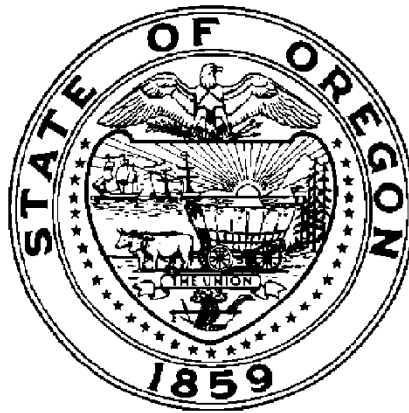


STATE OF OREGON
DEPARTMENT OF
CONSUMER AND BUSINESS
SERVICES
DIVISION OF FINANCIAL
REGULATION



REPORT OF FINANCIAL EXAMINATION
OF
MARQUIS ADVANTAGE, INC.
DBA AGERIGHT ADVANTAGE HEALTH PLAN
MILWAUKIE, OREGON

AS OF

DEC. 31, 2023

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

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REPORT OF FINANCIAL EXAMINATION

OF

**MARQUIS ADVANTAGE, INC.
DBA AGERIGHT ADVANTAGE HEALTH PLAN
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NAIC COMPANY CODE 15937

AS OF

DEC. 31, 2023

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SALUTATION

July 16, 2025

Honorable TK Keen, acting insurance commissioner
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon
350 Winter Street NE
Salem, Oregon, 97301-3883

Dear Commissioner Keen:

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 AGERIGHT ADVANTAGE HEALTH PLAN
4560 SE International Way #100
MILWAUKIE, OREGON**

NAIC Company Code 15937

Hereinafter referred to as the “plan.” The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our regular, single-state, full scope examination of Marquis Advantage, Inc., dba AgeRight Advantage Health Plan. The last examination of this health care service contractor was completed as of Dec. 31, 2018. This examination covers the period of Jan. 1, 2019, through Dec. 31, 2023.

We conducted our examination pursuant to ORS 731.300 and according to ORS 731.302(1), which allows the examiners to consider the guidelines and procedures in the NAIC *Financial Condition Examiners Handbook*. The handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the company were considered according to the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such an adjustment will be documented separately following the company's financial statements.

This examination report includes significant findings of fact, as mentioned in ORS 731.302, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary

information, etc.), are not included within the examination report, but separately communicated to other regulators and the company.

COMPANY HISTORY

The plan was incorporated on Nov. 30, 2015, to operate as a licensed health care service contractor pursuant to the provisions of Chapter 750 and commenced business on Jan. 1, 2017. Marquis Companies I, Inc. and its management/administrative services partner, AllyAlign Health, Inc. formed this joint venture organization to develop an Institutional Special Needs Plan (I-SNP) in the state of Oregon, with AllyAlign Health, Inc. having a 40 percent ownership interest and Marquis Companies I, Inc. having a 60 percent ownership interest per the shareholders' rights agreement. On Sept. 12, 2016, Marquis Advantage, Inc., dba Marquis Advantage Health Plan, changed its name to Marquis Advantage, Inc., dba AgeRight Advantage Health Plan.

After the issuance of its certificate of authority in Oregon, the plan filed an application to the Center for Medicaid and Medicare Services (CMS) to write Medicare Advantage business and more specifically, I-SNP commencing in 2017. The plan executed provider agreements with 20 long-term care skilled nursing and assisted living facilities owned by Marquis Companies I, Inc.

The amended and restated shareholders' rights agreement, effective Feb. 28, 2021, changed the ownership interests to Marquis Companies Inc. (51 percent owner), Rimborso, LLC. (40 percent owner) and AllyAlign Health, Inc., (9 percent owner) being the shareholders and direct parents of the plan.

Capitalization

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 510 common shares at cost of \$153,000, Rimborso, LLC. owns 400 common shares at a cost of \$120,000, and AllyAlign Health Inc. owns 90 commons shares at a cost of \$27,000. The plan reported a total of \$300,000 in paid in and contributed surplus. On Nov. 30, 2015, 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 interest at a variable annual rate equal to the prime rate as published by the Wall Street Journal.

On Feb. 28, 2021, the plan issued two replacement surplus notes, one for AllyAlign, Inc. in the amount of \$383,700 and the other for Marquis Companies I, Inc in the amount of \$2,174,300, and entered into a third surplus note with Rimborso, LLC in the amount of \$1,472,000. The plan is paying the principal and interest on the surplus note with Rimborso, LLC directly to the direct parent of Rimborso, LLC, Avamere Group, LLC in violation of SSAP No.41, paragraphs 3, 4, and 18.

I recommend the plan pay principal and interest directly to the surplus note holder, Rimborso, LLC in accordance with the provisions of SSAP No.41, paragraphs 3, 4 and 18.

Dividends to stockholders and other distributions

During the period under examination, the plan made unauthorized extraordinary dividends and other distributions to Avamere Group, LLC in violation of ORS 732.574(2)(a) and ORS 732.576(2)(a) (b).

I recommend the plan comply with the provisions of ORS 732.574(2)(a) and ORS 732.576(2)(a) (b) prior to transactions with its parents, including paying extraordinary dividends and other distributions to its parents in the future.

CORPORATE RECORDS

Board minutes

In general, the review of the board meeting minutes of the plan indicated the minutes support the transactions of the plan and clearly described the actions taken by its directors. A quorum, defined in the plan's bylaws as 80 percent of the directors, was met at all of the meetings held during the period under review.

