

REPORT ON ORGANIZATION

OF

OSCAR INSURANCE CORPORATION

AS OF

JUNE 25, 2013

DATE OF REPORT

JULY 5, 2013

EXAMINER

EDOUARD MEDINA

TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1.	Organization	2
2.	Scope of examination	3
3.	Capitalization and subscription	4
4.	Balance sheet	4
5.	Authorized powers and minimum capital required	5
6.	Holding company system	6
7.	Conclusion	8



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

July 5, 2013

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the instructions contained in Appointment Number 31011, dated June 21, 2013, and attached hereto, I have made an examination “on organization” of Oscar Insurance Corporation and the following report thereon is respectfully submitted.

The examination was conducted at the office of Oscar Insurance Corporation located at 295 Lafayette Street, New York, NY 10012.

Wherever the designations the “Company” or “Oscar” appear herein, without qualification, they should be understood to indicate Oscar Insurance Corporation.

Wherever the designation the “Department” appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

1. ORGANIZATION

Oscar Insurance Corporation filed a Uniform Certificate of Authority Application (“UCAA”) for licensure as a New York Insurance Law Article 42 Accident and Health insurer with the New York State Department of Financial Services on December 12, 2012. Subsequently, on January 31, 2013, Oscar was incorporated, pursuant to the Company’s submission of a Declaration of Intention and Charter (“Charter”) to the New York State Department of Financial Services. Such Charter was approved by the Department, pursuant to Section 1201 of the New York Insurance Law, and placed on file 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 resolution of the Shareholders, consistent with the provisions of the Charter. Oscar’s Charter states that the corporation shall consist of not less than seven (7) or more than ten (10) members. It should be noted that as of the examination date all the directors have a business affiliation with either Oscar or Thrive Capital Management, LLC. Thrive Capital Management, LLC, as well as Thrive Partners III GP, LLC and Thrive Capital Partners III, L.P., are affiliates of Oscar. As of the date of this examination, the seven (7) members of the board of directors were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
William Gaybrick Brooklyn, NY	Thrive Capital Management, LLC
David Henderson Loudonville, NY	Oscar Insurance Corporation Chief Operating Officer President of Insurance
Joshua Kushner New York, NY	Thrive Capital Management, LLC Managing Partner

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Sina Kevin Nazemi New York, NY	Oscar Insurance Corporation Co-Chief Executive Officer
Christopher Paik New York, NY	Thrive Capital Management, LLC
Mario Schlosser New York, NY	Oscar Insurance Corporation Co-Chief Executive Officer
Jared Weinstein New York, NY	Thrive Capital Management, LLC Chief of Operations

The principal officers of Oscar included the following individuals as of the date of this examination:

<u>Name</u>	<u>Title</u>
Sina Kevin Nazemi	Co-Chief Executive Officer
Mario Schlosser	Co-Chief Executive Officer
David Henderson	Chief Operating Officer and President of Insurance
Steven Kessler	Chief Financial Officer
Aran Ron, MD	Chief Medical Officer

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, Board of directors' minutes, Stockholders' register, and Holding Company Organizational Chart. 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 Mulberry Health Inc. (“Mulberry”), a Delaware Corporation. On February 19, 2013, the Company issued to the parent company 20,000,000 shares of \$.01 par value per share capital stock for a price of \$.015 per share, resulting in an aggregate purchase price totaling \$300,000, which was infused to establish a statutory investment account in the name of the Superintendent of Financial Services.

4. BALANCE SHEET

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

<u>Assets</u>	
Cash	\$35,700,000
Bonds (U.S. Treasury Bills)	299,802
Money market fund	<u>198</u>
Total assets	<u>\$36,000,000</u>
<u>Liabilities</u>	
	\$ <u>0</u>
<u>Capital and Surplus</u>	
Common capital stock	\$ 200,000
Gross paid in and contributed surplus	35,800,000
Unassigned surplus	<u>0</u>
Total capital and surplus	<u>\$36,000,000</u>
Total liabilities, capital and surplus	<u>\$36,000,000</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

The Company's Charter indicates that the corporate purpose of Oscar is to carry on any business whatsoever that an insurance company licensed in New York State may deem proper or convenient in connection with any of the foregoing purposes or otherwise, or that it may deem calculated, directly or indirectly, to improve the interests of the Company.

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 ("NYIL"), are as follows:

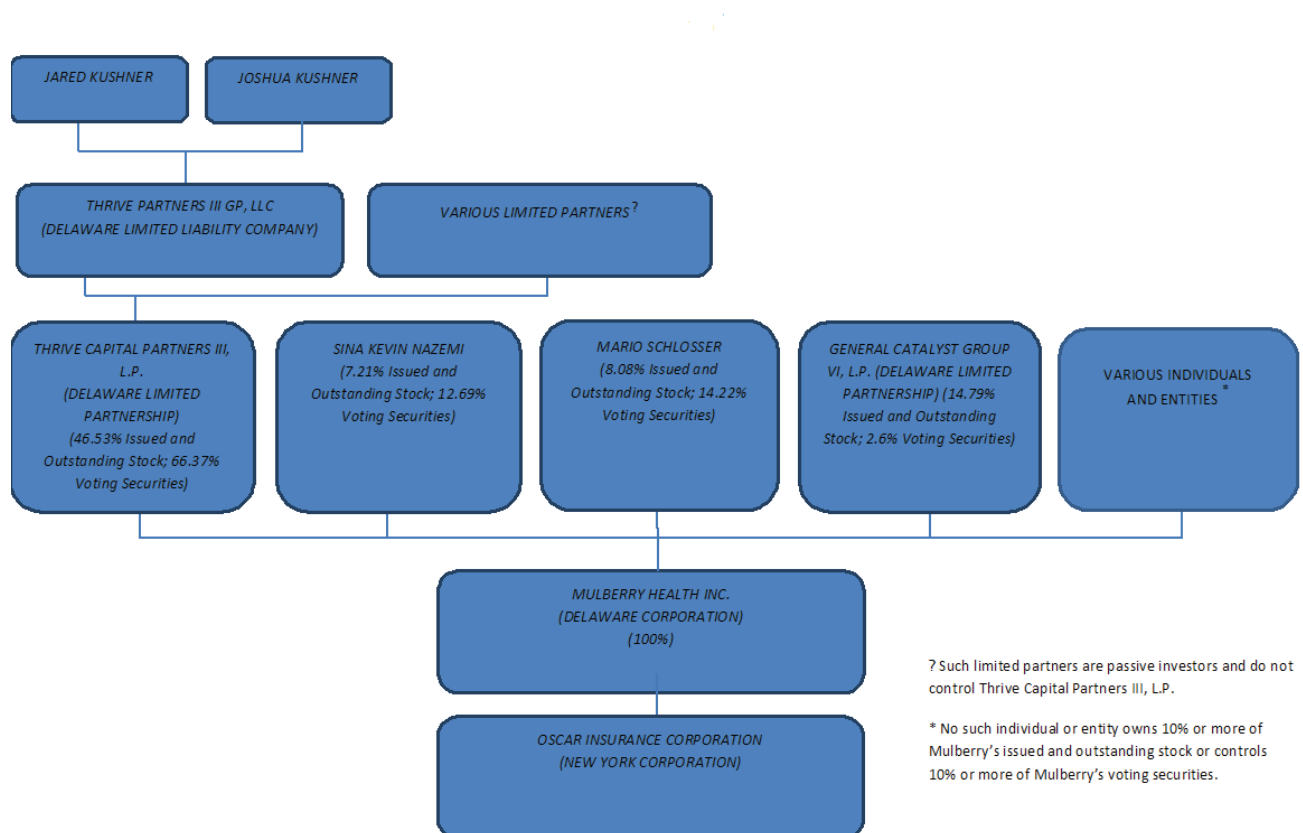
Initial surplus	\$300,000
Surplus to be maintained	\$200,000
Deposit	\$200,000
Capital	\$200,000
Minimum capital investments	\$200,000

In accordance with the provisions of Section 1314 of the New York Insurance Law, the Company, as of June 20, 2013, had placed into a bank account at First Republic Bank, in the name of the Superintendent of Financial Services, qualifying U.S Treasury bills with a book value of \$299,802.49, in satisfaction of the \$200,000 deposit required pursuant to Section 4206 of the New York Insurance Law.

In addition to the \$300,000 initial surplus required by Section 4204 of the NYIL, an additional \$44,700,000 of capitalization is required based on the Company's submitted business plan and financial projections. \$35,700,000 was to be invested prior to licensure, and another \$9,000,000 must be invested by September 30, 2013, or the Company will not be allowed to sell or issue any insurance policies (until the \$9 million has been invested, and confirmed by the Department). The Department has capitalization commitments from Thrive Capital Partners III, L.P., Mulberry, and Oscar regarding the \$9 million investment requirement.

6. HOLDING COMPANY SYSTEM

Below is a chart of the holding company system applicable to the Company and its related parties as of the examination date:



Jared Kushner is the Principal of the Kushner Companies, a real estate organization, with a principal business address of 666 5th Avenue, New York, NY 10103.

Joshua Kushner is a member and Managing Director of Thrive Partners III GP, LLC, with a principal business address of 295 Lafayette Street, New York, NY 10012.

Jared Kushner and Joshua Kushner are deemed the ultimate controlling persons in Oscar's holding company system because they are the only members of Thrive Partners III GP, LLC, which is the general partner in Thrive Capital Partners III, L.P.

Thrive Partners III GP, LLC ("Thrive GP") is a venture capital fund manager formed on August 15, 2012 and organized as a limited liability company under the laws of Delaware. The principal executive offices are located at 295 Lafayette Street, New York, NY 10012.

Thrive Capital Partners III, L.P. ("Thrive LP") is a venture capital fund formed on August 15, 2012 and organized as a limited partnership under the laws of Delaware. The principal executive offices are located at 295 Lafayette Street, New York, NY 10012. Thrive LP has 66.37% of the voting control of Mulberry.

Sina Kevin Nazemi is a Co-Chief Executive Officer of Oscar and Mulberry. His principal business address is 295 Lafayette Street, New York, NY 10012. Mr. Nazemi has 12.69% of the voting control of Mulberry.

Mario Schlosser is a Co-Chief Executive Officer of Oscar and Mulberry. His principal business address is 295 Lafayette Street, New York, NY 10012. Mr. Schlosser has 14.22% of the voting control of Mulberry.

General Catalyst Group VI, L.P. is a venture capital fund formed on December 9, 2011 and organized as a limited partnership under the laws of Delaware. Its principal executive offices are located at 20 University Road, Suite 450, Cambridge, Massachusetts 02138. General Catalyst Group VI, L.P. has 2.60% of the voting control of Mulberry.

Mulberry Health Inc. is a Delaware corporation incorporated on October 25, 2012. Mulberry operates as the direct parent of Oscar. Its principal offices are located at 295 Lafayette Street, New York, NY 10012.

The Holding Company Organizational Chart notes in one box, "Various Limited Partners" and in another, "Various Individuals and Entities". Thrive GP is the general partner of Thrive LP, thereby controlling it. Approximately 96% of the voting control by entities and specific individuals over Mulberry has been identified above. Thus, the unidentified individuals and entities only have approximately 4% of the voting control of Mulberry.

As of June 25, 2013, Oscar has neither management nor service agreements with any affiliate.

7. CONCLUSION

Based upon the foregoing examination, it is concluded that pursuant to a stock purchase agreement, the Company transferred all of its 20,000,000 shares of \$0.01 par value per share capital stock for a sale price of \$.015 per share resulting in a total sales price of \$300,000 for the purposes of depositing it into an account in the name of the Superintendent of Financial Services in order to meet its statutory deposit and minimum capitalization requirements. In addition, it is concluded that an additional \$35,700,000 has been infused into the Company by Mulberry, bringing its total capitalization to \$36,000,000 as of the examination date. An additional \$9 million is to be infused

into the Company by September 30, 2013. The Company will not be allowed to sell or issue any insurance policies until the \$9 million has been invested. This stipulation is pursuant to capitalization commitments the Department received from Thrive Capital Partners III, L.P., Mulberry, and Oscar.

Respectfully submitted,

_____/S/_____

Edouard Medina
Senior Insurance Examiner

STATE OF NEW YORK)
) SS.
)
COUNTY OF NEW YORK)

EDOUARD MEDINA, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

_____/S/_____

Edouard Medina

Subscribed and sworn to before me
this _____ day of _____ 2013

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Edouard Medina

as a proper person to examine the affairs of

Oscar Insurance Corporation

and to make a report on organization to me in writing of the condition of said

Corporation

with such other information as he shall deem requisite.

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

this 21st day of June, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



Lisette Johnson
Bureau Chief
Health Bureau

