

REPORT ON EXAMINATION AS TO THE CONDITION OF

OSCAR GARDEN STATE INSURANCE CORPORATION

NEW YORK, NEW YORK

AS OF DECEMBER 31, 2020

NAIC GROUP CODE 4818

NAIC COMPANY CODE 16231

FILED
SEPTEMBER 20, 2022
COMMISSIONER
NEW JERSEY DEPARTMENT
OF
BANKING AND INSURANCE

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State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

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August 8, 2022

Honorable Marlene Caride
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In compliance with your instructions and pursuant to the Revised Statutes of the State of New Jersey, an examination has been made of the financial condition and affairs of:

OSCAR GARDEN STATE INSURANCE CORPORATION
NEW YORK, NEW YORK
AS OF DECEMBER 31, 2020
NAIC GROUP CODE 4818
NAIC COMPANY CODE 16231

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, the Oscar Garden State Insurance Corporation will be referred to in this report as "Company", "Oscar GS" or "Corporation".

SCOPE OF EXAMINATION

This risk-focused examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by N.J.S.A. Section 17:23-22.

The examination was made as of December 31, 2020 and addressed the four-year period subsequent to the organizational exam of September 28, 2017. During this period, the Company's reported admitted assets increased by \$23,421,359 to \$39,745,359 from \$16,324,000, liabilities increased by \$19,478,756 to \$29,669,756 from \$10,191,000, and total capital and surplus increased by \$3,942,603 to \$10,075,603 from \$6,133,000.

The examination was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC Financial Condition Handbook. The Handbook requires that we plan and perform the 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. 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 Statutory Accounting Principles. 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 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 Company.

The Certified Public Accounting ("CPA") firm of PricewaterhouseCoopers, LLP ("PwC") provided an unqualified audit opinion on the fair presentation of the Company's year-end financial statements based on Statutory Accounting Principles for the reporting year period ending December 31, 2020. Deloitte & Touche, LLP provided unqualified opinions on the fair presentation of the Company's year-end financial statements based on Statutory Accounting Principles for the periods ending December 31, 2018 and December 31, 2019. Relevant work performed by the CPA firm during its annual audit of the Company was reviewed during the examination and incorporated into the examination work papers whenever feasible to facilitate efficiencies. Certain PwC work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination.

COMPLIANCE WITH PRIOR REPORT ON EXAMINATION RECOMMENDATIONS

Oscar GS began writing business on January 1, 2018; therefore, this is the first full-scope examination. As such, no comments or recommendations were noted since there was no prior examination report.

HISTORY

Oscar GS is a New Jersey- domiciled wholly owned subsidiary of Oscar Health Inc. (“Oscar”). Oscar GS’s Certificate of Incorporation was certified by the Commissioner of the New Jersey Department of Banking and Insurance (“NJDOBI”) on July 21, 2017 and recorded with the Mercer County Clerk’s Office Hall of Records and filed with the Commissioner on August 1, 2017 in accordance with New Jersey State Law; Oscar GS was later granted a New Jersey Certificate of Authority from NJDOBI on September 28, 2017. Oscar GS is the successor to Oscar Insurance Corporation of New Jersey, Inc., who ceased writing in the State of New Jersey after the 2016 plan year.

Effective January 1, 2018 and onwards, Oscar Garden State Insurance Corporation offers comprehensive health insurance policies in the individual and small-group commercial markets in New Jersey. Its business plan and products place particular emphasis on and leverage the use of technology to provide insureds with access to streamlined health services and user-friendly experiences.

There were no payments to stockholders during the examination period. The Company received the following capital infusions during the period under examination:

- 2017; \$5.1mm
- 2018; \$16.7mm
- 2019; \$300K
- 2020; \$3.5mm

The registered agent upon whom process may be served is CT Corporation.