The plan's bylaws, under Article 5, authorize the board to create one or more committees. The plan had a compliance, utilization management and quality improvement committee during the period under examination. However, the plan disclosed within its corporate governance annual disclosure (CGAD) that it also had an audit and investment committee as of year-end 2023 but could not provide any related committee meeting minutes. As a result, the plan failed to comply with OAR 836-011-0223, requirements for audit committee.

I recommend the plan establish an audit committee of the board that meets the requirements of OAR 836-011-0223.

Articles of incorporation

The plan's restated Articles of Incorporation were adopted on Nov. 30, 2015. No changes were made during the period under examination and the Articles of Incorporation conform to the Oregon Insurance Code.

Bylaws

The examiner reviewed the corporate bylaws, adopted on Nov. 30, 2015. The plan's bylaws conformed to 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 or controlled by the board of the directors. The bylaws state that the number of directors shall be a minimum of three and a maximum of 15, with the number of directors to be set by resolution of the members of the corporation. As of Dec. 31, 2023 the plan was governed by a six member board of directors as follows:

<u>Name and address</u>	<u>Principal affiliation</u>	<u>Representative</u>	<u>Member since</u>
Phillip Guy Fogg, Jr. Aurora, Oregon	President and CEO Marquis Companies I, Inc.	Ownership	2015
*Steven Charles Fogg West Linn, Oregon	Chief financial officer Marquis Companies I, Inc.	Ownership	2015
Mark Francis Price Houston, Texas	CEO AllyAlign Health, Inc.	Ownership	2022
Madj Fowzi El-Azma Lake Oswego, Oregon	Owner El Azma Consulting, LLC	Public	2020
Christian David Ellertson Beaverton, Oregon	Retired	Public	2020
Karl Rickard Miller, Jr. Lake Oswego, Oregon	Owner Avemere Group, LLC	Ownership	2021

* Chairman

The directors as a group has experience in insurance, accounting and management, in accordance with the provisions of ORS 731.386. ORS 750.015(1) requires not less than one-third of the group of persons vested with the management of the affairs of a health care service contractor be representatives of the public who are not practicing doctors, employees, or trustees of a participant hospital. The company was in compliance with this statute.

Officers

Principal officers serving at Dec. 31, 2023, were as follows:

<u>Name</u>	<u>Title</u>
Steven Charles Fogg	Board chair
Mark Francis Price	Secretary
Phillip Guy Fogg Jr.	Treasurer
Jonalyn Brown	Chief executive officer
Lindsey Marie Schaub	Chief operating officer
Rachel Jacqueline Martin	Chief financial officer

Conflict of interest

The plan established a conflict of interest policy as part of its corporate governance structure and CMS requirement. At year-end (YE) 2023 the following was noted in violation of ORS 60.361:

- Steven C. Fogg and Phil Fogg, Jr. both indicated a 51 percent ownership interest in Marquis Advantage Inc. in contrast to the YE 2023 annual statement filing showing only Phil Fogg, Jr. as a 51 percent owner.
- Rick Miller noted “owner” on the signature of the disclosure, which was unclear as Mr. Miller is not shown as an owner on the YE 2023 annual statement filing.
- Some of the disclosures listed names of what appear to be companies that are not listed in the YE 2023 annual statement filing without description of the company or potential conflict.

- Other minor omissions in comparison to fields within the conflict of interest disclosure statements were noted
- For 2019, 2020, 2021, and 2022 the plan was unable to provide conflict of interest disclosure statements due to personnel changes

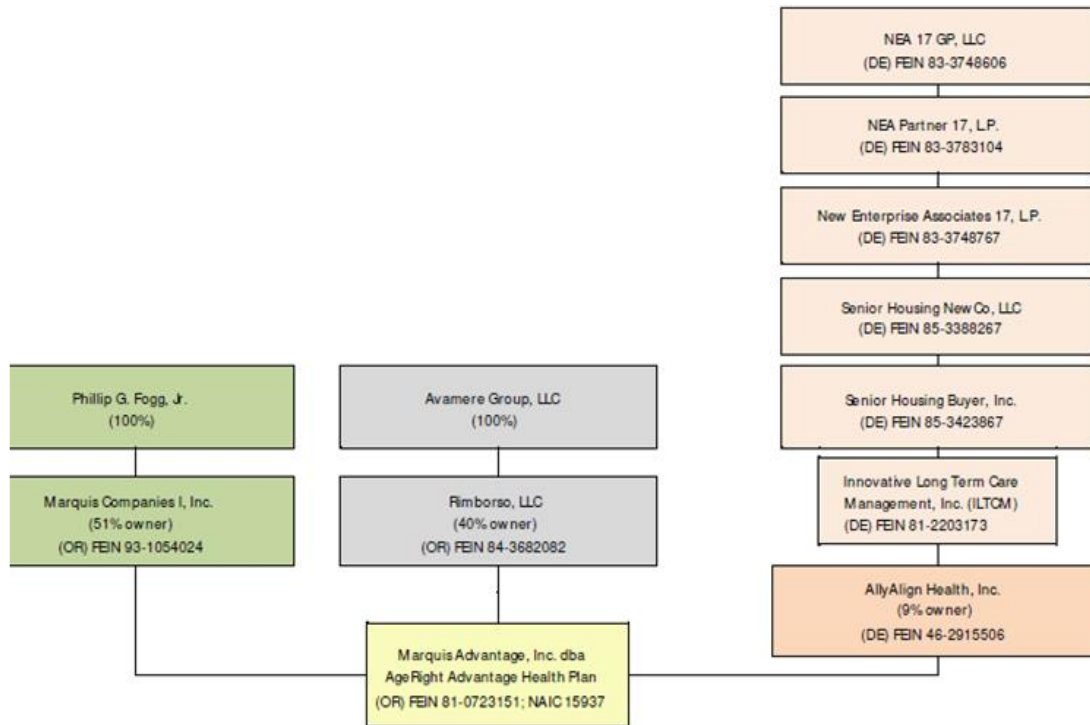
I recommend the company document the process and formally present the results of completion and review of the disclosures by directors and officers at the meeting of the board of directors for approval, in accordance with the requirements of ORS 60.361 conflict of interest.

