

JUN 14 2021

FILED

CERTIFICATION

June 14, 2021

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

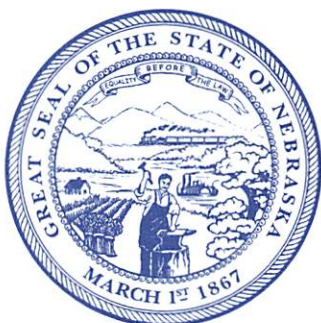
DELTA DENTAL OF NEBRASKA

AS OF

DECEMBER 31, 2019

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.





DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

DELTA DENTAL OF NEBRASKA
500 WASHINGTON AVENUE S., SUITE 2060
MINNEAPOLIS, MN 55415

dated as of December 31, 2019 verified under oath by the examiner-in-charge on May 24, 2021, and received by the company on May 28, 2021, has been adopted with modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 4th day of June 2021.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "Justin C. Schrader", is written over a horizontal line.

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

DELTA DENTAL OF NEBRASKA

as of

DECEMBER 31, 2019

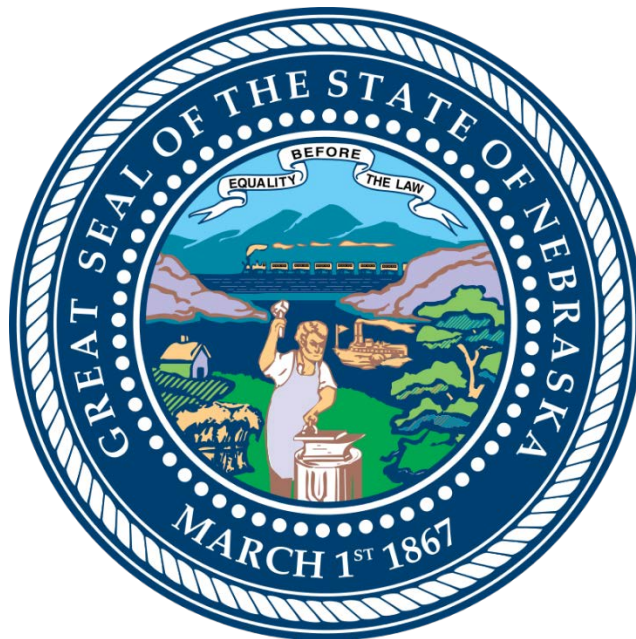


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Lincoln, Nebraska
May 19, 2021

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

DELTA DENTAL OF NEBRASKA

which has its Statutory Home Office located at

**1807 N 169th Plaza, Suite B
Omaha, Nebraska 68118**

with its Principal Executive Office located at

**500 Washington Avenue S., Suite 2060
Minneapolis, Minnesota 55415**

(hereinafter also referred to as the “Company”), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Company as of December 31, 2016. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2019 and such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska and Minnesota participated in this examination and assisted in the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company's affiliates, Delta Dental of Minnesota, and Health Ventures Network.

SCOPE OF EXAMINATION

This examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions, when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Minnesota Department of Commerce as the coordinating state and the Nebraska Department of Insurance. The companies examined under this approach benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

The Department made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Members, Board of Directors, and committees held during the examination period were read and noted. Attendance at meetings, election of Directors and Officers, and approval of investment transactions were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed. The Certificate of Authority to conduct the business of insurance in the State of Nebraska was inspected, and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed Annual Statements, is reflected in the financial section of this report under the caption "Body of Report."

Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Baker Tilly Virchow Krause, LLP the Company's external auditors, during their audit of the Company's

accounts for the year ended December 31, 2019. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was incorporated in the State of Nebraska on April 29, 1985 as a nonprofit health services company under the name, Delta Dental Plans of Nebraska. The Company is a member and independently operated affiliate of Delta Dental Plans Association (DDPA). The Company changed its name to Delta Dental of Nebraska effective January 1, 2007. Effective August 22, 2016, the Company reorganized, changing their organization type from a Dental Service Corporation to a Prepaid Limited Health Organization. Effective June 19, 2019, the membership of the Company changed from a multi-member company structure to a single member governance structure with Stratacor being the member.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the 'Ultimate Controlling Person,' as reported in the 2019 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and, unless otherwise indicated, all subsidiaries are 100% owned):

Stratacor

Delta Dental of Minnesota
DDMN ASO, LLC
Delta Dental of Nebraska
Delta Dental of Minnesota Foundation
TRASKA Inc.
Health Ventures Network
Abova, Inc.
 Abova Health, LLC
 Abova Financial, LLC
 Abova Consulting, LLC
 A41 Administration, LLC
 Abova Technologies, LLC
 Creed Interactive, LLC
 Stratacor Enterprise, LLC

Member

Article 1, Section 1 of the Company's By-Laws state that, "the sole member of Delta Dental of Nebraska (the "Corporation") shall be Stratacor, a Minnesota nonprofit corporation...The Sole Member shall act through the Sole Member's Board of Directors."

