

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

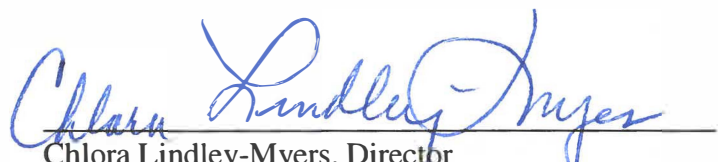
ORDER

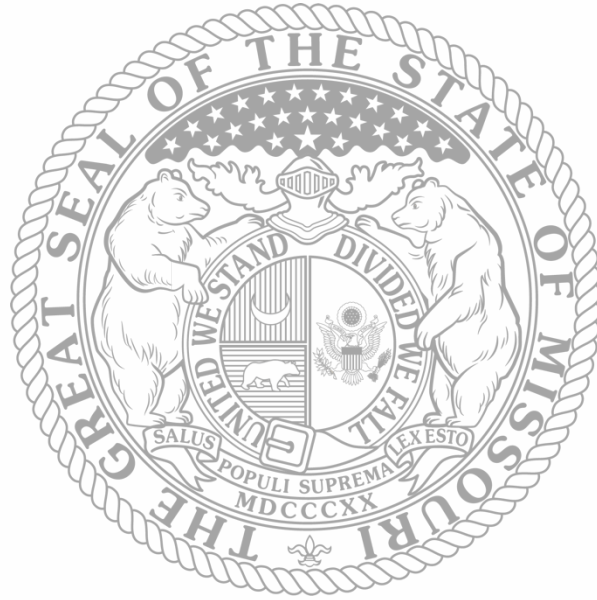
After full consideration and review of the report of the financial examination of Liberty Dental Plan of Missouri, Inc. for the period ended December 31, 2020, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Liberty Dental Plan of Missouri, Inc. as of December 31, 2020 be and is hereby ADOPTED as filed and for Liberty Dental Plan of Missouri, Inc. to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 11th day of April, 2022.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

LIBERTY DENTAL PLAN OF MISSOURI, INC.

AS OF
DECEMBER 31, 2020

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	1
SUMMARY OF SIGNIFICANT FINDINGS	2
COMPANY HISTORY	2
GENERAL.....	2
MERGERS, ACQUISITIONS, AND MAJOR CORPORATE EVENTS	2
DIVIDENDS AND CAPITAL CONTRIBUTIONS	2
SURPLUS NOTES.....	2
MANAGEMENT AND CONTROL	3
BOARD OF DIRECTORS	3
SENIOR OFFICERS	3
PRINCIPAL COMMITTEES	3
CORPORATE RECORDS.....	3
HOLDING COMPANY, SUBSIDIARIES, AND AFFILIATES.....	3
ORGANIZATIONAL CHART	4
INTERCOMPANY TRANSACTIONS	4
TERRITORY AND PLAN OF OPERATION	4
GROWTH OF COMPANY AND LOSS EXPERIENCE	5
REINSURANCE	5
ACCOUNTS AND RECORDS	5
INDEPENDENT AUDITOR	5
ACTUARIAL OPINION.....	6
CONSULTING ACTUARY.....	6
INFORMATION SYSTEMS	6

FINANCIAL STATEMENTS	6
ASSETS.....	7
LIABILITIES, CAPITAL AND SURPLUS	7
STATEMENT OF REVENUE AND EXPENSES	8
RECONCILIATION OF CAPITAL AND SURPLUS	8
COMMENTS ON FINANCIAL STATEMENT ITEMS	9
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION	9
SUMMARY OF RECOMMENDATIONS	9
SUBSEQUENT EVENTS	9
ACKNOWLEDGMENT	10
VERIFICATION	10
SUPERVISION	11

Kansas City, MO
January 28, 2022

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial examination has been made of the records, affairs, and financial condition of

Liberty Dental Plan of Missouri, Inc. (NAIC #14057)

hereinafter referred to as such, as LDP MO, or as the Company. Its administrative office is located at 340 Commerce Suite 100, Irvine, California, 92602, telephone number 949-271-3945. The fieldwork for this examination began on July 15, 2021, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of Liberty Dental Plan of Missouri, Inc. The last examination of the Company by the Department covered the period of January 1, 2015 through December 31, 2017. The current examination covers the period of January 1, 2018 through December 31, 2020, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. 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 evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to LDP MO included Cash and investments, claims handling and reserving, related party, premiums and underwriting, and capital and surplus. The examination also included a review and evaluation of information technology general controls.