Insurance company holding system

An insurance holding company registration statement was filed by the plan in accordance with the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020(1). The plan did not include an organizational chart in the Form B filings containing all entities pursuant to ORS 732.552 (1)(b), which should include the entity and relationship of every member of the insurance holding company system.

I recommend the plan identify all entities of the insurance holding company system in all future Form B filings with DFR, in accordance with the requirement of ORS 732.551 (1)(b).

The following abbreviated organizational chart shows the relationship between the related entities of the plan:



A description of each of the entities above is as follows:

Phillip G. Fogg, Jr. is the chief executive officer of Marquis Companies I, Inc., a board member and officer for the plan. He is also one of the founders of the plan and owns 100 percent of Marquis Companies I, Inc.

Marquis Companies I, Inc. is an Oregon domestic business corporation; and a joint operating company of the plan with AllyAlign Health, Inc., and Avamere Group, LLC. It is a 51 percent owner of the plan and was formed on March 25, 1991, as a long term care management company.

Avamere Group, LLC is an Oregon limited liability company and 100 percent owner of Rimborso, LLC.

Rimborso, LLC is an Oregon limited liability company and 40 percent owner of the plan. It is a wholly owned subsidiary of Avemere Group, LLC.

NEA 17 GP, LLC is a Delaware limited liability company: member-managed and sole general partner of NEA Partners 17, LP.

NEA Partners 17, LP is a Delaware limited partnership; investment partnership that controls New Enterprise Associates 17, LP.

New Enterprise Associates 17, LP is a Delaware limited partnership; investment partnership that controls Curana Health Holdings.

Senior Housing NewCo, LLC is a Delaware limited liability company, now known as (nka) Curana Health Holdings, LLC. Its purpose is to be the investment entity and has no operations or contracts. The company no longer exists.

Senior Housing Buyer, Inc. is a Delaware corporation, nka Curana Health, Inc. Its purpose is to be the operating company for all shares services of the plan, and has income, employees, and contracts that serve the plan. It separates investment and downstream operating entities of the company. It is the former name of Curana Health, Inc. Senior Housing Buyer, Inc. no longer exists.

Innovative Long Term Care Management, Inc. is a Delaware corporation and intermediate holding company for the health plan entities.

AllyAlign Health, Inc. is a Delaware corporation based in Virginia and intermediate holding company and manager of the plan. It is also a 9 percent owner of the plan and was formed as a

care management company to enable long-term care providers to launch provider-sponsored managed care plans. In 2022, Curana Health, Inc. merged with AllyAlign Health, Inc.

INTERCOMPANY AGREEMENTS

The following agreements are in place between the plan and its affiliates within the insurance company holding system:

Management services agreement

Effective as of Nov. 30, 2015, AllyAlign Health, Inc. and the plan entered into a management services agreement. Under the terms of the agreement, AllyAlign Health agrees to perform management services for the plan, including but not limited to any I-SNP or other Medicare Advantage plans established by the Medicare Modernization Act of 2003. The plan will be responsible for 100 percent of the financial and insurance risk for all products sold or contracted for. Responsibilities of AllyAlign Health include:

- Maintaining a computerized management information system for claims adjudication and payments to all categories of health care providers, for utilization review, quality assessment, determining patient eligibility, billing, customer service and complaints, and making required reports to DFR and CMS.
- Maintaining accounting, billing, accounts receivable and collection procedures and standards.
- Providing financial reports to the plan.
- Providing stop loss reinsurance from a third-party reinsurer to the plan.
- Claims administration and premium collection.
- Underwriting and actuarial services.

- Prompt payment of clean claims.
- Enrollment and eligibility functions.
- Conducting member enrollment activities.
- Handling covered member and provider complaints.
- Pre-certification and verification requirements in accordance with DFR regulations.
- Providing information systems, customer support/service representatives and other infrastructure necessary to support the following services:
 - Utilization review
 - Quality assurance/quality improvement
 - Development and management of a provider network
 - Credentialing and re-credentialing
 - Plan development and administration
- AllyAlign shall also provide the plan the following reports:
 - Monthly financial reports
 - Monthly cash disbursement reports
 - Any annual reports necessary for submissions to CMS
 - Other reports the plan may reasonably request
- Employing Personnel for the plan and compensation and management of personnel including:
 - Administrative personnel
- Regulatory relations in coordination with the plan.

- Maintaining a statutory deposit or a fidelity bond covering their employees, personnel, and consultants performing management services which meets applicable state and federal regulations.
- Development of all required health plan policies, procedures, and documentation
- Administration of payments to other networks and administrators for the provision of covered services.

The plan amended the management services agreement effective Jan. 28, 2016, to update the language related to termination notification in the event that any agreements were found not to meet regulatory requirements.

The agreement was amended a second time effective Feb. 15, 2016, to make minor changes to clarify services provided under network provider and covered member services and marketing commissions and expenses, and to update the exhibit for manager fees. The management fee paid to AllyAlign was reduced to 10 percent.

The agreement was amended a third time effective Feb. 28, 2021, to change the ending date to Dec. 31, 2024. Manager fees were also updated.

The agreement was amended a fourth time effective Aug. 1, 2021, to change the administrative personnel provision and to update manager fees.

Finally, the agreement was amended a fifth time effective May 1, 2023, to replace OID with DFR throughout the agreement, to replace the prompt payment of claims provision, to replace the administrative personnel provision, to add a new paragraph to Section 3.15 in terms of AllyAlign preparing and providing to the plan Forms B, C, and F, (insurance holding company system Annual

registration statement, summary of changes to the registration statement, enterprise risk report) and the corporate governance annual disclosure (CGAD) at least 10 business days in advance of filing deadlines and to verify their accuracy and completeness, to add a section for performance guarantees, to extend the term of the agreement to Dec. 31, 2025, and to replace and update the exhibit for manager fees.

Ancillary provider participation agreement

Effective Jan. 1, 2017, Marquis Companies I, Inc. dba AgeRight Clinical Services and the plan entered into a nurse practitioner agreement for the provision of direct patient care to plan members via nurse practitioner services. The agreement was amended effective Dec. 29, 2017, to increase the per member per month capitation for nurse practitioner services. The agreement was amended three more times to increase the per member per month capitation for nurse practitioner services.

Affiliation agreement

Effective Jan. 1, 2017, the plan, Marquis and Marquis Company II, Inc. and its participating facilities entered into an affiliation agreement for treatment planning, clinical management, and assessments. Effective Sept. 26, 2019, the agreement was amended to increase the per diem reimbursement for participating skilled nursing facilities. Effective Oct. 1, 2020, the agreement was amended a second time to increase the per diem reimbursement for participating skilled nursing facilities

Employee lease agreement

Effective Aug. 1, 2021 Marquis Companies I, Inc. and the plan entered into an employee lease agreement for establishing an employee lease for an executive director for the plan.

Employee lease agreement

Effective Jan. 1, 2017, rehab specialist I, LLC, and the plan entered into an employee lease agreement for the provision of a plan compliance officer in accordance with CMS requirement and stipulations.

Employee lease agreement

Effective July 30, 2018, Marquis Companies I, Inc., and the plan entered into an employee lease agreement for the provision of a plan medical director.

Employee lease agreement

Effective Nov. 1, 2021, Marquis Clinical Services, LLC, and the plan entered into an employee lease agreement for the provision of a care navigator for the plan. Effective Sept. 30, 2022, the agreement was amended to permit the update of the care navigator through prior written notice by either party.

Employee lease agreement

Effective Sept. 1, 2021, Marquis Companies I, Inc. and the plan entered into an employee lease agreement for the provision of a sales agent for the plan.

Effective Sept. 30, 2022, the agreement was amended to permit the update of the sales agent through prior written notice by either party.

Employee lease agreement

Effective Aug. 1, 2021, Marquis Companies I, Inc., and the plan entered into an employee lease agreement for the provision of another care navigator for the plan.

Employee lease agreement

Effective May 1, 2020, the plan and Marquis Clinical Services, LLC, entered into an employee lease agreement to lease all applicable clinicians from the plan to Marquis Clinical Services, LLC, Effective Sept. 30, 2022, the agreement was amended to permit the plan to adjust the monthly leasing fees for the amount of time the leased employee is expected to provide services and to update the plan executive director through prior written notice by either party.

Physician participation agreement

Effective May 1, 2020, the plan and Marquis Clinical Services, LLC, dba AgeRight Clinical Services, entered into an agreement for primary care physicians and medical director services.

Employee lease agreement

Effective Oct. 1, 2022, the plan and AllyAlign Health Plan, Inc. entered into an agreement to lease a chief financial officer for the plan

Employee lease agreement

Effective Jan. 1, 2020, the plan and Marquis Companies I, Inc., entered into an agreement to lease a chief compliance officer for the plan. The agreement was amended effective April 1, 2022, to permit the update of the compliance officer through prior written notice by either party.

Employee lease agreement

Effective June 1, 2021, the plan and AgeRight Clinical Services, LLC entered into an agreement to lease an executive director for the plan

The company filed its Form B on April 30, 2024, for the year ending Dec. 31, 2023. Included within item 5(e) were 26 agreements between company and affiliates. The agreements included

employee leases, management services, and participation agreements, as well as amendments thereof. On and after Feb. 10, 2025, the company provided examiners with multiple related party agreements in response to requests for information. Through reconciliation of what was provided and what was listed on the aforementioned Form B, examiner determined that 26 agreements were not properly disclosed to DFR.

I recommend the company file a revised Form B to DFR and include all affiliate agreements currently in force. I further recommend going forward, the company maintain a centralized list of agreements and contracts that may be updated as amendments are made, and employee lease agreements are added or removed. A reconciliation of agreements should be made annually prior to submission to DFR in accordance with ORS 732.574 and OAR 836-027-0160.

FIDELITY BOND AND OTHER INSURANCE

The examination of insurance coverages involved a review of adequacy of limits and retentions, and the solvency of the insurers providing the coverages. The insurance coverages are provided through insurance policies issued with the plan as a named insured. The plan is insured against employee theft by an employee or agent for losses up to \$150,000 per occurrence, after a \$5,000 deductible. Fidelity bond coverage was not considered adequate based on the NAIC's recommended minimum coverage per the NAIC Financial Condition Examiners Handbook and ORS 731.302(1).

I recommend the company increase its crime and fidelity coverage to a minimum of \$250,000 at its earliest convenience, and no later than the expiration/renewal of its current policy in accordance with the NAIC Financial Condition Examiner Handbook and ORS 731.302(1).

During fieldwork, the plan increased its crime and fidelity coverage to \$250,000, which met NAIC Financial Condition Examiner Handbook requirements.

