

REPORT OF EXAMINATION
OF THE
PREMIER ACCESS INSURANCE COMPANY
AS OF
DECEMBER 31, 2023

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Filed on June 30, 2025

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Sacramento, California
May 27, 2025

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

PREMIER ACCESS INSURANCE COMPANY

(hereinafter also referred to as the Company). The Company's statutory home office and its books and records are located at 8890 Cal Center Drive, Sacramento, California 95826.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2018. This examination covered the period from January 1, 2019, through December 31, 2023.

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 the Company'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 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 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 of the insurance company holding system of which The Guardian Life Insurance Company of America is the ultimate controlling entity, with New York as the lead state. California is a participating state for this examination, which was conducted concurrently with other insurance entities in the holding company group as listed below:

- Access Dental Plan of Nevada, Inc. (Nevada)
- Access Dental Plan of Utah, Inc. (Utah)
- Avesis Insurance Incorporated (Arizona)
- Family Service Life Insurance Company (Texas)
- First Commonwealth Insurance Company (Illinois)
- First Commonwealth Limited Health Services Corporation (Illinois)
- First Commonwealth Limited Health Services Corporation of Michigan (Michigan)
- First Commonwealth of Missouri, Inc. (Missouri)
- Managed DentalGuard, Inc. (New Jersey)
- Managed DentalGuard, Inc. (Ohio)
- Managed DentalGuard, Inc. (Texas)
- Sentinel American Life Insurance Company (Texas)
- The Guardian Insurance and Annuity Company, Inc. (Delaware)
- The Guardian Life Insurance Company of America (New York)

COMPANY HISTORY

The Company was incorporated in California on August 7, 1997, and commenced business on January 28, 1998. It has 34,500 authorized and outstanding shares of common stock with a par value of \$78 per share. On August 1, 2014, all outstanding common stock was acquired directly and indirectly by First Commonwealth, Inc. (FCW), a Delaware corporation and a direct subsidiary of The Guardian Life Insurance Company of America (GLICOA).

Acquisition

On March 5, 2021, FCW, Avatar Holdings, LLC (Avatar Holdings), and Avatar Buyer, LLC (Avatar Buyer) entered into the Unit Purchase Agreement, whereby Avatar Buyer purchased 12% ownership of Avatar Holdings. FCW entered into the joint venture to form Avatar Holdco 1, Inc (AH1) as a new intermediate holding company interposed between FCW and certain of its direct subsidiaries. On April 2, 2021, the California Department of Insurance (CDI) accepted the Domestic Change of Control (Form A) application from Avatar Holdings; Avatar Buyer; Cressey & Company GP VI LP; Cressey & Company LLC; and two private investors in connection with the proposed acquisition of control of the Company. The CDI approved the Form A acquisition on August 6, 2021, pursuant to California Insurance Code (CIC) Section 1215.2(d).

The acquisition included the formation of various Avatar and Avesis entities within the Avatar Holdings, and the reorganization of entities. Effective October 1, 2021, the Company became a wholly-owned subsidiary of Avatar Holdco 2, Inc. (AH2), which is wholly-owned by Avatar Holdings. Avatar Holdings is 88% owned by AH1 and 12% owned by Avatar Buyer. AH1 is wholly-owned by FCW, which is wholly-owned by GLICOA. Avatar Buyer is wholly-owned by the Cressey Funds.

Capitalization

The Company received a cash capital contribution of \$1 million from AH2 in December 2023.

Dividends

The following cash dividends were paid to the Company's shareholders during the examination period:

<u>Year</u>	<u>Amount</u>	<u>Type of Dividend</u>	<u>CDI Approval Date</u>
2019	\$18,285,000	Extraordinary	December 10, 2019
2020	\$5,000,000	Ordinary	Not required
2021	\$15,959,700	Ordinary	Not required
2023	\$16,205,685	Ordinary	Not required
2023	\$7,000,000	Extraordinary	June 5, 2023

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which The Guardian Life Insurance Company of America is the ultimate controlling entity. The following abridged organizational chart depicts the relationship between the Company as of December 31, 2023 (all ownership is 100% unless otherwise noted):

The Guardian Life Insurance Company of America (New York)

 The Guardian Insurance & Annuity Company, Inc. (Delaware)

 Managed DentalGuard, Inc. (New Jersey)

 Managed DentalGuard, Inc. (Texas)

 Park Avenue Life Insurance Company (Delaware)

 Family Service Life Insurance Company (Texas)

 Sentinel American Life Insurance Company (Texas)

 First Commonwealth, Inc. (Delaware)

 Avatar Holdco 1, Inc. (Delaware)

 Avatar Holdings, LLC (Delaware)*

 Avesis, LLC (Delaware)

 Avesis Third Party Administrators, LLC (Arizona)

 Avatar Holdco 2, Inc. (Delaware)

Premier Access Insurance Company (California)

Avesis Insurance Incorporated (Arizona)
Avesis of New York, Inc. (New York)
Premier Group Inc. (California)
 Access Dental Plan (California)
 Access Dental Plan of Utah, Inc. (Utah)
 Access Dental Plan of Nevada, Inc. (Nevada)
Avesis of Florida, Inc. (New York)

Guardian India Operations Private Limited (India)
First Commonwealth Limited Health Services Corporation (Illinois)
First Commonwealth Insurance Company (Illinois)
First Commonwealth of Missouri, Inc. (Missouri)
First Commonwealth Limited Health Services Corporation of Michigan (Michigan)
Managed DentalGuard, Inc. (Ohio)

**Avatar Holdings, LLC is owned 88% by Avatar Holdco 1, Inc. and 12% by Avatar Buyer, LLC (Delaware).*

The four members of the Board of Directors, who are elected annually, oversee the business and affairs of the Company. Following are members of the Board of Directors and principal officers serving at December 31, 2023:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Bary G. Bailey ⁽¹⁾ Dallas, Texas	Chief Financial Officer Cressey & Company LLC
Allison E. Ellison ⁽²⁾ Fayetteville, Arkansas	Chief Human Resources Officer Avesis, LLC
Garrett M. Heenan ⁽³⁾ Santa Anna, California	Vice President, Chief Legal Officer Avesis, LLC
Kirk E. Rothrock Naples, Florida	President Avesis, LLC

The following changes in the Directors occurred subsequent to the examination date:

- ⁽¹⁾ *Effective April 1, 2025, Bary G. Bailey resigned as a member of the Board and was replaced by Harvey F. Littman.*
- ⁽²⁾ *Effective September 16, 2024, Allison E. Ellison resigned as a member of the Board and was replaced by Molly A. Wade.*
- ⁽³⁾ *Effective March 17, 2025, Garrett M. Heenan resigned as a member of the Board and was replaced by Michael K. Scott.*

Principal Officers

<u>Name</u>	<u>Title</u>
Kirk E. Rothrock ⁽¹⁾	President and Chief Operating Officer
Bary G. Bailey ⁽²⁾	Interim Chief Financial Officer
Sean M. Slovenski ⁽³⁾	Chief Executive Officer
Garrett M. Heenan ⁽⁴⁾	Vice President, Chief Legal Officer
Molly A. Wade	Controller and Treasurer
Natalie R. Majeed	Secretary

The following changes in the Principal Officers occurred subsequent to the examination date:

- (1) Effective April 1, 2024, Kirk E. Rothrock resigned as President and Chief Operating Officer and was replaced by Michael K. Scott.*
- (2) Effective April 1, 2025, Bary G. Bailey resigned as Interim Chief Financial Officer and was replaced by Harvey F. Littman.*
- (3) Effective April 1, 2024, Sean M. Slovenski resigned as Chief Executive Office and was replaced by Kirk E. Rothrock.*
- (4) Effective April 1, 2025, Garrett M. Heenan resigned as Vice President and was replaced by Kristyl M. Thompson.*

Management Agreements

Services Agreements: Effective July 13, 2014, the Company entered into two Services Agreements with Guardian Life Insurance Company of America (GLICOA). One of the Services Agreements pertains to GLICOA's New York policies only, and the other Services Agreement relates to its policies written in Florida, Illinois, and Texas, plus additional jurisdictions subsequently added in the future with mutual consent from both parties. Under the terms of the Agreements, the Company provides certain services in regard to GLICOA's individual Dental Health Maintenance Organization insurance, including the enrollment of members, administrative services, premium collection, and claims payment. The services provided under both Agreements are identical except that under the Services Agreement with GLICOA's New York policies, all activities that require claims adjudication discretion, including the authority to modify or deny claims, remain solely vested in GLICOA. Effective August 1, 2014, an Amendment No.1 was submitted to revise the compensation provision to be at cost, and the Agreements were approved by the California Department of Insurance (CDI) on August 7, 2015. The total fees incurred for services for 2019, 2020, 2021, and 2022 were \$16,182,846, \$22,032,667, \$15,604,267, and \$1,496,109, respectively. No fee was incurred in 2023 as this agreement was replaced by the following Services Agreement.

Services Agreement: Effective October 1, 2021, the Company is a party to the Services Agreement with Avatar Holdings, LLC (Avatar Holdings), Avesis, LLC (Avesis), Avesis Third Party Administrators, LLC (Avesis TPA), Avatar 2, Avesis NY, Avesis Insurance, PGI, ADP, ADP NV, ADP UT, Avesis Eye Care IPA, LLC, and Avesis Dental IPA, LLC. The services to be provided to each party include account establishment, finance and tax,

investment, billing and accounting, claims administration, provider accounting, human resources, financial, legal, government relations and compliance, information technology, facilities, customer service, provider service, marketing, and various administrative functions. The CDI approved the agreement on March 17, 2022, pursuant to the CIC Section 1215.5 (b)(4). The total fees incurred for services for 2022 and 2023 were \$19,926,702 and \$20,391,003.

Amended and Restated Administrative Services Agreement: Effective April 1, 2019, the Company entered into an Amended and Restated Administrative Service Agreement with Guardian India Operations Private Limited (GIOPL), formerly Data Telesis Private Limited, to update the agreement to include safeguard provisions required by the CDI. The new Agreement updates the pricing methodology used to compensate GIOPL; include description of the services; and to list the locations where GIOPL may provide services on behalf of the Company. The Agreement states that GIOPL is reimbursed at cost for its services and facilities. This Agreement was approved by the CDI on November 16, 2018. Under the terms of the agreement, GIOPL provides claims processing, data entry, accounting functions including accounts payable and accounts receivable, consolidation of information, commission calculation, financial analysis, member services, enrollment services, dental billing services, payroll, and human resources tasks. The fees incurred by the Company for 2019, 2020, 2021, 2022, and 2023 were \$1,914,396, \$1,149,660, \$1,200,750, \$1,285,631, and \$929,897, respectively.

Tax Sharing Agreement: Effective October 1, 2021, the Company is a party to the Tax Sharing Agreement with Avatar Holdco 2, Inc. (AH2), Avesis of New York, Inc. (Avesis NY), Avesis Insurance Incorporated (Avesis Insurance), Premier Group, Inc, (PGI), Access Dental Plan of Nevada, Inc. (ADP NV), Access Dental Plan (ADP), and Access Dental Plan of Utah, Inc. (ADP UT). The services provided in the agreement include the filing of federal and state income taxes in a consolidated tax filing group as well as the allocation and settlement of tax liabilities among the subsidiaries and affiliates involved in the agreement. In 2022 and 2023, the Company reported paying \$3,011,334 and \$0, respectively, for income tax expenses to AH2. CDI approved the agreement on April 4, 2022,

TERRITORY AND PLAN OF OPERATION

Prior to the October 2021 acquisition, the Company's management and operations were part of the GLICOA group benefits line of business. Since that time, the Company has transitioned these functions to Avesis, LLC, which provides the majority of the personnel and operations.

The Company is licensed in the following thirteen states but primarily markets and underwrites dental insurance products targeting small businesses in California, Utah, Nevada, and Arizona.

Arizona	California	Colorado	Connecticut
Kentucky	Nevada	New Jersey	Oregon
Pennsylvania	Texas	Utah	Virginia
Washington			

In 2023, California and Utah made up 97% (\$35.0 million and \$49.3 million, respectively) of the Company's \$86.9 million in premium revenue. The Company markets and underwrites group dental insurance policies, serving as a contracted dental insurer for Medicaid and Children's Health Insurance Programs in Utah. The Company also offers group commercial insurance through fully insured and Administrative Service Only dental Preferred Provider Organization (PPO) plans. Effective January 1, 2021, the Company discontinued offering individual dental policies through Health Exchange and off-Exchange markets.

Product distribution is primarily through brokers, employer-sponsored plans, and government programs. Benefit brokers, independent agents, and a structured commercial sales team all form the distribution channels along with collaborations with managed care organizations for private-label solutions. Strategic adjustments aim to maintain competitiveness in the small employer group segment.

Growth efforts are directed at expanding administrative services for self-funded accounts and membership growth initiatives. Recent initiatives include digital tools for enrollment

and plan education. While no new products were introduced, efforts have been focused on strengthening brand visibility, broker engagement, and administrative service offerings for employer-sponsored dental and vision plans.

REINSURANCE

Assumed

The Company did not assume any reinsurance during the examination period.

Ceded

The Company did not cede any reinsurance during the examination period.

ACCOUNTS AND RECORDS

Pursuant to California Insurance Code (CIC) Section 1215.4, the Company is subject to the disclosure requirements and standards in the Insurance Holding Company System Annual Registration Statements. It was observed that the affiliated agreements disclosed on Form B filings have inconsistent naming and referencing when compared to actual agreements. It is recommended that the Company ensure all related party agreements disclosed in the Insurance Holding Company System Annual Registration Statements in accordance with CIC Section 1215.4 are accurate, complete, and consistent with the actual agreements.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance and present the financial condition of the Company for the period ending December 31, 2023. There were no adjustments to the financial statements as a result of the examination.

Statement of Financial Condition as of December 31, 2023

Underwriting and Investment Exhibit for the Year Ended December 31, 2023

Reconciliation of Surplus as Regards Policyholders from December 31, 2018 through December 31, 2023

Statement of Financial Condition
as of December 31, 2023

<u>Assets</u>	<u>Ledger and Non- ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 9,115,880	\$	9,115,880	
Cash, cash equivalents, and short-term investments	9,895,458		9,895,458	
Investment income due and accrued	21,073		21,073	
Uncollected premiums and agents' balances in the course of collection	2,051,553	166,038	1,885,514	
Amounts receivable relating to uninsured plans	53,506	7,271	46,235	
Current federal and foreign income tax recoverable and interest thereon	899,828	899,820		
Net deferred tax asset	429,199	200,525	228,674	
Guaranty funds receivable or on deposit	70,410		70,410	
Furniture and equipment	64,585	64,585		
Receivables from parent, subsidiaries and affiliates	3,230,297		3,230,297	
Aggregate write-ins for other than invested assets	189,097	184,064	5,033	
Total assets	<u>\$ 26,020,878</u>	<u>\$ 622,483</u>	<u>\$ 25,398,395</u>	
<u>Liabilities, Capital and Surplus</u>				
				<u>Notes</u>
Claims unpaid		\$	8,374,462	(1)
Unpaid claims adjustment expenses			418,723	(1)
Premiums received in advance			767,527	
General expenses due or accrued			1,943,039	
Amounts withheld or retained for the account of others			2,142,209	
Remittances and items not allocated			723,900	
Amounts due to parent, subsidiaries and affiliates			130,038	
Liability for amounts held under uninsured plans			7,017	
Total liabilities			14,506,915	
Common capital stock	\$	2,691,000		
Gross paid-in and contributed surplus		9,309,000		
Unassigned funds (surplus)		(1,108,520)		
Surplus as regards policyholders			10,891,480	
Total liabilities, surplus, and other funds			<u>\$ 25,398,395</u>	

Statement of Revenue and Expenses
for the Year Ended December 31, 2023

Statement of Revenue and Expenses

Underwriting Income

Total Revenue		\$ 86,910,946
Deductions:		
Total hospital and medical	\$ 63,229,769	
Claims adjustment expenses	3,614,482	
General administrative expenses	<u>23,576,528</u>	
Total underwriting deductions		<u>90,420,779</u>
Net underwriting loss		(3,509,833)

Investment Income

Net investment income earned	\$ 575,301	
Net realized capital losses	<u>(613,584)</u>	
Net investment loss		(38,283)
Net loss after capital gains tax, and before all other federal income taxes		(3,548,116)
Federal and foreign income taxes incurred		<u>(692,874)</u>
Net loss		<u>\$ (2,855,242)</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2022		\$ 35,980,225
Net loss	\$ (2,855,242)	
Change in net unrealized foreign exchange capital gains	(29,316)	
Change in net deferred income tax	98,931	
Change in nonadmitted assets	(97,432)	
Surplus adjustments: Paid-in	1,000,000	
Dividends to stockholders	<u>(23,205,685)</u>	
Net change in capital and surplus		<u>(25,088,745)</u>
Capital and surplus for the year, December 31, 2023		<u>\$ 10,891,480</u>

Reconciliation of Capital and Surplus
from December 31, 2018, through December 31, 2023

Surplus as regards policyholders, December 31, 2018			\$ 28,500,506
	Gain in Surplus	Loss in Surplus	
Net income	\$ 43,735,935	\$	
Change in unrealized capital gain (loss)		29,317	
Change in net unrealized foreign exchange capital gain	36,075		
Change in net deferred income tax	188,302		
Change in nonadmitted assets		93,795	
Change in Surplus: Paid-in	1,000,000		
Dividend to stockholders		62,450,470	
Aggregate write-ins for gains and losses in surplus	4,244		
Total gains and losses	\$ 44,964,556	\$ 62,573,582	
Net decrease in capital and surplus			(17,609,026)
Surplus as regards policyholders, December 31, 2023			\$ 10,891,480

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Claims Unpaid and Unpaid Claims Adjustment Expenses

The Senior Life Actuary from the California Department of Insurance performed an actuarial evaluation of the Company's claims unpaid and unpaid claims adjustment expense reserves. Based on the evaluation, the Company's reserves as of December 31, 2023, were found to be reasonably stated and have been accepted for purposes of this examination.

SUBSEQUENT EVENTS

On September 7, 2024, the Company's parent, Avatar Holdco 2, Inc. (AH2), contributed \$2,000,000 in capital to the Company. On March 31, 2025, AH2 contributed an additional \$1,400,000 in capital to the Company.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Accounts and Records (Page 11): It is recommended that the Company ensure all related party agreements disclosed in the Insurance Holding Company System Annual Registration Statements in accordance with California Insurance Code Section 1215.4 are accurate, complete, and consistent with the actual agreements.

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,

A handwritten signature in black ink, appearing to read "Tracy D. Gates", written in a cursive style.

Tracy D. Gates, CISA, CFE
Examiner-In-Charge
Department of Insurance
State of California

Li Lim, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California