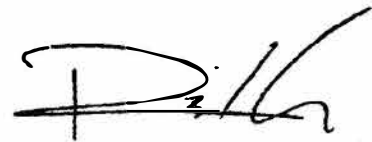


REPORT OF EXAMINATION  
OF THE  
PREMIER ACCESS INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2018

A handwritten signature in black ink, appearing to be 'D. K.', written over a horizontal line.

**Insurance Commissioner**

**FILED 06-04-20**

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Oakland, California  
May 19, 2020

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) at its ultimate parent company's home office located at 10 Hudson Yard, New York, New York 10001. 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, 2014. This examination covered the period from January 1, 2015 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 significant 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 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. It was conducted concurrently with other insurance entities in the holding company group as listed below:

- 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 Service Corporation of Michigan (Michigan)
- First Commonwealth of Missouri, Inc. (Missouri)
- The Guardian Insurance and Annuity Company, Inc. (Delaware)
- Managed DentalGuard, Inc. (New Jersey)
- Managed DentalGuard, Inc. (Ohio)
- Managed DentalGuard, Inc. (Texas)
- Park Avenue Life Insurance Company (Delaware)
- Sentinel American Life Insurance Company (Texas)
- The Guardian Life Insurance Company of America (New York)

## COMPANY HISTORY

The Company was incorporated in California on August 7, 1997 under the laws of the state of California and commenced business on January 28, 1998. The Company has 34,500 authorized and outstanding shares of common stock with a par value of \$78 per share. Effective August 1, 2014, all shares of the Company's outstanding common stock were directly and indirectly acquired by First Commonwealth, Inc. (FCI), a Delaware corporation, which is a direct subsidiary of The Guardian Life Insurance Company of America (GLICOA). At the same time, FCI also acquired other affiliated insurance and non-insurance entities from Reza Abbaszadeh, DDS. The acquisition was approved by the California Department of Insurance (CDI) on July 15, 2014.

### Dividends

On November 22, 2019, the Company declared an extraordinary cash dividend to its shareholder, FCI, in the amount of \$18,285,000. The CDI approved this transaction on December 10, 2019.

During the examination period, the Company paid ordinary dividends to its shareholder, FCI, and provided proper notifications to the CDI for the dividends as shown in the schedule below:

<u>Year</u>	<u>Amount</u>
2015	\$1,797,000
2016	8,176,500
2017	7,383,000
2018	11,090,000

## MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which The Guardian Life Insurance Company of America (GLICOA) is the ultimate controlling entity. Following is an abridged organizational chart that depicts the relationship between the Company and its affiliates with intercompany transactions. All ownership is 100%.

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)  
Avesis Incorporated (Delaware)  
Avesis Insurance Incorporated (Arizona)  
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)  
Guardian India Operations Private Limited (India)  
Managed DentalGuard, Inc. (Ohio)  
**Premier Access Insurance Company (California)**  
Premier Access Administrators (California)<sup>(1)</sup>  
Premier Group Inc.  
Access Dental Plan (California)  
Access Dental Plan of Nevada, Inc. (Nevada)  
Access Dental Plan of Utah, Inc. (Utah)  
Blue Hills Dental Plan of Arizona, Inc. (Arizona)<sup>(2)</sup>

The following changes occurred subsequent to the examination date:

- (1) Premier Access Administrators was dissolved on July 29, 2019.
- (2) Blue Hills Dental Plan of Arizona, Inc. was dissolved on September 12, 2019.

The six 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, 2018:

## Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Marc M. Costantini <sup>(1)</sup> Wellesley, Massachusetts	Executive Vice President, Commercial & Government Markets The Guardian Life Insurance Company of America
Brendan P. Duffy Easton, Pennsylvania	Second Vice President and Chief of Staff The Guardian Life Insurance Company of America
Michael A. Fradkin Manalapan, New Jersey	Senior Vice President and Chief Financial Officer, Commercial & Government Markets The Guardian Life Insurance Company of America
Walter K. Klein <sup>(2)</sup> Needham, Massachusetts	Vice President, Dental Network & Quality The Guardian Life Insurance Company of America
Christopher T. Swanker Nazareth, Pennsylvania	Vice President, Group & Worksite Markets The Guardian Life Insurance Company of America