Other insurance coverages in force at Dec. 31, 2023, included:

Managed care directors and officers liability
fidelity

Managed care E&O liability
cyber /tech E&O liability

TERRITORY AND PLAN OF OPERATION

The plan is an Oregon-based Medicare Advantage organization operating a full-service I-SNP in a limited geographical region in Oregon. The plan's service area includes participating long-term care and assisted living facilities located in five counties in Oregon. The plan's target population includes institutionalized Medicare beneficiaries who reside or expected to reside in the plan's contracted long-term care facilities for 90 days or longer or Medicare beneficiaries meeting the institutional level of care requirements for Oregon and residing in a contracted assisted living facility. The plan is offered in Benton, Clackamas, Jackson, Josephine, Klamath, Lane, Linn, Marion, Multnomah, Washington, and Yamhill counties and has provider agreements 20 long-term care skilled nursing and assisted living facilities owned by Marquis Companies I, Inc.

The plan is paid a monthly capitation for I-SNP members based upon actuarially determined premium rates filed with CMS during the prior year and a monthly capitation payment from CMS for Part-C and Part-D revenue based on each enrollee's county of residence and risk classification. The plan has had no material changes in its business plan or operations since receiving approval to operate as an HMO in the state of Oregon.

During the last five years, the plan reported total enrolled members as follows:

<u>Line of business</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Individual hospital and medical	-	-	-	-	-
Group hospital and medical	-	-	-	-	-
Medicare	<u>499</u>	<u>578</u>	<u>579</u>	<u>584</u>	<u>619</u>
Total enrollment	<u>499</u>	<u>578</u>	<u>579</u>	<u>584</u>	<u>619</u>

GROWTH OF THE PLAN

Growth of the plan since inception is reflected in the following schedule. Amounts were derived from plan's annual statements, except in those years where a report of examination was published by DFR.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital and surplus</u>	<u>Net income (loss)</u>
2019	6,982,647	3,168,456	3,814,191	747,190
2020	10,045,371	5,707,822	4,337,549	590,693
2021	9,617,661	4,469,971	5,147,690	456,091
2022	9,849,794	4,422,562	5,427,232	524,870
2023*	11,755,555	5,383,037	6,372,518	1,105,608

*Per examination

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the plan over the last five years. The amounts were obtained from copies of the plan's filed annual statements and, where indicated, from the previous examination reports.

	(1)	(2)	(2)/(1)	(3) Claim adjustment and administrative expenses	(2)+(3)/ (1) Combined ratio
<u>Year</u>	<u>Total revenues</u>	<u>Total hospital and medical</u>	<u>Medical loss ratio</u>		
2019	11,782,798	8,698,095	73.8%	2,212,035	92.6%
2020	16,817,874	12,995,209	77.3%	2,683,881	93.2%
2021	17,310,396	13,853,685	80.0%	2,919,595	96.9%
2022	17,681,242	13,801,242	78.1%	3,055,074	95.3%
2023*	22,848,525	17,543,619	76.8%	3,825,414	93.5%

*Per examination

A combined ratio of more than 100 percent would indicate an underwriting loss. The plan did not report any net underwriting losses for the period under examination.

REINSURANCE

Assumed

None

Ceded

The plan does not assume any reinsurance or cede any business to affiliated companies within the holding company structure. Effective Jan. 1, 2023, the plan entered into an HMO specific excess of loss reinsurance agreement with PartnerRe America Insurance Company (NAIC #11835 and authorized in Oregon on Dec. 22, 1981). Under the terms of the agreement, all I-SNP/C-SNP membership is covered with a specific deductible per covered person of \$225,000. Maximum payable per covered person is unlimited. Premium payable per covered person is \$12.91 per month. Claims are covered for covered expenses incurred from Jan. 1, 2023, to Jan. 1, 2024, and for covered expenses paid from Jan. 1, 2023, to Jan. 1, 2025. Specific covered expenses and limits are specified in the contract, as well as reimbursement percentages. Noncovered expenses include retail prescription drugs, including any drugs dispensed by a specialty pharmacy

Risk retention

The plan did not retain risk on any one subject in excess of 10 percent of its surplus as regards policyholders in compliance with ORS 731.504.

Insolvency clause

The reinsurance agreement contained an insolvency clause that specified payments would be made to a statutory successor without diminution in the event of insolvency in compliance with ORS 731.508(3).

Settlement clause

The reinsurance agreement did not contain a settlement clause to verify risk transfer in violation of OAR 836-012-0310(1)(h)/

I recommend the company amend its reinsurance agreement with PartnerRe America Insurance Company to include a settlement clause to require the reinsurer to settle reinsured claims at least quarterly, in accordance with OAR 836-012-0310(1)(h).

Entire agreement clause

The reinsurance agreement contained an entire agreement clause in compliance with OAR 836-012-0320.

ACCOUNTS AND RECORDS

In general, the company's records and source documentation supported the amounts presented in the company's Dec. 31, 2023, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170. However, the following compliance issues were noted:

The company did not have a reliable system in place to account for unclaimed funds and failed to file all unclaimed property timely in violation of ORS 98.352 and OAR 170-145-0025.

I recommend the company strengthen its unclaimed property policy by incorporating specific provisions for filing unclaimed property timely and accurately in accordance with ORS 98.352 and OAR 170-145-0025.

The company failed to disclose Amendments No. 3, 4 and 5 of the management services agreement between the plan and AllyAlign Health, Inc., in the 2023 holding company registration statement. Further, there were multiple agreements in which the plan was listed that were not disclosed to DFR within the holding company registration statement, in violation of ORS 732.552.

