



DATE: December 2, 2020

TO: Amy J. Malm, Hearing Examiner

FROM: Steven J. Junior, Insurance Program Manager

SUBJECT: Acquisition of Control of Superior Vision Insurance Plan of Wisconsin, Inc. by MetLife, Inc. (Case No. 20-C43830)

DESCRIPTION OF THE TRANSACTION

Overview

MetLife, Inc. filed a Form A, "Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer", dated September 29, 2020, whereby it proposed to indirectly acquire all of the common capital stock, and thereby full indirect ownership, of Superior Vision Insurance Plan of Wisconsin, Inc. This document was received by the Office of the Commissioner of Insurance (hereinafter also, "OCI") on September 30, 2020. MetLife, Inc. is a publicly-traded stock holding company domiciled in Delaware. MetLife, Inc. is the ultimate controlling person of a holding company system known as the MetLife Group.

Under the terms of an Agreement and Plan of Merger dated as of September 16, 2020 made by and between Versant Health, Inc., MetLife, Inc., Veranda Merger Sub Inc., and CenterBridge Advisors Fund II, LLC, MetLife, Inc. will acquire 100% of the common capital stock of Versant Health, Inc. in a reverse subsidiary merger transaction pursuant to Delaware law. Under the reverse subsidiary merger transaction, Veranda Merger Sub Inc. shall merge with and into Versant Health, Inc. and Versant Health, Inc. shall become a wholly-owned subsidiary of MetLife, Inc. In this way, MetLife, Inc. would become the ultimate controlling person of Versant Health, Inc. and all of its subsidiaries, including Superior Vision Insurance Plan of Wisconsin, Inc.

The parties desire to close the Proposed Transaction during the fourth quarter of 2020, subject to the making of required filings and notices with, and the receipt of required approvals from, governmental and regulatory authorities, and the satisfaction of other customary closing conditions set forth in the Agreement and Plan of Merger.

MetLife, Inc. was established as part of the demutualization of the Metropolitan Life Insurance Company. Metropolitan Life Insurance Company was incorporated as a stock life insurance company under the laws of New York on March 24, 1868, (in succession to National Travelers Insurance Company, which had been incorporated in May of 1866), and commenced business on March 25, 1868. In 1915, Metropolitan Life Insurance Company converted from a stock company to a mutual company.

On November 29, 1998, Metropolitan Life Insurance Company announced that it would pursue conversion to a stock company from a mutual company through demutualization under Section 7312 of the New York Insurance Law. On February 18, 2000, the policyholders approved the plan to convert to a stock company. The demutualization plan was approved by the New York Superintendent of Insurance, and Metropolitan Life Insurance Company demutualized on April 7, 2000, thereby converting back to a stock company on April 7, 2000, and becoming a wholly owned subsidiary of MetLife, Inc.

MetLife, Inc. is one of the world's leading financial services companies, providing insurance, annuities, employee benefits and asset management, with sizable market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East. It is one of the largest institutional investors in the United States.

Superior Vision Insurance Plan of Wisconsin, Inc., is described as a for-profit network model limited service health organization (LSHO) insurer. An LSHO insurer is defined by s. 609.01 (3), Wis. Stat., as ". . . a health care plan offered by an organization established under ch. 185, 611, 613, or 614 or issued a certificate of authority under ch. 618 that makes available to its enrolled participants, in consideration for predetermined fixed payments, a limited range of health care services performed by providers selected by the organization." Under the network model, the company provides care through contracts with clinics and otherwise independent physicians operating out of their separate offices. LSHOs compete with traditional fee-for-service health care delivery.

Superior Vision Insurance Plan of Wisconsin, Inc. was incorporated in Wisconsin on July 2, 1992, under the name Vision Insurance Plan of America, Inc., and commenced business on December 15, 1992. The name was changed to the one currently used effective November 1, 2014. On March 31, 2016, the company was acquired by Wink Holdco, Inc., with the ultimate parent being CCP III Cayman GP Ltd. The company is licensed solely in Wisconsin and, according to its business plan, its service area is limited to Wisconsin.

The company offers a limited range of vision care coverage which may be changed by riders to include deductibles and copayments. The company's products provide wellness vision examinations and eyewear (eyeglass frames and lenses and contact lenses).

The current succession of control of Superior Vision Insurance Plan of Wisconsin, Inc. is as follows:

1. Versant Health, Inc.
2. Versant Health Holdco, Inc.
3. Versant Health Consolidations Corp.
4. Block Vision Holdings Corporation
5. Superior Vision Insurance Plan of Wisconsin, Inc.

