

**ORGANIZATIONAL EXAMINATION**  
**OF**  
**DELSURE HEALTH INSURANCE INC.**  
**AS OF**  
**JULY 31, 2018**

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON ORGANIZATIONAL EXAMINATION, made as of July 31, 2018 of

**DELSURE HEALTH INSURANCE INC.**

is a true and correct copy of the document filed with this Department.

Attest By: Raylyn Brown

Date: October 16, 2018



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 7 day of November, 2018.

Trinidad Navarro  
Trinidad Navarro  
Insurance Commissioner

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

REPORT ON ORGANIZATIONAL EXAMINATION  
OF  
DELSURE HEALTH INSURANCE INC.  
AS OF  
JULY 31, 2018

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, appearing to read "Trinidad Navarro", is written over a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 7 day of November, 2018

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August 6, 2018

Honorable Trinidad Navarro  
Insurance Commissioner  
State of Delaware  
841 Silver Lake Blvd  
Dover, DE 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Exam Authority No. 18.912, dated June 6, 2018, an Organizational Examination has been conducted of

**Delsure Health Insurance Inc.**

hereinafter referred to as Delsure or Company, incorporated under the laws of the State of Delaware as a stock health insurance company.

The Company's registered agent is RL&F Service Corp. with its registered office located at 920 North King Street, 2<sup>nd</sup> Floor, Wilmington, DE 19801. The Company's administrative office address is located at 220 Continental Drive, Suite 206, Newark, DE 19713.

The report of such examination is respectfully submitted herewith.

**SCOPE OF EXAMINATION**

This organizational examination was conducted in conjunction with the Company's application for a domestic Certificate of Authority in the State of Delaware. The Company's corporate records, records applicable to and attendant with its application, as well as financial data as of July 31, 2018, have been reviewed.

## **HISTORY**

The Company was incorporated on June 6, 2017, under the laws of the State of Delaware and was initially authorized to issue 22,500 Class A common shares with \$13.33 par value per share and 27,500 Class B common shares with \$0.01 par value per share.

Pursuant to a Unanimous Written Consent of the Board of Directors of the Company (Board), dated June 27, 2018, and a Written Consent of the Stockholders, date June 27, 2018, a Certificate of Amendment of Certificate of Incorporation was filed with the Delaware Secretary of State on June 28, 2018 to increase the number of authorized Class B common shares from 27,500 shares to 177,500 shares.

Pursuant to a Unanimous Written Consent of the Board, dated July 11, 2018, and a Written Consent of the Stockholders, dated July 11, 2018, a Certificate of Amendment of Certificate of Incorporation was filed with the Delaware Secretary of State on July 11, 2018 to authorize the issuance of up to 100,000 shares of preferred stock with \$0.01 par value per share.

Pursuant to a Unanimous Written Consent of the Board, dated July 17, 2018, a Certificate of Designation was filed with the Delaware Secretary of State on July 17, 2018 to create a series of 50,000 shares of non-voting, redeemable, convertible (into Class B common shares) preferred stock (with 4% dividends) designated as “Series A Redeemable Convertible Preferred Stock” (Series A Preferred Stock).

The Company issued approximately 22,500 shares of voting Class A common stock and received \$520,000 in proceeds:

Delsure Health Insurance, Inc.

<u>Uncertificated</u>	<u>Total</u>	<u>Economic Control</u>	<u>Voting Control</u>
A.Arabshahi	\$100,000	6.809%	9.574%
All Others	<u>420,000</u>	<u>25.196%</u>	<u>35.426%</u>
Total Class A	<u>\$520,000</u>	<u>32.005%</u>	<u>45.000%</u>

The Company issued 27,500 shares of voting Class B common stock and received \$275 in proceeds:

<u>Uncertificated</u>	<u>Total</u>	<u>Economic Control</u>	<u>Voting Control</u>
A.Bayat	\$275	39.118%	55.000%
All Others	<u>0</u>	<u>0.000%</u>	<u>0.000%</u>
Total Class B	<u>\$275</u>	<u>39.118%</u>	<u>55.000%</u>

The Company issued approximately 20,300 shares of Series A Preferred Stock and received \$270,000 in proceeds:

<u>Uncertificated</u>	<u>Total</u>	<u>Economic Control</u>	<u>Voting Control</u>
A.Arabshahi	\$125,000	13.336%	0.000%
All Others	<u>145,000</u>	<u>15.541%</u>	<u>0.000%</u>
Total Series A	<u>\$270,000</u>	<u>28.877%</u>	<u>0.000%</u>

Total capitalization of all issued and outstanding shares as of July 31, 2018:

<u>Class</u>	<u>Total</u>	<u>Economic Control</u>	<u>Voting Control</u>
Class A Common	\$520,000	32.005%	45.000%
Class B Common	275	39.118%	55.000%
Series A Preferred	<u>\$270,000</u>	<u>28.877%</u>	<u>0.000%</u>
Total	<u>\$790,275</u>	<u>100.000%</u>	<u>100.000%</u>

## **MANAGEMENT AND CONTROL**

Board of Directors

In accordance with its Bylaws, adopted June 8, 2017, the business and affairs of the Company shall be managed by a Board of Directors (Board). The number of Directors shall be initially one (1) and thereafter as determined by resolution of the Board. A Written Consent in Lieu of a Board meeting dated September 21, 2017, fixed the number of directors at three (3). The Directors are to be elected at the annual meeting of the Company's stockholder and shall hold office until his successor shall be elected and qualified.

The Directors serving as of the examination date were as follows:

Abbasgholi Bayat  
Arash Talebi Dabestani  
Amir Alemzadeh

Committees of the Board

No committees of the Board have been constituted as of the examination date.

Officers

In accordance with its Bylaws, the Officers of the Company shall be a President, a Treasurer, a Secretary, and other Officers as deemed necessary. Any number of offices may be held by the same person unless the Certificate of Incorporation or the Bylaws otherwise provide.

The Officers serving as of the examination date were as follows:

<u>Officer</u>	<u>Office</u>
Abbasgholi Bayat	Chairman of the Board, Chief Executive Officer, President, Treasurer, Secretary, Compliance Officer
Amir Alemzadeh	Vice Chairman of the Board

The Company completed the National Association of Insurance Commissioners (NAIC)

Form 11 - Biographical Affidavit for each of the Directors and all of the Officers noted above.



The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective September 21, 2017.

The Company Directors and Officers have not completed annual conflict of interest disclosure statements but intend to do so after licensure.

The Company does not currently have a plan for preservation of records but intends to have a plan after licensure.

### **HOLDING COMPANY SYSTEM**

At formation, the Company did not become a member of an Insurance Holding Company System. 18 *Del. C.* § 5001(3) states that “control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person.”

The organizational structure as of the examination date with control percentages of the upstream entities’ control of the downstream entity [and domicile in brackets] is presented below:

	Economic Ownership Control Percent	Voting Control Percent
Abbasgholi Bayat {1}	39.12%	55.00%
A.Arabshahi {2}	20.15%	9.57%
All Other Individuals {3}	40.73%	35.43%
<b>Delsure Health Insurance Inc. [DE]</b>		

- {1} An individual, considered an ultimate controlling entity of the Company. Financial Statement has been provided to the Delaware Department of Insurance (Department).  
Economic control of 39.12% calculated as 27,500 voting Class B common shares divided by 70,300 issued common and preferred shares.  
Voting control of 55.00% calculated as 27,500 voting Class B common shares divided by 50,000 voting shares (22,500 voting Class A common shares and 27,500 voting Class B common shares).
- {2} An individual. Economic control of 20.15% calculated as 14,162.234 shares (4,787.234 voting Class A common shares and 9,375 non-voting Series A preferred shares) divided by 70,300 issued common and preferred shares.  
Voting control of 9.57% calculated as 4,787.234 voting Class A common shares divided by 50,000 voting shares (22,500 voting Class A common shares and 27,500 voting Class B common shares).

Delsure Health Insurance, Inc.

{3} No other individual or entity owns or controls greater than 10% of the Company.

### **FIDELITY BOND AND OTHER INSURANCE COVERAGE**

The Company is not covered by a financial institution bond at this time. Based on the 2018-2020 pro forma information submitted by management, the minimum suggested coverage per the NAIC *Financial Condition Examiners Handbook – Exhibit R* is \$75,000 for 2018, \$200,000 for 2019 and \$450,000 for 2020.

*It is recommended that the Company obtain \$75,000 in fidelity insurance coverage as a condition of licensure by the Department.*

### **AGREEMENTS**

As of the examination date, the Company is not a party to any claim services agreement, investment management or advisory agreement, custodial agreement, tax allocation agreement, management agreement or administrative services agreement.

As of the examination date, the Company does not have a custodial account and does not currently own any securities held in the physical possession of any other entity.

The Company is a party to a Master Services Agreement with AIS Network, Inc. d/b/a Martin & Company (Martin) effective November 6, 2017, whereby Martin provides the Company with non-actuarial rate and form filings to the Department.

The Company is a party to an agreement with Wakely Consulting Group (Wakely) whereby Wakely provides the Company with actuarial-related filing documents to the Department.

### **PLAN OF OPERATION**

The Company intends to underwrite & sell only one standard health insurance policy. It will be group health insurance underwritten for Delaware employers that have workforces with

Delsure Health Insurance, Inc.

median ages roughly equivalent to the median age of the entire Delaware population plus or minus 10%. The policy will have no deductibles, copays, or coinsurance. The insurance will be comprehensive & offer full coverage of all healthcare costs of members. The policy will include all of the Essential Health Benefits as defined by the Patient Protection & Affordable Care Act.

**REINSURANCE**

The Company is not a party to any reinsurance agreements at this time.

**CAPITAL AND SURPLUS REQUIREMENTS**

18 *Del. C.* § 511(a) requires \$300,000 as the minimum capital stock and \$150,000 gross paid-in and contributed surplus for a health insurance company. Consequently, the minimum required amounts for this examination are as follows:

Capital Stock	\$300,000
Gross Paid-in and Contributed Surplus	<u>150,000</u>
Capital and Surplus as Regards Policyholders	\$450,000

**FINANCIAL DATA**

The financial position of the Company as of July 31, 2018, as determined by this organizational examination, was as follows:



**RECOMMENDATIONS**

*It is recommended that the Company obtain \$75,000 in fidelity insurance coverage as a condition of licensure by the Department.*

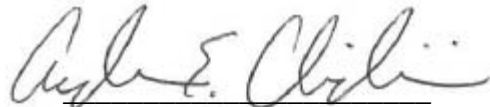
**CONCLUSION**

Based on the organizational examination conducted as of July 31, 2018, the financial condition of the Company is as follows:

Assets	\$553,098
Liabilities	<u>(6,242)</u>
Capital and Surplus as Regards Policyholders	<u>\$546,856</u>

Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully Submitted,



Andrew E. Chiodini, CFE  
Examiner-In-Charge  
Department of Insurance  
State of Delaware