

EXAMINATION REPORT
of
STRYDEN, INC.
Roanoke, Virginia
as of
December 31, 2020

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Stryden, Inc. as of December 31, 2020, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 19th day of October 2021

A handwritten signature in black ink, appearing to read 'Scott A. White', written over a horizontal line.

Scott A. White
Commissioner of Insurance



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Richmond, Virginia
August 19, 2021

Honorable Scott A. White
Commissioner of Insurance
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by the authority of Section § 38.2-1317 of the Code of Virginia, an examination of the records and affairs of

STRYDEN, INC.

Roanoke, Virginia

hereinafter referred to as the Corporation. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

This is the first examination of the Corporation by representatives of the State Corporation Commission's Bureau of Insurance (Bureau). This examination covers the period from the date of initial licensing through December 31, 2020.

This examination was conducted in accordance with the NAIC Financial Condition Examiners' Handbook (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Corporation's financial condition, assess corporate governance, identify current and prospective risks of the Corporation 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 Corporation 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 Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

The examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Corporation.

HISTORY

The Corporation was incorporated as a for-profit stock corporation under the laws of Virginia on August 18, 2018. The Corporation became licensed as an Accident and Sickness insurer pursuant to Chapter 10 of Title 38.2 of the Code of Virginia on July 1, 2019. At December 31, 2020, Corvesta, Inc. (Corvesta), a non-stock, non-profit holding company owned 100% of the outstanding shares of the Corporation.

MANAGEMENT AND CONTROL

The bylaws of the Corporation provide that the Board of Directors shall control and manage the affairs and business of the Corporation. The Board shall consist of no less than two nor more than seven directors. Directors shall be elected at an annual meeting of the Corvesta Board of Directors and shall serve for one year or until his or her successor has been elected and qualified.

The officers of the Corporation shall be a President, a Treasurer, a Secretary, and such other officers as the Board may elect. Officers shall be elected at an annual Board meeting and shall serve until his or her successor has been elected and qualified. Any two or more offices may be held by the same person. Additional officers may be elected by the Board according to its needs.

At December 31, 2020, the Board and Officers were as follows:

<u>Directors</u>	<u>Principal Occupation</u>
Robert J. Barker	Chief Financial Officer Corvesta, Inc. Roanoke, Virginia
Thomas R. Byrd	President Take Care Group, LLC Midlothian, Virginia

