

Examination Warrant Number 19-00000-16562-O1

Report of Organizational Examination of

**Circle Medical Assurance Company
Philadelphia, Pennsylvania**

As of May 9, 2019

For Informational Purposes Only

Circle Medical Assurance Company

TABLE OF CONTENTS

Subject	Page
Salutation.....	1
Scope of Examination.....	1
History.....	1
Management and Control:	
Capitalization.....	1
Stockholder.....	2
Insurance Holding Company System.....	2
Board of Directors.....	2
Committees.....	3
Officers.....	4
Corporate Records:	
Minutes.....	4
Articles of Incorporation.....	4
By-Laws.....	4
Service and Operating Agreements.....	5
Reinsurance.....	5
Territory and Plan of Operation.....	5
Accounts and Records.....	5
Financial Statement:	
Statement of Assets, Liabilities, Surplus and Other Funds.....	6
Recommendation.....	6
Conclusion.....	7

For Informational Purposes Only

Harrisburg, Pennsylvania
May 28, 2019

Honorable Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 19-00000-16562-O1, dated May 15, 2019, an examination was made of

Circle Medical Assurance Company, NAIC Code: 16562

who has applied to become a Pennsylvania domiciled, single state, stock casualty insurance company hereinafter referred to as the "Applicant." The examination was conducted at the Applicant's home office, located at 2929 Walnut Street, Suite 460, Philadelphia, Pennsylvania 19104.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department ("Department") has performed an organizational examination of the Applicant to determine compliance with 15 P.S. § 21207, to grant a Certificate of Authority.

This organizational examination was performed as of May 9, 2019 and consisted of a general survey of the Applicant's business policies, practices, management, and any corporate matters incident thereto; verification of assets and a determination of liabilities.

HISTORY

The Applicant was incorporated in the Commonwealth of Pennsylvania on October 19, 2018.

The Applicant is currently seeking a Certificate of Authority for authorization to transact those classes of insurance described in 40 P.S. § 382 (c) (2) Accident and Health.

MANAGEMENT AND CONTROL

CAPITALIZATION

As of the examination date, May 9, 2019, the Applicant's total capital was \$2,075,000, consisting of 750,000 capital shares of issued and outstanding common stock with a par value of \$1 per share amounting to \$750,000; and \$1,325,000 in gross paid in and contributed surplus.

Circle Medical Assurance Company

-2-

The Applicant's minimum capital and minimum surplus requirements for the type of business for which it is seeking authority, pursuant to 40 P.S. § 386, is \$750,000 in capital and \$375,000 in surplus. The Applicant has met the initial minimal capitalization requirements.

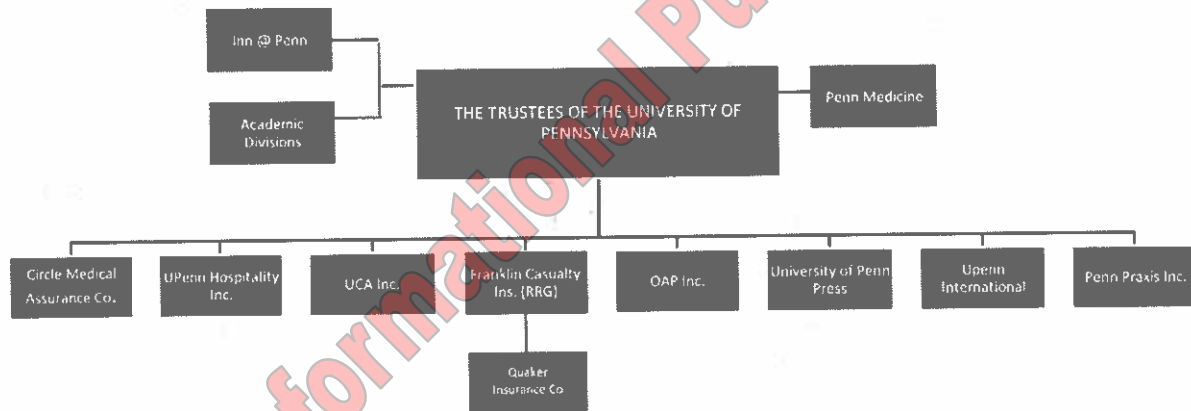
STOCKHOLDER

The Trustees of the University of Pennsylvania own one-hundred percent of the Applicant's stock.

INSURANCE HOLDING COMPANY SYSTEM

The Applicant is a member of an insurance holding company system and is subject to registration statement filings pursuant to 40 P.S. § 991.1404. An Insurance Holding Company Registration Statement was filed on February 15, 2019 by the Applicant.

The Trustees of the University of Pennsylvania, a Pennsylvania non-profit corporation, are named as the ultimate controlling person in the holding company system. Members of the holding company system as of May 9, 2019, include the following entities illustrated in the abbreviated organizational chart shown below:



BOARD OF DIRECTORS

Management of the Applicant is vested in its Board of Directors ("Board"), which was comprised of the following members as of the examination date, May 9, 2019:

Name and Address

Janice Abraham
Alexandria, VA

Lee Dobkin
Philadelphia, PA

Benjamin Evans
Philadelphia, PA

Principal Occupation

President & CEO
United Health Educators

Deputy General Counsel/Chief Counsel
University of Pennsylvania

Associate Vice President, Risk Management
University of Pennsylvania

Circle Medical Assurance Company

-3-

Keith Kasper
Ambler, PA

Kirk Moyer
Philadelphia, PA

Julia Puchtler
Media, PA

H. Marc Tepper
Philadelphia, PA

Senior Vice President & Chief Financial
Officer
University of Pennsylvania Health System

Client Executive
Marsh USA

Vice President, Finance Operations
Penn Medicine

Managing Shareholder, Philadelphia
Buchanan Ingersoll & Rooney PC

The By-laws of the Applicant state the Board shall consist of seven or more members. The directors each serve a one-year term and shall hold office until the next succeeding annual meeting and until their successor has been selected and qualified or until the director's earlier death, resignation, or removal. A majority of the directors with at least one independent director included, constitutes a quorum for the transaction of business.

The Applicant has a conflict of interest policy that applies to any director, officer, or member of a committee with Board delegated powers who has a direct or indirect financial interest. Each director, officer and member of a committee with Board delegated powers is required to sign an annual disclosure statement to affirm their understanding and compliance with the conflict of interest policy.

The examiner noted that the Company is compliant with its By-laws. Moreover, the composition of the Board meets the requirements of 40 P.S. § 991.1405(3)(i).

The Board, by resolution adopted by a majority, may designate one or more directors to constitute one or more committees to serve at the pleasure of the Board and to exercise the authority of the Board to the extent provided in the resolution establishing the committee and permitted by law.

COMMITTEES

As of the examination date, May 9, 2019, the following committees, each comprised of three independent directors, were appointed by the Board and serving in accordance with the Applicant's By-laws:

Audit/Finance Committee

H. Marc Tepper
Kirk Moyer
Janice Abraham

Compensation Committee

H. Marc Tepper
Kirk Moyer
Janice Abraham

The Applicant shares directorates with affiliated insurance and non-insurance entities; however, each committee noted is comprised of independent members and only serves Circle Medical Assurance Company.

OFFICERS

As of the examination date, May 9, 2019, the following officers were appointed and serving in accordance with the Applicant's By-laws:

Name	Title
Keith Kasper	President
Julia Puchtler	Treasurer
Lee Dobkin	Secretary

CORPORATE RECORDS

MINUTES

On October 19, 2018, by written consent in lieu of a meeting, the Articles of Incorporation and By-laws were approved and adopted; the initial Board of Directors were elected and qualified and set at seven members; the Audit/Finance and Compensation Committees of the Board were established, and its members appointed; and the officers of the Applicant were elected and qualified.

