

REPORT OF EXAMINATION
OF THE
SAFEHEALTH LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2018

Filed on June 2, 2020

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Los Angeles, California
May 15, 2020

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). Its home office is located at 18210 Crane Nest Drive, 3rd Floor, Tampa, Florida 33647. The primary location of its books and records is 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, 2016. This examination covered the period from January 1, 2017 through December 31, 2018.

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. 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 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 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 was a coordinated examination with New York as the lead state of the Metropolitan Group. It was conducted concurrently with other insurance entities in the holding company group, including Metropolitan Life Insurance Company, American Life Insurance Company, Delaware American Life Insurance Company, Metropolitan Tower Life Insurance Company, MetLife Reinsurance Company of Charleston and Safeguard Health Plans, Inc. The following states participated in the examination: California, Delaware, Nebraska, South Carolina, and Texas.

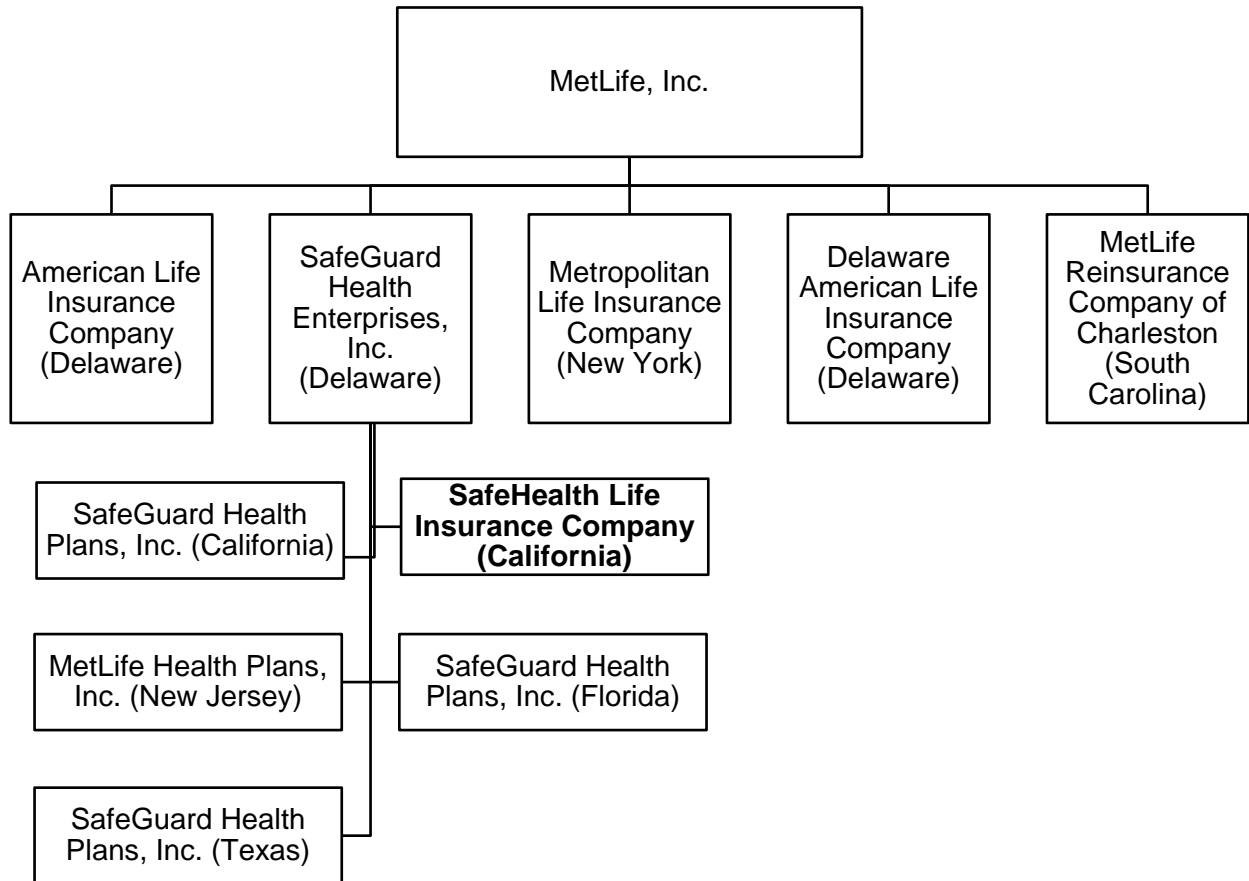
COMPANY HISTORY

The Company is a wholly-owned subsidiary of SafeGuard Health Enterprises, Inc. (Enterprises), a Delaware corporation. On February 1, 2008, Soap Acquisition Corporation (Soap), a wholly-owned subsidiary of MetLife, Inc. (MetLife), a Delaware corporation, acquired Enterprises. Soap was then merged with and into Enterprises, with Enterprises, the surviving entity, becoming a wholly-owned subsidiary of MetLife .

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

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 three members of the board of directors, who are elected annually, manage the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2018:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Frank Cassandra Staten Island, New York	Senior Vice President Safeguard Health Plan, Inc.
Alan S. Hirschberg River Vale, New Jersey	President Safeguard Health Plan, Inc.
Heather B. Phelps Sussex, New Jersey	Senior Vice President Safeguard Health Plan, Inc.

Principal Officers

<u>Name</u>	<u>Title</u>
Alan S. Hirschberg	President and Chief Executive Officer
Brendan P. Cavanaugh	Executive Vice President and Chief Financial Officer
Charles P. Connery	Executive Vice President and Treasurer
Robert S. Raphael	Secretary

Management Agreements

