

Report on Examination
of
OSCAR INSURANCE COMPANY OF FLORIDA
Plantation, Florida
as of
December 31, 2018



**FLORIDA OFFICE OF
INSURANCE REGULATION**



OFFICE OF INSURANCE REGULATION

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David Altmaier, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399

Dear Sir:

In accordance with Section 624.316, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of Oscar Insurance Company of Florida as of December 31, 2018. Our report on the examination follows.

Florida Office of Insurance Regulation
May 1, 2020

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SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2018 of Oscar Insurance Company of Florida (Company), a single-state insurer domiciled in Florida. The examination covered the period of June 19, 2018 through December 31, 2018 and took place primarily in the Company's Plantation, Florida office. This was the first financial condition examination of the Company by the Florida Office of Insurance Regulation (Office).

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The Handbook required that we plan and perform our examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. Our examination also included identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included 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.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes (F.S.) 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 were separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings as a result of this examination.

COMPANY HISTORY

The Company was incorporated in Florida on June 19, 2018 and licensed by the Office as an insurer on June 19, 2018. The Company was authorized by the State of Florida to operate as a life and health insurer in accordance with Section 624.401, F.S. The Company did not write any policies in 2018.

Mergers and Acquisitions

The Company had no mergers or acquisitions during the examination period.

CORPORATE RECORDS

There were no annual shareholder meetings held during the examination period. We reviewed the minutes of meetings held by the Company's members and board of directors, and by its Audit, Investment, Compensation and Compliance committees. The Company was in compliance with Section 625.304, F.S.

DIVIDENDS AND CAPITAL CONTRIBUTIONS

The Company did not declare or pay any dividends during the examination period. Additional paid-in capital contributions were made on July 31, 2018 in the amount of \$2,500,514; on September 20, 2018 in the amount of \$500,000; and on December 31, 2018 in the amount of \$5,000,000.

MANAGEMENT AND CONTROL

The Company is a subsidiary of Mulberry Health, Inc. (Mulberry). Mulberry is the parent company of several health insurance and Health Maintenance Organizations subsidiaries and was founded by current Chief Executive Officer, Mario Schlosser and investor, Joshua Kushner.

Its senior officers, directors, and members of principal board committees were:

Senior Officers

| <u>Name</u> | <u>Title</u> |
|--------------------|---|
| Mario T. Schlosser | Chief Executive Officer |
| Bruce L. Gottlieb | General Counsel and Corporate Secretary |
| Joel I. Klein | Chief Policy and Strategy Officer |
| Alan C. Warren | Chief Technology Officer |
| Dennis D. Weaver | Chief Clinical Officer |

Board of Directors

| <u>Name</u> | <u>Location</u> |
|--------------------|-----------------------|
| Joel E. Cutler | Boston, Massachusetts |
| Bruce L. Gottlieb | Brookly, New York |
| Joel I. Klein | New York, New York |
| Mario T. Schlosser | New York, New York |
| Dennis D. Weaver | Brentwood, Tennessee |
| Kareem S. Zaki | New York, New York |

| Audit Committee | Compensation Committee | Finance & Investment Committee | Compliance Committee |
|---|-------------------------------|---|------------------------------|
| Roland G. Fryer ⁽¹⁾ ⁽²⁾ | Joel I. Klein ⁽¹⁾ | Siddhartha NMN Sankaran | Joel I. Klein ⁽¹⁾ |
| Mario T. Schlosser | Siddhartha NMN Sankaran | Mario T. Schlosser | Mario T. Schlosser |
| Kareem S. Zaki | Kareem S. Zaki | | Dennis D. Weaver |

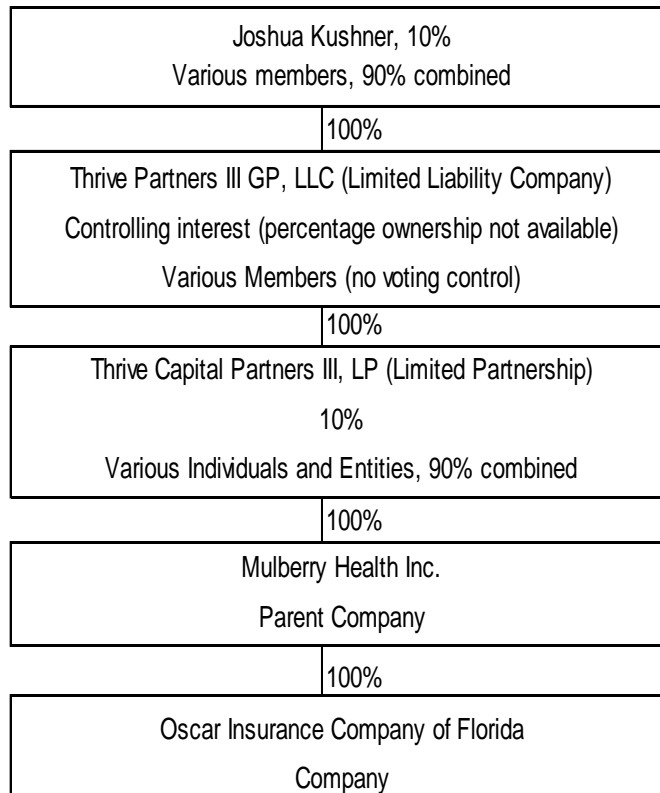
⁽¹⁾ Chairman

⁽²⁾ left July 2019

The Company was a member of an insurance holding company system. Its latest holding company registration statement was filed with the State of Florida as required by Section 628.801, F.S., and Rule 69O-143.046, Florida Administrative Code (F.A.C.), on April 1, 2019.

