

**STATE OF OREGON
DEPARTMENT OF
CONSUMER & BUSINESS SERVICES**

ORIGINAL

**DIVISION OF FINANCIAL
REGULATION**



REPORT OF QUALIFYING FINANCIAL EXAMINATION

OF

**MARQUIS ADVANTAGE, INC.
DBA MARQUIS ADVANTAGE HEALTH PLAN
MILWAUKIE, OREGON**

AS OF

FEBRUARY 12, 2016

FILED 2/16/2016
DEPT. CONSUMER & BUSINESS SERVICES
INSURANCE DIVISION

STATE OF OREGON

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SALUTATION

February 12, 2016

Honorable Laura N. Cali, Commissioner
Department of Consumer and Business Services
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Commissioner:

In accordance with your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) Examiners Handbook, pursuant to ORS 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

**MARQUIS ADVANTAGE, INC.
DBA MARQUIS ADVANTAGE HEALTH PLAN
4560 SE International Way, Suite 100
Milwaukie, Oregon 97222**

hereinafter referred to as "Marquis" or the "Plan." The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our qualifying examination of Marquis Advantage, Inc., dba Marquis Advantage Health Plan. The examination was conducted to determine if the Plan is qualified to obtain a certificate of authority to conduct business as a health care service contractor pursuant to Chapter 750 of the Oregon Insurance Code. The primary focus was to verify assets, liabilities, capital and surplus and to confirm that minimum capital and surplus requirements have been met. ORS 750.045 requires that applicants for an initial certificate of authority to conduct business as a health care service contractor possess capital and surplus of at least \$3,000,000.

In addition to a verification of the Plan's financial position, the following matters were reviewed:

Company description	Management and control
Conflict of interest	Corporate records
Fidelity bond and other insurance protection	Reinsurance
Accounts and records	

The examination was conducted in compliance with the Oregon Insurance Code as well as in accordance with procedures promulgated by the National Association of Insurance Commissioners.

COMPANY DESCRIPTION

Marquis Advantage, Inc., is an Oregon for profit stock corporation formed pursuant to Chapter 60 of the Oregon Revised Statutes. The Plan was incorporated on November 30, 2015, to operate as a licensed health care service contractor to provide and improve health care and the health of the population. Marquis Companies I, Inc., and its management/administrative services partner, AllyAlign Health, Inc., have formed a joint-venture organization to develop an Institutional Special Needs Plan (I-SNP) in the state of

Oregon. Marquis Companies I, Inc., and AllyAlign Health, Inc., will be the shareholders and direct parents of the Plan.

The stated purpose of the corporation is to operate as a health care service contractor pursuant to the provisions of Chapter 750 of the Oregon Revised Statutes.

CAPITALIZATION

The capitalization requirements of a Certificate of Authority are defined in ORS 750.045(1) which requires the Plan to keep and maintain capital and surplus of not less than \$2,500,000 and to possess an additional \$500,000 upon initial licensing, as required by ORS 750.045(4).

The Plan was formed as a stock corporation with 10,000 common shares authorized and 1,000 common shares issued and outstanding. Marquis Companies I, Inc., owns 600 common shares at cost of \$180,000 and AllyAlign Health, Inc., owns 400 common shares at a cost of \$120,000. Under the subscription agreement, the Plan issued two surplus notes. The first in the amount of \$1,472,000 to AllyAlign Health, Inc., and the other in the amount of \$2,208,000 to Marquis Companies I, Inc. Both notes issued has the maker paying interest at a variable annual rate equal to the Prime Rate as published by the Wall Street Journal.

Marquis Companies I, Inc., funded the note with \$1,875,000 in cash and a payable of \$333,000 and AllyAlign Health, Inc., funded its note with \$1,250,000 in cash and a payable of \$222,000. As interest payments are calculated, the unfunded amount needs to be taken into account as interest charges are not due on this portion until the funds are received by the Plan.

CORPORATE RECORDS

Articles of Incorporation

The examiners reviewed the Articles of Incorporation. The articles were filed on November 30, 2015. The Articles conform to the provisions of the Oregon Insurance Code.

Bylaws

The examiners reviewed the corporate Bylaws, adopted on November 30, 2015. Directors shall serve terms of one year and will serve until a replacement is elected. A quorum at any meeting shall consist of 80% of the directors. The Bylaws comply with Oregon Statutes.

MANAGEMENT AND CONTROL

Board of Directors

Article IV, Section 4.1, of the Bylaws state the business and affairs of the corporation shall be managed and controlled by the Board of Directors. The Bylaws state that the number of directors shall be a minimum of three (3) and a maximum of fifteen (15), with the number of directors to be set by resolution of the members of the corporation. As of February 12, 2016, these members were as follows:

Name and Address

Principal Affiliation

Phillip G. Fogg Jr.
Aurora, Oregon

President/CEO
Marquis Companies I, Inc.

Steven C. Fogg
West Linn, Oregon

CFO
Marquis Companies I, Inc.

Will F. Saunders
Henrico, Virginia

President/CEO
AllyAlign Health, Inc.

Officers

Pursuant to the Bylaws, Article VI, Section 6.1, the officers of the corporation shall be a president, a secretary, and a treasurer. It may elect a chairman of the board and such other officers and assistant officers as may be deemed necessary by the Board of Directors. The principal officers serving at February 12, 2016, were as follows:

<u>Name</u>	<u>Title</u>
Will F. Saunders	President
Phillip G. Fogg, Jr.	CEO and Secretary
Steven C. Fogg	CFO and Treasurer

Conflict of Interest

The Plan will establish a conflict of interest policy as part of its corporate governance structure. The Plan does not have any employees and has contracted with AllyAlign Health, Inc., under an administrative service agreement. AllyAlign has its own conflict of interest policy in place.

Management Services Agreement

Effective October 30, 2015, the Plan entered into a management service agreement with AllyAlign Health, Inc., to perform all operational needs of the Plan, including, but not limited to, financial reporting, underwriting, claims handling, actuarial, and the Institutional Special Needs Plans or other Medicare Advantage Plans established by the Medicare Modernization Act of 2003.

FIDELITY BOND AND OTHER INSURANCE

The Plan is acquiring fidelity coverage to insure against employee dishonesty, counterfeiting, forgery or computer crimes committed by an employee or agent. Currently, without any employees or business, the need for this coverage is minimal. The Plan provided evidence

that coverage was being placed for losses up to \$150,000. Fidelity bond coverage was considered adequate based on the NAIC's recommended minimum coverage.

The Plan does not have any other insurance coverage in force as of February 12, 2016.

TERRITORY AND PLAN OF OPERATIONS

After the issuance of its Certificate of Authority in Oregon, the Plan will file an application to the Center for Medicaid and Medicare Services (CMS) to write Medicare Advantage business and more specifically, Institutional Special Needs Plans (I-SNP) commencing in 2017. The Plan will execute provider agreements with twenty (20) long-term care skilled nursing and assisted living facilities owned by Marquis Companies I, Inc. The facilities are located in Clackamas, Klamath, Lane, Marion, Multnomah, Washington and Yamhill counties of Oregon.

REINSURANCE

The Plan does not have any exposure currently and operations are not expected to begin until 2017. Evidence was provided that its administrator has the necessary knowledge to identify its risk tolerance and acquire the necessary coverage to comply with ORS 731.504.

ACCOUNTS AND RECORDS

In general, Marquis's records and source documentation supported the amounts presented in its unaudited February 11, 2016, financial statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170.

Currently, the Plan manager, AllyAlign Health, Inc., maintains its accounting system to handle Generally Accepted Accounting Principles (GAAP) for managerial accounting and Statutory Accounting Principles (SAP) basis for NAIC Annual Statement reporting. The

Plan has provided adequate evidence that the accounts and records and reporting will be done in compliance with the Oregon Insurance Code.

STATUTORY DEPOSIT

Marquis's deposit requirement under ORS 750.045(2) was met with the Plan's acquisition of a surety bond in the amount of \$260,000. The bond was delivered for safekeeping by the Oregon Division of Financial Regulation for the Plan. The surety bond was confirmed with the Department of Consumer and Business Services, Oregon Division of Financial Regulation.

