

JUN 25 2024

FILED

CERTIFICATION

June 25, 2024

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, 2022

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, 2022, verified under oath by the examiner-in-charge on
June 21, 2024, and received by the company on June 21, 2024, has been adopted
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 25th day of June 2024.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'L. Crawford', with a stylized, cursive script.

Lindsay Crawford, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

DELTA DENTAL OF NEBRASKA

as of

DECEMBER 31, 2022



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Lincoln, Nebraska
June 12, 2024

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

**1299 Farnam Street, Suite 300
Omaha, Nebraska 68102**

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, 2019. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2022 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 Nebraska Department of Insurance 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, LLP the Company's external auditors, during their audit of the Company's accounts for the year

ended December 31, 2022. 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 #1, Inc. 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 its 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 2022 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 Talent, LLC
 Stratacor Enterprise, LLC
 Stratacor CA, LLC
 Above Talent, LLC

Member

Article 1, Section 1 of the Company's By-Laws states 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 of the Company's By-Laws 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 of the Company’s By-Laws 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, 2022:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Patrick J. Boler Omaha, Nebraska	Retired Insurance Broker
Richard D. Fitzgerald, DDS Omaha, Nebraska	Private Practice Dentist
Patrick Garvey Omaha, Nebraska	Retired Insurance Broker
Jennifer Hasslen, DDS Papillion, NE	Dentist/Professor at Creighton University, Chief of Dental Services for US Air Force
James D. Palmer, DDS Lincoln, Nebraska	Retired Dentist
Tamera K. Robinson Shoreview, Minnesota	President, Delta Dental of Nebraska
Dee A. TeKrony Omaha, Nebraska	Account Executive, First Insurance Group dba FNIC
Rodney A. Young Edina, Minnesota	Chief Executive Officer, Stratacor

Officers

Article II, Section 6 of the Company’s By-Laws states 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, 2022:

<u>Name</u>	<u>Office</u>
Tamera K. Robinson	President
Rodney A. Young	Board Chair and Chief Executive Officer
Richard Fitzgerald	Board Vice Chair
Patrick J. Boler	Treasurer
Dee A. TeKrony	Secretary
Carol Houghtby	Assistant Treasurer
Nadia Martyn	Assistant Secretary

Committees

Article III, Section 1 of the Company’s By-Laws states that, “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.” Article II, Section 3 of the Company’s By-Laws further states that, “there shall be a nominating committee of at least two (2) Directors appointed by the Board Chair. The nominating committee shall submit nominations for vacancies of the board to the Sole Member.”

The following persons were serving on the Governance and Nominating Committee as of December 31, 2022:

Patrick Boler	Tamera Robinson
Richard Fitzgerald	Rodney Young
Dee TeKrony	

The following persons were serving on the Professional Review and Relations Committee as of December 31, 2022:

Lyndsay Bates
Richard Fitzgerald, DDS

Jennifer Hasslen, 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 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. This agreement was last amended to be effective on July 1, 2022 where Stratacor took on additional administrative services from the Company with restated lower PMPM rates.

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 service 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 Vice President of Sales and Senior Account Executive, based out of the Company's Principal Executive 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>2020</u>	<u>2021</u>	<u>2022</u>
Bonds	\$ 9,515,599	\$ 9,375,009	\$ 9,613,448
Cash and equivalents	1,341,264	2,231,720	2,092,963
Admitted assets	11,600,474	12,325,435	12,578,753
Claims unpaid	351,986	255,600	219,083
Total liabilities	1,067,225	856,810	812,692
Capital and surplus	10,533,249	11,468,624	11,766,061
Premium income	10,160,117	10,064,216	9,569,573
Net investment income earned	204,706	177,116	174,022
Benefit and loss related payments	6,725,083	7,258,025	7,416,315
General administrative expenses	1,949,877	1,623,832	1,575,560
Net income	1,222,334	915,499	317,294
Member months	384,218	363,156	331,703

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, 2022. 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. Amounts have been rounded.