STATUTORY DEPOSIT

As of December 31, 2020, the Company in accordance with N.J.S.A. 17B:18-37(c) had a market value of \$103,227 for the New Jersey statutory deposit as of December 31, 2020.

TERRITORY AND PLAN OF OPERATIONS

Oscar GS is currently authorized to write and sell its products in the following New Jersey counties: Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Warren and Union; Oscar GS is not authorized to write or sell its products in any other state or jurisdiction outside of New Jersey.

Oscar GS offers Exclusive Provider Organization insurance products, including Individual Health Coverage Plans, in the counties identified above using a QualCare provider network to do so.

Oscar GS competes in the small-group employer marketplace with the likes of Horizon, Aetna/CVS, AmeriHealth, and Oxford (i.e., United Healthcare) brands. Competition for market share in this space is extremely high as these players are well-established and can leverage the financial and experiential resources of their respective brands to scale their administrative operations and develop competitively priced plan offerings and comprehensive provider networks in the New Jersey market.

REINSURANCE

Oscar GS assumed no business as of December 31, 2020.

Oscar GS is owed amounts from various reinsurers for final settlements under respective reinsurance agreements that have expired with these entities including; AXA France VIE (“AXA France”), Odyssey Reinsurance Company (“Odyssey Re”), Berkshire Hathaway Specialty Insurance Company (“Berkshire Hathaway”) and the State of New Jersey pursuant to a state-based reinsurance program run pursuant to a Section 1332 waiver of the Affordable Care Act.

Oscar GS was a named Cedant in the following agreements during the current examination period:

Quota Share Agreements:

Oscar GS entered into a Quota Share Reinsurance Agreement ceding 40% of the Individual Market business to AXA France, effective December 21, 2017. The agreement was amended effective January 1, 2020 under the following terms:

- 100% profit sharing
- 2% reinsurer fee
- 12% ceding commission
- 100% MLR cap
- Statutory trust agreement in compliance with the credit of reinsurance laws due to AXA France’s status as an unauthorized reinsurer in the U.S., with the trust funded at an amount equal to AXA’s share of Statutory Reserves, as such Reserves are contemplated in Annex 5 of the agreement.

Oscar GS entered into a Quota Share Reinsurance Agreement ceding 50% of the Individual Market business and 50% of the Small Group business to Berkshire Hathaway, effective January 1, 2020 under the following terms:

- 100% of profits above the reinsurer fee are returned to Oscar GS via experience refund
- 2% reinsurer fee
- 12% ceding commission

While the agreements appeared to meet proportionality requirements as stipulated in SSAP 61R, the Company failed to illustrate ceding commissions exceeded related expenses incurred by the ceding companies. As such, the Company was unable to evidence it met key requirements of Actuarial Appendix A-791. Even with deposit accounting applied, Oscar GS still maintained above minimum required capital, and RBC Action Level would not have been triggered. Oscar will fix it’s Actuarial Appendix A-791 analysis going forward.

Excess of Loss Agreement:

Pursuant to a Medical Per Person Excess of Loss Reinsurance Agreement effective January 1, 2020, excess of loss coverage is provided by Odyssey Re whereby:

- Coverage is for Individual and Small Group markets
- Oscar GS retains losses up to \$500,000 attachment point

Trust Agreement with Wells Fargo Bank

There is a related trust agreement between Oscar GS (the “Beneficiary” and Wells Fargo Bank National Association (“Wells Fargo” or the “Trustee”) dated December 21, 2017. As of December 31, 2020, Oscar GS reported \$4,680,606 in Trust per Schedule S Part 4.

CORPORATE RECORDS

A review of the minutes of the Board of Directors’ meetings revealed conformity with the requirements of the Articles of incorporation and Bylaws concerning matters covered and authorizations made. The minutes of the Board of Directors’ meetings are detailed and comprehensive and appear to fully reflect the acts, decisions and approvals of the Board.

The Company's Certificate of Incorporation was certified by the Commissioner on July 21, 2017 and filed with the NJDOBI August 1, 2017.

MANAGEMENT AND CONTROL

The business, property and affairs of the Company are managed by the President and the delegated officers of OSCAR GS, as Attorney-in-Fact of the Company, under the guidance and direction of the OSCAR GS Board.

The following were the Directors of OSCAR GS, as of December 31, 2020:

<u>Name</u>	<u>Principal Occupation</u>
Mario Schlosser	Chief Executive Officer, Oscar Management Corporation
Joel Klein	Chief Policy and Strategy Officer, Oscar Management Corporation
Siddhartha Sankaran	Chief Financial Officer, Oscar Management Corporation
Dennis Weaver	Chief Clinical Officer, Oscar Management Corporation
Joel Cutler	Managing Director, General Catalyst Partners
Kareem Zaki	Principal, Thrive Capital Management, LLC
Jed Feldman	General Counsel, Thrive Capital Management, LLC

The Company is required to comply with the provisions of N.J.S.A. 17:27A-4d(3), which states that “not less than one-third of the directors of a domestic insurer shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common

control with, that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity.”

The Company is in compliance with N.J.S.A. 17:27A-4d(3), as the Company maintains a Board of Directors of which three of the seven members are considered outside directors.

The Bylaws of the Company, provide that “The Board of Directors of the Corporation shall consist of not less than seven (7) nor more than ten (10) members” and that “the Board of Directors shall have one regular meeting no later than the 4th Friday in April of each year.” The first meeting of each newly elected Board of Directors shall be the regular meeting of the Board of Directors. No notice of such meeting to the newly-elected Directors shall be necessary in order legally to constitute a meeting of the Board of Directors, provided a quorum shall be present.

The Bylaws of the Company, provide that “The Board of Directors of the Corporation shall consist of not less than seven (7) nor more than ten (10) members” and that “ the Board of Directors shall have one regular meeting no later than the 4th Friday in April of each year.” The first meeting of each newly elected Board of Directors shall be the regular meeting of the Board of Directors. No notice of such meeting to the newly-elected Directors shall be necessary in order legally to constitute a meeting of the Board of Directors, provided a quorum shall be present.

The Bylaws of the Plan provide that “the Directors shall be elected at the Shareholders' Annual Meeting by a plurality of the votes cast by the shares represented in person or by proxy. Directors need not be Shareholders. Not less than one-third of the Directors and not less than one-third of the members of each committee of the Board (other than the Audit Committee), shall be persons who are not officers or employees of the Corporation or of any entity controlling, controlled by, or under common control with, the Corporation and who are not beneficial owners of a controlling interest in the voting securities of the Corporation or any such entity ("Independent Directors"), unless the entity controlling the Corporation shall meet this independence requirement. In that even, the Corporation's Board of Directors need not be composed of one-third Independent Directors."

Each Director shall be elected at the Annual Meeting of Shareholders and shall hold office until the Annual Meeting of Shareholders held next after his election, and thereafter until his successor shall have been duly elected and qualified, or until his death, resignation, removal, retirement, or disqualification. Any Director may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board, if any, the President, or the Secretary of the Corporation. Unless otherwise specified in such written notice, a resignation shall take effect upon delivery thereof to the Board of Directors or the designated officer. A resignation need not be accepted in order to be effective.

Committees

The Company designated the following as Board committees: Compliance; Finance & Investment; Quality Improvement; and Delegated Committees of the Parent (Oscar Health, Inc.) Board: Audit.

During the review of the 2020 Board minutes provided for Oscar Garden State Insurance Corporation, the examiners noted non-compliance with N.J.S.A. 17:27A-4d(4), which states that “the board of directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insurer of any such entity. The committee shall be responsible for recommending the selection of independent certified public accountants, reviewing the insurer’s financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer and recommending to the board of directors the selection and compensation, including bonuses or other special payments, of the principal officers.”

