



**EXAMINATION REPORT
OF
OSCAR INSURANCE COMPANY OF FLORIDA**

NAIC Company Code: 16374

**Plantation, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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May 20, 2021

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners ("the NAIC"), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of

Oscar Insurance Company of Florida
1200 South Pine Island Road
Plantation, Florida 33324

hereinafter referred to as "the Company." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2019 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on July 29, 2020. The fieldwork concluded as of May 20, 2021. This is the Company’s first full scope exam by representatives of the Office. The Company’s last full scope exam by representatives of the Office covered the period of June 19, 2018 through December 31, 2018.

The examination was a single state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed 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. 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 Company 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 the NAIC Statements of Statutory Accounting Principles (“SSAP”). The examination does not attest to the fair presentation of the financial statements included herein. 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.

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

The following is a summary of significant findings of fact including material adverse findings, significant non-compliance findings, such as non-compliance with state law(s), SSAPs, annual financial statement instructions, etc. or material changes in the financial statements.

1. The annual shareholder meeting for the election of the Board of Directors was not held in accordance with Section 628.231, Florida Statutes and Article III, Section 2 of the Company's bylaws.
2. There was no evidence in the minutes from the meetings of the Board of Directors or its committees that investments are being approved in accordance with Section 625.304, Florida Statutes.
3. The Audit Committee was not comprised of three or more Directors as required by Section 624.424(8)(c), Florida Statutes.

Previous Examination Findings

There were no findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2018.

COMPANY HISTORY

General

The Company was incorporated in Florida on May 4, 2018 and commenced business on January 1, 2019. The Company was authorized by the State of Florida to operate as a life and health insurer in accordance with Section 624.401, Florida Statutes. The Company is a wholly owned subsidiary of Oscar Health, Inc. (formerly Mulberry Health, Inc. (Mulberry)).

Dividends

The Company did not declare or pay any dividends during the period under examination.

Capital Stock and Capital Contributions

As of December 31, 2019, the Company's capitalization was as follows:

| | |
|--|-----------|
| Number of authorized common capital shares | 100,000 |
| Number of shares issued and outstanding | 100,000 |
| Total common capital stock | \$100,000 |
| Par value per share | \$1.00 |

Below are the capital contributions by Mulberry to the Company as of December 31, 2019.

| <u>Date</u> | | <u>Amount</u> | | <u>Balance</u> |
|-------------|----|---------------|----|-------------------|
| 06/13/18 | \$ | 2,500,000.00 | \$ | 2,500,000.00 |
| 06/28/18 | \$ | 165.54 | \$ | 2,500,165.54 |
| 07/31/18 | \$ | 348.28 | \$ | 2,500,513.82 |
| 09/26/18 | \$ | 500,000.00 | \$ | 3,000,513.82 |
| 12/31/18 | \$ | 5,000,000.00 | \$ | 8,000,513.82 |
| 03/29/19 | \$ | 7,500,000.00 | \$ | 15,500,513.82 |
| 09/30/19 | \$ | 6,000,000.00 | \$ | 21,500,513.82 |
| 10/25/19 | \$ | 4,000,000.00 | \$ | 25,500,513.82 |
| 11/27/19 | \$ | 3,000,000.00 | \$ | 28,500,513.82 |
| 02/13/20 | \$ | 14,000,000.00 | \$ | 42,500,513.82 (1) |

(1) - Type I Subsequent event in accordance with SSAP No.72.

Surplus Notes

Effective February 28, 2019, the Company entered into a surplus note purchase agreement with Mulberry, whereby Mulberry would purchase a \$3,000,000 surplus note from the Company. Effective August 13, 2019, the Company entered into another surplus note purchase agreement with Mulberry, whereby Mulberry would purchase a \$5,000,000 surplus note from the Company. The repayment of both surplus notes is subordinated to the claims of the Company's policyholders, contract creditors, all other obligations of the Company, and subject to approval by the Office. Interest accrues on the outstanding principal amount at the minimum Applicable Federal Rate as announced by the United States Internal Revenue Service.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was not held in accordance with Section 628.231, Florida Statutes and Article III, Section 2 of the Company's bylaws. Directors serving as of December 31, 2019, are shown below:

| Directors | | |
|---------------------------------------|-----------------------|---|
| Name | City, State | Principal Occupation, Company Name |
| Joel Edward Cutler | Boston, Massachusetts | Managing Director, General Catalyst Partners |
| Jed Fredric Feldman | Brooklyn, New York | General Counsel, Thrive Capital Management, LLC |
| Joel Irwin Klein | New York, New York | Chief Policy and Strategy Officer, Oscar Management Corporation |
| Siddhartha Sankaran | New York, New York | Chief Financial Officer, Oscar Management Corporation |
| Mario Tobias Schlosser ^(a) | New York, New York | Chief Executive Officer, Director of Oscar Health, Inc. |
| Dennis Dean Weaver | Brentwood, Tennessee | Chief Clinical Officer, Oscar Management Corporation |
| Kareem Safwat Zaki | Miami, Florida | Partner, Thrive Capital Management, LLC |

(a) Chairman

In accordance with the Company's bylaws, the Board appointed the following Senior Officers:

| Senior Officers | | |
|--------------------------|-----------------------|-----------------------------------|
| Name | City, State | Title |
| Mario Tobias Schlosser | New York, New York | Chief Executive Officer |
| Harold Michael Greenberg | Hoboken, New Jersey | Secretary |
| Siddhartha Sankaran | New York, New York | Chief Financial Officer |
| Joel Irwin Klein | New York, New York | Chief Policy and Strategy Officer |
| Dennis Dean Weaver | Brentwood, Tennessee | Chief Clinical Officer |
| Meghan Verena Joyce | Boston, Massachusetts | Chief Operating Officer |
| Isaac Gannon Councill | New York, New York | Chief Technology Officer |

The Company's Board appointed several internal committees. The following were the principal internal Board committees and their members as of December 31, 2019. The Audit Committee was not comprised of three or more Directors as required by Section 624.424(8)(c), Florida Statutes.

| Audit Committee | | |
|------------------------|--------------------|---|
| Name | City, State | Title, Company Name |
| Mario Tobias Schlosser | New York, New York | Chief Executive Officer, Director of Oscar Health, Inc. |
| Kareem Safwat Zaki (a) | Miami, Florida | Partner, Thrive Capital Management, LLC |

(a) Chairman

| Compliance Committee | | |
|-----------------------------|----------------------|---|
| Name | City, State | Title, Company Name |
| Joel Irwin Klein (a) | New York, New York | Chief Policy and Strategy Officer, Oscar Management Corporation |
| Mario Tobias Schlosser | New York, New York | Chief Executive Officer, Director of Oscar Health, Inc. |
| Dennis Dean Weaver | Brentwood, Tennessee | Chief Clinical Officer, Oscar Management Corporation |

(a) Chairman

| Finance & Investment Committee | | |
|---|----------------------|---|
| Name | City, State | Title, Company Name |
| Siddhartha Sankaran (a) | New York, New York | Chief Financial Officer, Oscar Management Corporation |
| Mario Tobias Schlosser | New York, New York | Chief Executive Officer, Director of Oscar Health, Inc. |
| Dennis Dean Weaver | Brentwood, Tennessee | Chief Clinical Officer, Oscar Management Corporation |

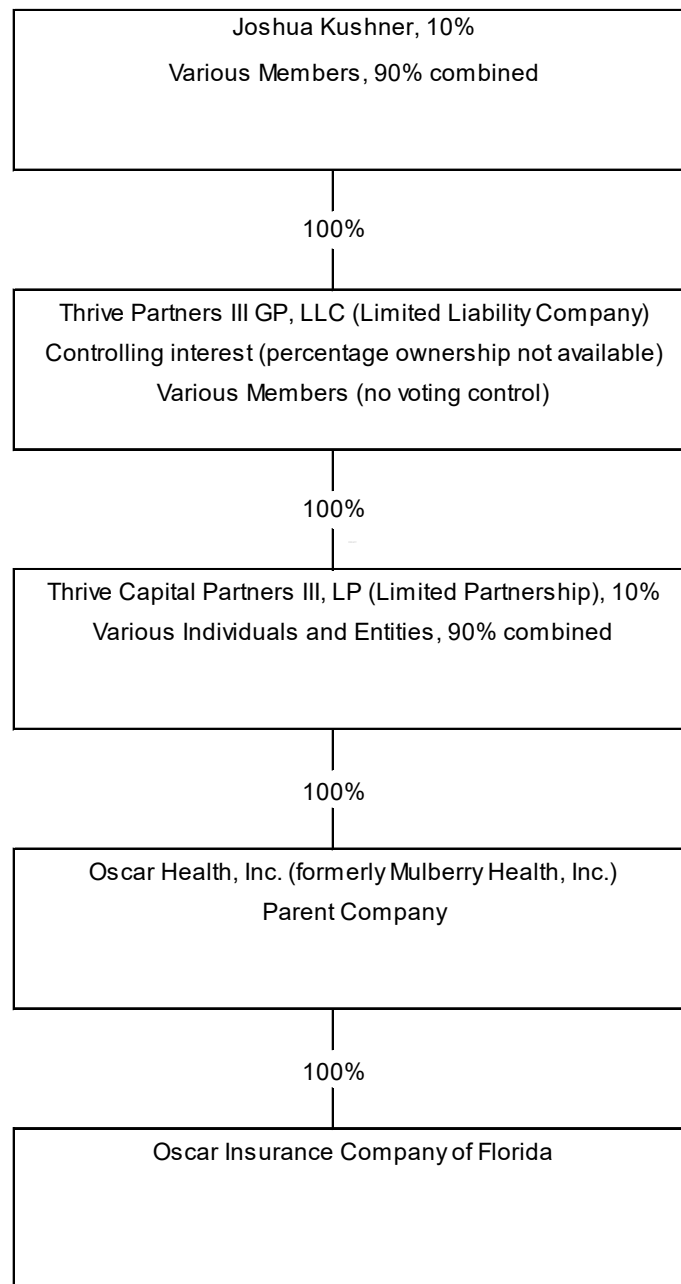
(a) Chairman

| Quality Improvement Committee | | |
|-------------------------------|----------------------|---|
| Name | City, State | Title, Company Name |
| Joel Irwin Klein | New York, New York | Chief Policy and Strategy Officer, Oscar Management Corporation |
| Siddhartha Sankaran | New York, New York | Chief Financial Officer, Oscar Management Corporation |
| Mario Tobias Schlosser | New York, New York | Chief Executive Officer, Director of Oscar Health, Inc. |
| Dennis Dean Weaver (a) | Brentwood, Tennessee | Chief Clinical Officer, Oscar Management Corporation |

(a) Chairman

Holding Company System

The insurer is a member of a holding company, and all companies noted in the affiliated agreements below are shown in the following simplified organization chart.



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 files the 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 2019, 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, Oscar Management Corporation (formerly 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 2019 amounted to \$30,274,000.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Plantation, Florida.

Independent Auditor Agreement

An independent auditor, Deloitte & Touche, LLP, audited the Company's statutory basis financial statements for 2019, in accordance with Section 624.424(8), Florida Statutes.

Supporting work papers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

Corporate Records Review

The recorded minutes of the Shareholder(s), Board and the Audit Committee, Compliance Committee, Finance & Investment Committee, and the Quality Improvement Committee were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, with the exception of the authorization of investments, as required by Section 625.304, Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida.

The Company was authorized to transact insurance in Florida 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, Florida Statutes.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, and reporting and settlement information deadlines.

Reinsurance Assumed

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

Effective January 1, 2019, the Company entered into a quota share reinsurance agreement with National Indemnity Company (NICO). Under the agreement, the Company agreed to cede on a fifty percent (50%) indemnity quota share basis all of its commercial health insurance products for individuals and small employers to NICO. NICO is not liable for any sums in excess of a combined ratio of ultimate net loss of 113.6% in the aggregate during any calendar year. Similarly, the Company will be paid a profit commission resulting from a ninety-eight percent (98%) or better combined ratio during any calendar year period.

Effective January 1, 2019, the Company also entered into a medical per person excess of loss reinsurance agreement with Odyssey Reinsurance Company (Odyssey). Under the agreement, Odyssey will reimburse the Company for one hundred percent (100%) of the amount of cumulative claims in excess of \$500,000 any one covered person during the term of the agreement for individual healthcare policies. Odyssey's limit of liability will not exceed \$500,000 for any one covered person for those cumulative claims in excess of the Company's retention of \$500,000, plus their proportionate share of any applicable claim adjustment expense. In addition, Odyssey will indemnify the Company for forty percent (40%) of the amount of cumulative claims in excess of \$1,000,000 any one covered person during the term of the agreement, plus their proportionate share of any applicable claim adjustment expense.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2019. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2019. (Note: Due to rounding, column amounts may not add to the totals reflected in this Report)

Oscar Insurance Company of Florida
Assets
December 31, 2019

| | Per Company | Examination Adjustments | Per Examination |
|--|---------------|----------------------------|--------------------|
| Cash and short-term investments | \$99,846,201 | | \$99,846,201 |
| Subtotal cash and invested assets | \$99,846,201 | | \$99,846,201 |
| Reinsurance: | | | |
| Amounts recoverable from reinsurers | 45,659,860 | | 45,659,860 |
| Other amounts receivable under reinsurance contracts | 7,162,406 | | 7,162,406 |
| Receivable from parent, subsidiaries and affiliates | 14,000,000 | | 14,000,000 |
| Health care and other amounts receivable | 1,420,948 | | 1,420,948 |
| Totals | \$168,089,415 | | \$168,089,415 |

Oscar Insurance Company of Florida
Liabilities, Capital and Surplus
December 31, 2019

| | Per Company | Examination Adjustments | Per Examination |
|--|---------------|----------------------------|--------------------|
| Claims unpaid | \$9,946,813 | | \$9,946,813 |
| Unpaid claims adjustment expenses | 342,438 | | 342,438 |
| Aggregate health policy reserves | 49,164,987 | | 49,164,987 |
| Aggregate health claim reserves | 367,721 | | 367,721 |
| Premiums received in advance | 4,201,293 | | 4,201,293 |
| General expenses due or accrued | 3,510,142 | | 3,510,142 |
| Ceded reinsurance premiums payable | 71,842,605 | | 71,842,605 |
| Borrowed money | 24,500 | | 24,500 |
| Amounts due to parent, subsidiaries and affiliates | 10,241,992 | | 10,241,992 |
| Total liabilities | \$149,642,491 | | \$149,642,491 |
| Aggregate write-ins for special surplus funds | 2,623,621 | | 2,623,621 |
| Common capital stock | 100,000 | | 100,000 |
| Gross paid-in and contributed surplus | 42,500,514 | | 42,500,514 |
| Surplus notes | 8,000,000 | | 8,000,000 |
| Unassigned funds (surplus) | (34,777,211) | | (34,777,211) |
| Surplus as regards policyholders | \$18,446,924 | | \$18,446,924 |
| Total liabilities, surplus and other funds | \$168,089,415 | | \$168,089,415 |

Oscar Insurance Company of Florida
Statement of Revenue and Expenses
December 31, 2019

| | Per Company | Examination Adjustments | Per Examination |
|---|----------------|----------------------------|--------------------|
| Underwriting Income | | | |
| Net premium income | \$78,362,517 | | \$78,362,517 |
| Deductions | | | |
| Hospital and medical benefits | \$86,653,209 | | \$86,653,209 |
| Other professional services | 10,919,717 | | 10,919,717 |
| Emergency room and out-of-area | 3,650,680 | | 3,650,680 |
| Prescription drugs | 9,808,665 | | 9,808,665 |
| Subtotal | 111,032,271 | | 111,032,271 |
| Net reinsurance recoveries | 54,726,485 | | 54,726,485 |
| Total hospital and medical | 56,305,786 | | 56,305,786 |
| Claims adjustment expenses | 9,999,797 | | 9,999,797 |
| General administrative expenses | 30,642,450 | | 30,642,450 |
| Total underwriting deductions | \$96,948,033 | | \$96,948,033 |
| Net underwriting gain or (loss) | (\$18,585,516) | | (\$18,585,516) |
| Investment Income | | | |
| Net investment gain or (loss) | \$841,395 | | \$841,395 |
| Net income or (loss) after capital gains tax and before all other federal income taxes | (\$17,744,121) | | (\$17,744,121) |
| Federal & foreign income taxes | | | |
| Net income (loss) | (\$17,744,121) | | (\$17,744,121) |

| | Per Company | Examination Adjustments | Per Examination |
|---|--------------|----------------------------|--------------------|
| Capital and Surplus Account | | | |
| | | | |
| Capital and surplus prior reporting year | \$5,712,688 | | \$5,712,688 |
| Net income or (loss) | (17,744,121) | | (17,744,121) |
| Change in non-admitted assets | (9,021,643) | | (9,021,643) |
| Change in surplus notes | 5,000,000 | | 5,000,000 |
| Surplus adjustments: Paid in | 34,500,000 | | 34,500,000 |
| Net change in capital and surplus | \$12,734,236 | | \$12,734,236 |
| | | | |
| Capital and surplus end of reporting year | \$18,446,924 | | \$18,446,924 |

**Oscar Insurance Company of Florida
Reconciliation of Capital and Surplus
December 31, 2019**

No adjustments were made to surplus as regards policyholders as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Fausto Palazzetti, FSA, MAAA, an employee of the Company, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Edward F. McKernan, FSA, MAAA of Capstan Actuarial Solutions, LLC, reviewed the loss and loss adjustment expense work papers provided by the Company.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$18,446,924, exceeded the minimum of \$13,586,586 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

On February 13, 2020, the Company received a \$14,000,000 capital contribution from Mulberry. The Company received permission from the Office to admit this as gross paid-in and contributed surplus and a corresponding receivable as of December 31, 2019 in accordance with SSAP No. 72 – *Surplus and Quasi-Reorganizations*.

On January 4, 2021, Mulberry Health, Inc. changed its name to Oscar Health, Inc.

On April 1, 2021, Mulberry Management Corporation changed its name to Oscar Management Corporation.

The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Florida Office of Insurance Regulation has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

SUMMARY OF RECOMMENDATIONS

1. The annual shareholder meeting for the election of the Board of Directors was not held in accordance with Section 628.231, Florida Statutes and Article III, Section 2 of the Company's bylaws.

It is recommended the election of the Directors occur at the annual shareholder meeting in accordance with Section 628.231, Florida Statutes and Article III, Section 2 of the Company's bylaws.

2. There was no evidence in the minutes from the meetings of the Board of Directors or its committees that investments are being approved in accordance with Section 625.304, Florida Statutes.

It is recommended that the Finance and Investment Committee note their approval of each individual investment decision in the minutes in accordance with Section 625.304, Florida Statutes.

3. The Audit Committee was not comprised of three or more Directors as required by Section 624.424(8)(c), Florida Statutes.

It is recommended the Audit Committee be comprised of three or more Directors in accordance with Section 624.424(8)(c), Florida Statutes.

CONCLUSION

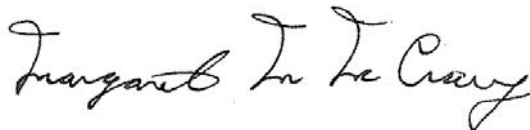
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Oscar Insurance Company of Florida as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Thomas Mayberry, CPA, CFE, Examiner-in-Charge, Philip Engelhart, CPA, AIAF, CFE, Supervising Examiner, and Paul Sliwinski, CPA, ARe, Chris Davis, CPA, and Koye Arulogun, CPA, CFE (Fraud) Participating Examiners, of EWM Group, PC, also participated in the examination. Members of the Office who participated in the examination include Shantia Simmons, APIR, Examination Supervisor. Additionally, Edward F. McKernan, FSA, MAAA of Capstan Actuarial Solutions, LLC and Joanna Latham, CPA, CFE, AES, CISA, CRISC and Jenny Jeffers, AES, CISA, CFE (Fraud), IT Specialist of Jennan Enterprises, LLC, are recognized for participation in the examination.

Respectfully submitted,



Philip D. Engelhart, CFE
Supervising Examiner
EWM Group, PC



Margaret M. McCrary, CFE, CPA, MBA
Chief Financial Examiner – Life & Health
Florida Office of Insurance Regulation



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