Board of Directors

Article II, Section 1 states that, "the Directors of the Corporation shall be not less than five (5) or more than seventeen (17) in number. The Board of Directors will be composed of a majority of non-health service providers. Each Director shall have one vote at meetings of the Board of Directors. One-third (1/3) or more of the Directors shall be persons who are not Officers or employees of the Corporation or of any entity controlling, controlled by, or under common control with corporation ("Independent Directors"). A quorum shall consist of the greater of one-third (1/3) of the total number of Directors then in office or two (2) Directors, and in either case at least one (1) of the Directors in the quorum must be an Independent Director. The majority vote of those Directors present at any meeting where a quorum is present shall be

sufficient to pass any measure, except measures on which a greater vote is required by the Articles of Incorporation, these By-Laws, or any provision of applicable Nebraska law.”

Article II, Section 2 further states that, “the term of the Directors of this Corporation shall be three (3) years. The election of Directors shall be by the Sole Member, and the terms of the Directors of this Corporation shall be staggered so that there shall be a maximum of continuity of directorship and management.”

The following persons were serving as Directors at December 31, 2019:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Patrick J. Boler Omaha, Nebraska	Board Chairman & Treasurer of the Company Principal, Boler, Wood and Associates Employee Benefits Advisor, Marcotte Insurance Agency
Richard D. Fitzgerald, DDS Omaha, Nebraska	Private Practice Dentist
Patrick Garvey LaVista, Nebraska	Vice-President, Garvey & Associates, Inc.
Thomas S. Lentz LaVista, Nebraska	Owner, Profit Advantage, Inc.
James D. Palmer, DDS Lincoln, Nebraska	Private Practice Dentist
Tamera K. Robinson Saint Paul, Minnesota	Chief Financial Officer and Assistant Treasurer Stratacor
Dee A. TeKrony Omaha, Nebraska	Account Executive Ferris Benefits Group
Rodney A. Young Minneapolis, Minnesota	President and Chief Executive Officer Stratacor

Officers

Article II, Section 6 of the Company’s By-Laws state that, “the Board of Directors shall have the power to elect from its own members a President, a Board Chair, a Board Vice-Chair, a

Secretary, and a Treasurer and any other officers or assistant officers as the Board of Directors shall, from time to time, so determine. Any two or more Officer positions may be held by the same person except for the Offices of Board Chair and Secretary.”

The following is a listing of Officers elected and serving the Company at December 31, 2019:

<u>Name</u>	<u>Office</u>
Tamera K. Robinson	President & Assistant Treasurer
Rodney A. Young	Chief Executive Officer
Patrick J. Boler	Board Chairman & Treasurer
Dee A. TeKrony	Secretary
Stephanie A. Albert	Assistant Treasurer

Committees

According to Article III, Section 1 of the By-Laws, “the Board of Directors may act by and through such committees as may be specified in resolutions approved by a majority of the total number of Directors in office when the committee is created. Each such committee shall have such duties and responsibilities as are established for it from time to time by the Board of Directors, provided such duties and responsibilities are consistent with the Corporation’s Articles of Incorporation, these By-Laws or any provision of applicable Nebraska law...” The By-Laws further state, “there shall be a nominating committee of at least two (2) Directors appointed by the Board Chair.”

The following persons were serving on the Nominating Committee as of December 31, 2019:

Patrick Boler

Rodney Young

The following persons were serving on the Professional Review and Relations Committee as of December 31, 2019:

John Anderson, DDS

Richard D. Fitzgerald, DDS

James Palmer, DDS

Michael Zakula, DDS

TRANSACTIONS WITH AFFILIATES

Administrative Service Agreement

Effective July 16, 2019, the Company entered into an amended and restated administrative services agreement with Stratacor. Under the agreement, the Company provides certain administrative services in which a fee is paid is based on per member per month (PMPM) basis for Group Business and on a per subscriber per month (PSPM) for Individual Business. In addition to the PMPM and PSPM fees, certain direct costs are also reimbursed on an actual cost basis.

TERRITORY AND PLAN OF OPERATION

As evidenced by a current Certificate of Authority, the Company is licensed to transact business in Nebraska. The Company is licensed as a Prepaid Limited Health Organization and administers pre-paid dental service plans under agreements offered to its subscribers on either a risk basis or an administrative services only basis. Participating dentists receive payments from the Company for services provided to subscribers in accordance with the usual, customary, and reasonable provisions of the membership agreements.

The production of business is carried out by the Sales Manager, based out of the Company's Statutory Home Office. The Company markets to employer groups and individuals through brokers and consultants, as well as directly to individuals. The Company also offers healthcare reform products on the federal healthcare exchange.

REINSURANCE

The Company does not cede nor assume any business.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds	\$ 9,040,977	\$ 9,284,979	\$ 9,217,822
Cash and equivalents	584,832	798,281	718,109
Admitted assets	10,304,314	10,718,948	10,563,881
Claims unpaid	358,792	372,730	411,307
Total liabilities	3,019,437	2,486,234	1,266,092
Capital and surplus	7,284,877	8,232,714	9,297,789
Premium income	7,932,055	9,262,453	9,507,844
Net investment gain	127,734	145,375	190,792
Benefit and loss related payments	5,763,667	6,611,561	6,909,870
General administrative expenses	5,121,703	1,311,217	1,390,510
Net income (loss)	(3,013,003)	979,957	1,021,120
Member months	364,230	423,810	410,481

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2019. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
DECEMBER 31, 2019

Assets

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 9,217,822		\$ 9,217,822
Cash and cash equivalents	<u>718,109</u>		<u>718,109</u>
Subtotals, cash and invested assets	\$ 9,935,931		\$ 9,935,931
Investment income due and accrued	36,687		36,687
Uncollected premiums	21,940		21,940
Amounts receivable relating to uninsured plans	555,817		555,817
Furniture and equipment	21,480	\$21,480	
Prepays	4,178	4,178	
Miscellaneous accounts receivable	<u>13,506</u>	<u> </u>	<u>13,506</u>
Total	<u>\$10,589,539</u>	<u>\$23,658</u>	<u>\$10,563,881</u>

Liabilities, Surplus and Other Funds

Claims unpaid		\$ 411,307
Unpaid claims adjustment expenses		14,500
Premiums received in advance		103,162
General expenses due or accrued		57,969
Amounts due to parent, subsidiaries and affiliates		390,824
Other payables – miscellaneous accruals		<u>288,330</u>
Total liabilities		<u>\$ 1,266,092</u>
Unassigned funds		<u>\$ 9,297,789</u>
Total surplus		<u>\$ 9,297,789</u>
Total liabilities, surplus and other funds		<u>\$10,563,881</u>

STATEMENT OF REVENUE AND EXPENSES - 2019

Underwriting Income

Net premium income	\$9,507,844
Change in unearned premium reserves and reserve for rate credits	<u>33,387</u>
Total revenues	<u>\$9,541,231</u>
Total hospital and medical	<u>\$6,909,807</u>
Claims adjustment expenses	\$ 415,341
General administrative expenses	<u>1,390,510</u>
Total underwriting deductions	<u>\$8,715,721</u>
Net underwriting gain	<u>\$ 825,510</u>
Net investment income earned	\$ 190,792
Net realized capital gains	<u>(8,420)</u>
Net investment gains	<u>\$ 182,372</u>
Other administrative income	\$ 2,618
FMG profit	<u>10,620</u>
Net income	<u><u>\$1,021,120</u></u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Capital and surplus, beginning	<u>\$10,494,949</u>	<u>\$7,284,877</u>	<u>\$8,232,714</u>
Net income	\$ (3,013,003)	\$ 979,957	\$1,021,120
Change in net unrealized capital gains (losses) less capital gains tax	(185,663)	11,475	8,246
Change in nonadmitted assets	<u>(11,406)</u>	<u>(43,595)</u>	<u>35,709</u>
Net change for the year	<u>\$ (3,210,072)</u>	<u>\$ 947,837</u>	<u>\$1,065,075</u>
Capital and surplus, ending	<u><u>\$ 7,284,877</u></u>	<u><u>\$8,232,714</u></u>	<u><u>\$9,297,789</u></u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$9,297,789, as reported in the Company's 2019 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS EXAMINATION RECOMMENDATIONS

No recommendations were made as a result of the previous examination.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS


There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGMENT

The courtesy and cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Financial Examiners, Information Systems Specialists, and Actuarial Examiners with or contracted by the Minnesota Department of Commerce; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,


Skyler Lawyer, CFE
Examiner-in-Charge
Department of Insurance
State of Nebraska

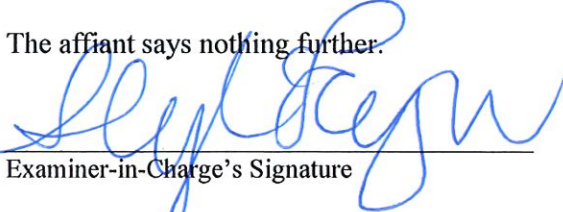
State of Nebraska,

County of Lancaster,

Skyler Lawyer, being duly sworn, states as follows:

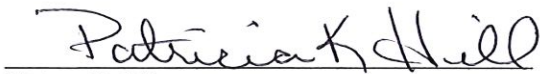
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Delta Dental of Nebraska.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of the Delta Dental of Nebraska was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

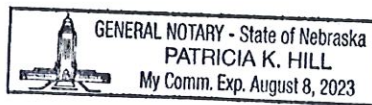
The affiant says nothing further.


Examiner-in-Charge's Signature

Subscribed and sworn before me by Skyler Lawyer on this 24 day of May, 2021.

(SEAL)


Notary Public



My commission expires 8-28-23 [date].