An abbreviated organizational chart reflecting a holding company system is shown below:

**Oscar Insurance Company of Florida
Abbreviated Organizational Chart
December 31, 2018**



AFFILIATED AND OTHER AGREEMENTS

The following agreements were in effect between the Company and its affiliates:

Tax Allocation Agreement

The Company was party to a tax allocation agreement with Mulberry and several Oscar affiliates. The Company was made part of the agreement by a Joinder to the Income Tax Allocation Agreement, which was effective October 30, 2017. This Joinder was signed on June 11, 2018. Mulberry filed the 2018 consolidated federal tax return for itself and all its subsidiaries, including

the Company. Each member of the group records an inter-company income tax receivable or payable to Mulberry based on the Percentage Method, in accordance with Treasury Regulation § 1.1502-33(d)(3). Tax payments are due within ten days of receiving notice of installment payments from Mulberry. If Mulberry is required to make a payment to any of its subsidiaries, Mulberry shall pay any excess within thirty days of filing the consolidated tax return. For 2018, there were no amounts paid under this agreement for the Company.

Administrative Services Agreement

The Company entered into an Administrative Services Agreement with its affiliate, Mulberry Management Corporation effective June 11, 2018, to provide certain administrative services. The agreement continues in force until either party terminates the agreement. The fee paid by the Company each month is equal to the actual cost of the services provided. Fees incurred under this agreement during 2018 amounted to \$3,076,011.

TERRITORY AND PLAN OF OPERATION

The Company was authorized to transact insurance only in the State of Florida. The Company is licensed as a life and health insurer and offers individual health insurance products on and off the Federally Facilitated Marketplace. Effective January 1, 2019, and according to the Company's 2019 Plan of Operation, the Company was operating in four Florida counties.

COMPANY GROWTH

The Company began business in June 2018 and reported the following for 2018:

| | <u>2018</u> |
|--------------------------|----------------|
| Member months | 0 |
| Year-end enrollment | 0 |
| Premiums | \$ - |
| Revenues | \$ - |
| Underwriting deductions | \$ - |
| Net income | \$ (5,387,826) |
| Shareholder dividends | \$ - |
| Paid in surplus received | \$ - |
| Admitted assets | \$ 11,462,284 |
| Liabilities | \$ 5,749,596 |
| Capital and surplus | \$ 5,712,688 |

REINSURANCE

The Company did not have a reinsurance program in place during the examination period.

ACCOUNTS AND RECORDS

There were no significant examination findings related to the Company's accounts and records.

SURPLUS NOTES

At December 31, 2018, the Company was obligated for a surplus note in the total amount of \$3,000,000 due in 2029. The debt was included in the Company's surplus in accordance with Statement of Statutory Accounting Principles No. 41, and the note was approved by the Office as required by Section 628.401(3), F.S.

STATUTORY DEPOSITS

The Company maintained on deposit with the Office a deposit of \$100,000 in accordance with Section 624.411, F.S.

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If, during the examination an adjustment was identified, the impact of such adjustment would be documented separately following the Company's financial statements. Financial Statements, as reported and filed by the Company with the Office, are reflected in the following pages:

Oscar Insurance Company of Florida
Admitted Assets, Liabilities, Capital and Surplus
December 31, 2018

| | Per Company | Examination Adjustments | Per Examination |
|--|----------------|----------------------------|--------------------|
| Admitted Assets | | | |
| Cash, cash equivalents and short-term investments | \$ 8,462,284 | \$ - | \$ 8,462,284 |
| Total cash and invested assets | 8,462,284 | - | 8,462,284 |
| Receivables from parent, subsidiaries and affiliates | 3,000,000 | - | 3,000,000 |
| Total admitted assets | \$11,462,284 | \$ - | \$ 11,462,284 |
| Liabilities | | | |
| Premiums received in advance | \$ 816,269 | \$ - | \$ 816,269 |
| Amounts due to parent, subsidiaries and affiliates | 4,933,327 | - | 4,933,327 |
| Total liabilities | \$ 5,749,596 | \$ - | \$ 5,749,596 |
| Capital and Surplus | | | |
| Common capital stock | \$ 100,000 | \$ - | \$ 100,000 |
| Gross paid in and contributed surplus | 8,000,514 | - | 8,000,514 |
| Surplus notes | 3,000,000 | - | 3,000,000 |
| Unassigned funds (deficit) | (5,387,826) | - | (5,387,826) |
| Total capital and surplus | \$ 5,712,688 | \$ - | \$ 5,712,688 |
| Total liabilities, capital and surplus | \$11,462,284 | \$ - | \$ 11,462,284 |