This examination was conducted as part of a coordinated examination of the Liberty Dental Plan Group, which consists of four other insurance companies domiciled in various states. The Nevada Division of Insurance is the lead state regulator for the group. The examination was coordinated with the Nevada Division of Insurance's (Nevada) examination of Liberty Dental Plan of Nevada, Inc. and the New Jersey Department of Banking and Insurance's examinations of Liberty Dental Plan of New Jersey, Inc. and Liberty Dental Plan of Organization of New Jersey, Inc.

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) and general information about the Company 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 are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

COMPANY HISTORY

General

Liberty Dental Plan of Missouri, Inc. was incorporated on September 23, 2010 under the laws of Missouri and was issued a certificate of authority on April 29, 2011. The Company operates under provisions of Chapter 354 Revised Statutes of Missouri (Health Services Corporations - Health Maintenance Organizations – Prepaid Dental Plans). LDP MO offers administration of a complete array of dental management and benefit services in Missouri.

In 2013, LDP MO began providing services through risk revenue contracts. Revenue associated with these contracts accounted for approximately 97% of total revenue in 2020, and the Company has experienced growth in these contracts of 778% since 2017. Effective March 9, 2020, LDP MO terminated its Missouri Medicaid Contract with WellCare Health Plans (WellCare) due to poor operating results.

Mergers, Acquisitions, and Major Corporate Events

There were no mergers, acquisitions, or other major corporate events during the exam period.

Dividends and Capital Contributions

The Company paid an \$800,000 extraordinary dividend to its parent, Liberty Dental Plan Corporation (LDP Corporation), during 2018. No dividends were paid in 2019 and 2020. The Company declared an extraordinary dividend of \$2,800,000, which was paid to LDP Corporation in the first quarter of 2021. The Company received capital contributions of \$12,500,000 and \$2,000,000 during the years 2019 and 2020, respectively.

Surplus Notes

There were no surplus notes issued or outstanding during the examination period.

MANAGEMENT AND CONTROL

Board of Directors

The property and business of the Company is controlled and managed by a Board of Directors. Pursuant to the Company's Articles and Bylaws, the Board shall consist of a sole director and shall meet on annual basis. The Company's sole director is the Chief Executive Officer and President, Amir Neshat, D.D.S, of Newport Coast, California.

Senior Officers

Pursuant to the Company's Bylaws, the officers shall consist of a President, a Secretary, and such other officers as deemed necessary. These officers shall be chosen annually and will hold office until their successors are elected and qualify. The officers elected and serving, as of December 31, 2020, were as follows:

<u>Name</u>	<u>Office</u>
Amir Neshat, D.D.S	President/Chief Executive Officer
John Carvelli	Executive Vice President
Maja Kapic	Chief Financial Officer
Steve Sohn	Secretary

Principal Committees

The Company's Bylaws allow for the establishment of committees of the Board of Directors. As of the examination date, the Company had not established any such committees of its own. LDP MO relies on the committees adopted by its parent, LDP Corporation. As of the examination date, LDP Corporation had established an Audit Committee and a Regulatory Compliance Committee to assist the Board with oversight responsibilities of the Company.

Corporate Records

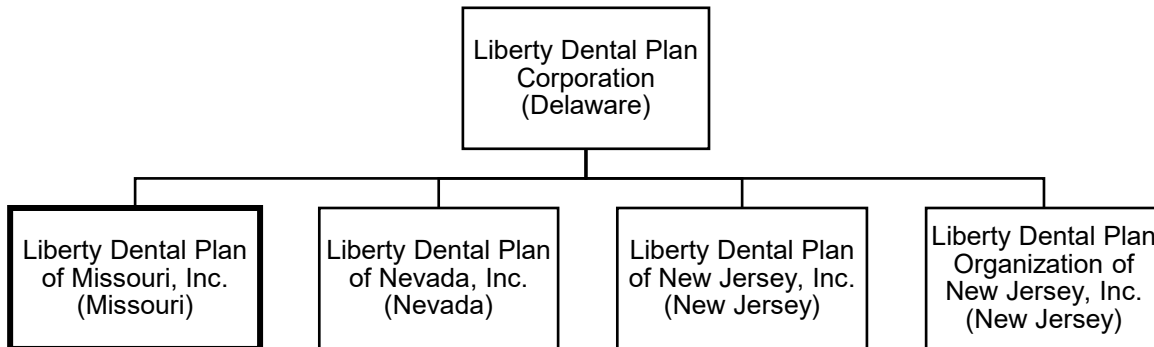
The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the Board of Directors meetings and shareholder meetings were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

LDP MO is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). LDP MO is a wholly-owned subsidiary of Liberty Dental Plan Corporation, a Delaware corporation. LDP Corporation exercises control of fifteen different insurance-related entities, including LDP MO, that are affiliated through common ownership and control. The primary business of LDP Corporation is the administration of a variety of dental management and benefit services.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2020. All subsidiaries shown are wholly-owned unless otherwise noted.



Intercompany Transactions

The following is a brief description of significant agreements executed with affiliated entities that were in effect as of December 31, 2020.

Intercompany Services Agreement: LDP MO and LDP Corporation are parties to an Amended and Restated Intercompany Services Agreement effective January 1, 2018. Under the terms of this agreement, LDP Corporation provides various administrative, management, and marketing services to LDP MO.

Tax Allocation Agreement: Effective May 12, 2011, LDP MO and LDP Corporation have been parties to a Tax Allocation Agreement. Under the terms of this agreement, LDP Corporation will file consolidated Federal income tax returns on behalf of LDP MO for all tax reporting periods from and after June 1, 2011. LDP MO will file a combined, consolidated or unitary group tax return under applicable Missouri law.

Business Associate Agreement: Since June 1, 2017, LDP MO and LDP Corporation have been parties to a Business Associate Agreement. The agreement sets forth the obligations of LDP Corporation as a business associate of LDP MO under the Health Insurance Portability and Accountability Act (HIPAA).

TERRITORY AND PLAN OF OPERATION

Liberty Dental Plan of Missouri is licensed as a prepaid dental provider in Missouri under Chapter 354 RSMo (Health Services Corporations – Health Maintenance Organizations – Prepaid Dental Plans). The Company is not currently licensed in any other jurisdictions other than Missouri.

LDP MO offers administration of a complete array of dental management and benefit services, including group dental, Medicare and Medicaid plans. Its target customers include employers, trusts, associations, unions, and municipalities. LDP MO focuses primarily on relationship building and partnerships with medical managed care companies to provide dental benefits. The Company also maintains operations related to Administrative Services Only uninsured plans. Dental plans are marketed through utilization of internal Missouri licensed personnel.

GROWTH OF COMPANY AND LOSS EXPERIENCE

Effective March 9, 2020, the Company terminated its Missouri Medicaid program with WellCare, which led to a decline in premiums and risk revenue for the year ended 2020. The total revenue loss was offset by a decrease in claims expenses. Overall, the Company experienced growth in risk revenue during the exam period, mainly due to membership driven increase in Medicare and commercial business.

The table below summarizes the Company's growth for the period under examination:

(\$000s omitted)

Year	Total Assets	Premiums and Risk Revenue	Underwriting Gain (Loss)	Net Income (Loss)	Capital and Surplus	Ratio of Premiums & Risk Revenue to Surplus
2018	\$ 2,320	\$ 3,393	\$ 1,370	\$ 1,083	\$ 1,586	2.1
2019	11,325	32,188	(13,720)	(11,642)	2,444	13.2
2020	8,366	15,834	3,159	3,298	7,743	2.0

The Company reported significant losses in 2019 emanating from the unsuccessful Missouri Medicaid program with WellCare, which was entered into on April 1, 2019. The program generated significant losses from the outset due to higher than expected claims volume and was terminated effective March 9, 2020. The Company's loss ratio and ratio of premiums and risk revenue to capital and surplus have stabilized since the termination of this program.

The table below summarizes the Company's total revenues, incurred hospital and medical expenses, and medical loss ratios for the period under examination:

(\$000s omitted)

Year	Total Revenues	Total Hospital and Medical Benefits	Medical Loss Ratio
2018	\$ 3,393	\$ 1,331	39.2%
2019	32,188	39,287	122.1%
2020	15,834	14,840	93.7%

REINSURANCE

LDP MO does not participate in reinsurance in its normal course of business. The Company did not assume or cede any reinsurance during the examination period.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, Moss Adams LLP, in Irvine, California, performed the statutory audit of the Company for the years 2018 through 2020. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, process narratives, walkthroughs, journal entry testing, consideration of fraud, control testing, and account balance confirmations.