It was noted that Oscar GS designates the Oscar Health, Inc. Audit Committee, did not have any independent directors as of December 31, 2020. In addition, all other committees were comprised of non-independent directors.

N.J.S.A. 17:27A-4d(5) states, “The provisions of paragraphs (3) and (4) of this subsection d. shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors and committees thereof that substantially meet the requirements of those paragraphs.”

It is recommended that the Board of Directors of Oscar Health, Inc. and/or Oscar GS shall establish one or more committees or delegated committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insurer of any such entity to be in compliance with N.J.S.A. 17:27A-4d(5).

In 2021, Oscar Health Inc. changed the composition of the Audit Committee to be comprised only of independent directors.

Officers

The officers of the Corporation shall be elected by the Board of Directors and shall include the President, the Secretary, and the Treasurer. If the Board of Directors wishes, it may also elect as an officer of the Company, a Chairman of the board and may elect other officers (including a Chief Executive Officer(s), one or more Vice Presidents, one or more Assistant Treasurers and one or more Assistant Secretaries), as may be necessary or desirable for the business of the Company. Any two or more offices may be held by the same person, except the offices of President and Secretary; provided, however, that such two offices may be held by the same person if all of the outstanding shares of the Company are owned by such person.

More than one person may hold a particular office as determined by the board of Directors. Each officer shall hold office until the first meeting of the Board of Directors following the next Annual Meeting of the Shareholders, and until his successor shall have been elected and shall

have qualified, or until his death, or until he shall have resigned or have been removed, as hereinafter provided in the Bylaws. No officer need be a Shareholder.

The following officers of Oscar GS were elected and serving the Company at December 31,

<u>Name</u>	<u>Principal Occupation</u>
Mario Schlosser	Chief Executive Officer
Joel Klein	Chief Policy and Strategy Officer
Siddhartha Sankaran	Chief Financial Officer
Dennis Weaver	Chief Clinical Officer
Meghan Joyce	Chief Operating Officer
Isaac Council	Chief Technology Officer
Harold Greenberg	Secretary

2020:

N.J.S.A. 17:27A-4d(5) states, “The provisions of paragraphs (3) and (4) of this subsection d. shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors and committees thereof that substantially meet the requirements of those paragraphs.”

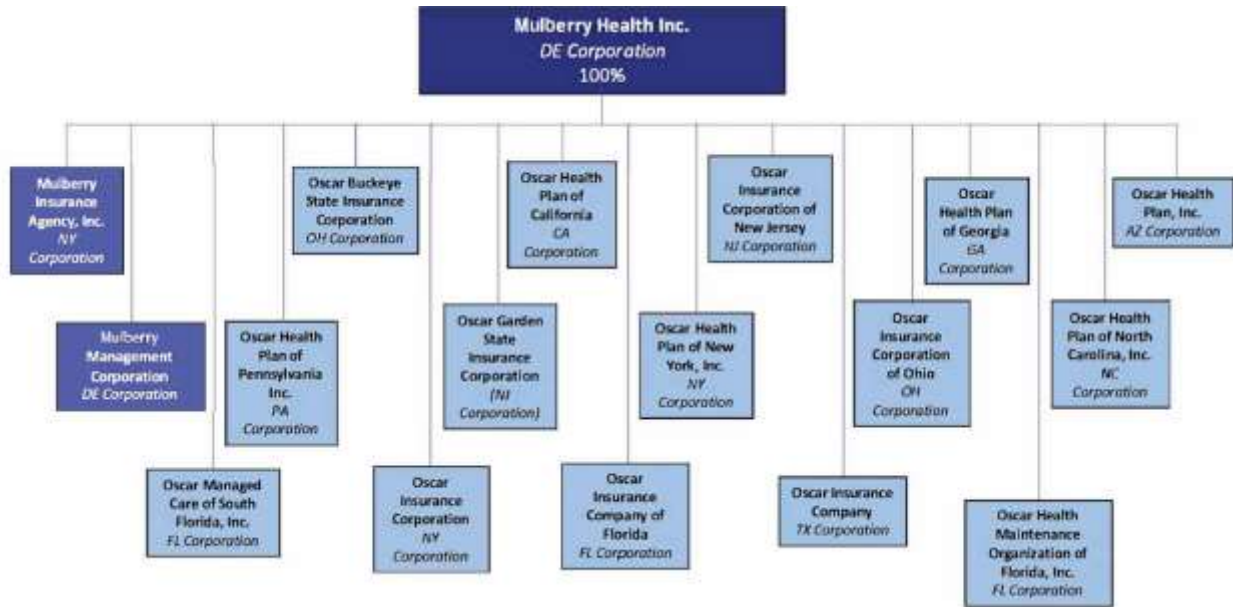
The Company satisfies the requirements of N.J.S.A. 17:27A-4d(5).

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The Company is a member of an insurance holding company system as defined by N.J.S.A. 17:27A-1.

A review of the holding company registration statement indicated that the Company was in compliance with N.J.S.A. 17:27A-3, Sections a-j, requiring registration of those insurers who qualify as determined by N.J.S.A. 17:27A-1.

A holding company system organizational chart as of December 31, 2020 follows:



Note: As of January 1, 2021, the parent company, formerly known as “Mulberry Health Inc.” is named Oscar Health Inc.

INTER-COMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS

Inter-Company Agreements

The Company was a named party to the following affiliated agreements at the examination date:

Mulberry Health Inc. (“Mulberry”) is a common parent of an “affiliated group” as that term is defined in Section 1504 of the Internal Revenue Code of 1986, as amended; and the Mulberry subsidiaries listed on the organizational chart found in Form B (with the exception of Oscar Insurance Corporation of Ohio) are includible corporations of said affiliated group, and accordingly file a Consolidated U.S. federal income tax return pursuant to Section 1501 of the Code.

A method for allocation of the consolidated federal tax liability and, where applicable, any unitary state income tax liability of the affiliated group, among its members, for reimbursing Mulberry for payment of such tax liability, for compensating any party for use of its losses or tax credits, and to provide for the allocation and payment of any refund arising from a carryback of losses or tax credits from subsequent years, have been memorialized in a Tax Allocation Agreement among the affiliated group members. The Tax Allocation Agreement was approved by the Department of Banking and Insurance upon receipt of the letter of non-disapproval dated September 15, 2015. An Amended & Restated Tax Allocation Agreement was approved by the

Department of Banking and Insurance, and executed with an effective date of January 1, 2019, upon receipt of the letter of non-disapproval dated October 26, 2020.

Effective October 1, 2017, the Company and Mulberry Management Corporation (“MMC”) entered into an Administrative Services Agreement whereby MMC agrees to provide certain services including; administrative support, financial services, legal affairs, property management, accounting and records, accounts payable, engineering, payroll, human resources, equipment, software and intellectual property, facilities and associated services, investment services, overhead and other financial responsibilities and functions mutually agreed upon.

Effective October 9, 2017, MMC and Mulberry, with Oscar GS, entered into a Business Associate Agreement in order to comply with the federal Standards for Privacy of Individually Identifiable Health Information, located at 45 C.F.R. parts 160 and 164 (“HIPAA” or the “Privacy Rule”) and security standards located at 45 C.F.R. parts 160, 162, and 164, subpart C (the “Security Rule”) pursuant to the Health Insurance Portability and Accountability Act (“HIPAA”), the Health Information Technology for Economic and Clinical Health Act (“HITECH Act”), and any other applicable state and federal confidentiality laws, as they may be amended from time to time.

POLICY ON CONFLICT OF INTEREST

On an annual basis, the officers and directors of OSCAR GS attest to an affirmation of ethical standards and a disclosure of possible activities which could construe as a possible conflict of interest.

During the review of the Company’s Conflict of Interest procedures and statements, the examiners noted that the Company did not provide signed Conflict of Interest statements for the following Officers and Directors for 2020:

Officers

Mario Schlosser, Chief Executive Officer
Joel Klein, Chief Policy & Strategy Officer
Siddhartha Sankaran, Chief Financial Officer
Dennis Weaver, Chief Clinical Officer
Meghan Joyce, Chief Operating Officer
Isaac Councill, Chief Technology Officer
Harold Greenberg, Secretary

Directors

Mario Schlosser
Dennis Weaver
Siddhartha Sankaran
Joel Klein
Joel Cutler

The Company amended its Conflict of Interest procedures in 2021 with all required Officers and Directors completing their respective Conflict of Interest questionnaires.

INFORMATION SYSTEMS

Information systems were reviewed at the Group level. The IT examination team’s procedures considered a customized range of IT risks focusing on both IT governance and IT operational controls. Overall, the IT examination team concluded that IT General Controls (ITGCs) are

Effective. IT review conclusions were based on inquiry, inspection of documentation, observation, independent research and a review of third-party work papers. The IT examination team's conclusion regarding control strength was discussed with, and accepted by, the Examiner-in-Charge at the conclusion of the IT review.

CONTINUITY OF OPERATIONS

The bylaws of OSCAR GS, as Attorney-in-Fact of the Company, provide for the election of directors and the appointment of officers to fill any vacancies caused by death, resignation, disqualification, or removal by the Board of Directors. The Company has a disaster recovery plan that was reviewed in the course of the coordinated examination IT review. No material findings were noted.

FINANCIAL STATEMENT EXHIBITS

Exhibit A: Statement of Assets, Liabilities, Surplus and Other Funds at
December 31, 2020 12

Exhibit B: Summary of Revenue and Expenses for the
Five-Year Period ending December 31, 202013

Exhibit C: Capital and Surplus Account for the
Five-Year Period ending December 31, 202014

Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2020

Admitted Assets	Current Examination at 12/31/2020	Balance per Company at 12/31/2020	Note Number
Bonds	\$ 1,622,977	\$ 1,622,977	1
Cash, cash equivalents and short-term	11,500,686	11,500,686	1
Investment income due and accrued	6,397	6,397	
Premiums and Considerations:			
Uncollected premiums and agents' balances in course of collection	279,169	279,169	
Reinsurance:			
Amounts recoverable from reinsurers	18,213,919	18,213,919	
Other amounts receivable under reinsurance	7,468,620	7,468,620	
Health care and other amounts receivable	653,591	653,591	
Total net admitted assets	39,745,359	39,745,359	
Liabilities			
Claims unpaid	\$ 4,843,979	\$ 4,843,979	2
Unpaid claims adjustment expenses	189,181	189,181	2
Aggregate health policy reserves, including medical loss rebate per the Public Health Service Act	6,792,664	6,792,664	
Aggregate health claim reserves	453,612	453,612	
Premiums received in advance	2,701,088	2,701,088	
General expenses due or accrued	552,012	552,012	
Ceded reinsurance premiums payable	11,464,503	11,464,503	
Amounts due parent, subsidiaries and affiliates	846,089	846,089	
Reinsurance in unauthorized and certified companies	1,826,628	1,826,628	
Total liabilities	29,669,756	29,669,756	
Surplus and Other Funds			
Common Capital Stock	\$ 700,000	\$ 700,000	3
Gross paid in and contributed surplus	25,600,000	25,600,000	3
Unassigned funds (surplus)	(16,224,397)	(16,224,397)	
Total Capital and Surplus	10,075,603	10,075,603	
Total Liabilities and Surplus as Regards Policyholders	\$ 39,745,359	\$ 39,745,359	

Summary of Revenue and Expenses for the Five-Year Period Ending December 31, 2020

