



COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
DENTEGRA INSURANCE COMPANY OF NEW ENGLAND

Boston, Massachusetts

As of December 31, 2014

NAIC GROUP CODE 2479

NAIC COMPANY CODE 12210

EMPLOYER ID NUMBER 30-0318743

DENTEGRA INSURANCE COMPANY OF NEW ENGLAND

TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Scope of Examination	2
Summary of Significant Findings of Fact	3
Company History	3
General	3
Management and Control	3
Board of Directors Minutes	3
Board of Directors	3
Officers	4
Affiliated Companies	4
Organizational Chart	4
Transactions and Agreements with Subsidiaries and Affiliates	5
Territory and Plan of Operation	5
Reinsurance	6
Assumed Reinsurance	6
Ceded Reinsurance	6
Financial Statements	7
Statement of Assets, Liabilities, Surplus and Other Funds	8
Statement of Assets, Liabilities, Surplus and Other Funds (continued)	9
Statement of Income	10
Reconciliation of Capital and Surplus	11
Analysis of Changes in Financial Statements Resulting From The Examination	12
Comments on Financial Statements Items	12
Subsequent Events	12
Summary of Recommendations	12
Signature Page	13



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

1000 Washington Street, Suite 810 • Boston, MA 02118-6200
(617) 521-7794 • Toll free (877) 563-4467
<http://www.mass.gov/doi>

CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

JAY ASH
SECRETARY OF HOUSING AND
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AND BUSINESS REGULATION

DANIEL R. JUDSON
COMMISSIONER OF INSURANCE

May 31, 2016

The Honorable Daniel R. Judson
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, an examination has been made of the financial condition and affairs of

DENTEGRA INSURANCE COMPANY OF NEW ENGLAND

at its home office located at 185 Devonshire Street, Suite 770, Boston, Massachusetts 02110.
The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

Dentegra Insurance Company of New England ("Company") was last examined as of December 31, 2009 by the Massachusetts Division of Insurance ("Division"). The current examination was also conducted by the Division and covers the five-year period from January 1, 2010 through December 31, 2014 including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

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, as mentioned in the Massachusetts General Laws, Chapter 175, Section 4, 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.

The Company is audited annually by Armanino LLP ("Armanino"), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2010 through 2014. A review and use of the Certified Public Accountants' work papers was made to the extent deemed appropriate and effective. Representatives from the firm of Examination Resources, LLC were retained by the Division to assist in the examination by performing certain examination procedures at the direction of and under the overall management of the Division's examination staff. The assistance included a review of accounting records, information systems, and investments. Taylor-Walker Consulting, LLC actuaries and consultants were contracted by Examination Resources, LLC to perform the review of the actuarially determined loss and loss adjustment expense reserves, as well as other significant actuarial estimates.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings identified during the examination.

COMPANY HISTORY

General

On September 30, 2004, Delta Dental of California ("DDC"), a tax-exempt California corporation, purchased from Lumber Mutual Insurance Company all the outstanding shares of SEACO Insurance Company ("SEACO"). The assets and liabilities were placed into the SEACO Liquidating Trust and the resulting "Clean Shell" and associated licenses were purchased by DDC. SEACO's name was changed to Dentegra Insurance Company of New England at the time of sale. The stated purpose of the Company is to be a for-profit dental insurer in Massachusetts and other states that SEACO had been licensed in.

MANAGEMENT AND CONTROL

Board of Directors Minutes

The minutes of meetings of the Board of Directors and its Committees for the period under examination were read and they indicated that all meetings were held in accordance with the Company's bylaws and the Laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified at meetings of the Board of Directors.

Board of Directors

According to the bylaws, the Company's business shall be managed by a Board of Directors which may exercise all of the powers of the Company, except as otherwise provided by the articles of incorporation, by law, or the bylaws. The Board of Directors shall consist of not fewer than three or not more than nine Directors. The Company's Board of Directors consisted of the following individuals at December 31, 2014:

<u>Name of Director</u>	<u>Title</u>
Anthony S. Barth	President of DDC
Michael J. Castro	Executive Vice President/Chief Financial Officer of DDC
Kevin L. Jackson	Group Vice President Underwriting & Actuarial
Michael G. Hankinson, Esq.	Executive Vice President and Chief Legal Officer of DDC
Gary D. Radine	President/Chief Executive Officer of Dentegra Group, Inc.

Dentegra Insurance Company of New England

Officers

Officers and management of the Company as of December 31, 2014 were as follows:

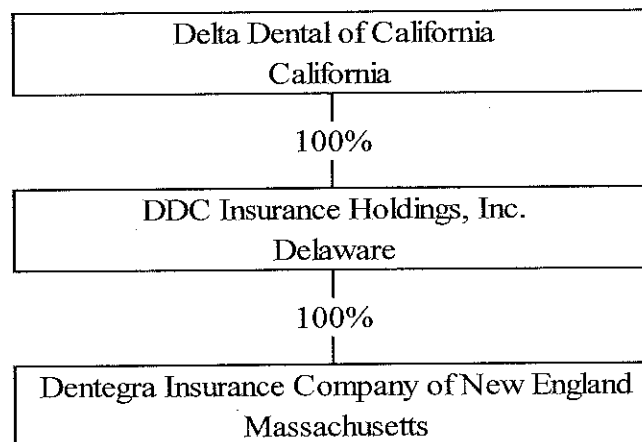
<u>Name of Officers</u>	<u>Title</u>
Gary D. Radine	President and Chairman
Anthony S. Barth	Vice Chairman
Michael J. Castro	Treasurer
Michael G. Hankinson, Esq.	Secretary

Affiliated Companies

As stated in the Insurance Holding Company System Form B as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of Massachusetts General Laws ("M.G.L."), Chapter 175, Section 206C and 211 CMR 7.00. DDC is the ultimate controlling party of the group consisting of twenty-five entities, including fourteen insurance companies and eleven non-insurance company entities.

Organizational Chart

At December 31, 2014, the Company is a member of the following organizational structure in this abbreviated organizational chart:



Dentegra Insurance Company of New England

Transactions and Agreements with Subsidiaries and Affiliates

Management and Services Agreement

Effective January 1, 2005, the Company entered into an agreement with DDC. Pursuant to the terms of the agreement, DDC acts as the sole and exclusive manager of all of the day to day operations of the Company.

Administrative Services Agreement

Effective January 1, 2007 the Company, entered into an agreement with Delta Dental Insurance Company ("DDIC"). This agreement established the terms in which DDIC collects premiums, establishes claim payment accounts, and provides administrative support for the Company.

Federal Tax Sharing Agreement

Effective January 1, 2011 the Company, entered into an agreement with DDC Insurance Holdings, Inc. ("DDCIH"). Pursuant to the terms of this agreement, the Company assigns the responsibility for filing its Federal US tax returns and related activities to DDCIH. The Company agrees to make period tax payments to DDCIH in exchange for the services provided under the agreement.

TERRITORY AND PLAN OF OPERATION

The Company currently is licensed to conduct business in the following states: Massachusetts, New York and the District of Columbia; however it does not actively write business in the District of Columbia, and only an immaterial amount of premiums in New York. The Company's Certificate of Authority is current and in force.

The Company writes group and individual dental only business, and insures the AARP Dental Insurance Plan that is administered by DDIC in the state of Massachusetts

As part of the Company's AARP Dental Insurance Trust dental contract, DDC reinsures 56% of the risk and provides underwriting and actuarial services, written materials, enrollment and eligibility, payment of claims, data collection, and other marketing and operations support services.

In 2014, the Company began writing individual and exchange business in the State of New York. This business is not reinsured and is 100% retained by the Company.

REINSURANCE

Assumed Reinsurance

The Company did not assume any reinsurance during the period under examination.

Ceded Reinsurance

As of December 31, 2014, the Company ceded business under three separate reinsurance agreements as follows.

Delta Dental of California

Effective January 1, 2006, the Company entered into a quota share reinsurance agreement with DDC. Under the terms of the agreement, DDC agrees to assume a fifty-six percent (56%) quota share of the Company's claims arising out of their AARP contract.

Hannover Life Reassurance Company of America

Effective January 1, 2006, the Company entered into a quota share reinsurance agreement with Hannover Life Reassurance Company of America ("Hannover"). Under the terms of the agreement, Hannover agrees to assume a thirty-three percent (33%) quota share of the Company's claims arising out of their AARP contract.

Renaissance Life and Health Insurance Company of America

Effective January 1, 2006, the Company entered into a quota share reinsurance agreement with Renaissance Life and Health Insurance Company of America ("RLHIC"). Under the terms of the agreement, RLHIC agrees to assume a ten percent (10%) quota share of the Company's claims arising out of their AARP contract.

FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2014. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2014

Statement of Income for the Year Ended December 31, 2014

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2014

Dentegra Insurance Company of New England

Statement of Assets, Liabilities, Surplus and Other Funds As of December 31, 2014

	Per Annual Statement
ASSETS	
Bonds	\$ 1,280,338
Cash, cash equivalents and short-term investments	4,916,433
Subtotals, cash and invested assets	6,196,771
Investment income due and accrued	2,700
Uncollected premiums and agents' balances	13,829
Other amounts receivable under reinsurance contracts	17,741
Current federal and foreign income tax recoverable and interest thereon	3,595
Receivables from parent, subsidiaries and affiliates	300,452
Health care and other amounts receivable	179
Total Assets	\$ 6,535,267

Dentegra Insurance Company of New England

Statement of Assets, Liabilities, Surplus and Other Funds (Continued)
As of December 31, 2014

	Per Annual Statement
LIABILITIES	
Claims unpaid	\$ 8,598
Unpaid claims adjustment expenses	1,792
Aggregate health policy reserves	606
Premiums received in advance	17,481
General expenses due or accrued	313,514
Current federal and foreign income tax payable	456
Ceded reinsurance premiums payable	187,968
Amounts withheld or retained for the account of others	5,917
Provision for reinsurance	-
Amounts due to parent, subsidiaries and affiliates	2,302
Total Liabilities	<u>538,634</u>
Common capital stock	2,000,000
Gross paid in and contributed surplus	4,450,000
Unassigned funds (surplus)	<u>(453,367)</u>
Total Capital and Surplus	<u>5,996,633</u>
Total Liabilities, Surplus and Other Funds	<u><u>\$ 6,535,267</u></u>

Dentegra Insurance Company of New England

Statement of Income For the Year Ended December 31, 2014

	Per Annual Statement
Member months	41,813
Net Premium income	\$ 1,062,757
Change in unearned premium reserves and reserve for rate credits	(12,440)
Total Revenues	<u>1,050,317</u>
Hospital and medical benefits	<u>1,465,001</u>
Subtotal	1,465,001
Net reinsurance recoveries	<u>1,402,070</u>
Total hospital and medical	62,931
Claims adjustment expenses	317,383
General administrative expenses	<u>650,969</u>
Total underwriting deductions	1,031,283
Net underwriting gain or (loss)	19,034
Net investment income earned	21,045
Net gain or loss from agents' or premium balances charged off	(3,720)
Miscellaneous income (expenses)	<u>(4,079)</u>
Net income after capital gains tax and before federal income tax	32,280
Federal and foreign income taxes incurred	<u>11,478</u>
Net income/(loss)	<u>\$ 20,802</u>

Dentegra Insurance Company of New England

Reconciliation of Capital and Surplus For Each Year in the Five-Year Period Ended December 31, 2014

	2014	2013	2012	2011	2010
Surplus as regards policyholders, December 31, prior year	\$ 5,943,601	\$ 5,904,105	\$ 5,813,824	\$ 5,801,076	\$ 5,799,722
Net income/(loss)	20,802	35,981	217,233	12,140	1,963
Change in non-admitted assets	32,230	3,514	(126,952)	608	(609)
Net change in capital and surplus for the year	<u>53,032</u>	<u>39,495</u>	<u>90,281</u>	<u>12,748</u>	<u>1,354</u>
Capital and surplus, December 31, current year	<u>\$ 5,996,633</u>	<u>\$ 5,943,600</u>	<u>\$ 5,904,105</u>	<u>\$ 5,813,824</u>	<u>\$ 5,801,076</u>

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE
EXAMINATION**

There have been no changes to the amounts reported in the Annual Statement.

COMMENTS ON FINANCIAL STATEMENT ITEMS

As a result of the examination, no issues with non-compliance, adverse findings, or material changes to the financial statements were identified.

Taylor-Walker Consulting, LLC reviewed the reasonableness of the loss and LAE reserves of the Company as of December 31, 2014. The review was conducted in a manner consistent with the Code of Professional Conduct and the Qualification Standards of the American Academy of Actuaries and the Standard of Practice adopted by the Actuarial Standards Board.

The examination actuary of Taylor-Walker Consulting, LLC noted the central estimate of the net claims unpaid, unpaid claims adjustment expenses and aggregate health policy reserves \$10,996, which is equal to the booked reserves of \$10,996. The net booked reserves is within the Taylor-Walker Consulting, LLC range of reasonable estimates from \$8,320 to \$13,342. In the opinion of Taylor-Walker, the net loss and loss adjustment expense reserves carried by the Company as of December 31, 2014, make a reasonable provision for all claims unpaid and unpaid claims adjustment expense obligations of the Company.

SUBSEQUENT EVENTS

Subsequent to December 31, 2014, there were no material items that came to our attention for inclusion in the report of examination.

SUMMARY OF RECOMMENDATIONS

There are no recommendations being made as part of this examination report.

SIGNATURE PAGE

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by Examination Resources LLC who participated in this examination is hereby acknowledged.

A handwritten signature in black ink, appearing to read 'Wei', is written over a horizontal line.

Guangping Wei, CFE
Supervising Examiner and
Examiner in Charge
Commonwealth of Massachusetts
Division of Insurance