

REPORT OF EXAMINATION
OF THE
SAFEHEALTH LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2023

Insurance Commissioner

A handwritten signature in blue ink, appearing to read "D. DeLoe", is positioned above the "Filed on" text.

Filed on June 13, 2025

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Los Angeles, California
May 28, 2025

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

SAFEHEALTH LIFE INSURANCE COMPANY

(hereinafter also referred to as the Company). The Company's home office and main administrative office is located at 5 Park Plaza, Suite 1850, Irvine, California 92614.

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 included 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 includes 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 an adjustment was identified during the course of the examination, the impact of such adjustment would 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 might 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 examination was coordinated with New York as the lead state of the Metropolitan Group, and it was conducted concurrently with other insurers in the holding company group. The states that elected to participate in this coordinated exam and their respective insurers are identified below:

<u>State</u>	<u>Insurer</u>	<u>NAIC No.</u>
New York	Metropolitan Life Insurance Company	65978
Arizona	Superior Vision Insurance Company, Inc.	60188
Delaware	American Life Insurance Company	60690
Delaware	Delaware American Life Insurance Company	62634
Nebraska	Metropolitan Tower Life Insurance Company	97136
New Jersey	MetLife Health Plans Inc	14170
New Jersey	Superior Vision of New Jersey, Inc.	14189
South Carolina	MetLife Reinsurance Company of South Carolina	13626
Vermont	MetLife Reinsurance Company of Vermont	13092
Texas	Safeguard Health Plans, Inc.	95051
Texas	Block Vision of Texas, Inc.	95387

COMPANY HISTORY

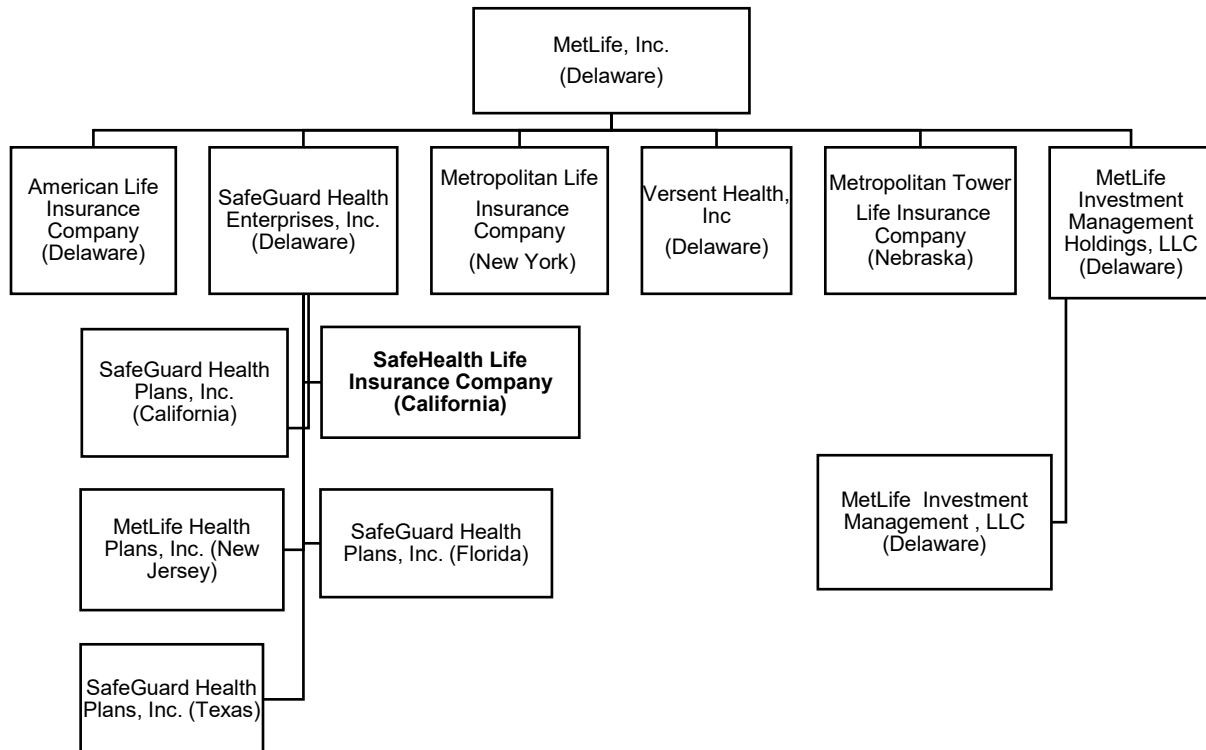
The Company is a wholly-owned subsidiary of SafeGuard Health Enterprises, Inc. (Enterprises), a Delaware corporation, and ultimately owned by MetLife, Inc. (MetLife), a Delaware corporation.

Capitalization

The Company has 500,000 shares of common stock authorized, of which 115,000 are issued and outstanding, with a par value of \$25 per share.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which MetLife, Inc., a Delaware corporation, is the ultimate controlling entity. Following is an abridged organizational chart (all ownership is 100%):



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 and principal offices of the Company serving on December 31, 2023:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Donna L. Carr Jacksonville, Florida	Director and Senior Vice President SafeGuard Health Enterprises, Inc.
Brendan P. Cavanaugh ^(a) Bridgewater, New Jersey	Director and Vice President SafeGuard Health Enterprises, Inc.
Heather B. Phelps Bridgewater, New Jersey	Senior Vice President and Chair of Board SafeGuard Health Enterprises, Inc.
Christopher T. Swanker Bridgewater, New Jersey	Director and President SafeGuard Health Enterprises, Inc.

Principal Officers

<u>Name</u>	<u>Title</u>
Christopher T. Swanker	President
Anthony J. Tobia	Vice President and Chief Financial Officer
Charles P. Connery	Vice President and Treasurer
Kelli J. Buford	Secretary

(a) Brenden P. Cavanaugh resigned as of March 31, 2025, and no successor has been identified.

Management Agreements

Service Agreement: Effective January 1, 2009, the Company entered into a service agreement with SafeGuard Health Enterprises, Inc. (Enterprises). Under the terms of this agreement, Enterprises agrees to provide administrative services that support all business activities of the Company. The agreement was approved by the California Department of Insurance (CDI) on June 12, 2009. The agreement was amended on December 10, 2014, to permit foreign vendors, including the Company's foreign affiliates, to provide shared services and facility use to the Company. The amendment was

approved by CDI on December 9, 2014. The Company paid Enterprises for the services in the amount of \$74,904, \$63,593, \$58,967, \$68,040, and \$42,950 in 2019, 2020, 2021, 2022, and 2023, respectively.

Tax Sharing Agreement: The Company is a party to a Tax Sharing Agreement with its ultimate parent, MetLife, Inc. (MetLife), as amended on January 1, 2009. Under the terms of the agreement, subsidiaries' federal income returns are included in consolidated federal income tax returns with MetLife. The allocation of taxes is based upon a percentage of the federal consolidated income tax liability, which the federal income tax of such subsidiary, if computed on a separate return basis, would bear to the total amount of federal income tax for all members of the group. All settlements of inter-company tax balances are due within 30 days after the filing of the consolidated federal income tax return. The agreement was approved by the CDI on November 18, 2009. The Company recovered \$228,631, \$175,877, \$222,251, and \$54,136 in 2019, 2020, 2021, and 2022 and paid \$36,064 in 2023, in connection with the Tax Sharing Agreement. .

Investment Management Agreement: Effective April 1, 2018, the Company is a party to an Investment Management Agreement with MetLife Investment Management, LLC (MIM) (formerly MetLife Investment Advisors, LLC). MIM is a wholly-owned subsidiary of MetLife. According to the agreement, MIM provides certain investment and portfolio management services to the Company and charges the Company a market-based management fee for the services provided. The CDI approved this agreement on December 29, 2017. The agreement was amended with an effective date of January 1, 2025, to update fees paid to the investment manager to reflect current market rates for the services. The investment management fees will be calculated on a monthly basis, rather than a quarterly basis. Other than changes related to schedule fees and fee settlement, the amendment does not result in any material modifications to the terms of the existing agreement. The CDI approved the amendment on December 26, 2024. The Company paid for the service under the agreement in the amount of \$263, \$126, \$6,278, \$3,525, and \$3,276 in 2019, 2020, 2021, 2022, and 2023, respectively.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2023, the Company was licensed to transact life, accident, and health insurance in the following 20 states:

Arizona	Georgia	Missouri	Pennsylvania
California	Illinois	Nevada	South Carolina
Colorado	Kansas	New Mexico	Texas
Delaware	Kentucky	Ohio	Utah
Florida	Maryland	Oregon	Wisconsin

The Company primarily offered managed indemnity and preferred provider organization ("PPO") vision products for small and medium-sized employer organizations, governmental entities, and, to a lesser extent, large corporate employers. As the result of the approval to write vision insurance for its affiliates Metropolitan Life Insurance Company ("MLIC"), a subsidiary of MetLife, Inc., the Company transitioned the vision insurance business to MLIC. The Company ceased selling new vision business in the second quarter of 2013. During the examination period, the source of business was mainly from renewing vision premiums from existing policyholders. As of December 31, 2022, the Company completed the full runoff of its business. The Company had zero premiums written and zero policyholders as of December 31, 2023. The Company currently does not have a plan to resume writing business, however, MetLife is evaluating whether the Company can be useful in underwriting any of the insurance products offered by MetLife enterprise.

REINSURANCE

Assumed

The Company does not assume any insurance.

Ceded

The Company does not cede any reinsurance

ACCOUNTS AND RECORDS

Corporate Records

California Insurance Code (CIC) Section 735 states that the Company must inform the board members of the receipt of the examination report, both in the form first formally prepared by the examiners and in the form as finally settled and officially filed by the Commissioner, and enter that fact in the board minutes. A review of the board minutes disclosed that the prior filed Report of Examination was not presented to the board of directors of the Company. It is recommended that the Company implement procedures in its board meeting to ensure adherence to the CIC Section 735.

FINANCIAL STATEMENTS

The following 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. No adjustments were made to the statutory financial statements reported by the Company.

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 Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 4,040,001	\$	\$ 4,040,001
Cash, cash equivalents, and short-term investments	8,771,475		8,771,475
Investment income due and accrued	30,814		30,814
Net deferred tax asset	6,514	6,514	0
Aggregate write-ins for other than invested assets	<u>405</u>		<u>405</u>
Total assets	<u>\$ 12,849,209</u>	<u>\$ 6,514</u>	<u>\$ 12,842,695</u>
<u>Liabilities, Capital, and Surplus</u>			
General expenses due or accrued			\$ 40,431
Current federal and foreign income tax payable and interest thereon			312,606
Amount due to parent, subsidiaries, and affiliates			5,947
Aggregate write-ins for liabilities			<u>258,848</u>
Total liabilities			617,832
Common capital stock		\$ 2,875,000	
Gross paid-in and contributed surplus		12,170,013	
Unassigned funds (surplus)		<u>(2,820,150)</u>	
Total capital and surplus			<u>12,224,863</u>
Total liabilities, capital, and surplus			<u>\$ 12,842,695</u>

Summary of Operations and Capital and Surplus Account
for the Year Ended December 31, 2023

State of Revenue and Expenses

Underwriting Income

Net premium income	\$	0
Total revenue		0
Deductions:		
General administrative expenses	\$ 88,166	
Total underwriting deductions		\$ 88,166
Net underwriting loss		(88,166)

Investment Income

Net investment income earned	\$ 533,728	
Net realized capital gains	193	
Net investment gains		533,921
Net income after capital gains taxes, and before all other federal income taxes		445,755
Federal and foreign income taxes incurred		103,082
Net income		\$ 342,673

Capital and Surplus Account

Capital and surplus, December 31, 2022		\$ 11,882,190
Net income	\$ 342,673	
Change in net deferred income tax	(82)	
Change in non-admitted assets	82	
Net change in capital and surplus		342,673
Capital and surplus, December 31, 2023		\$ 12,224,863

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

Capital and Surplus, December 31, 2018			\$	12,642,170	<u>Notes</u>
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>			
Net income	\$ 500,153	\$			
Change in net deferred income tax		11,178			
Change in non-admitted assets	24,761				
Aggregate write-ins for losses in surplus		<u>931,043</u>			(1)
Total gains and losses	<u>\$ 524,914</u>	<u>\$ 942,221</u>			
Change in surplus as regards policyholders				<u>(417,307)</u>	
Capital and Surplus, December 31, 2023			\$	<u>12,224,863</u>	

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Aggregate Write-Ins for Losses in Surplus

During the examination period, the Company discovered an error related to the issuance of individual vision insurance policies by the Company with individual dental Health Maintenance Organization Plan (HMO) coverage provided by SafeGuard Health Plan, Inc., from 2008 through 2012 and the associated premium rates. The premiums which totaled \$1,116,374 were refunded to the affected policyholders in 2019 and 2020. According to Statements of Statutory Accounting Principles No. 3, cumulative accounting errors shall be reported as adjustment to surplus in the period an error is detected. The correction of the errors resulted in an accumulative decrease in surplus, net of tax, of \$931,043, for the years from 2019 to 2022.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Accounts and Records - Corporate Records (page 7): It is recommended that the Company implement procedures in its board meeting to ensure adherence to the California Insurance Code Section 735.

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,

Julalak Boonleerawat
Examiner-In-Charge
Insurance Examiner
Department of Insurance
State of California

Ralph Oseguera, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California