



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

REPORT OF EXAMINATION OF THE
DENTEGRA INSURANCE COMPANY OF NEW ENGLAND

Newton, Massachusetts

As of December 31, 2019

NAIC GROUP CODE 2479

NAIC COMPANY CODE 12210

EMPLOYER ID NUMBER 30-0318743

DENTEGRA INSURANCE COMPANY OF NEW ENGLAND

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COMMONWEALTH OF MASSACHUSETTS
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COMMISSIONER OF INSURANCE

May 27, 2021

The Honorable Gary D. Anderson
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 53 Langley Road, Suite 270, Piccadilly Square, Newton, Massachusetts 02459. Due to the COVID-19 pandemic, the examination was conducted remotely. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

Dentegra Insurance Company of New England (“Company”) was last examined as of December 31, 2014 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, 2015 through December 31, 2019 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* (“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 current and 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 2015 through 2019. A review and use of the Certified Public Accountants’ work papers was made to the extent deemed appropriate and effective.

This examination was conducted as part of a coordinated group financial examination in compliance with the *Coordination of Holding Company Group Exams* framework of the Handbook. The Delaware Insurance Department (“Delaware Department”) acted as the lead state, and the Division, acting as a participating state, coordinated with the Delaware Department.

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, investments and actuarially determined loss and loss adjustment expense reserves.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings during the previous examination and there are no significant findings related to the current examination.

COMPANY HISTORY

General

The Company was incorporated under the laws of the Commonwealth of Massachusetts on September 30, 2004, and commenced business on October 1, 2004. As a licensed property and casualty insurer, the Company is subject to the provisions of Massachusetts General Law ("M.G.L.") Chapter 175, Section 4 and other Massachusetts Insurance Laws.

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.

Stockholder Dividends

During the exam period, the Company did not pay dividends to its parent.

MANAGEMENT AND CONTROL

Board of Directors Minutes

The minutes of meetings of the Board of Directors ("Board") and its Committees for the period under examination were reviewed and 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.

Articles of Organization and Bylaws

The articles of organization and bylaws of the Company were reviewed. The bylaws were amended as approved by the Board at the June 27, 2017 meeting.

Dentegra Insurance Company of New England

Board of Directors

According to the bylaws, the powers of the Company shall be exercised, its business and affairs shall be conducted and its property shall be controlled by the Board, except as otherwise provided by the laws of the Commonwealth of Massachusetts, the Articles of Organization or the bylaws. The number of Directors shall be no more than nine (9) or less than five(5).

At December 31, 2019, the Company's Board was composed of seven six persons, which is in compliance with the Company's bylaws and General Laws of Massachusetts. The members of the Board are as follows:

<u>Name of Directors</u>	<u>Title</u>
Michael J. Castro	Chief Executive Officer of DDC
Sarah M. Chavarria	Executive Vice President and Chief People Officer of DDC
Kirsten E. Garen	Executive Vice President and Chief Information Officer of DDC
Michael G. Hankinson, Esq.	Executive Vice President and Chief Legal Officer of DDC
Kevin L. Jackson	Executive Vice President and Chief Growth Officer of DDC
Alicia F. Weber	Executive Vice President and Chief Financial Officer DDC

Officers

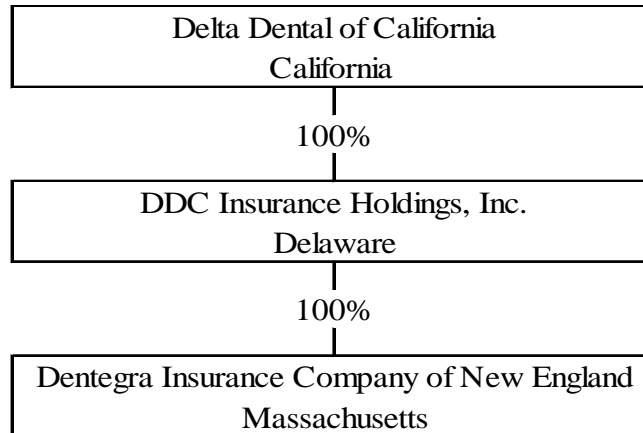
According to the Company's bylaws, the Board shall elect the officers of the Company. The officers of the Company shall be a Chair of the Board, a Secretary, a Treasurer and such other officers, including a President, as the Board may appoint. The Chair, the Secretary and the Treasurer shall be elected annually by the Board at the annual meeting of the Board. Each elected officer shall hold office for one (1) year or until a successor is elected. The officers of the Company as of December 31, 2019 were as follows:

<u>Name of Officers</u>	<u>Title</u>
Michael J. Castro	Chair of the Board
Alicia F. Weber	Treasurer
Michael G. Hankinson, Esq.	Secretary

Dentegra Insurance Company of New England

Organizational Chart

At December 31, 2019, the Company is a member of the following organizational structure in this abbreviated organizational chart:



Affiliated Companies

As stated in the Insurance Holding Company System Form B and Form C as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of M.G.L., Chapter 175, Section 206C and 211 CMR 7.00. The ultimate controlling entity of the system is DDC.