FINANCIAL STATEMENT
DECEMBER 31, 2022

Assets

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 9,613,448		\$ 9,613,448
Cash and cash equivalents	<u>2,092,963</u>		<u>2,092,963</u>
Subtotals, cash and invested assets	\$11,706,410		\$11,706,410
Investment income due and accrued	45,178		45,178
Uncollected premiums	32,379		32,379
Amounts receivable relating to uninsured plans	767,928		767,928
Furniture and equipment	1,652	\$1,652	
Receivable from parent, subsidiaries and affiliates	847		847
Intangible assets	5,929		5,929
Miscellaneous accounts receivable	<u>20,081</u>	<u> </u>	<u>20,081</u>
Total	<u>\$12,580,405</u>	<u>\$1,652</u>	<u>\$12,578,753</u>

Liabilities, Surplus and Other Funds

Claims unpaid	\$ 219,083
Unpaid claims adjustment expenses	12,800
Aggregate health policy reserve	39,831
Premiums received in advance	100,976
General expenses due or accrued	69,792
Amounts due to parent, subsidiaries and affiliates	80,257
Other payables	91,082
Unclaimed property payable	<u>198,871</u>
Total liabilities	<u>\$ 812,692</u>
Unassigned funds	<u>\$11,766,061</u>
Total capital and surplus	<u>\$11,766,061</u>
Total liabilities, capital, and surplus	<u>\$12,578,753</u>

STATEMENT OF REVENUE AND EXPENSES - 2022

Underwriting Income

Net premium income	\$9,569,573
Change in unearned premium reserves and reserve for rate credits	<u>17,791</u>
Total revenues	<u>\$9,587,365</u>
Total hospital and medical	<u>\$7,416,315</u>
Claims adjustment expenses	\$ 474,847
General administrative expenses	<u>1,575,560</u>
Total underwriting deductions	<u>\$9,466,721</u>
Net underwriting gain	<u>\$ 120,643</u>
Net investment income earned	\$ 174,022
Net realized capital gains	<u>22,526</u>
Net investment gains	<u>\$ 196,548</u>
FMG profit	<u>102</u>
Net income	<u>\$ 317,294</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, beginning	<u>\$ 9,297,789</u>	<u>\$10,533,249</u>	<u>\$11,468,623</u>
Net income	\$ 1,222,334	\$ 915,499	\$ 317,294
Change in net unrealized capital gains (losses) less capital gains tax	2,339	13,266	(26,468)
Change in nonadmitted assets	<u>10,787</u>	<u>6,610</u>	<u>6,609</u>
Net change for the year	<u>\$ 1,235,460</u>	<u>\$ 935,374</u>	<u>\$ 297,434</u>
Capital and surplus, ending	<u>\$10,533,249</u>	<u>\$11,468,623</u>	<u>\$11,766,061</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$11,766,061, as reported in the Company's 2022 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

Quarterly Investment Review

During the review of the Board of Directors minutes, the examiner noted that the Board of Directors were only reviewing the investment transactions made by the Company twice a year. It is recommended that the Company comply with Nebraska Rev. Statute §44-5105(3), that states, "on no less than a quarterly basis, and more often if deemed appropriate, the Board of Directors or committee of the Board of Directors shall: Receive and review a summary report on the insurer's investment portfolio, investment activities, and investment practices engaged in under delegated authority, in order to determine whether the investment activity of the insurer is consistent with its written plan."

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been made as a result of this examination:

Quarterly Investment Review - It is recommended that the Company's Board of Directors or a committee of the Board of Directors review investment activity on no less than a quarterly basis in accordance with Neb. Rev. Stat. §44-5105(3).

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,

A handwritten signature in black ink that reads "Santosh Ghimire". The signature is written in a cursive, flowing style.

Santosh Ghimire, CFE
Examiner-in-Charge
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Santosh Ghimire, being duly sworn, states as follows:

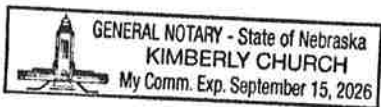
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Delta Dental of Nebraska.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of 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.

Santosh Ghimire
Examiner-in-Charge's Signature

Subscribed and sworn before me by Kimberly Church on this 21st day of June, 2024.

(SEAL)



[Signature]
Notary Public

My commission expires 09/15/2026 [date].