FINANCIAL STATEMENTS

The following unaudited financial statements show the financial condition of Marquis Advantage Inc., as of February 11, 2016:

MARQUIS ADVANTAGE, INC.
DBA MARQUIS ADVANTAGE HEALTH PLAN
ASSETS
As of February 11, 2016

Current Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Cash	\$ 3,074,970	\$ -	\$ 3,074,970	1
Affiliate receivable	<u>555,000</u>	<u>-</u>	<u>555,000</u>	2
Total Assets	<u>\$ 3,629,970</u>	<u>\$ -</u>	<u>\$ 3,629,970</u>	

MARQUIS ADVANTAGE, INC.
DBA MARQUIS ADVANTAGE HEALTH PLAN
LIABILITIES & NET ASSETS
As of February 11, 2016

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Current Liabilities				
Current liability	\$ <u>0</u>	\$ <u>-</u>	\$ <u>0</u>	
Total Liabilities	\$ <u>0</u>	\$ <u>-</u>	\$ <u>0</u>	
Capital and Surplus				
Common capital stock	\$ 300,000	-	\$ 300,000	
Surplus note	3,680,000	-	3,680,000	
Paid in and contributed surplus	-	-	-	
Unassigned surplus	<u>(350,030)</u>	<u>-</u>	<u>(350,030)</u>	
Total Capital and Surplus	<u>3,629,970</u>	<u>-</u>	<u>3,629,970</u>	
Total Liabilities, Capital and Surplus	<u>\$ 3,629,970</u>	<u>\$ -</u>	<u>\$ 3,629,970</u>	

NOTES TO FINANCIAL STATEMENTS

Note 1 – Cash

The examiner verified the balances in the cash accounts were held in the name of Marquis Advantage, Inc., and confirmed the balances held with SunTrust Bank. No procedures were necessary to be performed by the examiner to determine the accuracy of reporting, pricing, or valuation. Procedures were limited to determining the ownership and existence of cash.

As of February 11, 2016, the Plan did not have any investments nor did it provide an executed custodial agreement. Evidence of the Plan's expected movement of the funds to US Bank and a review of the draft custodial agreement was performed noting compliance with OAR 836-027-0200. The Plan is expected to diversify the cash into investments that comply with the Insurance Code and specifically meet the requirements of ORS 733.770 and the required capitalization in accordance with ORS 733.580.

The requirements of ORS 733.580 to 733.770 are granted a waiver under ORS 733.520. Compliance with ORS 733.580 to 733.770 will be verified within two months after issuance of the Certificate of Authority.

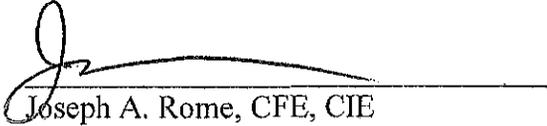
CONCLUSION

The Plan has submitted an application for a Certificate of Authority in accordance with the provisions of Chapter 750 of the Oregon Insurance Code. At February 11, 2016, the Plan reported net assets of \$3,629,740, liabilities of \$0, and total equity of \$3,620,740 (unaudited), as determined by this financial examination. The Plan met the requirements of ORS 750.045 of the Oregon Insurance Code to possess a Certificate of Authority.

ACKNOWLEDGMENT

The cooperation and assistance extended by the officers and employees of Marquis Advantage, Inc., during the examination process are gratefully acknowledged.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Joseph A. Rome', is written over a horizontal line.

Joseph A. Rome, CFE, CIE
Lead Financial Examiner
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

State of Oregon)
) ss
Marion County)

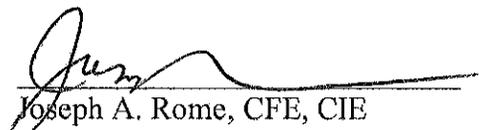
Joseph A. Rome, CFE, CIE, being duly sworn, states as follows:

1. I am authorized to represent the state of Oregon in the examination of Marquis Advantage, Inc., Milwaukie, Oregon.

2. The Insurance Division of the Department of Consumer and Business Services of the State of Oregon is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.

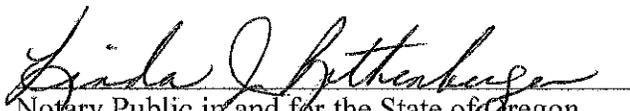
3. I have reviewed the examination work papers and examination report. The examination of Marquis Advantage, Inc., was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.



Joseph A. Rome, CFE, CIE
Lead Financial Examiner
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this 16 day of February, 2016.



Notary Public in and for the State of Oregon

My Commission Expires: 3/22/2017