Frank L. Lucia

President and Chief Executive Officer
Corvesta, Inc.
Roanoke, Virginia

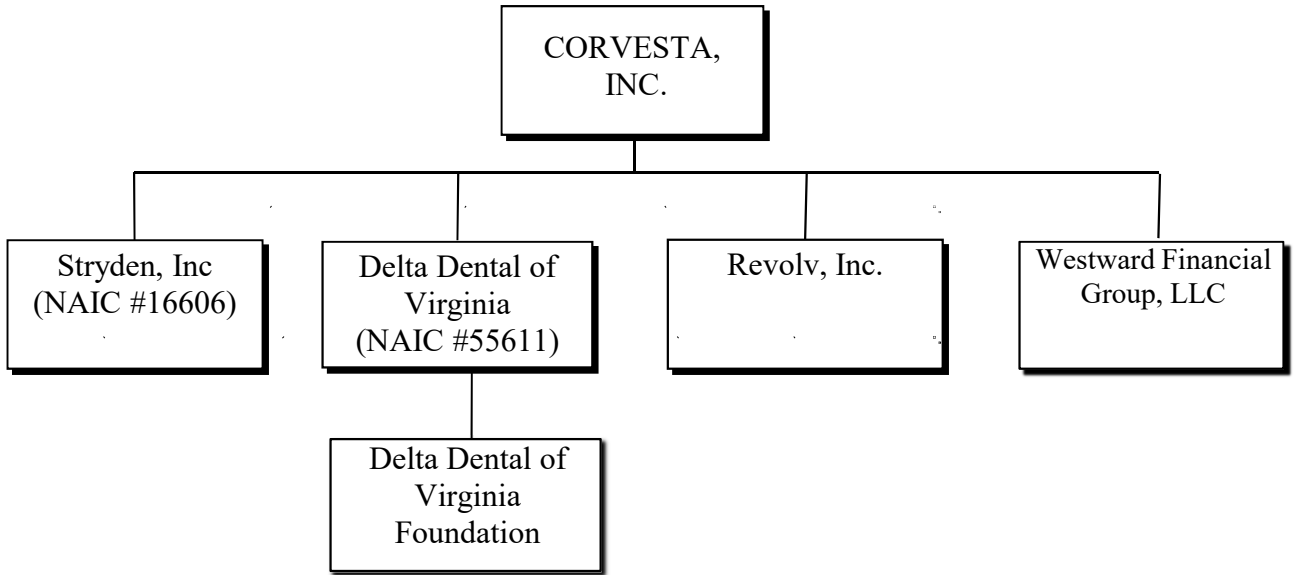
Officers

Frank L. Lucia
Robert J. Barker

President
Secretary, Treasurer

AFFILIATED COMPANIES

At December 31, 2020, the Corporation was a wholly owned subsidiary of Corvesta. The chart on the following page illustrates the organizational structure of the Corporation and affiliated entities at December 31, 2020:



TRANSACTIONS WITH AFFILIATES

Master Services and Credit Agreement

Effective November 1, 2011, a Master Services and Credit Agreement with Corvesta and its current/future affiliates was entered into. The Corporation subsequently became a party to the Agreement after it was incorporated. According to the agreement, the purpose is to:

- a) Provide for the sharing of the combined costs of certain administrative, executive and other services as well as the sharing of overhead costs that benefit all affiliates;
- b) Provide special services by and between affiliates directly related to the administration of an affiliate's business operation and;
- c) Enable each affiliate to borrow funds from another affiliate for start-up costs and business expenses.

The sharing of fees and expenses under (a) above is determined based on the proportion of each affiliate's annual revenue to the total annual revenue of all affiliates. Services provided to an affiliate under (b) above are reimbursed based on pre-determined hourly, monthly or annual rates or are reimbursed based on the actual direct costs incurred by the affiliate as well as the allocable portion of indirect costs. Interest rates on loans to affiliates under (c) above shall be at prevailing market rates and any loans to or by the Corporation are subject to applicable insurance laws and regulations.

The agreement shall remain in effect indefinitely. Any party may terminate the agreement upon 30 days' notice prior to the effective date of termination. The Corporation incurred \$209,731 in fees related to the agreement in 2020.

Administrative Services Agreement

Effective March 14, 2019, the Corporation entered into an Administrative Services Agreement with Revolv, Inc. (Revolv). According to the agreement, Revolv shall act as a third-party administrator to provide certain administrative services including policy application review and eligibility determination and issuance services, premium billing and collection, and policyholder services. The agreement shall remain in effect indefinitely. Any party may terminate the agreement upon 90 days' notice prior to the effective date of termination. As compensation, the Corporation shall pay a fee per month plus actual costs incurred by Revolv for ancillary items on behalf of the Corporation. The Corporation incurred \$6,560 in fees related to the agreement in 2020.

TERRITORY AND PLAN OF OPERATION

The Corporation is licensed to issue contracts for future optometric services. Services are provided by optometric providers within the Corporation's service area which encompasses the entire state of Virginia. Contracts offered by the Corporation for vision services can be categorized as:

Prepaid Group Contracts. Group prepaid optometric contracts are written for a member fee usually fixed for a one-year period. These contracts require monthly payment of member fees based on the number of employees comprising the group. Underwriting risk to the Corporation is involved under these contracts.

GROWTH OF THE CORPORATION

The following data is representative of the growth of the Corporation from initial licensing through December 31, 2020. The data is compiled from the Corporation's filed Annual Statements and the current examination report.

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Capital And Surplus</u>		
2019	4,938,256	117,078	4,821,178		
2020	4,703,544	67,012	4,636,532		

<u>Year</u>	<u>Total Revenue</u>	<u>Net Investment Gain</u>	<u>Vision Expenses</u>	<u>Administrative Expenses</u>	<u>Net Loss</u>
2019	0	7,632	0	134,114	(126,482)
2020	282,135	5,262	150,297	321,746	(184,646)

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the Corporation for the period ending December 31, 2020. No examination adjustments were made to the financial statements filed by the Corporation with the Bureau for the period ending December 31, 2020.