I recommend the plan establish a process and procedure to ensure that all affiliated agreements and amendments are disclosed within the holding company registration statement in accordance with ORS 732.552. I further recommend that the plan properly submit all required Form D filings to DFR in accordance with OAR 836-027-0160 and ORS 732.574.

Based on a review of Schedule Y and the notes to financial statements (notes 10 and 13), the examiner noted the following in violation of ORS 731.574, OAR 836-011-0000, ORS 732.551(1)(b) and SSAP No.25:

- Failure to disclose all entities and affiliates within the holding company system
- Incorrect disclosures regarding the legal and correct names of entities
- Failure to disclose all required transactions with affiliates
- Omission of the ultimate controlling party of Avamere Group, LLC.

I recommend the plan properly disclose all entities and affiliates within the holding company system, including all required transactions with affiliates in accordance with ORS 731.574, OAR 836-011-0000, ORS 732.551(1)(b) and SSAP No.25, paragraphs 4 through 6.

Upon review of the YE 2023 general ledger detail involving payments to Avamere Group, LLC, distributions were noted whereby the plan made surplus note payments directly to Avamere Group, LLC, bypassing the surplus note holder. Rimborso, LLC. The plan also made bonus payments directly to Avamere Group, LLC without an agreement and without proper advance notice to DFR, in violation of ORS 732.574 (2)(a) and ORS 732.576 (2)(a)(b).

I recommend the plan comply with the provisions of ORS 732.574 (2)(a) and ORS 732.576 (2)(a)(b). prior to transactions with its parents, including paying extraordinary dividends and other distributions to its parents in the future.

STATUTORY DEPOSIT

To satisfy the statutory deposit requirements in Oregon for health care service contractors, the plan maintained a surety bond with DFR, Department of Consumer and Business Services, in the sum of \$260,000 to maintain compliance with ORS 750.045. The surety was verified from the records of DFR.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The prior examination report included nine recommendations, as follows:

I recommend the plan form an audit committee of the board that complies with OAR 836-011-0223, or formally request a waiver from the Division pursuant to subparagraph 14 of the rule.

The plan did not have an audit committee at YE 2023

I recommend the plan's board formally approve the compensation of its senior officers by resolution each year and comply with ORS 732.320(3).

The senior officers are not employees of the plan

I recommend the plan replace a member of the board with an individual who complies with the role of 'representative of the public' as defined in ORS 750.015 or elect two additional members who so qualify.

The plan now has a sufficient number of public representatives on the board in accordance with ORS 750.015.

To be in compliance with ORS 65.361 for disclosures of conflicts of interest to board of directors, I recommend the plan's directors, officers, and key employees execute a conflict of interest statement on an annual basis.

The plan was not able to provide conflict of interest statements for years 2019, 2020, 2021, and 2022 due to personnel changes, in violation of ORS 60.361.

I recommend the plan identify all entities of the insurance holding company system in all future Form B filings with the Division, in accordance with the requirement of ORS 732.551 (1)(b).

The plan failed to disclose all entities and affiliates within the holding company system in violation of ORS 732.551(1)(b).

I recommend that plan ensure compliance with ORS 733.580 by purchasing investments of at least \$2.5 million in safe securities as described in the statute.

The plan is now in compliance with this statute as it holds one U.S. Treasury bond with a par value of \$2,470,000 and cash and cash equivalents amounting to \$6,297,544.

I recommend the plan have the board of directors approve all investment transactions on a regular basis, and that a formal resolution be voted on by the board at each meeting, pursuant to ORS 733.730.

The plan only holds one investment (U.S. Treasury bond) and is now in compliance with this statute as evidence of board of director approval was obtained.

I recommend the plan ensure it complies with the NAIC's annual statement instruction in accordance with ORS 731.574 and OAR 836-011-0000.

The plan is still not in compliance with the annual statement instructions in accordance with ORS 731.574(1) and OAR 836-011-0000.

I recommend that the plan request prior approval from DCBS for all future payments on its subordinated surplus notes in accordance with the surplus notes and SSAP 41R.

The plan has remained out of compliance.

SUBSEQUENT EVENTS

In 2025 the plan has provider agreements with 57 long term skilled nursing and assisted living facilities owed by Avemere, Frontier Management, Generations, Latitude Healthcare, Marquis,

Ohana, and The Springs. The facilities are located in Benton, Clackamas, Jackson, Josephine, Klamath, Lane, Linn, Marion, Multnomah, Washington, and Yamhill counties in Oregon

The plan is expanding into Washington and received the certificate of registration from the Washington insurance commissioner on April 15, 2025. The plan is currently awaiting final approval from CMS.

The plan intends to form an audit committee by YE 2025

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the plan with DFR and present the financial condition of the plan for the period ending Dec. 31, 2023. The financial statements are prepared by management and therefore, the responsibility of management. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. These statements include:

- Statement of Assets
- Statement of liabilities, capital, and surplus
- Statement of revenue and expenses
- Reconciliation of surplus since the last eExamination

**MARQUIS ADVANTAGE, INC. DBA AGERIGHT ADVANTAGE HEALTH PLAN
ASSETS**

As of Dec. 31, 2023

Assets	Net admitted assets	Notes
Bonds	\$2,399,401	1
Cash, cash equivalents and short-term investments	6,297,544	1
Aggregate write-ins for invested assets	<u>-</u>	
Subtotal, cash and invested assets	8,696,945	
Investment income due and accrued	-	
Premiums and considerations		
Uncollected premiums, agents' balances in course of collection	48,063	
Accrued retrospective premiums and contracts subject to redetermination	312,792	
Amounts recoverable from reinsurers	14,244	
Amounts receivable related to uninsured plans	1,892,544	
Current FIT recoverable	31,233	
Net deferred tax asset	190,286	
Health care and other amounts receivable	569,448	
Aggregate write-ins for other than invested assets	<u>-</u>	
Total assets	<u><u>\$ 11,755,555</u></u>	

MARQUIS ADVANTAGE, INC. DBA AGERIGHT ADVANTAGE HEALTH PLAN
LIABILITIES, CAPITAL AND SURPLUS
As of Dec. 31, 2023

	Current year total	Notes
Claims unpaid	\$ 2,966,821	2
Accrued medical incentive pool and bonus amounts	2,047,712	2
Unpaid claims adjustment expense	104,739	
Aggregate health policy reserves	-	
Premiums received in advance	-	
General expenses due or accrued	51,805	
Borrowed money	171,965	
Amounts due to parent, subsidiaries and affiliates	27,983	
Liability for amounts held under uninsured plans	12,012	
Aggregate write-ins for liabilities	<u>-</u>	
Total Liabilities	<u>\$ 5,383,037</u>	
Common capital stock	\$ -	
Gross paid-in and contributed capital	300,000	
Surplus notes	4,030,000	
Unassigned funds (surplus)	<u>2,042,518</u>	
Surplus as regards policyholders	<u>\$ 6,372,518</u>	
Total liabilities, surplus, and other funds	<u>\$ 11,755,555</u>	

MARQUIS ADVANTAGE, INC. DBA AGERIGHT ADVANTAGE HEALTH PLAN
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended Dec. 31, 2023

	Current year total	Notes
Revenue		
Net premium income	\$ 22,848,525	
Change in unearned premium reserves and reserves for rate credits	-	
Aggregate write-ins for health care related revenues	<u>-</u>	
Total revenue	22,848,525	
 Hospital and medical:		
Hospital/medical benefits	9,688,140	
Other professional services	3,571,627	
Outside referrals	-	
Emergency room and out-of-area	486,409	
Prescription drugs	958,030	
Aggregate write-ins for other hospital and medical	360,144	
Incentive pool, withhold adjustments and bonus amounts	<u>2,493,513</u>	
Subtotal	17,557,863	
 Less:		
Net reinsurance recoveries	<u>14,244</u>	
Total medical and hospital	17,543,619	
Non-health claims	-	
Claim adjustment expenses	1,147,768	
General administrative expenses	2,677,646	
Increase in reserves for life and accident and health contracts	<u>-</u>	
Total underwriting deductions	<u>21,369,033</u>	
Net underwriting gain or (loss)	<u>1,479,492</u>	
Net investment income earned	(98,686)	
Net realized capital gains (losses)	<u>-</u>	
Net investment gains (losses)	(98,686)	
Net gain or (loss) from agents' or premium balances charged off	-	
Aggregate write-ins for other income or expense	<u>-</u>	
Federal income taxes incurred	<u>275,198</u>	
Net income	<u><u>\$ 1,105,608</u></u>	

MARQUIS ADVANTAGE, INC. DBA AGERIGHT ADVANTAGE HEALTH PLAN
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended Dec. 31,

	2023	2022	2021	2020	2019
Capital and surplus prior reporting year	<u>\$5,427,232</u>	<u>\$5,147,690</u>	<u>\$4,337,549</u>	<u>\$3,814,191</u>	<u>\$3,097,767</u>
Net income (loss)	1,105,698	524,870	456,091	590,693	747,190
Change in net unrealized capital gains or (losses)					
Change in net deferred income tax	26,027	48,712	(11,487)	8,869	(7,410)
Change in non-admitted assets	(186,349)	(294,040)	15,537	(76,204)	(23,356)
Change in authorized and certified reinsurance	-				
Change in treasury stock	-	-	-	-	-
Change in surplus notes	-	-	350,000	-	-
Cumulative effect of changes in accounting principles					
Capital changes:					
Paid in	-	-	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-	-	-
Transferred to surplus	-	-	-	-	-
Surplus adjustments:					
Paid in	-	-	-	-	-
Transferred to capital (Stock Dividend)	-	-	-	-	-
Transferred from capital	-	-	-	-	-
Dividends to stockholders	-	-	-	-	-
Aggregate write-ins for gains or (losses) in surplus	-	-	-	-	-
Examination adjustment	-	-	-	-	-
Net change in capital and surplus	<u>945,286</u>	<u>279,542</u>	<u>810,141</u>	<u>523,358</u>	<u>716,424</u>
Capital and surplus end of reporting year	<u>6,372,518</u>	<u>5,427,232</u>	<u>5,147,690</u>	<u>4,337,549</u>	<u>3,814,191</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested assets

At Dec. 31, 2023, the plan's investment portfolio was comprised of one U.S. Treasury bond, three cash accounts and one money market account classified as cash equivalents. A comparison of the investments over the past five years is as follows:

	A	C	Ratio	Ratio
<u>Year</u>	<u>Bonds</u>	<u>Cash and short-term</u>	<u>A/ Total assets</u>	<u>C/ Total assets</u>
2019	2,292,843	2,736,115	32.8%	39.2%
2020	2,297,615	5,732,642	22.9%	57.1%
2021	-	6,701,438	0.0%	69.7%
2022	2,392,217	5,044,506	24.3%	51.2%
2023	2,399,401	6,297,544	20.4%	53.6%

* Balance per examination

As of Dec. 31, 2023, the plan maintained invested assets invested in amply secured obligations of the U.S., the state of Oregon, or in FDIC insured cash deposits, and the plan was in compliance with ORS 733.580.

A review of the board of directors and committee minutes indicated the board formally approved all investment transactions for the years under review as required by ORS 733.730.

Effective Feb. 12, 2016, the plan entered into a custodial agreement with U.S. Bank. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (l).

Note 2 – Actuarial reserves

A review of the reserves for the plan was performed by Michael Sink, ASA, MAAA, life and health actuary for DFR. Mr. Sink reviewed the actuarial memorandum supporting the 2023 actuarial opinion for the plan and also relied on data collected by DFR analysts from the company. He also performed an independent analysis of the reserve calculations in the 2023 financial statement, as supported by the actuarial memorandum. He determined that the reserves held by the company were developed according to actuarial standards of practice and were sufficient to cover expected liabilities. He concluded that all estimates show the company's reserve estimates are reasonable and adequately redundant and had no concerns regarding the calculations in the actuarial statement of opinion.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examination did not result in any changes to surplus. However, the following is a summary of the recommendations made in this report of examination:

Page

- 6 I recommend the plan pay principal and interest directly to the surplus note holder, Rimborso, LLC, in accordance with the provisions of SSAP No.41, paragraphs 3,4 and 18
- 7 I recommend the plan comply with the provisions of ORS 732.574(2)(a) and ORS 732.576(2)(a) (b) prior to transactions with its parents, including paying extraordinary dividends and other distributions to its parents in the future
- 7 I recommend the plan establish an audit committee of the board that meets the requirements of OAR 836-011-0223, as noted in the prior exam report.
- 10 I recommend the company document the process and formally present the results of completion and review of the disclosures by directors and officers at the meeting of the board of directors for approval, in accordance with the requirements of ORS 60.361 Conflict of Interest, as noted in the prior exam report.
- 10 I recommend the plan identify all entities of the insurance holding company system in all future Form B filings with DFR, in accordance with the requirement of ORS 732.551 (1)(b), as noted in the prior exam report.
- 19 I recommend the company file a revised Form B to DFR and include all affiliate agreements currently in force. I further recommend going forward, the company maintain a centralized list of agreements and contracts that may be updated as amendments are made, and employee lease agreements are added or removed. A reconciliation of agreements should be made annually prior to submission to DFR in accordance with ORS 732.574 and OAR 836-027-0160.
- 20 I recommend the company increase its crime and fidelity coverage to a minimum of \$250,000 at its earliest convenience, and no later than the expiration/renewal of its current policy in accordance with the NAIC Financial Condition Examiner Handbook and ORS 731.302(1). During fieldwork, the plan increased its crime and fidelity coverage to \$250,000, which met NAIC Financial Condition Examiner Handbook requirements.
- 23 I recommend the company amend its reinsurance agreement with PartnerRe America Insurance Company to include a settlement clause to require the reinsurer to settle reinsured claims at least quarterly, in accordance with OAR 836-012-0310(1)(h).

- 24 I recommend the company strengthen its unclaimed property policy by incorporating specific provisions for filing unclaimed property timely and accurately in accordance with ORS 98.352 and OAR 170-145-0025.
- 24 I recommend the plan establish a process and procedure to ensure that all affiliated agreements and amendments are disclosed within the holding company registration statement in accordance with ORS 732.552. I further recommend that the plan properly submit all required Form D filings to DFR in accordance with OAR 836-027-0160 and ORS 732.574.
- 25 I recommend the plan properly disclose all entities and affiliates within the holding company system, including all required transactions with affiliates in accordance with ORS 731.574, OAR 836-011-0000, ORS 732.551 (1)(b). and SSAP No.25, paragraphs 4 through 6, as noted in the prior exam report.
- 25 I recommend the plan comply with the provisions of ORS 732.574 (2)(a) and ORS 732.576 (2)(a)(b) prior to transactions with its parents, including paying extraordinary dividends and other distributions to its parents in the future

CONCLUSION

During the five-year period covered by this examination, the surplus of the plan has increased from \$3,097,767, as presented in the 2018 examination report to \$6,372,518 as shown in this report.

The comparative assets and liabilities are:

	<u>2023</u>	Dec. 31,	<u>2018</u>	<u>Change</u>
Assets	\$ 11,755,555		\$ 5,235,844	\$ 6,519,711
Liabilities	<u>5,383,037</u>		<u>2,138,077</u>	3,244,960
Surplus	<u>\$ 6,372,518</u>		<u>\$ 3,097,767</u>	<u>\$ 3,274,751</u>

ACKNOWLEDGMENT

The cooperation and assistance extended by the officers and employees of the plan during the examination process are gratefully acknowledged.

In addition to the undersigned, David Lorenz, AFE, CIE, Jordan Mills, AFE, and Danielle Marsh, APIR insurance examiners, and Michael Sink, ASA, MAAA, life and health actuary for the state of Oregon, DCBS, DFR, participated in this examination. Additionally, Waheed Zafer, CPA, CFE, manager and David Hall, CPA, CISA, CITP, manager, information technology from Risk and Regulatory Consulting participated in this examination, which was greatly appreciated.

Respectfully submitted,

/s/ Mark A. Giffin
Mark A. Giffin, CFE,
Senior insurance examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON

County of Marion

Mark A. Giffin, CFE, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of Marquis Advantage, Inc. dba AgeRight Advantage Health Plan, Milwaukie, Oregon.
2. The Division of Financial Regulation 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., dba AgeRight Advantage Health Plan, was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

/s/ Mark A. Giffin
Mark A. Giffin, CFE,
Senior insurance examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this 16th day of December, 2025.

/s/ Cindy Engle
Notary Public in and for the state of Oregon

My commission expires: July 9, 2027