Following the proposed acquisition of control, the succession of control of Superior Vision Insurance Plan of Wisconsin, Inc. would be as follows:

1. MetLife, Inc.
2. Versant Health, Inc.
3. Versant Health Holdco, Inc.
4. Versant Health Consolidations Corp.
5. Block Vision Holdings Corporation
6. Superior Vision Insurance Plan of Wisconsin, Inc.

Scope of Wisconsin's Regulatory Concern

Section 611.72, Wis. Stat., requires the Office of the Commissioner of Insurance to approve a plan for acquisition of control if it finds, after a hearing, that the plan would not violate the law or be contrary to the interests of the insureds of any domestic corporation or of the Wisconsin insureds of any participating nondomestic corporation.

SUMMARY OF THE KEY DOCUMENTS

The following are the principal documents that allow one to form an understanding of the proposed acquisition:

Agreement and Plan of Merger

There is an Agreement and Plan of Merger dated as of September 16, 2020 made by and between Versant Health, Inc., MetLife, Inc., Veranda Merger Sub Inc., and CenterBridge Advisors Fund II, LLC. Under this agreement, MetLife, Inc. will acquire 100% of the common capital stock of Versant Health, Inc. in a reverse subsidiary merger transaction pursuant to Delaware law. Under the reverse subsidiary merger transaction, Veranda Merger Sub Inc. shall merge with and into Versant Health, Inc. and Versant Health, Inc. shall become a wholly-owned subsidiary of MetLife, Inc.

The base purchase price payable by MetLife, Inc. for the acquisition of Versant Health, Inc. is \$1,675,000,000 in cash, subject to a detailed true-up process and to numerous adjustments as specified in the agreement.

This agreement is governed by Laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

Agreement to Apportion Consolidated Federal Income Tax Liability and Benefits of Consolidated Returns

There is an Agreement to Apportion Consolidated Federal Income Tax Liability and Benefits of Consolidated Returns dated June 24, 1986, as amended, March 10, 2010, among MetLife, Inc. and its subsidiaries. As of the effective date of the acquisition of control, Superior Vision Insurance Plan of Wisconsin, Inc. will cease to be a party to that certain Tax Sharing Agreement, effective as of January 1, 2014, as amended, by and among Superior Vision Corp., a Delaware corporation, and its direct and indirect wholly-owned subsidiaries. In its place, Superior Vision Insurance Plan of Wisconsin, Inc. will automatically join the consolidated federal income tax return group of its new ultimate parent, MetLife, Inc. The participation in the MetLife, Inc. consolidated tax return group under Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code") and Section 1.1502-47 of the Treasury Regulations will require no action by Superior Vision Insurance Plan of Wisconsin, Inc. or any other entity or person. Superior Vision Insurance Plan of Wisconsin, Inc. will be governed by the election filed by the predecessor of the MetLife consolidated tax return group (i.e., the Metropolitan Life Insurance Company consolidated tax return group, prior to the demutualization and restructuring transactions in 2000 that resulted in Metropolitan Life Insurance Company becoming a stock life insurance company wholly-owned by MetLife, Inc.) effective for 1985 and subsequent years concerning the calculation of each member's taxes under the "immediate pay" method in accordance with Section 1.1552-1(c) of the Treasury Regulations. Under the "immediate pay" election, each member company with taxable income computes its tax as if it were a separate company and remits such tax to the parent, MetLife, Inc. and to the extent that the aggregate amount remitted to the parent, MetLife, Inc., exceeds the consolidated group's tax, i.e., to the extent that tax losses and tax credits of members have been used, the MetLife, Inc. remits such excess to the members having tax losses or tax credits on a *pro rata* basis.

Master Services and Facilities Agreement

There is a Member Services and Facilities Agreement (the "MSFA"), as yet undated, between MetLife Services and Solutions, LLC (hereinafter also, "MSS") and Superior Vision Insurance Plan of Wisconsin, Inc., which is expected to become effective upon the closing of the acquisition of control of Versant Health, Inc. by MetLife, Inc.

The MSFA provides that the parties will make available to each other certain services, as well as equipment and facilities. Services to be performed include, but are not limited to, actuarial, benefits management, claims, underwriting, communications, information technology, marketing and legal services. MetLife, Inc. notes that the majority of services, equipment and facilities to be provided under the MSFA will flow from MSS to the Superior Vision Insurance Plan of Wisconsin, Inc., although the agreement does permit MSS to request certain services and access to equipment and facilities from

Superior Vision Insurance Plan of Wisconsin, Inc. To the extent requested by Superior Vision Insurance Plan of Wisconsin, Inc., MSS may also perform certain third party administrator services for Superior Vision Insurance Plan of Wisconsin, Inc., including claims processing and premium collection. MSS may also provide personnel to Superior Vision Insurance Plan of Wisconsin, Inc., including for the purpose of acting as officers of Superior Vision Insurance Plan of Wisconsin, Inc.

The initial term of the MSFA is three years commencing on the effective date of the agreement (the "Initial Term"), unless earlier terminated. Following the Initial Term, the MSFA will renew automatically for successive one year terms. Either party may cease to be a party to the MSFA (i) at any time and for any reason or no reason upon providing ninety days' prior written notice to the other party, (ii) in the event the terminating party ceases to be directly or indirectly controlled by MetLife, Inc., or (iii) if required by a governmental authority. In addition, if either party materially defaults, as defined in the MSFA, the non-defaulting party may immediately terminate the MSFA upon written notice.

Following the closing, MetLife, Inc. currently expects that Superior Vision Insurance Plan of Wisconsin, Inc. will also continue to receive certain services under existing intercompany agreements to which it is a party.

OBSERVATIONS BASED ON REVIEW OF DOCUMENTS AND ON INQUIRIES

Format and Informational Sufficiency of the Form A

The Form A filing was prepared in a format that complies with s. 611.72, Wis. Stat. The information contained in the filing and in the supplementary information obtained by OCI in connection with review of this filing is sufficient for OCI to make a decision concerning the proposed plan.

Legality and Fairness of the Proposed Plan

My review of the Form A included a review of the following agreements:

1. Agreement and Plan of Merger dated as of September 16, 2020 made by and between Versant Health, Inc., MetLife, Inc., Veranda Merger Sub Inc., and CenterBridge Advisors Fund II, LLC
2. Master Services and Facilities Agreement, as yet undated, between MetLife Services and Solutions, LLC and Superior Vision Insurance Plan of Wisconsin, Inc.
3. Agreement to Apportion Consolidated Federal Income Tax Liability and Benefits of Consolidated Returns dated June 24, 1986, as amended, March 10, 2010

My review of these agreements is evidenced by the summaries presented earlier in this memorandum.

This review of the Form A and the component agreements of the proposed plan, with due consideration to supplementary information filed in response to examiner inquiries, discloses no basis for denial of the application on a point of law.

I can find no basis on which the proposed acquisition, as disclosed in the Form A and its supplementary filings, should not be regarded as reasonable and fair to Superior Vision Insurance Plan of Wisconsin, Inc. and to its policyholders, within the scope of Wisconsin's regulatory concern.

Satisfaction of Licensing Requirements Maintained

Execution of the transactions disclosed in the Form A according to the plan indicated would have no effect on the ability of Superior Vision Insurance Plan of Wisconsin, Inc. to maintain its existing license to write the lines of insurance for which it is presently licensed.

Effect on Competition within the Wisconsin Insurance Marketplace

According to market share data that MetLife, Inc. obtained from S&P Global Market Intelligence (formerly SNL Financial) concerning market share percentages based on direct written premiums reported by as of year-end 2019, Superior Vision Insurance Plan of Wisconsin, Inc. had a 21.85% market share in the vision line of business in Wisconsin.

Superior Vision Insurance Plan of Wisconsin, Inc. only reports direct written premiums in Wisconsin in the vision line of business of the health annual statement, and no other insurance company subsidiary of Versant Health, Inc. reports any direct written premiums for any line of business in Wisconsin. In consideration of s. Ins 40.025 (4) (b) 3 b, Wis. Adm. Code, this analysis only considers the U.S. insurance subsidiaries of MetLife, Inc. that are required to file health annual statements in Wisconsin. None of these subsidiaries of MetLife, Inc. write any vision insurance in Wisconsin.

Accordingly, the proposed acquisition of control will not create a monopoly or substantially lessen competition in any type or line of business in Wisconsin under the standards provided by s. Ins. 40.025, Wis. Adm. Code.

Based on the foregoing information, the proposed acquisition of control of Superior Vision Insurance Plan of Wisconsin, Inc. by MetLife, Inc. meets the preacquisition notification exemption standard set forth in s. 40.025 (2) (d) (2), Wis. Adm. Code, because there is no increase in market share. The OCI deemed the information provided in Exhibit I to the Form A as satisfying the requirements of s. Ins 40.02 (1) (b) (1), Wis. Adm. Code.

Future Plans after the Change in Control

Except as described in the Form A, MetLife, Inc. has no present plans or proposals to cause the Superior Vision Insurance Plan of Wisconsin, Inc. to declare an extraordinary dividend, to be liquidated, to sell its assets, or merge it with any person or persons or to make any other material change in its business operations or corporate structure or management other than described below.

Immediately following the Closing, Superior Vision Insurance Plan of Wisconsin, Inc. will continue to maintain its separate corporate existence, operate as a stand-alone business and largely continue its operations as currently conducted.

MetLife, Inc. has no present plans or intentions to change the executive officers of Superior Vision Insurance Plan of Wisconsin, Inc. The composition of the board of directors will change such that three of the four directors will be individuals who currently are officers of MetLife Group, Inc.

Effective as of the Closing, and subject to receipt of all required regulatory approvals, MetLife, Inc. plans for Superior Vision Insurance Plan of Wisconsin, Inc. to become a party to two intercompany agreements:

- a new service agreement with MetLife Services and Solutions, LLC, an affiliate of MetLife, Inc., whereby MetLife Services and Solutions, LLC will provide personnel, facilities and a broad range of services to Superior Vision Insurance Plan of Wisconsin, Inc.; and
- a new tax allocation agreement with MetLife, Inc. and its affiliates.

The foregoing agreements were summarized in this memorandum under the caption, "Summary of the Key Documents".

MetLife, Inc.'s sales and client management teams expect to begin to sell and service Versant Health products, including those of Superior Vision Insurance Plan of Wisconsin, Inc., to customers in the second half of 2021. Integration of the distribution activities is currently expected to occur in or around the first half of 2021. Post integration, the sales and client management teams will primarily be

employees of MetLife Group, Inc., which is the principal domestic employer of the companies within the MetLife Group, and will be responsible for selling products of various insurance companies in the MetLife Group, including the Versant Health insurance companies. The Versant Health group may also retain some dedicated sales personnel. MetLife, Inc. currently expects to complete the integration of the financial reporting systems of Versant Health, Inc., including those of Superior Vision Insurance Plan of Wisconsin, Inc., with MetLife, Inc.'s financial reporting systems by the third quarter of 2022.

After the consummation of the proposed acquisition of control, MetLife, Inc. may, in the ordinary course of business, evaluate the investments, operations, products and services of Superior Vision Insurance Plan of Wisconsin, Inc. and could determine that changes from time-to-time are necessary or advisable.

Financial Soundness of Prospective Affiliates

Recent years' selected financial statistics for Superior Vision Insurance Plan of Wisconsin, Inc. are as follows:

Financial Data	06/30/2020	12/31/2019	12/31/2018	12/31/2017
Admitted Assets	\$6,139,905	\$2,567,217	\$5,949,903	\$3,531,761
Liabilities	2,238,899	1,356,457	4,261,789	2,110,944
Surplus	3,901,006	1,210,759	1,688,114	1,420,816
Net Premium Income	3,853,631	18,848,132	20,037,093	21,543,447
Total Reserves	7,853,631	18,848,132	20,037,093	21,609,160
Medical Expenses	2,112,285	3,551,254	8,391,706	8,982,209
Reinsurance Recoveries	(1,320,222)	(4,367,339)	(5,101,300)	(5,830,984)
Total Medical Expenses	3,432,507	11,918,593	13,493,006	14,813,193
Claim Adjustment Expenses	98,387	180,744	153,006	118,368
General Administrative Expenses	2,795,478	3,369,906	4,874,878	4,417,993
Net Investment Income Earned	391	1,592	1,596	1,593
Net gain/(loss) from agents' or premium balances charged off	180,558	20,111	0	0
Net Income	1,342,944	2,681,151	1,201,341	1,435,005
Dividends to Stockholder	0	(1,500,000)	(1,000,000)	(1,500,000)

Recent years' selected financial statistics for MetLife, Inc. are as follows:

Financial Data (in millions)	03/31/2020	12/31/2019	12/31/2018	12/31/2017
Assets	\$737,741	\$740,463	\$687,538	\$719,892
Liabilities	667,278	674,081	634,580	661,022
Total MetLife, Inc. Shareholders' Equity	70,221	66,144	52,741	58,676
Total Revenues	18,310	69,620	67,941	62,308
Net Income	4,401	5,909	5,128	4,020
Net Income Attributable to Non-Controlling Interests	3	10	5	10
Net Income Attributable to MetLife, Inc.	4,398	5,899	5,123	4,010

The financial condition of MetLife, Inc., individually, and its holding company system as a whole, are unlikely to jeopardize the financial stability of Superior Vision Insurance Plan of Wisconsin, Inc., the participating domestic insurer, or to prejudice the interests of its Wisconsin policyholders.

Competence and Integrity of Prospective Management

After the acquisition of control, the board of directors of Superior Vision Insurance Plan of Wisconsin, Inc. will be changed significantly, but the management is expected to remain the same.

The members of the Board of Directors of Superior Vision Insurance Plan of Wisconsin, Inc. after the change in control are expected to be as follows:

Name and Residence	Principal Occupation
Kirk E. Rothrock Villanova, Pennsylvania	President and Chief Executive Officer Versant Health, Inc.
Todd B. Katz Montebello, New York	Executive Vice President, Group Benefits MetLife Group, Inc.
Alan S. Hirschberg Rivervale, New Jersey	Vice President, Supplemental Health Products MetLife Group, Inc.
Heather B. Phelps Byram Township, New Jersey	Senior Vice President and Chief Financial Officer, Group Benefits MetLife Group, Inc.

The officers of Superior Vision Insurance Plan of Wisconsin, Inc. are not expected to change as a result of the proposed change in control. The officers at the time of this review were as follows:

Name	Office
Kirk E. Rothrock	President and Chief Executive Officer
Jonathan E. Bicknell	Chief Financial Officer
Bruce O. Tavel	Senior Vice President, Secretary and General Counsel
Hayley Ellington-Buckles	Chief Compliance Officer

As part of the Form A, MetLife, Inc. provided copies of biographical reports for its officers and directors. Review of the composition of the board of directors and management of MetLife, Inc. discloses no basis for disapproval of the Form A. The Wisconsin Office of the Commissioner of Insurance has received biographical reports for Superior Vision Insurance Plan of Wisconsin, Inc.'s officers in the normal course of their election or appointment.

Summary of Observations

1. The Form A filing was prepared in a format that complies with s. Ins 40.02, Wis. Adm. Code. The information contained in the Form A filing, together with supplementary information obtained by OCI, is sufficient to the transaction.
2. The plan would not violate the law or be contrary to the interests of Superior Vision Insurance Plan of Wisconsin, Inc. or its policyholders.
3. After the acquisition of control, Superior Vision Insurance Plan of Wisconsin, Inc. will not experience a change that would cause it to become unable to satisfy the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed.
4. This transaction will not create a monopoly or substantially lessen competition in any type or line of insurance in Wisconsin.

5. The financial condition of MetLife, Inc., individually, and its holding company system, taken as a whole, are unlikely to jeopardize the financial stability of Superior Vision Insurance Plan of Wisconsin, Inc., the participating domestic insurer, or to prejudice the interests of its Wisconsin policyholders.
6. The plan results in a change in control for Superior Vision Insurance Plan of Wisconsin, Inc. The plan does not appear to be adverse to the policyholders of Superior Vision Insurance Plan of Wisconsin, Inc., or to conflict with the public interest.
7. The competence and integrity of the persons who would control the operation of Superior Vision Insurance Plan of Wisconsin, Inc. are such that it is in the interest of its policyholders and of the public to permit the proposed plan.

RECOMMENDATION

I recommend that the plan for the acquisition of control of Superior Vision Insurance Plan of Wisconsin, Inc. by MetLife, Inc. be approved, subject to the following conditions subsequent:

- a. MetLife, Inc. shall file a copy of the Certificate of Merger with the OCI for the merger of Veranda Merger Sub Inc. with and into Versant Health, Inc., within 10 calendar days following the date on which it is approved or otherwise formally accepted as final by the Secretary of State of the State of Delaware.
- b. Superior Vision Insurance Plan of Wisconsin, Inc. shall file with the OCI any agreement with its new affiliates under the ultimate control of MetLife, Inc. that is to be effective on or about the effective date of the acquisition on Form D within 30 calendar days after the effective date of the acquisition. Apart from this extension of time for making such Form D filings, the application of the Wisconsin Statutes and the Wisconsin Administrative Code are not modified.