## Principal Officers

<u>Name</u>	<u>Title</u>
Michael P. Reamer	President
Matthew J. Oswald	Chief Financial Officer
Larry M. Weiss	Controller
Walter R. Skinner	Treasurer
Sanford E. Penn	Vice President & Appointed Actuary
Cherita L. Thomas	Secretary
John A. Dolan	Assistant Secretary

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

- (1) Marc M. Costantini resigned as a member of the Board, effective December 31, 2019. Brian Scanlon was elected as a Board member to replace Mr. Costantini, effective January 17, 2020.
- (2) Walter K. Klein resigned as a member of the Board, effective October 18, 2019, without a replacement.

### Intercompany Agreements

Tax Sharing Agreement: Effective December 30, 2014, the Company entered into a Tax Sharing Agreement Joinder (Joinder) with GLICOA, whereby it files its federal income taxes on a consolidated basis along with GLICOA and other affiliated companies pursuant to GLICOA's existing Tax Sharing Agreement, entered on July 19, 2001. The Joinder was approved by the California Department of Insurance (CDI) on December 8, 2014, pursuant to California Insurance Code (CIC) Section 1215.5(b)(4). Effective March 2, 2018, GLICOA amended and restated the Agreement to address the addition of subsidiaries, and to clarify the provisions that are applicable only to New York domiciled subsidiaries and the termination rights of the parties. The Joinder was amended accordingly. Pursuant to the terms of the Agreement, GLICOA shall calculate on behalf of its subsidiaries federal and state tax liability based on the determined taxable income as of the subsidiary is filing a separate return with the compensation for the loss/credit or reimburse. The amended and restated Agreement was approved by the CDI on March 27, 2017.

Amended and Restated Administrative Services Agreement: Effective July 2003, the Company entered into a Services Agreement with its affiliate, Data Telesis, Private Limited (DT). Under the terms of this Agreement, DT provides administrative support and services to the Company. Services include, but are not limited to the following: data entry, comprehensive accounting functions, and membership accounting. This Agreement was deemed approved by the CDI on January 13, 2005. Effective November 8, 2016, DT's name was changed to Guardian India Operations Private Limited (GIOPL). Effective April 1, 2019, an Amended and Restated Administrative Services Agreement as entered with GIOPL to update the existing Agreement to include safeguard provisions required by the CDI; to update 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 DT is reimbursed at cost for provided services and facilities. This Agreement was approved by the CDI on November 16, 2018. The total fees incurred by the Company for 2015, 2016, 2017, and 2018 were \$2,248,200, \$2,550,267, \$2,118,513, and \$2,180,481, respectively.

Administrative Services with Right of Setoff Agreement: Effective January 1, 2002, the Company entered into an Administrative Service with Right of Setoff Agreement with its affiliate, Access Dental Plan (ADP). Pursuant to this Agreement, each party agrees to perform services for the other party as is determined to be reasonably necessary in the conduct of its operations. Services include, but are not limited to the following: ADP employees shall provide certain accounting services for the Company as may be required; the Company shall provide actuarial services to ADP as needed; ADP employees shall perform customer and provider services duties for the Company under the direction and supervision of the Company as necessary, and vice versa; sharing of employees to perform information technology services; and marketing. This Agreement was approved by the CDI on September 29, 2004. The total fees incurred for services for 2015, 2016, 2017, and 2018 were \$1,739,888, \$2,642,293, \$172,118 and \$7,233, respectively.

Administrative Services with Right of Setoff Agreement: Effective November 9, 2006, the Company entered into an Administrative Services with Right of Setoff Agreement (Setoff Agreement) with its affiliate, WebHR.Com Administrators (WebHR), later known as Premier Access Administrators (PAA). Under the Setoff Agreement, each party agrees to perform services for the other party as is determined to be reasonably necessary in the conduct of operation. Services include, but are not limited to, the following: the Company agrees to make available its facilities to WebHR and provide accounting services for WebHR; the Company employees shall perform or coordinate, information technology services for WebHR under the direction and supervision of WebHR and provide marketing and other functional support services, such as mailroom services, reception, payroll, human resources, and translation, as reasonable and necessary. In addition, WebHR shall perform enrollment, billing, and COBRA administration services for the Company.

All charges for services shall be at cost reimbursement without inclusion of a profit factor. The Setoff Agreement was approved by the CDI on November 9, 2006. There were minimal expenses incurred during the examination period. Effective July 29, 2019, PAA was dissolved. As a result, the Setoff Agreement is no longer in effect.

Services Agreements: Effective July 13, 2014, the Company entered into two Services Agreements with GLICOA, the current ultimate parent. 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 regards 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, remains solely vested in GLICOA. After the Company was acquired by GLICOA through its wholly owned subsidiary, the First Commonwealth, Inc., an Amendment No.1 was entered into the Agreement effective August 1, 2014, to revise the Compensation provision to be at cost. The Amendment No.1 to the Agreements were approved by the CDI on August 7, 2015. The total fees incurred for services for 2015 and 2016 were \$1,510,328 and \$1,552,088, respectively. No fees were incurred in 2017 and 2018.

Intercompany Administrative Services Agreement: Effective January 1, 2015, the Company entered into an Intercompany Administrative Services Agreement with GLICOA. Under the terms of this Agreement, GLICOA provides various administrative support including: account establishment, billing and accounting, claims administration, dentist accounting, financial and other services as needed, such as facilities and personnel, financial information, marketing, and member service. In addition, GLICOA may coordinate arrangements for external consultants, specialists, or experts for the purpose of legal, financial, and actuarial services. All incurred costs related to these will be paid by the Company. This Agreement was approved by the CDI on August 5, 2015.

Effective September 19, 2015, an Amendment No.1 was entered into the Agreement to clarify services GLICOA provides to the Company, including account establishment, billing and accounting, claims administration, dentist accounting, financial and other services. The Amendment No.1 was approved by the CDI on November 6, 2015. The total fees incurred by the Company for administrative services under this Agreement for 2015, 2016, 2017, and 2018 were \$3,461,596, \$10,736,206, \$10,394,657, and \$8,420,558, respectively.

Subsequent to the examination date, effective April 30, 2019, an Amendment No. 2 was entered into the Agreement to add provisions which are required under the Medicaid Dental Contract with the State of Utah; to add an additional Statement of Work to clarify the credential program to be serviced by GLICOA; and to include all safeguard provisions in accordance with the CDI service delegation checklist. The Amendment No. 2 was approved by the CDI on August 27, 2019.

Intercompany Administrative Services Agreement: Effective August 1, 2016, the Company entered into an Intercompany Administrative Services Agreement with Access Dental Plan of Utah, Inc. (ADPUT). Under the terms of this Agreement, the Company will provide various back office administrative support including: finance and tax, customer billing and accounting, claims administration, dentist accounting, human resources, compliance, provider services, and facilities. This Agreement was approved by the CDI on June 6, 2016. There were no expenses incurred in 2016, 2017, and 2018.

Leased Employee Agreement: Effective January 1, 2017, the Company entered into a Lease Employee Agreement with Avesis Incorporated (Avesis), a Delaware domestic corporation acquired by GLICOA in 2016. The purpose of the Agreement is to transfer employees of the Company to being employees of Avesis. The leased employees, known as "PAIC Personnel", perform the same services used to perform at the same locations as before the Agreement was in place. The term "PAIC Personnel" is defined as including: Quality Management; Dental Consultant(s); Mail Room; Membership, Claims and Provider Services; Underwriting; Sales and Account Management; Premier Commercial Program Management; and Government Programs. This Agreement was approved by

the CDI on November 30, 2016. The total of expenses allocated to the Company for 2017 and 2018 were \$6,613,263 and \$5,627,074, respectively.