ASSETS

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$507,477		\$507,477
Cash and short-term investments	<u>4,165,065</u>	<u> </u>	<u>4,165,065</u>
Subtotals, cash and invested assets	\$4,672,542		\$4,672,542
Investment income due and accrued	1,638		1,638
Uncollected premiums and agents' balances in the course of collection	3,646		3,646
Receivables from parent, subsidiaries and affiliates	20,895		20,895
Health care and other amounts receivable	<u>56,498</u>	<u>51,675</u>	<u>4,823</u>
Total assets	<u><u>\$4,755,219</u></u>	<u><u>\$51,675</u></u>	<u><u>\$4,703,544</u></u>

LIABILITIES, CAPITAL AND SURPLUS

Claims unpaid	\$13,000
Unpaid claims adjustment expenses	1,414
Premiums received in advance	22,951
General expenses due or accrued	23,443
Amounts due to parent, subsidiaries and affiliates	<u>6,204</u>
Total liabilities	<u>\$67,012</u>
Common capital stock	\$1,000,000
Gross paid in and contributed surplus	4,000,000
Unassigned funds (surplus)	<u>(363,468)</u>
Total capital and surplus	<u>\$4,636,532</u>
Total liabilities, capital and surplus	<u><u>\$4,703,544</u></u>

STATEMENT OF REVENUE AND EXPENSES

Net premium income	\$304,447
Change in unearned premium reserves and reserves for rate credits	<u>(22,312)</u>
Total revenues	<u>\$282,135</u>
Vision:	
Vision benefits	<u>\$150,297</u>
Total vision benefits	\$150,297
Claims adjustment expenses	16,347
General administrative expenses	<u>305,399</u>
Total underwriting deductions	<u>\$472,043</u>
Net underwriting loss	<u>(\$189,908)</u>
Net investment income earned	<u>\$5,262</u>
Net investment gains	<u>\$5,262</u>
Net loss	<u><u>(\$184,646)</u></u>

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2018*</u>	<u>2019</u>	<u>2020</u>
Capital and surplus prior reporting year	<u>\$0</u>	<u>(\$51,340)</u>	<u>\$4,821,178</u>
GAINS AND LOSSES TO CAPITAL AND SURPLUS:			
Net loss	(\$52,340)	(\$126,482)	(\$184,646)
Change in net deferred income tax	0	0	51,675
Change in nonadmitted assets	0	0	(51,675)
Paid in capital	<u>1,000</u>	<u>4,999,000</u>	<u>0</u>
Net change in capital and surplus	<u>(\$51,340)</u>	<u>\$4,872,518</u>	<u>(\$184,646)</u>
Capital and surplus end of reporting year	<u>(\$51,340)</u>	<u>\$4,821,178</u>	<u>\$4,636,532</u>

* This examination covers the period from initial licensing (July 1, 2019) through December 31, 2020. The financial information reported above that is prior to initial licensing was prepared using Company representations.

CASH FLOW**Cash from Operations**

Premiums collected net of reinsurance	\$300,802
Net investment income	<u>3,366</u>
Total	<u>\$304,168</u>
Benefit and loss related payments	\$135,883
Commissions, expenses paid and aggregate write-ins for deductions	<u>434,256</u>
Total	<u>\$570,139</u>
Net cash from operations	<u>(\$265,971)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments	(\$265,971)
Cash and short-term investments:	
Beginning of the year	<u>4,431,036</u>
End of the year	<u>\$4,165,065</u>

ACKNOWLEDGEMENT

The courteous cooperation extended by the Corporation's officers and employees during the course of the examination is gratefully acknowledged. In addition to the undersigned, Chris Collins, CFE, Ken Campbell, CFE, and Ben MacKercher, CFE, participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gerald Hicks II". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gerald Hicks II, AFE
Insurance Examiner

STRYDEN

October 1, 2021

Mr. David H. Smith
Chief Examiner
State Corporation Commission
Bureau of Insurance
1300 E. Main Street
Richmond, VA 23219

Dear Mr. Smith:

We are providing this letter in connection with the draft Examination Report for Stryden for their initial licensing through December 31, 2020.

The draft Examination Report was accompanied by a cover letter dated September 29, 2021. The letter indicated since the examination report does not contain any recommendations for corrective action, we only need to provide written acknowledgement of receipt of the report within thirty days of the date of the letter. Please accept this correspondence as confirmation of receipt.

Respectfully,



Frank Lucia
President & CEO