Actuarial Opinion

The Company's actuarial opinion regarding loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Barthus J. Prien, FSA, MAAA for the year ended 2018. Barthus Prien is the President of the firm Prien Associates, Inc. located in Laguna Hills, California. For the years ended 2019 and 2020, the actuarial opinion was issued by David V. Axene, FSA, CERA, FCA, MAAA. David Axene is the President and Consulting Actuary at Axene Health Partners, LLC located in Temecula, California.

Consulting Actuary

Pursuant to a contract with the Nevada Division of Insurance, Scott Garduno, FSA, MAAA, of Taylor-Walker Consulting, LLC (TWC), reviewed the underlying actuarial assumptions and methodologies used by LDP MO to determine the adequacy of reserves and other actuarial items. Scott Garduno determined that the Company made a reasonable provision for the reserves and other actuarial items that were reported in the statutory financial statements, as of December 31, 2020.

Information Systems

In conjunction with this examination, Carol Riley, AES, CISA, CGEIT, CRISC, CDPSE and Sharon Riley, CISA, CGEIT, CDPSE, AIRC, FLMI, Information Systems Financial Examiners with Noble Consulting Services, Inc., conducted a review of the Company's information systems.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Liberty Dental Plan of Missouri for the period ending December 31, 2020. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Cash, Cash Equivalents, and Short-Term Investments	\$ 7,599,269	\$ -	\$ 7,599,269
Premiums and Considerations: Uncollected Premiums and Agents' Balances in the Course of Collection	32,227	-	32,227
Receivables from Parent, Subsidiaries, and Affiliates	699,058	-	699,058
Health Care and Other Amounts Receivable	35,428	-	35,428
TOTAL ASSETS	\$ 8,365,982	\$ -	\$ 8,365,982

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2020

Claims Unpaid	\$ 508,500
Unpaid Claims Adjustment Expenses	15,511
General Expenses Due or Accrued	14,879
Current Federal and Foreign Income Tax Payable and Interest Thereon	23,226
Liability for Amounts Held Under Uninsured Plans	30,337
Aggregate Write-Ins for Other Liabilities	30,695
TOTAL LIABILITIES	\$ 623,148
Common Capital Stock	50,000
Gross Paid-In and Contributed Surplus	14,620,000
Aggregate Write-Ins for Other-Than-Special Surplus Funds	150,000
Unassigned Funds (Surplus)	(7,077,166)
TOTAL CAPITAL AND SURPLUS	\$ 7,742,834
TOTAL LIABILITIES, CAPITAL, AND SURPLUS	\$ 8,365,982

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended December 31, 2020

Net Premium Income	\$ 445,963
Risk Revenue	15,388,504
Total Revenue	\$ 15,834,467
Hospital/Medical Benefits	
Other Professional Services	14,708,388
Emergency Room and Out-of-Area	132,039
Claims Adjustment Expenses	318,272
General Administrative Expenses	1,345,829
Increase in Reserves for Life and Accident and Health Contracts	(3,829,066)
Total Underwriting Deductions	\$ 12,675,462
Net Underwriting Gain (Loss)	\$ 3,159,005
Net Investment Income Earned	677
Net Investment Gain (Loss)	\$ 677
Aggregate Write-Ins for Other Income or Expenses	(26)
Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes	\$ 3,159,656
Federal and Foreign Income Taxes Incurred	(138,739)
NET INCOME (LOSS)	\$ 3,298,395

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2018 to December 31, 2020

(\$000's omitted)

	2018	2019	2020
Capital and Surplus, Beginning of Year	\$ 1,303	\$ 1,586	\$ 2,444
Net Income (Loss)	1,083	(11,642)	3,298
Change in Net Deferred Income Tax	-	-	(804)
Change in Nonadmitted Assets	-	-	804
Capital Changes:	-	-	-
Paid In	-	12,500	2,000
Dividends to Stockholders	(800)	-	-
Aggregate Write-Ins for Gains (Losses) in Surplus	-	-	-
Net Change in Capital and Surplus	283	858	5,298
Capital and Surplus, End of Year	\$ 1,586	\$ 2,444	\$ 7,743

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Liberty Dental Plan of Missouri during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Kim Waller, AFE, Financial Examiner for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION


State of Missouri)
) ss
County of Cole)

I, Ronald Musopole, CFE, CIA, MBA, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of Liberty Dental Plan of Missouri, Inc., its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from the facts.



Ronald Musopole, CFE, CIA, MBA
Examiner-In-Charge
Missouri Department of Commerce and Insurance

Sworn to and subscribed before me this 15th day of March, 2022.

My commission expires: March 30, 2023 

Notary Public



HALEY WEIBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634366

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Sara McNeely, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance