

**REPORT ON ORGANIZATION**

**OF THE**

**FREELANCERS INSURANCE COMPANY, INC**

**AS OF**

**OCTOBER 23, 2008**

**DATE OF REPORT**

**OCTOBER 23, 2008**

**EXAMINER**

**KENNETH I. MERRITT**

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STATE OF NEW YORK  
INSURANCE DEPARTMENT  
25 BEAVER STREET  
NEW YORK, NEW YORK 10004

David A. Paterson  
Governor

Eric R. Dinallo  
Superintendent

October 23, 2008

Honorable Eric R. Dinallo  
Superintendent of Insurance  
Albany, NY 12257

Sir:

Pursuant to instructions contained in Appointment Number 30255, dated October 23, 2008, and attached hereto, I have made an examination "on organization" of Freelancers Insurance Company, Inc. and the following report thereon is respectfully submitted.

The examination was conducted at the Company's office located at 45 Main Street, Suite 710, Brooklyn, NY 11201.

Whenever the terms "the Company" or "Freelancers" appear herein, without qualification, they should be understood to refer to Freelancers Insurance Company, Inc.

## **1. ORGANIZATION**

Freelancers Insurance Company, Inc. was incorporated on January 28, 2008, pursuant to the Company's submission of a Declaration of Intention and Charter ("Charter") to the New York State Insurance Department ("Department"). Such Charter was approved by the Department pursuant to Section 1201 of the New York Insurance Law and placed on file with the Department on the same date.

The Company's by-laws stipulate that the number of directors, which shall constitute the whole board of directors, shall be fixed from time to time by the board of directors, consistent with the provisions of the Charter. Freelancers' Charter states that the corporation shall have not less than thirteen (13) nor more than seventeen (17) directors. As of the date of this report, the thirteen (13) members of the board of directors were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Baackes Menands, NY	Chief Executive Officer, Senior Whole Health
Nancy Biberman Pelham, NY	President, WHEDCO
Stephanie Buchanan Brooklyn, NY	Writer, Self-employed
Cheryl Dorsey Washington, DC	President, Echoinggreen
Ian Duncan West Hartford, CT	President, Solucia Inc.
Matthew Hancock Chicago, IL	Assistant Director, Center for Labor and Community Research

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Charles Heckscher Princeton, NJ	Director, The Center for Workplace Transformation
Sara Horowitz Brooklyn, NY	President and Chief Executive Officer, Freelancers Insurance Company, Inc.
Lisa Howie New Haven, CT	Secretary/Treasurer, Freelancers Insurance Company, Inc.
Andrew Kassoy New York, NY	Co-Founder, B Corporations
Hanan Kolko Montclair, NJ	Vice President, Office Counsel, Meyer, Suozzi, English & Klein
Megan Mardiney Brooklyn, NY	Principal and Creative Director, The Mardiney Group
Andrea Phillips Brooklyn, NY	Senior Vice President, Seedco

The principal officers of Freelancers included the following individuals as of the date of this report:

<u>Name</u>	<u>Title</u>
Sara Horowitz	President and Chief Executive Officer
Hanan Kolko	Vice President
Lisa Howie	Secretary and Treasurer

Sara Horowitz, in addition to being the President and Chief Executive Officer of the Company, is also executive director of Freelancers' parent company, Freelancers Union, Inc.

## **2. SCOPE OF EXAMINATION**

The examination was comprised of a verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of assets and liabilities. The records examined included the Declaration of Intention and Charter, by-laws, corporate minutes, stockholders' register, holding company file and contractual arrangements. In addition, an affidavit, appended hereto, was obtained from two officers of the Company indicating that the transactions noted in this report were bona fide.

## **3. CAPITALIZATION AND SUBSCRIPTION**

The Company is a wholly-owned subsidiary of Freelancers Union, Inc. (parent). This is fully described in Item 6 of this report. On October 15, 2008, the Company issued to the parent company 100,000 shares of \$2.00 par value per share capital stock for a price of \$160 per share, resulting in an aggregate purchase price totaling \$16,000,000. On October 16, 2008, the Company infused an additional \$225,000 in surplus to establish a statutory investment account for the Superintendent of Insurance.

#### 4. BALANCE SHEET

The following balance sheet sets forth the Company's financial condition as of the date of this report:

<u>Assets</u>	
Cash	\$ 0
Bonds (U.S. Treasury Bills)	<u>16,225,000</u>
Total assets	<u>\$16,225,000</u>
<u>Liabilities</u>	
	<u>0</u>
<u>Capital and Surplus</u>	
Common capital stock	\$ 200,000
Gross paid in and contributed surplus	16,025,000
Unassigned surplus	<u>0</u>
Total capital and surplus	<u>\$16,225,000</u>
Total liabilities and surplus	<u>\$16,225,000</u>

#### 5. AUTHORIZED POWERS AND MINIMUM CAPITAL REQUIRED

The Company is authorized pursuant to its Charter to transact the kind of insurance as described in the following numbered paragraph of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
(3)(i)	Accident and health insurance

In addition to the above authorized line of business, the Company's Charter also stipulates that Freelancers may also engage in any other kind or kinds of business to the extent necessary or incidental to the kind or kinds of business which it is, or may hereafter be authorized to transact in the state of New York.

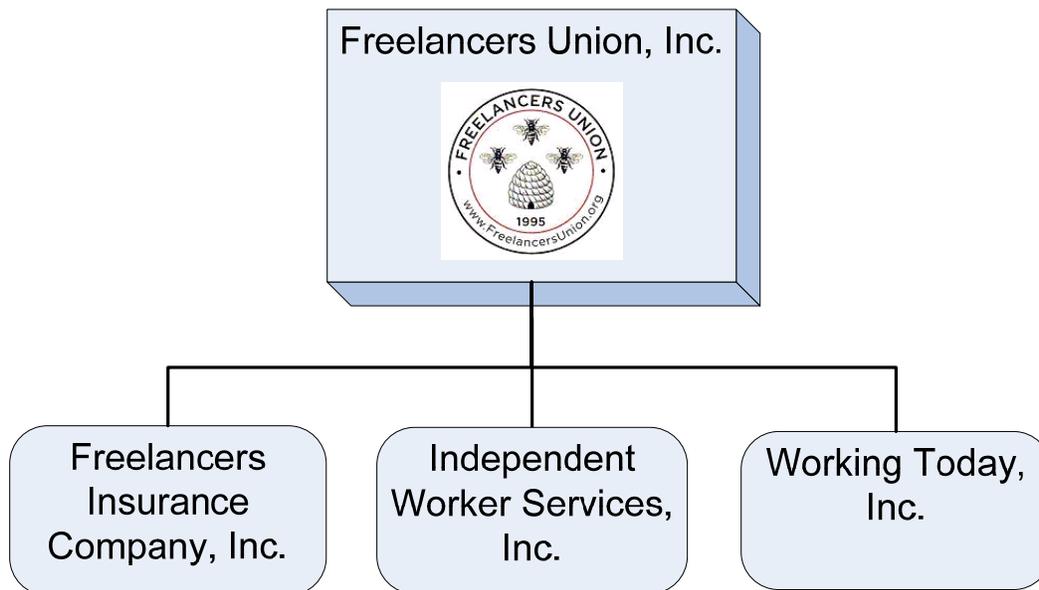
The Company's minimum financial requirements for the above mentioned line of business, as set forth in Sections 4204 and 4206 of the New York Insurance Law, are as follows:

Initial Surplus	\$300,000
Surplus to be maintained	\$200,000
Deposit	\$200,000
Capital	\$200,000
Minimum capital investments	\$200,000

Pursuant to the provisions of Section 1314 of the New York Insurance Law, the Company as of October 17, 2008 had placed into a bank account at HSBC USA NA, in the name of the Superintendent of Insurance, a qualifying security investment with a par value of \$225,000 (\$224,777.25 book value), in satisfaction of the \$200,000 deposit required pursuant to Section 4206 of the New York Insurance Law.

## 6. HOLDING COMPANY SYSTEM

Below is a chart of the holding company system applicable to the Company and its related parties as of October 23, 2008:



Freelancers Union, Inc. (“FUI”), a non-profit 501(c)(4) tax exempt corporation, is the parent company. Although not a unionized labor organization as the name might suggest, the parent company operates as a membership organization consisting of independent workers such as freelancers, consultants, the self-employed and others who lack a permanent, long-term arrangement with a single employer. FUI provides its members with access to various services and products, including health insurance. Working Today, Inc., a 501(c)(3) non-profit organization, is devoted to research and advocacy. Independent Workers Services, Inc. is a for-profit corporation that provides administrative and support services to all the members.

The Company has an inter-company leasing agreement with Working Today, Inc. (“WTI”), effective September 16, 2008, wherein Freelancers leases certain employees, equipment and facilities from WTI for its day-to-day operations. Such arrangement was approved by the Department effective September 16, 2008.

## **7. OTHER SERVICE AGREEMENTS**

The Company has the following additional agreements with non-affiliates which are currently pending the domestic insurer securing its license from this Department:

- I. Vision Services Agreement with Davis Vision IPA;
- II. Administrative Services Agreement with Empire HealthChoice Assurance, Inc.;
- III. Empyrean Benefit Solutions Master Services Agreement with Empyrean Benefit Solutions, Inc.;
- IV. Non-Marketing Third Party Administrator Agreement with Health Design Plus New York, LLC;
- V. Integrated Prescription Drug Program Agreement with Medco Health Solutions, Inc.;  
and
- VI. Group Medical Excess of Loss Reinsurance Agreement with Munich Reinsurance America, Inc.

In addition, Freelancers has a custodian agreement with HSBC Bank effective September 4, 2008, for the purpose of maintaining the statutory deposit for the Superintendent of Insurance, as noted in Item 5 herein, which was approved and filed with the Department on September 10, 2008.

## **8. CONCLUSION**

Based upon the foregoing examination, it is concluded that the Company sold 100,000 shares of \$2.00 par value per share capital stock for a sale price of \$160 per share resulting in a total sale price of \$16,000,000. In addition, the Company infused another \$225,000 in surplus when it purchased an investment for the purposes of depositing it into the account of the Superintendent of Insurance to meet its statutory requirement.



Appointment No. 30255

**STATE OF NEW YORK  
INSURANCE DEPARTMENT**

I, Eric R. Dinallo, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

**Kenneth Merritt**

as a proper person to examine into the affairs of the

**Freelancers Insurance Company, Inc.**

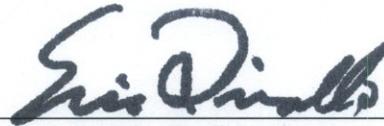
and to make a report to me in writing of the said

**Company**

with such information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal of this Department, at the City of New York.

this 23<sup>rd</sup> day of October 2008



Eric R. Dinallo  
Superintendent of Insurance



State of New York

County of Albany

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HEALTH BUREAU  
N.Y.C. OFFICE

I, Sara Horowitz, President and Chief Executive Officer and Hanan Kolko, Vice President of Freelancers Insurance Company, Inc. (the "Company") after being duly sworn depose and say, and each for herself or himself deposes and declares under oath:

1. That they are the above-described officers of the said company:
2. As of October 23, 2008, the proceeds of the common stock sale of the Company of \$16,000,000 were received by the Company in the amount of \$16,000,000. The proceeds of the common stock sale of the Company of \$16,000,000 are represented by the following assets:
  - (a) \$15,850,000 (Face Value) U.S. Treasury Bills, 0.51% yield rate, October 30, 2008 Maturity, and held in custody by HSBC Securities (USA) Inc. As of October 23, 2008, the book value of this investment was \$15,849,779.86 and no accrued interest amount.
  - (b) \$150,000 (Face Value) U.S. Treasury Bills, 0.762% yield rate, January 15, 2009 maturity, and held in custody by HSBC Securities (USA) Inc. As of October 23, 2008, the book value of this investment was \$149,728.13 and no accrued interest amount.

**FOR THE BENEFIT OF POLICYHOLDERS;**

- (c) As of October 23, 2008, \$225,000 (Par Value) U.S. Treasury Bills, 0.3856% yield rate, January 15, 2009 maturity, and held in custody by HSBC Bank USA, NA. As of October 23, 2008, the book value of this investment was \$224,777.205 and no accrued interest amount.

The above sums are the property of the Company and possessed by it in its corporate name and capacity.

3. That no part of said paid-in capital and surplus has been withdrawn, pledged or in any way impaired, except as wanted for investment or other-wise legitimately used or appropriated to

and for the sole and exclusive use and benefit of the Company in its corporate capacity and in strict conformity with the statutes in such case made and provided.

4. That no part or portion thereof has been loaned or advanced to the Company by any person, partnership or corporation for the purpose of being used as such paid-in capital and surplus.
5. That according to the best of their respective knowledge, information and belief, there was not intention or design existing on the part of any person or persons whomsoever, to withdraw any part or portion of the said paid-in capital or surplus until the same was or is wanted for investment or to be legitimately used or appropriated to and for the sole and exclusive use and benefit of the Company in its corporate capacity in strict conformity with the statutes in such case and provided.
6. That there is no agreement or understanding, express or implied, made or existing between the Company or its officers, or any or either of them or any person or persons, to the effect of import that the money paid-in by the stockholder shall be loaned or returned to him or any person or persons for his or their use or accommodation, or the hypothecation of stock of the Company as security therefor, or upon any other securities, terms and conditions whatsoever.
7. That neither the Company, nor any of its officers is in any way, manner or form, pledged or committed to make any investment loan or disposition of said paid-in capital and surplus or any part or portion thereof, which is not in strict conformity in all respects with the provisions of the Insurance law of the State of New York.

**MARIE T. COLACCHIO**  
Notary Public, State of New York  
No. 01CO6192679  
Qualified in Kings County  
Commission Expires September 02, 20 12

Freelancers Insurance Company, Inc.

By: Sara Horvath  
By: Ann B. Kulis

Subscribed and sworn to before me

This 28<sup>th</sup> day of October, 2008.

Marie T. Colacchio