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.

Dentegra Insurance Company of New England

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 write business in the following three states or territories: 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.

REINSURANCE

Assumed Reinsurance

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

Ceded Reinsurance

As of December 31, 2019, 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.

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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, 2019. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2019

Statement of Income for the Year Ended December 31, 2019

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2019

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Statement of Assets, Liabilities, Surplus and Other Funds As of December 31, 2019

	Per Annual Statement
ASSETS	
Bonds	\$ 1,290,146
Cash, cash equivalents and short-term investments	5,243,066
Subtotals, cash and invested assets	<u>6,533,212</u>
Investment income due and accrued	3,646
Uncollected premiums and agents' balances	1,649
Amounts recoverable from reinsurers	113,611
Other amounts receivable under reinsurance contracts	3,078
Current federal and foreign income tax recoverable and interest thereon	3,803
Guaranty funds receivable or on deposit	528
Receivables from parent, subsidiaries and affiliates	35,474
Total Assets	<u>\$ 6,695,001</u>
LIABILITIES	
Claims unpaid	\$ 1,190
Unpaid claims adjustment expenses	1,000
Aggregate health policy reserves	568
Premiums received in advance	5,716
General expenses due or accrued	147,751
Ceded reinsurance premiums payable	379,775
Amounts due to parent, subsidiaries and affiliates	14,946
Aggregate write-ins for other liabilities	6,242
Total Liabilities	<u>\$ 557,188</u>
Common capital stock	\$ 2,000,000
Gross paid in and contributed surplus	4,450,000
Unassigned funds (surplus)	(312,187)
Total Capital and Surplus	<u>\$ 6,137,813</u>
Total Liabilities, Capital and Surplus	<u>\$ 6,695,001</u>

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Statement of Income For the Year Ended December 31, 2019

	Per Annual Statement
Member months	41,475
Net Premium income	\$ 1,189,601
Change in unearned premium reserves and reserve for rate credits	1,102
Total Revenues	<u>1,190,703</u>
Hospital and medical benefits	<u>1,607,300</u>
Subtotal	1,607,300
Net reinsurance recoveries	<u>1,580,495</u>
Total hospital and medical	26,805
Claims adjustment expenses	402,619
General administrative expenses	<u>761,822</u>
Total underwriting deductions	1,191,246
Net underwriting gain or (loss)	(543)
Net investment income earned	28,019
Net gain or loss from agents' or premium balances charged off	(2,785)
Miscellaneous income (expenses)	<u>992</u>
Net income after capital gains tax and before federal income tax	25,683
Federal and foreign income taxes incurred	<u>3,412</u>
Net income/(loss)	<u><u>\$ 22,271</u></u>

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Reconciliation of Capital and Surplus For Each Year in the Five-Year Period Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Surplus as regards policyholders, December 31, prior year	\$ 6,139,422	\$ 6,124,317	\$ 6,099,292	\$ 6,075,613	\$ 5,996,633
Net income/(loss)	22,271	3,783	(6,739)	7,107	68,932
Change in non-admitted assets	(23,880)	11,322	31,764	16,572	10,048
Net change in capital and surplus for the year	<u>(1,609)</u>	<u>15,105</u>	<u>25,025</u>	<u>23,679</u>	<u>78,980</u>
Capital and surplus, December 31, current year	<u><u>\$ 6,137,813</u></u>	<u><u>\$ 6,139,422</u></u>	<u><u>\$ 6,124,317</u></u>	<u><u>\$ 6,099,292</u></u>	<u><u>\$ 6,075,613</u></u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There have been no changes made to the financial statements as a result of this examination.

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.

INS Consultants, Inc. reviewed the reasonableness of the loss and LAE reserves of the Company as of December 31, 2019. 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.

SUBSEQUENT EVENTS

In March 2020 the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there was significant uncertainty on the effect that the pandemic would have on the insurance industry, economy, and society at large. Any impact to the Company will take time to assess and will be specific to the class and mix of business they underwrite. The Division will continue to monitor how the pandemic might impact the Company.

SUMMARY OF RECOMMENDATIONS

There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this 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 representatives from Examination Resources LLC, who participated in this examination is hereby acknowledged.

Robert G. Dynan

Robert G. Dynan, CFE
Supervising Examiner & Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance