of the same date, there were 603 individuals reported residing at this community.

REQUIRED ESCROW DEPOSITS OR WAIVERS

John Knox Village of Central Florida provided a list containing the 112 continuing care contracts executed during the scope period of the examination. A random sample consisting of 46 contracts was selected from the list. Of the 46 contracts in the sample, 38 contracts were entered into on or after July 1, 2010. These 38 transactions were tested for compliance with Section 651.055(2), Florida Statutes.

REQUIRED ESCROW DEPOSITS OR WAIVERS (Continued)

Findings:

For continuing care contracts executed on or after July 1, 2010, Section 651.055(2), Florida Statutes, provides that during the seven-day rescission period, the resident's funds must be held in escrow unless otherwise requested by the resident, pursuant to Section 651.033(3)(c), Florida Statutes. Section 651.033(3)(c), Florida Statutes, further provides that, at the request of an individual resident of a facility, the provider may hold the check for the seven-day period and shall not deposit it during this time period.

In 37 instances, John Knox Village of Central Florida failed to hold the entrance fee for the seven-day rescission period of the continuing care contract, as required by Section 651.033(3)(c), Florida Statutes. John Knox Village of Central Florida was authorized by the resident to hold the entrance fee for the seven-day rescission period and not deposit it during this time period. Instead, John Knox Village of Central Florida deposited each entrance fee prior to the expiration of the seven-day rescission period.

Recommendation: The Office recommends John Knox Village of Central Florida establish adequate procedures to ensure that resident funds are managed in accordance with sections 651.055(2), and 651.033(3)(c), Florida Statutes.

REQUIRED DISCLOSURES

John Knox Village of Central Florida provided a list containing the 112 continuing care contracts executed during the scope period of the examination. A random sample consisting of 46 contracts was selected and tested for compliance with Section 651.091(3), Florida Statutes. Section 651.091(3), Florida Statutes, provides in pertinent part that before entering into a contract to furnish continuing care, the provider undertaking to furnish the care, or the agent of the provider, shall make full disclosure, and provide copies of the disclosure documents to the prospective resident or his or her legal representative.

Findings:

In addition, effective July 1, 2010 Section 651.091(3)(h), Florida Statutes, required the provider to include as a required disclosure document, a copy of Section 651.071, Florida Statutes, entitled "Contracts as preferred claims on liquidation or receivership." Of the 46 continuing care contracts sampled 38 were entered into after July 1, 2010. All of the 38 transactions were reviewed to determine compliance with disclosure requirements of Section 651.091(3)(h), Florida Statutes.

In all 38 instances John Knox Village of Central Florida failed to provide as a required disclosure, a copy of Section 651.071, Florida Statutes, to prospective residents or their legal representative prior to entering into a continuing care contract as required by Section 651.091(3)(h), Florida Statutes.

REQUIRED DISCLOSURES (Continued)

Recommendation: The Office recommends John Knox Village of Central Florida establish adequate procedures to ensure all statutory disclosure requirements to prospective residents or their legal representatives are met, to include providing a copy of Section 651.071, Florida Statutes.

EXAMINATION FINAL REPORT SUBMISSION

The Office hereby issues this Final Report based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by John Knox Village of Central Florida.