

REPORT OF EXAMINATION
OF THE
ALL SAVERS LIFE INSURANCE COMPANY
OF CALIFORNIA
AS OF
DECEMBER 31, 2022

A handwritten signature in blue ink, appearing to read "D. DeLa", is positioned above the filing date.

Filed on May 22, 2024

TABLE OF CONTENTS

	<u>PAGE</u>
SCOPE OF EXAMINATION	1
COMPANY HISTORY	3
MANAGEMENT AND CONTROL:	3
Management Agreements	4
TERRITORY AND PLAN OF OPERATION.....	6
REINSURANCE	6
FINANCIAL STATEMENTS:	6
Statement of Financial Condition as of December 31, 2022.....	7
Statement of Revenue and Expenses for the Year Ended December 31, 2022	8
Reconciliation of Surplus as Regards Policyholders from December 31, 2017 through December 31, 2022	9
COMMENTS ON FINANCIAL STATEMENT ITEMS:.....	10
Aggregate Health Policy Reserves and Aggregate Health Claim Reserves	10
SUMMARY OF COMMENTS AND RECOMMENDATIONS:	10
Current Report of Examination	10
Previous Report of Examination	10
ACKNOWLEDGMENT	11

Sacramento, California
April 25, 2024

Honorable Ricardo Lara
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

ALL SAVERS LIFE INSURANCE COMPANY OF CALIFORNIA

(hereinafter also referred to as the Company). The Company's statutory home office is located at 5995 Plaza Drive, Mail Route CA 112-0253, Cypress, California 90630.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2017. This examination covered the period from January 1, 2018 through December 31, 2022.

The examination was conducted in accordance with the National Association of Insurance Commissioners Financial Condition Examiners Handbook (Handbook). The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, and evaluate system controls and procedures used to mitigate those risks. The 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 in accordance with 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 adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the Company 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.), were not included within the examination report but separately communicated to other regulators and/or the Company.

This was a coordinated examination with Connecticut as the lead state and Wisconsin as the facilitating state of the UnitedHealth Group Incorporated. It was conducted concurrently with other insurance entities in the holding company group, including the following companies and their respective states of domicile:

<u>Company</u>	<u>State</u>
UnitedHealthcare of Alabama, Inc.	Alabama
All Savers Life Insurance Company of California	California
UnitedHealthcare of Colorado, Inc.	Colorado
Preferred Care Network of Florida, Inc.	Florida
All Savers Insurance Company	Indiana
Golden Rule Insurance Company	Indiana
UnitedHealthcare of Kentucky, Ltd.	Kentucky
Centurion Casualty Company	Nebraska
UnitedHealthcare Freedom Insurance Company	New Hampshire
UnitedHealthcare of New Mexico, Inc.	New Mexico
Unimerica Life Insurance Company of New York	New York
UnitedHealthcare of Ohio, Inc.	Ohio
The Chesapeake Life Insurance Company	Oklahoma
UnitedHealthcare of Pennsylvania, Inc.	Pennsylvania
Mid-West National Life Insurance Company Of Tennessee	Texas
UnitedHealthcare Community Plan of Texas, LLC	Texas
UnitedHealthcare of Texas, Inc.	Texas
Harken Health Insurance Company	Wisconsin
Unimerica Insurance Company	Wisconsin
UnitedHealthcare of Wisconsin, Inc.	Wisconsin

COMPANY HISTORY

The Company was incorporated on December 31, 1985 under the laws of the state of California. The Company is authorized to issue 100,000 shares of common stock at par value of \$84 per share, of which, 30,000 shares are issued and outstanding. The Company is a wholly-owned subsidiary of Golden Rule Financial Corporation (GRFC). On November 13, 2003, UnitedHealth Group Incorporated (UHG) acquired 100% of GRFC and its subsidiaries. The Company became a member of the UnitedHealth Group with UHG being the ultimate controlling person.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system, in which UnitedHealth Group Incorporated (UHG) is the ultimate controlling entity. The following abridged organizational chart is limited to the entities within the holding company system which the Company had interrelationship with during the examination period (all ownership is 100%):

UnitedHealth Group Incorporated (Delaware)
 United HealthCare Services, Inc. (Minnesota)
 UHIC Holdings, Inc (Delaware)
 UnitedHealthcare Insurance Company (Connecticut)
Golden Rule Financial Corporation (Delaware)
 All Savers Insurance Company (Indiana)
 All Savers Life Insurance Company of California (California)
 Golden Rule Insurance Company (Indiana)

As of December 31, 2022, a three-member board of directors, who are elected annually, oversees the business and affairs of the Company. The directors and principal officers serving at December 31, 2022 were as follows:

Board of Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Joshua J. Green North Bethesda, Maryland	Associate General Counsel UnitedHealth Group, Inc.
Justin L. Quiram Maple Grove, Minnesota	Chief Financial Officer All Savers Insurance Company
Mary H. Zarn Eden Prairie, Minnesota	President and Chief Executive Officer All Savers Insurance Company

Principal Officers

<u>Name</u>	<u>Title</u>
Mary H. Zarn	President and Chief Executive Officer
Justin L. Quiram	Chief Financial Officer and Treasurer
Joshua J. Green	Secretary
Peter M. Gill	Treasurer
James M. Gabriel	Senior Vice President
Nyle B. Cottingham	Vice President

Management Agreements

Management Services Agreement: Effective January 1, 2014, the Company entered into a Management Services Agreement with an affiliate, United HealthCare Services, Inc. (UHS). Under this Agreement, UHS provides the Company with management, administrative, and operational support as deemed necessary or appropriate. The Company pays fees to UHS equal to UHS's actual expenses for services or use of assets. The Agreement was approved by the California Department of Insurance (CDI) on December 10, 2013. Effective January 1, 2015, the Company entered into the First Amendment to the Management Services Agreement with UHS (First Amendment). The First Amendment reflects modifications to the third-party administrator and to Medicare and other services provisions to comply with regulatory requirements. The First Amendment was filed with the CDI on November 5, 2014 and approved on July 24, 2015. Effective November 1, 2021, the Company entered into the Second Amendment to the Management Services Agreement with UHS (Second Amendment), which updated the

monthly payment terms, services provided, and third-party administrator provisions. The Second Amendment was filed with the CDI on September 23, 2021 and approved on December 23, 2021. The amounts paid by the Company under the Agreement were \$11,653 and \$32,366, in 2021 and 2022, respectively. No management fees were paid by the Company between 2018 through 2020 because the fees are driven by premium revenue and the Company had no active business during the period.

First Amendment to the First Restated Tax Sharing Agreement: The Company has a restated Tax Sharing Agreement with UHG and its subsidiaries. Under this Agreement, UHG files a consolidated federal income tax return on behalf of itself, the Company, and the other subsidiaries in the group. The Company is not responsible for the tax payment in excess of what it would have to pay had it filed a separate tax return. The Agreement was approved by the CDI on April 27, 2006. Effective March 1, 2019, the Agreement was amended to reflect changes made to the settlement period of no later than 30 days after the filing date of the consolidated income tax return and to remain in compliance with federal tax law in the event of changes. The First Amendment was filed with CDI on January 29, 2019 and approved on April 10, 2019.

Amendment #2 to the NavigateNOW Agreement: Effective November 1, 2021, UnitedHealthcare Insurance Company (UHIC), All Savers Insurance Company (ASIC), and various health care services providers entered into the NavigateNOW Agreement. Under the terms of this Agreement, the health care service providers would develop a mutually agreed upon annual plan for the Incentive Program that identifies, among other things, cost, quality and efficiency activities and goals for UHIC and ASIC. Effective June 1, 2022, Amendment #1 updated the Measurement Period Calculations section of the Agreement. Effective December 1, 2022, Amendment #2 updated the Measurement Period Calculations section and added the Company as a party to the Agreement. The Amendment #2 was filed with CDI on October 11, 2022 and approved on November 30, 2022.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact life and accident and health insurance in the states of California and Illinois. The Company did not write any business until 2021. Effective January 1, 2021, the Company started to offer Level 2 Stop Loss business in California. Effective January 1, 2022, the Company started offering the Level Funded Stop Loss product, which is marketed to small and large group employers in California. This product offers employers the ability to cap their potential financial exposure to its diabetic members. The Company reported \$742,280 and \$2,324,364 of direct written premiums in 2021 and 2022, respectively.

REINSURANCE

The Company does not cede or assume reinsurance.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance for the period ending December 31, 2022. The accompanying comments to the amounts in the financial statements should be considered an integral part of the financial statements. No adjustments were made to the financial statements as a result of the examination.

Statement of Financial Condition as of December 31, 2022

Underwriting and Investment Exhibit for the Year Ended December 31, 2022

Reconciliation of Surplus as Regards Policyholders from December 31, 2017
through December 31, 2022

Statement of Financial Condition
as of December 31, 2022

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 1,528,495	\$	\$ 1,528,495	
Cash and cash equivalents	5,455,063		5,455,063	
Investment income due and accrued	11,520		11,520	
Uncollected premiums and agents' balances in the course of collection	166,755		166,755	
Net deferred tax asset	22,036		22,036	
Receivables from parent, subsidiaries and affiliates	68,958		68,958	
Total assets	<u>\$ 7,252,827</u>	<u>\$</u>	<u>\$ 7,252,827</u>	
 <u>Liabilities, Surplus, and Other Funds</u>				<u>Notes</u>
Unpaid claims adjustment expenses			\$ 11,114	
Aggregate health policy reserves			94,680	(1)
Aggregate health claim reserves			763,307	(1)
Premiums received in advance			273	
General expenses due or accrued			110,124	
Current federal and foreign income tax payable and interest thereon			<u>34,673</u>	
Total liabilities			1,014,171	
Common capital stock	\$ 2,520,000			
Gross paid-in and contributed surplus	2,657,840			
Unassigned funds (surplus)	<u>1,060,816</u>			
Surplus as regards policyholders			<u>6,238,656</u>	
Total liabilities, surplus, and other funds			<u>\$ 7,252,827</u>	

Statement of Revenue and Expenses
for the Year Ended December 31, 2022

Net premium income		\$ 2,324,364
Total revenue		2,324,364
<u>Less:</u>		
Hospital/medical benefits	\$ 2,586,253	
Claim adjustment expenses	11,114	
General administrative expenses	139,209	
Increase in reserves for life and accident and health contracts	<u>51,085</u>	
Total underwriting deductions		<u>2,787,661</u>
Net underwriting loss		(463,297)
Net investment income earned		<u>1,880</u>
Net income after capital gains tax, and before all other federal and foreign income taxes		(461,417)
Federal and foreign income taxes incurred/(recovered)		<u>(84,327)</u>
Net loss		<u>\$ (377,090)</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2021		\$ 6,603,176
Net loss	\$ (377,090)	
Change in net deferred income tax	<u>12,570</u>	
Change in surplus as regards policyholders for the year		<u>(364,520)</u>
Surplus as regards policyholders, December 31, 2022		<u>\$ 6,238,656</u>

Reconciliation of Surplus as Regards Policyholders
from December 31, 2017 through December 31, 2022

Surplus as regards policyholders, December 31, 2017			\$	6,245,177
	Gain in Surplus	Loss in Surplus		
Net loss	\$	\$		71,953
Change in net deferred income tax	22,035			
Aggregate write-ins for gains in surplus	43,397			
Total gains and losses in surplus	\$ 65,432	\$ 71,953		
Net decrease in surplus as regards policyholders				(6,521)
Surplus as regards policyholders, December 31, 2022			\$	6,238,656

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Aggregate Health Policy Reserves and Aggregate Health Claim Reserves

The Pennsylvania Insurance Department, on behalf of all participating states in this coordinated examination of UnitedHealth Group, engaged Lewis & Ellis, LLC (L&E) to perform an actuarial analysis of the liabilities and reserves for the insurers covered in this coordinated examination. A Senior Life Actuary and Actuarial Senior Analyst from the California Department of Insurance reviewed the work performed by L&E and concurred that the aggregate health policy reserves and aggregate health claim reserves reported by the Company as of December 31, 2022 are reasonable and adequate and have been accepted for purposes of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

None.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

Jack Lee, CFE
Examiner-In-Charge
Senior Insurance Examiner
Department of Insurance
State of California

Kyo Chu, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California