Oscar Insurance Company of Florida
Statement of Revenue and Expenses
Seven-month Period Ended December 31, 2018

| | |
|---|----------------|
| Net premium income | \$ - |
| <hr/> | |
| General administrative expenses | 5,400,264 |
| Total underwriting deductions | 5,400,264 |
| <hr/> | |
| Net underwriting gain (loss) | (5,400,264) |
| Net investment income earned | 12,438 |
| <hr/> | |
| Income/(loss) before federal income tax | (5,387,826) |
| Federal income tax | - |
| <hr/> | |
| Net income | \$ (5,387,826) |
| <hr/> | |

Oscar Insurance Company of Florida
Statement of Changes in Capital and Surplus
Seven-month Period Ended December 31, 2018

| | |
|---|--------------------------|
| Capital and surplus - June 19, 2018 | \$ - |
| Net loss | (5,387,826) |
| Change in surplus notes | 3,000,000 |
| Capital changes: Paid in | 100,000 |
| Surplus adjustments: Paid in | 8,000,514 |
| <hr/> Net change in capital and surplus | <hr/> 5,712,688 |
| <hr/> Capital and surplus - December 31, 2018 | <hr/> <hr/> \$ 5,712,688 |

Oscar Insurance Company of Florida
Comparative Analysis of Changes in Capital & Surplus
December 31, 2018

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

Capital & surplus, December 31, 2018 - per annual statement \$ 5,712,688

| | Per Company | Per Examination | Increase (Decrease) In Capital & Surplus |
|---|------------------------|----------------------------|---|
| Common stocks | \$ 100,000 | \$ 100,000 | \$ - |
| Gross paid in and contributed surplus | 8,000,514 | 8,000,514 | - |
| Surplus notes | 3,000,000 | 3,000,000 | - |
| Unassigned funds (surplus) | (5,387,826) | (5,387,826) | - |
| Net change in capital and surplus | | | - |
| Capital & surplus, December 31, 2018 - per examination | | | \$ 5,712,688 |

COMMENTS ON FINANCIAL STATEMENTS

There were no material changes required to be made to the Company's financial statements.

SUMMARY OF RECOMMENDATIONS

There were no significant findings to report and therefore, no related recommendations for the examination period.

SUBSEQUENT EVENTS

Subsequent to the examination date, the Company entered into a quota share reinsurance agreement with National Indemnity Company (reinsurer) effective January 1, 2019. The Company will retain 50% of the losses and premiums on policies issued in the calendar year 2019. The ceding commission to the reinsurer is 12%.

The Company also entered into an excess of loss reinsurance agreement with Odyssey Reinsurance Company (Odyssey) effective January 1, 2019. Under this agreement, first layer, any per person medical loss over \$500,000 will be reinsured at 100% by Odyssey for claims incurred in the calendar year 2019, up to \$500,000. Under the second layer, Odyssey will indemnify the Company for 40% of cumulative claims incurred in the calendar year 2019, for any covered person exceeding \$1,000,000.

Subsequent to the "as of" examination date, the Chairman of the Audit Committee resigned. Kareem Zaki, a member of the Audit Committee, was appointed as the Chairman effective January 28, 2020.

The Company did not offer or write any insurance policies during the examination period, but began offering health insurance products in the Florida individual market effective January 1, 2019 in Lake Osceola, Seminole and Orange Counties.

In March 2020, the World Health Organization recognized the coronavirus (COVID-19) outbreak as a pandemic. While the complete effects of COVID-19 on the economy and financial markets are still unknown, the Office recognizes that it could have a significant impact on all domestic insurers, including the Company. The Office will continue to closely monitor this situation and share information with the Company as appropriate regarding these developments.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Oscar Insurance Company of Florida, consistent with the insurance laws of the State of Florida.

At December 31, 2018, the Company's capital and surplus was \$5,712,688 and the Company was in compliance with the minimum capital and surplus requirement of Section 624.408, F.S.

In addition to the undersigned, the following individuals participated in the examination: Renee Hanshaw, CPA, CFE; James Gowins, CISA, AES, AFE, MCM; Steven Sigler, CFE, AES, CISA, AMCM and Rachelle Gowins, CFE, MCM associated with the firm of Examination Resources, LLC; Scott Garduno, FSA, MAAA and Solomon Frazier, FSA, FCAS, MAAA associated with the firm of Taylor-Walker Consulting, LLC and from the Florida Office of Insurance Regulation: Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor.

Respectfully submitted,



Carolyn M. Morgan, APIR
Director, Life & Health Financial Oversight
Florida Office of Insurance Regulation