Investment Management Agreement: Effective March 1, 2017, the Company entered into an Investment Management Agreement with GLICOA. Under the terms of this Agreement, GLICOA acts as the Company's investment manager. The compensation for providing the services shall be based on actual cost without a profit factor built into the cost. This Agreement was approved by the CDI on December 2, 2016. No fees were incurred for investment management function in 2017 and 2018.

### TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, the Company was licensed to transact life, disability, accident, and health insurance in the states of Arizona, California, Colorado, Connecticut, Kentucky, Nevada, New Jersey, Oregon, Pennsylvania, Texas, Utah, Virginia, and Washington. The Company withdrew its licenses from Florida and New York in 2015. The applications for withdrawal were approved by Florida Office of Insurance Regulation and New York State Department of Financial Services on June 26, 2015 and December 18, 2015, respectively.

The Company primarily writes dental indemnity insurance in five states. During 2018, the Company wrote direct premiums in the amount of \$103.5 million, of which 71.9% (\$74.4 million) was written in California, 23.7% (\$24.5 million) in Utah, 3% (\$3.1 million) in Nevada, 1.2% (\$1.3 million) in Arizona, and 0.2% (\$0.2 million) in Texas. The business was generated through independent brokers and agents.

The Company's largest line of business was group business, with \$101.8 million direct premiums written at December 31, 2018, which covered 283,146 members. Approximately 74.9% (\$77.5 million) of direct premiums was from commercial Preferred Provider Organization (PPO), 94.1% of which was written in California. The Company also participates as a contracted dental insurer in Utah for the Medicaid and Children's Health Insurance Program with \$20.3 million and \$3.9 million in direct premiums, respectively.

Since 2014, the Company has participated in the Affordable Care Act (ACA) Exchanges. In 2018, the Company had a total of \$1.6 million written premiums from individual ACA Exchanges in five states as mentioned above.

### 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.

### 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. There were no adjustments to the financial statements 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, 2014 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	\$ 30,270,718	\$	\$ 30,270,718	
Cash, cash equivalents, and short-term investments	23,540,155		23,540,155	
Receivables for securities	9,463		9,463	
Investment income due and accrued	215,731		215,731	
Uncollected premiums and agents' balances in the course of collection	1,648,578	167,095	1,481,483	
Net deferred tax asset	383,864	59,636	324,228	
Guaranty funds receivable or on deposit	215,471		215,471	
Electronic data processing equipment and software	83,855	83,855	0	
Furniture and equipment	276,025	276,025	0	
Receivables from parent, subsidiaries and affiliates	2,408		2,408	
Aggregate write-ins for other than invested assets	367,047	121,120	245,927	
Total assets	<u>\$ 57,013,315</u>	<u>\$ 707,731</u>	<u>\$ 56,305,584</u>	
 <u>Liabilities, Capital and Surplus</u>				<u>Notes</u>
Claims unpaid			\$ 6,198,490	(1)
Unpaid claims adjustment expenses			161,170	(1)
Premiums received in advance			2,597,419	
General expenses due or accrued			4,157,035	
Current federal and foreign income tax payable and interest thereon			286,409	
Amounts due to parent, subsidiaries and affiliates			3,282,532	
Aggregate write-ins for other liabilities			11,122,021	
Total liabilities			27,805,076	
Common capital stock		\$ 2,691,000		
Gross paid in and contributed surplus		8,309,000		
Unassigned funds (surplus)		<u>17,500,508</u>		
Surplus as regards policyholders			28,500,508	
Total liabilities, surplus, and other funds			<u>\$ 56,305,584</u>	

Statement of Revenue and Expenses  
for the Year Ended December 31, 2018

Statement of Revenue and Expenses

Underwriting Income

Total Revenue		\$ 103,559,892
Deductions:		
Total hospital and medical	\$ 66,009,838	
Claims adjustment expenses	2,528,490	
General administrative expenses	<u>21,252,956</u>	
Total underwriting deductions		<u>89,791,284</u>
Net underwriting gain		13,768,608

Investment Income

Net investment income earned	\$ 878,708	
Net realized capital losses	<u>(41,515)</u>	
Net investment gain		837,193
Net income after capital gains tax, and before all other federal income taxes		14,605,801
Federal and foreign income taxes incurred		<u>3,252,628</u>
Net income		<u>\$ 11,353,173</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2017		\$ 28,085,698
Net income	\$ 11,353,173	
Change in net unrealized foreign exchange capital gains	33,286	
Change in net deferred income tax	(118,586)	
Change in nonadmitted assets	235,575	
Dividends to stockholders	(11,090,000)	
Aggregate write-ins for gains in surplus	<u>1,360</u>	
Net change in capital and surplus		<u>414,808</u>
Capital and surplus for the year, December 31, 2018		<u>\$ 28,500,506</u>

Reconciliation of Capital and Surplus  
from December 31, 2014 through December 31, 2018

Surplus as regards policyholders, December 31, 2014					\$ 18,640,056
	Gain in Surplus	Loss in Surplus			
Net income	\$ 38,080,156	\$			
Change in net unrealized foreign exchange	15,353				
Change in net deferred income tax		249,242			
Change in nonadmitted assets	746,618				
Dividend to stockholders		28,443,500			
Aggregate write-ins for losses		288,935			
Total gains and losses	<u>\$ 38,842,127</u>	<u>\$</u>	28,981,677		
Net increase in capital and surplus					<u>9,860,450</u>
Surplus as regards policyholders, December 31, 2018					<u>\$ 28,500,506</u>



## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Claims Unpaid and Unpaid Claims Adjustment Expenses

A health 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, 2018 were found to be reasonably stated and have been accepted for purposes of this examination.

## SUBSEQUENT EVENTS

A novel strain of coronavirus (COVID-19) was detected and reported to World Health Organization (WHO) in December 2019. Since then, it has spread around the world, resulting in business and social disruption. The outbreak was declared a Public Health Emergency of International Concern by WHO on January 30, 2020. The pandemic has triggered unprecedented government mandates and health and safety measures which have significantly impacted the U.S. and global financial markets, in particular, U.S. publicly traded equity securities, and impacts on yields and interest rates in the U.S. bond market. As the pandemic still unfolds, it is too early to draw any definite conclusions as to its overall impact to the Company at this time.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

### Current Report of Examination

None.

### Previous Report of Examination

Summary of Significant Findings – Insurance Holding Company System Regulatory Act (Page 2): It was recommended that the Company immediately submit the proper filing with the California Department of Insurance (CDI) to comply with the California Insurance Code (CIC) Section 1215.2. The Company has complied with this recommendation.

Summary of Significant Findings – Annual Financial Reporting (Page 2): It was recommended that the Company properly and timely file its annual audited financial report or submit its request to the CDI for extensions in accordance with CIC Section 900.2(b). The Company has complied with this recommendation.

Summary of Significant Findings – Annual Financial Reporting (Page 2): It was recommended that the Company timely notify the CDI in the event of its external certified public accountant changes in accordance with California Code of Regulations, Title 10, Chapter 5, Subchapter 3, Article 3.3, Section 2309.6(c). The Company has complied with this recommendation.

Summary of Significant Findings – Annual Statement Instruction (Page 3): It was recommended that the Company timely notify the CDI in the event of its appointed actuary changes in accordance with the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions. The Company has complied with this recommendation.

Summary of Significant Findings – Annual Statement Instructions (Page 3): It was recommended the Company comply with the NAIC Annual Statement Instructions and disclose all required entities in Schedule Y of the Annual Statement. The Company has complied with this recommendation.

Corporate Records – Notice to the Board of Prior Examination Report (Page 11): It was recommended that the Company implement procedures to ensure future compliance with CIC Section 735. The Company has complied with this recommendation.

Corporate Records – Insurance Holding Company System Annual Registration Statements (Page 11): It was recommended that the Company comply with CIC Section 1215.4(b)(6) and include the required statements in its future insurance Holding Company System Annual Registration Statement filing. The Company has complied with this recommendation.

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/\_\_\_\_\_

Mei Gu, CFE  
Examiner-In-Charge  
Senior Insurance Examiner  
Department of Insurance  
State of California

\_\_\_\_\_/S/\_\_\_\_\_

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