On April 19, 2019, by written consent in lieu of a meeting, the amendments to the Articles of Incorporation and By-laws were approved.

ARTICLES OF INCORPORATION

The Articles of Incorporation were filed with the Department of State on October 19, 2018 and accepted and certified by the Department of State on the same date.

On November 6, 2018, the Applicant filed Articles of Amendment with the Department of State to amend Article V of its Articles of Incorporation to authorize the applicant to issue two million shares of common stock with a par value of \$1. The amendment was approved by unanimous written consent of the Board in lieu of a meeting on April 19, 2019.

BY-LAWS

The original By-laws were adopted and executed by written consent in lieu of a meeting by the sole incorporator, and subsequently by the Board on October 19, 2018.

On April 19, 2019, amendments to Sections 3.13 and 4.3 of the By-laws, both relating to the composition of the Board, were approved by unanimous written consent of the Board in lieu of a meeting.

SERVICE AND OPERATING AGREEMENTS

As of the examination date, May 9, 2019, the Applicant is not party to any service and operating agreements. Upon receipt of a Certificate of Authority, the Applicant intends to enter into such an agreement with an affiliate, pending approval from the Department.

REINSURANCE

As of the examination date, May 9, 2019, the Applicant is not party to any reinsurance agreement. Upon receipt of a Certificate of Authority, the Applicant intends to enter into such an agreement, pending approval from the Department.

TERRITORY AND PLAN OF OPERATION

The Applicant is seeking a Certificate of Authority in the Commonwealth of Pennsylvania as a stock casualty company. The Applicant plans to market and underwrite Supplemental Fixed Indemnity Plans (i.e., Accident and Health) insurance on an admitted basis only in the state of Pennsylvania.

ACCOUNTS AND RECORDS

The Applicant has adopted 2929 Walnut Street, Suite 460, Philadelphia, Pennsylvania 19104 as its home office location.

The Applicant intends to use the record-keeping systems and processes already used by the University of Pennsylvania Health System, an affiliate within the holding company structure.

The Applicant has a written investment policy as required by 40 P.S. § 653b(b). It was noted that the Applicant's Board has not reviewed and approved the investment policy. The Applicant does not have any invested assets as of May 9, 2019. The Applicant's Board will formally review and approve their investment policy upon receipt of a Certificate of Authority.

FINANCIAL STATEMENT

The financial condition of the Applicant, as of May 9, 2019, is reflected in the following statement:

Statement of Assets, Liabilities, Surplus and Other Funds

Cash and Cash Equivalents	\$ 2,075,000
Total Assets	<u>\$ 2,075,000</u>
Total Liabilities	<u>\$ 0</u>
Common capital stock	\$ 750,000
Gross paid in and contributed surplus	\$ 1,325,000
Surplus as regards policyholders	<u>\$ 2,075,000</u>
Total Capital and Surplus	<u>\$ 2,075,000</u>

RECOMMENDATION

As a result of the organizational examination, it is recommended the Applicant is granted a Certificate of Authority.

For Informational Purposes Only

Circle Medical Assurance Company

-7-

CONCLUSION

As a result of this examination, the financial condition of Circle Medical Assurance Company, as of May 9, 2019, was determined to be as follows:

Admitted Assets	<u>\$ 2,075,000</u>	<u>100.0%</u>
Liabilities	\$ 0	0.0%
Surplus as regards policyholders	<u>\$ 2,075,000</u>	<u>100.0%</u>
Total liabilities and surplus	<u>\$ 2,075,000</u>	<u>100.0%</u>

This examination was conducted by Pamela Roberts.

Respectfully,

Melissa L. Greiner

Melissa L. Greiner
Director

Bureau of Financial Examinations

William Fedak - LT

William Fedak, CFE
Examination Manager

Pamela Roberts - LT

Pamela Roberts
Examiner-in-Charge