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Member Months	-	127,360	181,516	160,499
Total Revenue:				
Net premium income	\$ -	\$ 20,903,732	\$ 33,153,648	\$ 15,141,920
Total Revenues	-	20,903,732	33,153,648	15,141,920
Hospital and Medical				
Hospital and medical benefits	\$ -	\$ 23,495,139	\$ 41,094,980	\$ 41,037,599
Other professional services	-	2,197,646	5,356,281	6,699,403
Emergency room and out-of-area	-	385,491	767,887	1,023,331
Prescription drugs	-	5,776,468	11,240,234	9,767,366
Net reinsurance recoveries	-	15,332,148	32,674,112	52,200,943
Total Hospital and Medical	-	16,522,596	25,785,270	6,326,756
Other Underwriting Deductions				
Claims adjustment expenses	\$ 2,571,423	\$ 3,069,894	\$ 4,395,756	\$ 1,662,939
General administrative expenses	0	10,536,159	6,173,850	6,076,220
Increase in reserves for life and accident and health contracts	-	140,003	47,619	(187,622)
Total Underwriting Deductions	2,571,423	30,268,652	36,402,495	13,878,293
Net underwriting gain or (loss)	<u>\$ (2,571,423)</u>	<u>\$ (9,364,920)</u>	<u>\$ (3,248,847)</u>	<u>\$ 1,263,627</u>
Net investment income earned	\$ 378	\$ 235,503	\$ 630,630	\$ 144,735
Net realized capital gains (losses) less capital gains tax	-	(80)	(886)	71,964
Net investment gains (losses)	378	235,423	629,744	216,699
Aggregate write-ins for other income or expenses	-	-	-	-
Net income after after capital gains tax and before all other federal income taxes	\$ (2,571,045)	\$ (9,129,497)	\$ (2,619,103)	\$ 1,480,326
Federal and foreign income tax	-	-	-	-
Net Income	<u>\$ (2,571,045)</u>	<u>\$ (9,129,497)</u>	<u>\$ (2,619,103)</u>	<u>\$ 1,480,326</u>

Capital and Surplus Account for the Five-Year Period Ending December 31, 2020

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Surplus as regards policyholders, December 31 prior year	\$ -	\$ 3,228,955	\$ 8,734,884	\$ 6,998,003
Net income	(2,571,045)	(9,129,497)	(1,996,854)	1,480,326
Change in nonadmitted assets	-	(1,804,750)	346,243	(76,098)
Change in unauthorized and certified reinsurance	-	(259,824)	(563,553)	(1,826,628)
Change in surplus notes	-	-	300,000	-
Capital changes:				
Paid in	700,000	-	-	3,500,000
Surplus adjustments:				
Paid in	5,100,000	16,700,000	-	-
Dividends to stockholders	-	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-	-
Net change in capital and surplus for the year	<u>3,228,955</u>	<u>5,505,929</u>	<u>(1,914,164)</u>	<u>3,077,600</u>
Capital and surplus, December 31, current year	<u>\$ 3,228,955</u>	<u>\$ 8,734,884</u>	<u>\$ 6,820,720</u>	<u>\$10,075,603</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Bonds

At December 31, 2020, Oscar GS reported assets for bonds, cash, cash equivalents and short-term investments of \$13,123,663 which was accepted for purposes of this examination.

Note 2 – Claims Unpaid and Unpaid Claims Adjustment Expenses

At December 31, 2020, the Company reported a net liability for Claims Unpaid and Unpaid Claims Adjustment Expenses of \$5,033,160.

The actuarial review of Claims Unpaid for Oscar GS was done by the Texas Department of Insurance (“TDI”). This review was performed in connection with TDI’s December 31, 2020 risk focused examination of Oscar Insurance Company.

The Claims Unpaid liability is established for claims incurred on or before, but not paid as of December 31, 2020. This liability includes future claim payments for known claims and for incurred but not reported claims.

The TDI Actuarial Report was reviewed by the Health Actuarial Division of the NJDOBI.

Note 3 – Capital and Surplus

Common Capital Stock

As of December 31, 2020, the capital stock of \$700,000 represents the stock certificate in the amount of 140,000 shares of \$5 par value stock. Mulberry Health Company is the sole shareholder.

Gross Paid In and Contributed Surplus

The Company reported gross paid in and contributed surplus in the amount of \$25,600,000 at December 31, 2020.

Unassigned Funds (Surplus)

The Company reported an amount of unassigned funds at December 31, 2020 of \$(16,244,397).

The Company’s reported annual statement capital and surplus for year end 2020 was \$10,075,603, therefore, the Company is in compliance with N.J.S.A. 17B:18-68(b) for year end 2020.

SUMMARY OF EXAMINATION RECOMMENDATIONS

The following examination recommendations were noted:

Management and Control (Page 7)

It is recommended that the Board of Directors of Oscar Health, Inc. and/or Oscar GS shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with the insurer, and who are not beneficial owners of a controlling interest in the voting securities of the insurer of any such entity to be in compliance with N.J.S.A. 17:27A-4d(5).

In the first quarter of 2021, the two (2) non-independent directors resigned and were replaced by two (2) independent directors satisfying compliance with N.J.S.A. 17:27A-4d(5).

COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are routinely involved in numerous claims, lawsuits, regulatory audits, investigations and other legal matters arising, for the most part, in the ordinary course of managing a health insurance business. Oscar GS believes that the legal actions, regulatory matters, proceedings and investigations currently pending against it should not have a material adverse effect on Oscar GS' results of operations, financial condition or liquidity based upon our current knowledge and taking into consideration current accruals. Disputed tax matters arising from audits by the Internal Revenue Service or other state and foreign jurisdictions, including those resulting in litigation, are accounted for under the NAIC's accounting guidance for tax loss contingencies.

SUBSEQUENT EVENTS

The following directors and officers resigned from their positions with Oscar GS as of December 31, 2021:

Officers

Mario Schlosser, Chief Executive Officer
Joel Klein, Chief Policy & Strategy Officer
Siddhartha Sankaran, Chief Financial Officer
Dennis Weaver, Chief Clinical Officer
Meghan Joyce, Chief Operating Officer
Isaac Councill, Chief Technology Officer
Harold Greenberg, Secretary

Directors

Mario Schlosser
Dennis Weaver
Siddhartha Sankaran
Joel Klein
Joel Cutler
Jed Feldman

The following new directors and officers were elected during 2021:

Officers

Alessandra Quane, President
Victoria Baltrus, Treasurer
Jing Huang, Senior Vice President
Melissa Curtin, Corporate Secretary

Directors

Alessandra Quane
Monica Chopra
Fausto Palazzetti
Jing Huang
Sameer Amin
Jesse Horowitz
Louis DeStefano
Ari Fischel (resigned on 8/3)

CONCLUSION

A regular statutory financial condition examination was conducted by the undersigned with the assistance of examiners of the New Jersey Department of Banking and Insurance examination staff.

The examination was conducted remotely. The courteous assistance and cooperation of the Company's management is acknowledged.

Respectfully submitted,



Alex Quasnitschka, CFE
Examiner-in-Charge
Risk & Regulatory Consulting, LLC
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,



Nancy Lee Chice, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

AFFIDAVIT

The undersigned hereby certifies that an examination has been made of Oscar Garden State Insurance Corporation and the foregoing report is true to the best of my knowledge and belief.

Respectfully submitted,

Alex Quaschnick

Alex Quaschnick, CFE
Examiner-in-Charge
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,

Nancy Lee Chice

Nancy Lee Chice, CFE
CFE Reviewer -Supervising Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, on this 16th day of September, 2022.

Sheila M. Thars

Notary Public of New Jersey

My commission expires: July 2025