



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

SANDHILL COVE PROPERTIES, INC.

D/B/A

SANDHILL COVE

AS OF

DECEMBER 31, 2014

FLORIDA COMPANY CODE 88159

**Report Issued:
April 21, 2015**

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PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (“Office”), Market Investigations unit, conducted a periodic market conduct examination of Sandhill Cove Properties, Inc. d/b/a Sandhill Cove (“Sandhill Cove”) pursuant to Section 651.105, Florida Statutes. The scope period of this examination was from January 1, 2012 through December 31, 2014. The on-site and desk examination procedures were completed on February 13, 2015.

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. 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 Sandhill Cove. 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

Sandhill Cove Properties, Inc. is a for-profit Iowa corporation that owns Sandhill Cove, a Continuing Care Retirement Community located in Palm City, Florida. Sandhill Cove was granted a certificate of authority by the Office to offer continuing care contracts on June 28, 1990. Management services for Sandhill Cove are provided by Life Care Services, LLC, a non-affiliated entity. As of September 30, 2014, Sandhill Cove reported 245 Continuing Care Units consisting of 20 Assisted Living Units and 225 Independent Living Units. Sandhill Cove also reported 36 Skilled Nursing Units comprised of 18 Community Beds and 18 Sheltered Beds. There were no Rental Units reported.

FORMS

Section 651.022(2)(g), Florida Statutes, requires wait list contract forms to be approved by the Office prior to their use. Sandhill Cove provided a list containing the 52 wait list deposits collected during the scope period of the examination. A sample of 32 wait list deposits was selected and tested for compliance with Section 651.022(2)(g), Florida Statutes, and Rule 690-193.018 Florida Administrative Code.

Finding:

In all 32 instances, Sandhill Cove utilized a wait list contract form that was not approved by the Office, as required by Section 651.022(2)(g), Florida Statutes.

Recommendation: The Office recommends Sandhill Cove establish internal controls and procedures to ensure that forms requiring statutory approval by the Office, to include waitlist contracts, have been approved prior to being used.

FORMS (Continued)

Subsequent Event: On February 4, 2015, Sandhill Cove submitted the wait list contract for approval; the form was approved by the Office on February 9, 2015.

REQUIRED ESCROW DEPOSITS OR WAIVERS

Sandhill Cove provided a list containing 93 continuing care contracts executed during the scope period of the examination. A random sample consisting of 47 contract files was selected and reviewed for compliance with Section 651.055(2), Florida Statutes.

Finding:

Section 651.055(2), Florida Statutes, provides that during the seven-day rescission period of the continuing care contract, the resident's funds must be held in escrow unless otherwise requested by the resident that the provider hold and not deposit the funds during the seven-day period, pursuant to Section 651.033(3)(c), Florida Statutes.

In two instances, Sandhill Cove failed to deposit the entrance fee funds into the escrow account for the seven-day rescission period of the continuing care contract, as required by Section 651.055(2), Florida Statutes. On the two separate occasions, Sandhill Cove received partial entrance fee payments during the rescission period of the continuing care contract, but failed to deposit those funds into the escrow account.

Recommendation: The Office recommends Sandhill Cove establish adequate procedures and controls to ensure resident funds are handled in accordance with the provisions of Section 651.055(2), Florida Statutes.

ADVERTISING

Advertisements used during the scope period were examined, along with the Sandhill Cove website, for compliance with Rule 69O-193.038, and Rule 69O-193.040, Florida Administrative Code.

Finding:

Rule 69O-193.038(7), Florida Administrative Code, states "When an advertisement states a dollar amount, a period of time for any benefit, or the conditions for which the benefit is covered, the advertisement shall also state the existence of exceptions, reductions, and limitations affecting the basic provisions of the contract, without which reference, the advertisement might tend to mislead or deceive."

ADVERTISING (Continued)

Sandhill Cove failed to state in its print advertisements the existence of exceptions, restrictions or limitations affecting the provisions of the continuing care contract, as required by Rule 690-193.038(7), Florida Administrative Code. Specifically, the 2012 Sandhill Cove advertisements state, “No other senior living options, including your home, provide the same sense of security that LifeCare does. Sandhill Cove’s LifeCare plan guarantees you a lifetime of care at predictable costs. No worrying, no guessing, no sacrificing your future to pay for health care.” Other advertisements that ran during 2012 through 2014 state, “Only Sandhill Cove offers LifeCare in Martin and St. Lucie Counties with lifetime access to assisted living and skilled nursing, if ever needed in the future.” And, “Only Sandhill Cove offers life-care in Martin and St. Lucie Counties with lifetime access to our on-site health center.” None of the advertisements included the restrictions and limitations stipulated by the continuing care contract.

Recommendation: The Office recommends Sandhill Cove establish adequate procedures and controls to ensure all advertisements including, print, electronic, broadcast media, etc., are in compliance with Rule 690-193.038(7), Florida Administrative Code.

Subsequent Event: On February 12, 2015, Sandhill Cove submitted to the Office two revised advertisements; each containing a disclaimer, stating that conditions apply to the advertisement, with a reference to the contract for additional details.

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 Sandhill Cove.