



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of **Delta Dental of Connecticut** (the "Company") as of December 31, 2021, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

TO WIT:

1. I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("C.G.S.").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On May 19, 2023, the verified Report of the Company was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Company was afforded a period of thirty (30) days within which to submit to the Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On June 2, 2023, the Company filed a written submission indicating that they were in agreement with all of the recommendations contained in the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Company is hereby adopted as filed with the Department.
2. That the Company shall comply with the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the C.G.S.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the Board of Directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the Commissioner, in writing, that a copy of the report or summary has been provided to each director."

Please address the certification to the Commissioner but send said certification to the care/attention of William Arfanis, Assistant Deputy Commissioner of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary the chief executive officer or the chief financial officer of the entity examined shall present the report of summary to the entity's Board of Directors or similar governing body at a regular or special meeting."

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 2nd day of June, 2023.



Andrew N. Mais
Insurance Commissioner

EXHIBIT A

EXAMINATION REPORT

OF

DELTA DENTAL OF CONNECTICUT, INC.
(NAIC #15987)

AS OF

DECEMBER 31, 2021

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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May 19, 2023

The Honorable Andrew N. Mais
Insurance Commissioner
State of Connecticut Insurance Department
153 Market Street, 6th Floor
Hartford, Connecticut 06103

Dear Commissioner Mais:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned has made an examination of the conditions and affairs of

DELTA DENTAL OF CONNECTICUT, INC.

(hereinafter referred to as the Company or DDCT), a corporation with capital stock, incorporated under the laws of the State of Connecticut and having its statutory home office located at 148 Eastern Boulevard, Suite 310, Glastonbury, Connecticut and its main administrative office located at 1639 Route 10, Parsippany, New Jersey. The report on such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Company was conducted as of December 31, 2016. The current examination, which covers the subsequent five year period through December 31, 2021, was conducted virtually by the Financial Regulation Division of the Connecticut Insurance Department (Department).

The examination was part of the coordinated examination of the Delta Dental Group (Group), led by the lead state, the New Jersey Department of Banking and Insurance (NJDOBI). The Group also consists of Delta Dental of New Jersey, Inc. (DDNJ) and Flagship Health Systems Inc. (Flagship), both New Jersey domestics, who were examined concurrently.

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Company for the period under examination:

- Board of Director (Board) and other committee minutes (through the latest 2022 minutes);
- Statutory audit reports completed by the Company's independent certified public accountants, Withum Smith+Brown, PC (Withum);
- Management Discussion and Analysis;
- Statement of Actuarial Opinion;
- Internal Audit Reports; and
- Annual Statements filed with the Department.

DELTA DENTAL OF CONNECTICUT, INC.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, reports from the National Association of Insurance Commissioners (NAIC) database, as well as independent audit reports, all of which indicated no material concerns with respect to financial condition or regulatory compliance issues.

Workpapers prepared by Withum as of December 31, 2021, in connection with its annual statutory audit were reviewed and relied upon to the extent deemed appropriate.

Under the supervision of the NJDOBI, Risk & Regulatory Consulting, LLC (RRC) was engaged to conduct the financial examination of the Group, with the assistance of the Department. Additionally, RRC was also engaged to review reserving and pricing/underwriting risks and the effectiveness of the information technology (IT) general controls.

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluating 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 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 insurer 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.), are not included within the examination report but separately communicated to other regulators and/or the Company.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

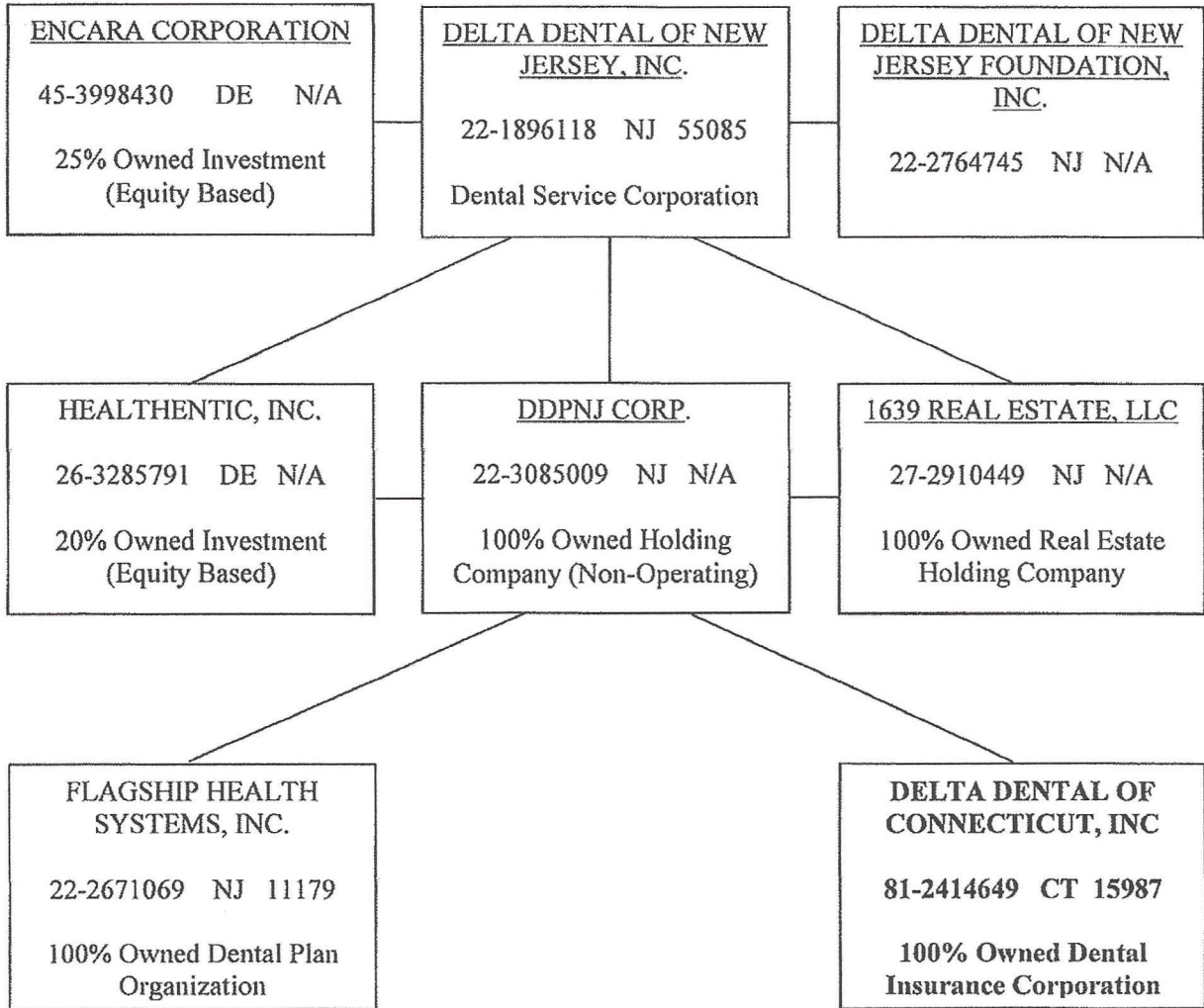
HISTORY

The Company was incorporated on September 16, 2015, under the Connecticut Business Corporation Act. Effective July 1, 2016, the Company was granted its Accident and Health license in Connecticut. The Company is part of the Delta Dental Plans Association that provides dental insurance across the country. DDCT is wholly-owned by DDPNJ Corporation (Corp.), a New Jersey Corporation, which is wholly-owned by DDNJ, a New Jersey not-for-profit corporation authorized by the NJDOBI to operate as a dental service corporation. In June 2016, DDNJ purchased 1,500 common shares (\$3 million) in Corp. Simultaneously, Corp. capitalized DDCT as its wholly-owned subsidiary through a purchase of 1,000 common shares (\$3 million). In March 2017, Corp. purchased another 1,000 common shares (\$3 million) of DDCT.

DELTA DENTAL OF CONNECTICUT, INC.

ORGANIZATIONAL CHART

The following is an organizational chart as of December 31, 2021:



DELTA DENTAL OF CONNECTICUT, INC.

MANAGEMENT AND CONTROL

The bylaws state that shareholders' meetings shall be held each year at the principal office of the corporation or at such other place, either within or without the State of Connecticut, as shall be designated in the notice of the meeting. The annual meeting of the shareholders shall be held at such date and time as shall be stated in the notice of the meeting. At such meeting, the shareholders shall elect the Board for the ensuing year and shall transact each other business as shall properly come before them.

Special meetings of the shareholders may be called at any time by the president or the Board and shall be called by the president upon written request of the holders of not less than one-tenth of the voting power of all shares entitled to vote at the meeting.

The holders of a majority of the shares of the issued and outstanding stock entitled to vote at a meeting, present either in person or by proxy, shall constitute a quorum for the transaction of business at such meeting of the shareholders.

The affairs of the corporation shall be managed by or under the direction of the Board. The number of directors shall be not less than one nor more than fifteen, as may be fixed by the shareholders at each annual meeting.

The annual meeting of the Board shall be held immediately after the annual meeting of shareholders, or as soon thereafter as convenient.

In addition to the annual meeting of the Board, all other regular meetings of the Board may be held without notice at such date, time and place as the Board may determine and fix by resolution. Special meetings of the Board may be held upon call of the president or upon call of any one or more directors.

Directors holding a majority of directorships shall constitute a quorum.

The Board may create one or more committees and appoint members of the Board to serve on them. Each committee shall have two or more directors. There are currently no committees of the DDCT Board.

Members of the Board serving the Company at December 31, 2021, were as follows:

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
Ronald I. Deblinger, DMD	Contractor – Clifton Endodontics Clinical Assistant Professor – University of Medicine and Dentistry of New Jersey
William Faulkner	President and Owner – Bilcole, LLC
Morton Reinhart	President – Reinhart Associates
Dennis G. Wilson	President and Chief Executive Officer – DDNJ/DDCT
Lisa Gallucci, D.M.D.	Dentist (self-employed)
Michael T. Rodrigues	Senior Vice President & Chief Financial Officer – DDNJ

DELTA DENTAL OF CONNECTICUT, INC.

The Board may appoint a chairman, president, regional vice president, secretary, treasurer, and one or more vice presidents. The same individual may simultaneously hold more than one office. Each officer shall be appointed at the annual meeting of the Board and shall hold office for the term which he is appointed and until his successor has been appointed and qualified.

Officers serving the Company at December 31, 2021, were as follows:

<u>Name</u>	<u>Title</u>
Dennis G. Wilson	President and Chief Executive Officer
Paul J. DiMaio	General Counsel and Secretary
Michael T. Rodrigues	Treasurer and Chief Financial Officer
Barry Petruzzi	Assistant Treasurer
Keith D. Libou, DMD	Chief Clinical Officer
Jeffrey Furbish	Vice President of Sales

INSURANCE COVERAGES

DDCT is covered under a commercial crime policy through DDNJ. DDNJ maintains a commercial crime policy that contains a blanket fidelity coverage form with a single loss limit of insurance of \$5,000,000. This fidelity coverage is deemed adequate to satisfy the minimum amounts of fidelity insurance coverage as suggested by the Handbook.

TERRITORY AND PLAN OF OPERATION

The Company is licensed and offers insured dental plans to large and small groups as well as individual members whose primary residence is in the state of Connecticut. During 2021 the Company launched its Delta Vision line, a fully insured vision product in Connecticut. The Company distributes its products directly and through appointed agents, brokers, consultants, as well as several third-party administrator (TPA) channels.

INFORMATION TECHNOLOGY (IT) CONTROLS

NJDOBI engaged RRC to assist in conducting an assessment of the Group's IT environment, governance and general control activities in accordance with standards established by the Handbook's Exhibit C – Evaluation of Control in IT. Additionally, IT work performed by the Company's internal auditors and Withum was reviewed and utilized where deemed relevant.

Based upon the risk-based assessment and review, the Company's IT general controls were determined to be effective.

DELTA DENTAL OF CONNECTICUT, INC.

RELATED PARTY AGREEMENTS

The Company is a party to several related party transaction agreements. The material agreements are as follows:

- Effective November 14, 2016, the Tax Payment Allocation Agreement between Corp., Flagship and Dental Reinsurance Company Ltd. (Dental Re), now dissolved, was amended to include DDCT. Under the terms of the agreement, Corp. is responsible for preparing and filing an annual consolidated federal income tax return on behalf of the respective members of the Group for all taxable years and agrees not to charge members a greater portion of the consolidated tax liability that would have been paid by the member if it had filed a separate return.
- Effective May 10, 2016, the Company entered into an Inter-Company Service Agreement with DDNJ. The first amendment dated August 11, 2016, was ratified with an effective date of July 1, 2016 (date of DDCT's licensure by the Department). Under the terms of the agreement, DDNJ provides DDCT with all necessary facilities, equipment and supplies, personnel and services required to implement and maintain DDCT's operations as a dental insurance corporation. Additionally, DDNJ shall make "payments of convenience" on behalf of DDCT to third parties as requested by DDCT in writing. These payments may include, but not be limited to, salaries, claims and other expenses.
- Effective September 26, 2017, the Company entered into a Services Agreement with Encara Corporation (Encara). Under the terms of agreement, Encara provides various marketing, data analytics, administrative, and other services in support of certain individual dental insurance/benefit plan products.

REINSURANCE

Effective January 13, 2019, DDCT and Dental Re entered into a Novation agreement whereby DDCT assumed any remaining obligations of Dental Re under the reinsurance contract with Delta Dental Insurance Company. Dental Re paid DDCT \$5,182 as consideration under the agreement, which represented the insurance reserves calculated in accordance with statutory accounting standards for reported and unreported losses emanating from the reinsurance contract, herein called the "Agreed Insurance Reserves". If the liabilities and obligations exceed the Agreed Insurance Reserves, DDCT shall bear the excess financial loss or shortfall. DDCT did not assume any excess financial loss in 2021. In 2020, Dental Re was dissolved and ceased operations.

ACCOUNTS AND RECORDS

The Company utilizes Microsoft's Dynamics, a Windows-based application for its accounts payable, administrative expenses, accounts receivable, and general ledger package. eFreedom, an application from StoneRiver, is utilized to prepare statutory filings.

DELTA DENTAL OF CONNECTICUT, INC.

Fully insured premiums for group products are processed by the BillTrust System. Fully insured premiums for our individual products are processed by a TPA through our affiliated company Wyssta. A small percentage of specialty and orthodontic premiums and specialty claims are processed by the Data Dental system which processes the Flagship transactions. Claims are almost exclusively processed by the Interactive Claims Enterprise system.

The Clearwater application is utilized to maintain the Company's investment portfolio.

The December 31, 2021, general ledger account balances were reconciled and traced to the amounts reported in the Annual Statement without exception.

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2021. No adjustments were made to surplus as a result of the examination.

ASSETS

Account Description	Assets	Nonadmitted Assets	Net Admitted Assets
Cash, cash equivalents and short-term investments	\$12,134,623		\$12,134,623
Uncollected premiums and agents' balances in the course of collection	1,133,103	\$48,237	1,084,865
Receivable from parent, subsidiaries and affiliates	175,568		175,568
Prepaid Assets	31,654	31,654	0
Totals	<u>\$13,474,947</u>	<u>\$79,891</u>	<u>\$13,395,056</u>

LIABILITIES, CAPITAL AND SURPLUS

	Covered	Uncovered	Total
Claims unpaid	\$1,824,000		\$1,824,000
Unpaid claims adjustment expense	160,000		160,000
Premiums received in advance	1,953,461		1,953,461
General expenses due or accrued	617,875		617,875
Total liabilities	\$4,555,336		4,555,336
Common capital stock			500,000
Gross paid in and contributed surplus			11,000,000
Unassigned funds (surplus)			(2,660,280)
Total capital and surplus			8,839,720
Totals			<u>\$13,395,056</u>

DELTA DENTAL OF CONNECTICUT, INC.

STATEMENT OF REVENUE AND EXPENSES

	Uncovered	Total
Net premium income		\$33,392,135
Total revenues		33,392,135
Hospital/medical benefits		27,436,702
Claims adjustment expenses		2,271,912
General administrative expenses		4,823,294
Total underwriting deductions		34,531,908
Net underwriting gain or (loss)		(1,139,773)
Net investment income earned		1,362
Net income or (loss) after capital gains tax and before all other federal income taxes		(1,138,411)
Federal and foreign income taxes incurred		0
Net income		<u>(\$1,138,411)</u>

CAPITAL & SURPLUS ACCOUNT

	Total
Capital and surplus prior reporting year	\$9,356,941
Net income or (loss)	(1,138,411)
Change in net deferred income tax	2,296
Change in nonadmitted assets	618,895
Net change in capital and surplus	(517,221)
Capital and surplus end of reporting year	<u>\$8,839,720</u>

CLAIMS UNPAID

\$1,824,000

RRC and the Department conducted a review in accordance with the risk focused approach as detailed in the Handbook. The scope of the review included an assessment of reserving and pricing/underwriting risk for the Company.

No significant findings were noted during the review of reserving and pricing/underwriting risks.

DELTA DENTAL OF CONNECTICUT, INC.

CAPITAL AND SURPLUS

\$8,839,720

The reconciliation of surplus for the period under examination, January 1, 2017, through December 31, 2021, was as follows:

Surplus, as of December 31, 2016	\$2,096,614
Net income	(2,059,584)
Change in net deferred income tax	73,370
Change in nonadmitted assets	229,321
Surplus adjustment – paid in	8,500,000
Net change in capital and surplus	6,743,107
Surplus, December 31, 2021	<u>\$8,839,720</u>

During 2017 and 2018, DDCT received an additional capital infusion from its parent, Corp. of \$8.5 million.

COMMON CAPITAL STOCK

\$500,000

At December 31, 2021, the Company reported 20,000 shares of common stock authorized, with 3,833.33 shares issued and outstanding, having no par value, held solely by Corp. This balance represents the minimum capital requirement to license a health insurance company in Connecticut in accordance with Section 38a-72 of the CGS.

CONCLUSION

As of December 31, 2021, the Company reported admitted assets of \$13,395,056, liabilities of \$4,555,336, and capital and surplus of \$8,839,720. During the period under examination, admitted assets increased by \$11,082,601, liabilities increased by \$4,339,495, and capital and surplus increased by \$6,743,106.

DELTA DENTAL OF CONNECTICUT, INC.

SIGNATURE

In addition to the undersigned, the following Department personnel participated in this examination: William Arfanis, CFE; Kent Krajick, CFE; Dawn Cormier, CPA; Aishah Abdullah, Manuel Hidalgo, FSA, MAAA, CFA; and Sarah Mu, FSA, MAAA.

I, Kevin Beaudoin, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2021, to the best of my information, knowledge and belief.

Respectfully submitted,

Kevin Beaudoin

Kevin Beaudoin, CFE
Examiner-in-Charge
State of Connecticut
Insurance Department

State of Connecticut

County of Hartford

Subscribed and sworn before me, Yusef Abu, Notary Public/Commissioner of the Superior Court, on this 19 day of May, 2023.

Yusef Abu
Notary Public/Commissioner of the Superior Court

My Commission Expires June 30, 2026