Service Agreement: The Company is a party to a Service Agreement with its immediate parent, SafeGuard Health Enterprises, Inc. (Enterprises), effective January 1, 2009. The agreement was approved by the California Department of Insurance (CDI) on June 12, 2009. The agreement was amended and approved by the CDI, effective December 9, 2014, to permit foreign vendors, including the Company's foreign affiliates, to provide shared services and facility use to the Company. Under the terms of this agreement, Enterprises agrees to provide administrative services that support all business activities of the Company. The Company paid Enterprises \$46,126 in 2017 and \$29,375 in 2018 for the services provided.

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. The agreement was approved by the CDI on November 18, 2009. Under the terms of the agreement, the allocation of taxes is based upon separate tax return calculations, with all settlements of inter-company tax balances made within 30 days after the filing of the consolidated federal income tax return. The Company paid federal income tax amount of \$3,357 in 2017 and recovered \$45,677 in 2018.

Investment Management Agreement: The Company is a party to an Investment Management Agreement with MetLife Investment Advisors, LLC (MLIA), a Delaware company, and a wholly-owned subsidiary of MetLife, effective April 8, 2018. Pursuant to the agreement, MLIA provides the Company with investment management services, portfolio management services, as well as certain investment-related administrative services. The CDI approved this agreement on December 29, 2017. The Company paid \$379 for the services received under this agreement for the year ended December 31, 2018.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, the Company was licensed to transact life and accident and health insurance in the following 19 states:

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

Previously, the Company primarily offered vision products to managed indemnity and preferred provider organizations. Its main markets were small and mid-sized employer organizations, governmental entities, multiple employer trusts, and to a lesser extent, larger corporate employers. The Company ceased selling new vision business since the second quarter of 2013. The Company is in run-off and only provides renewals on vision

insurance policies with \$114,234 in direct written premiums as of December 31, 2018.

REINSURANCE

Assumed

The Company does not assume any insurance.

Ceded

The Company does not cede any reinsurance.

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, 2018. The accompanying comments to the amounts reported in the annual statements should be considered an integral part of the financial statements. There were no examination adjustments made to surplus as a result of the examination.

Statement of Financial Condition as of December 31, 2018

Underwriting and Investment Exhibit for the Year Ended December 31, 2018

Reconciliation of Surplus as Regards Policyholders from December 31, 2016
through December 31, 2018

Statement of Financial Condition
as of December 31, 2018

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 10,654,226	\$	\$ 10,654,226	
Cash, cash equivalents, and short-term investments	1,785,938		1,785,938	
Investment income due and accrued	36,513		36,513	
Uncollected premiums and agents' balances in the course of collection	12,764	10,943	1,821	
Current federal and foreign income tax recoverable and interest thereon	219,044		219,044	
Net deferred tax asset	17,692	17,692	0	
Receivables from parent, subsidiaries and affiliates	<u>2,639</u>	<u>2,639</u>	<u>0</u>	
Total assets	<u>\$ 12,728,816</u>	<u>\$ 31,274</u>	<u>\$ 12,697,542</u>	
 <u>Liabilities, Surplus, and Other Funds</u>				<u>Notes</u>
Claims unpaid			\$ 2,534	(1)
Unpaid claims adjustment expenses			200	(1)
Premiums received in advance			149	
General expenses due or accrued			49,776	
Amount due to parent, subsidiaries, and affiliates			<u>2,713</u>	
Total liabilities			55,372	
Common capital stock		\$ 2,875,000		
Gross paid-in and contributed surplus		12,170,013		
Unassigned funds (surplus)		<u>(2,402,843)</u>		
Total capital and surplus			<u>12,642,170</u>	
Total liabilities, capital, and surplus			<u>\$ 12,697,542</u>	

Summary of Operations and Capital and Surplus Account
for the Year Ended December 31, 2018

State of Revenue and Expenses

Underwriting Income

Net premium income	\$ 114,234	
Change in unearned premium reserves and reserve for rate credits	<u>118</u>	
Total revenue		\$ 114,352
Deductions:		
Other professional services	\$ 23,220	
Claims adjustment expenses	1,944	
General administrative expenses	<u>177,070</u>	
Total underwriting deductions		<u>202,234</u>
Net underwriting loss		(87,882)

Investment Income

Net investment income earned	\$ 252,357	
Net realized capital gains	<u>21</u>	
Net investment gains		252,378
Aggregate write-ins for other expenses		<u>(32,974)</u>
Net income after capital gains tax, and before all other federal income taxes		131,522
Federal and foreign income taxes incurred		<u>(224,615)</u>
Net income		<u>\$ 356,137</u>

Capital and Surplus Account

Capital and surplus, December 31, 2017		\$ 12,361,128
Net income	\$ 356,137	
Change in net deferred income tax	(256,449)	
Change in nonadmitted assets	213,080	
Aggregate write-ins for losses in surplus	<u>(31,726)</u>	
Net change in capital and surplus		<u>281,042</u>
Capital and surplus, December 31, 2018		<u>\$ 12,642,170</u>

Reconciliation of Surplus as Regards Policyholders
from December 31, 2016 through December 31, 2018

Capital and Surplus, December 31, 2016			\$ 12,191,302
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net income	\$ 427,797	\$ 526,989	
Change in net deferred income tax		526,989	
Change in nonadmitted assets	605,513		
Aggregate write-ins for losses in surplus		<u>55,453</u>	
Total gains and losses	<u>\$ 1,033,310</u>	<u>\$ 582,442</u>	
Net increase in surplus as regards policyholders			<u>450,868</u>
Capital and Surplus, December 31, 2018			<u>\$ 12,642,170</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Claims Unpaid Unpaid Claims Adjustment Expenses

The Company's reported Claims Unpaid and Unpaid Claims Adjustment Expenses were reviewed as the part of the group evaluation by the participating states of the Metropolitan Group examination. The Claims Unpaid and Unpaid Claims Adjustment Expenses as of December 31, 2018 were found to be reasonably stated, and have been accepted for the purpose 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,

/S/

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Associate Insurance Examiner
Department of Insurance
State of California

/S/

Sayaka Dillon, CFE
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Department of Insurance
State of California