

# STATE OF MISSOURI



## DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Cigna Dental Health of Missouri, Inc. for the period  
ended December 31, 2011

### ORDER

After full consideration and review of the report of the financial examination of Cigna Dental Health of Missouri, Inc. for the period ended December 31, 2011, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration 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 findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Cigna Dental Health of Missouri, Inc as of December 31, 2011, be and is hereby ADOPTED as filed and for Missouri Professionals Mutual 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) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) 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 30th day of April, 2013.



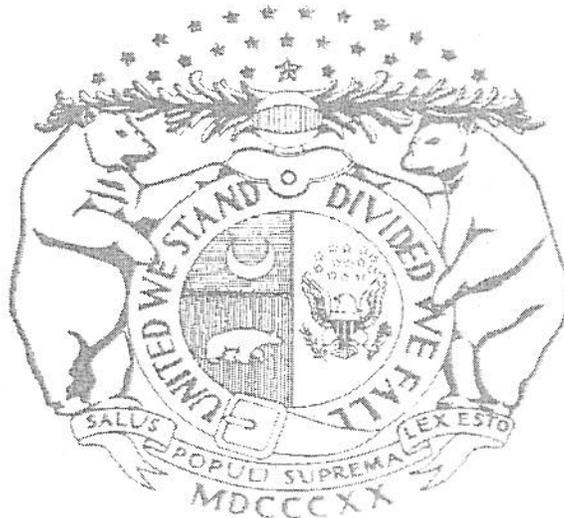
John M. Huff, Director  
Department of Insurance, Financial Institutions  
and Professional Registration

REPORT OF  
FINANCIAL EXAMINATION

Cigna Dental Health  
of Missouri, Inc.

As of:  
DECEMBER 31, 2011

**FILED**  
MAY 10 2013  
DIRECTOR OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION



STATE OF MISSOURI  
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS  
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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March 5, 2013  
St. Louis, MO

Honorable John M. Huff, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Director Huff:

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

**Cigna Dental Health of Missouri, Inc.**

hereinafter referred to as such or as the "Company". The Company's office is located at 1571 Sawgrass Corporate Parkway, Suite 140; Sunrise, Florida 33323; telephone number (954) 514-6600. Examination fieldwork began on December 3, 2012 and concluded on the above date.

**SCOPE OF EXAMINATION**

Period Covered

The last comprehensive financial examination of the Company was performed as of December 31, 2007, by examiners from the state of Missouri.

The current financial examination of the Company covers the period from January 1, 2008 through December 31, 2011, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2011.

Procedures

This examination was conducted as a full scope comprehensive examination. We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook. 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 systems, controls, and

procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with statutory accounting principles, and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Key activities were: Investments and Cash Management, Premiums and Underwriting, and Claims and Reserving.

The examiners relied upon information and workpapers provided by the Company's independent auditor, PricewaterhouseCoopers LLP, for its audit covering the period from January 1, 2011 through December 31, 2011. Such reliance included taxes, internal control narratives, and tests of internal controls.

### **SUMMARY OF SIGNIFICANT FINDINGS**

The Company continues to maintain stable operations with no notable exceptions identified during this examination. Steady premium income coupled with effectively managed claims and underwriting expenses, has allowed the Company to generate a positive net income stream. That income was sufficient to provide the parent, Cigna Dental Health, Inc., with continued dividends.

### **SUBSEQUENT EVENTS**

There were no significant subsequent events.

### **COMPANY HISTORY**

#### General

Cigna Dental Health of Missouri, Inc. was incorporated on April 4, 2000, and began operations on January 1, 2002 under Chapter 354 RSMo (Health Services Corporations-Health Maintenance Corporations-Prepaid Dental Plans). The Company is a prepaid dental plan that provides dental memberships to groups in Missouri.

#### Capital Stock

The Company is authorized to issue 2,000 shares of \$50 par value common stock. As of December 31, 2011, 1,000 shares were issued and outstanding to Cigna Dental Health, Inc., for a common capital stock balance of \$50,000.

### Dividends

The Company has declared and paid dividends to the stockholder as follows:

Prior to 2009	\$3,500,000
2009	650,000
2010	400,000
2011	<u>800,000</u>
<b>Total</b>	<b>\$5,350,000</b>

### Acquisitions, Mergers, and Major Corporate Events

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

## **CORPORATE RECORDS**

### Corporate Documents

A review was made of the articles of incorporation and bylaws of the Company. No changes were made to these documents during the examination period.

### Meeting Minutes

The minutes of the meetings of the stockholder and board of directors were reviewed for the period under examination. Those minutes provided sufficient documentation of major corporate transactions.

## **MANAGEMENT AND CONTROL**

### Board of Directors

The board of directors consists of three members duly elected at an annual meeting of the stockholder as authorized by the Company's articles of incorporation. The directors serving as of December 31, 2011, were:

<u>Name and Location</u>	<u>Primary Occupation</u>
Matthew G. Manders Malvern, PA	President Cigna Dental Health of Missouri, Inc.
Julie A. Vayer West Hartford, CT	Vice President Cigna Dental Health of Missouri, Inc.
William J. Smith Springfield, PA	Treasurer Cigna Dental Health of Missouri, Inc.

### Officers

The officers elected and serving as of December 31, 2011, were:

<u>Name</u>	<u>Office</u>
Matthew G. Manders	President
Shermona S. Mapp	Secretary
William J. Smith	Treasurer
Rodney A. Hill	Actuary

### Committees

The Board has designated the audit committee of Cigna Corporation to serve as the Company's audit committee.

### Conflict of Interest

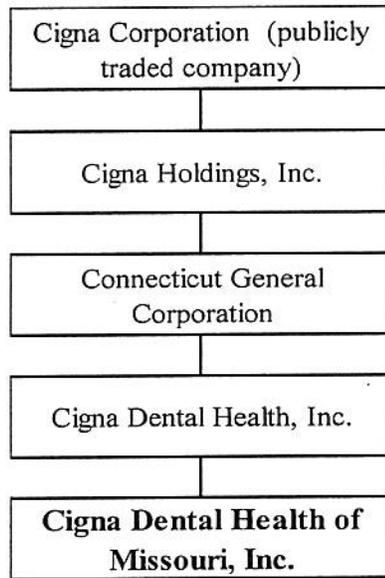
Conflict of interest certifications were made by the staff of the Company. These are documented online through the affirmation statement required to be completed annually by all employees of the Cigna companies.

### Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined in Section 382.010 RSMo, (Definitions). Annual registration statements were filed as required by Section 382.100 RSMo, (Registration). The Company is a wholly owned subsidiary of Cigna Dental Health, Inc., which is a wholly owned subsidiary of Connecticut General Corporation. Connecticut General Corporation is a wholly owned subsidiary of Cigna Holdings, Inc. Cigna Corporation, which owns Cigna Holdings, Inc., is the ultimate controlling entity within the holding company system.

### Organizational Chart

This chart shows the ownership structure of the Company as of December 31, 2011. All entities are 100% owned by their immediate parent.



Intercompany Transactions

The Company is a party to the following agreements. All have been approved by the Department.

*Administrative Services Agreement*

Parties: Cigna Dental Health, Inc., a Florida corporation and Cigna Dental Health of Missouri, Inc.

Effective: January 2002

Terms: The services provided under the agreement include administrative services relating to providers, members and clients, sales and marketing, information technology, financial matters, legal and government relations, and human resources, general purchasing and administrative services, and management services.

Rate(s): The fee is calculated monthly based on the rates charged for each group multiplied by the number of billed subscribers for each group. The fee charged in this agreement represents the actual cost of providing the services. Those fees were \$654,206 in 2011, down from \$714,936 in 2010.

*Investment Advisory Agreement*

Parties: Cigna Investments, Inc., a Delaware corporation and registered investment advisor and Cigna Dental Health of Missouri, Inc.

Effective: March 1, 2005

Terms: The services provided under this agreement include investment management and brokerage services.

Rate(s): The Company pays quarterly fees for the services within 90 days after receipt of notice from Cigna Investments, Inc. or end of the quarter. Compensation is calculated based on the proportionate share of the value of the Company's assets managed by Cigna Investments, Inc. to the total value of all assets managed, multiplied by the total costs of managing the assets. The fees for this agreement were \$1,143 in 2011, up slightly from \$983 in 2010.

#### *Consolidated Federal Income Tax Agreement*

Parties: Cigna Corporation and its participating subsidiaries including Cigna Dental Health of Missouri, Inc.

Effective: April 1, 1982 and was amended and restated effective January 1, 1997. Cigna Dental Health of Missouri, Inc. became a party to the agreement effective October 1, 2001.

Terms: Tax payments are based on each subsidiary's taxable income. In the case of a loss, Cigna Corporation will pay each subsidiary a refund based on the subsidiary's taxable loss to the extent that Cigna Corporation is able use the loss in the consolidated tax return. The costs associated with this agreement were \$369,243 in 2011, up from \$269,339 in 2010.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company is the named insured on a Crime/Fidelity policy with a limit of \$2,000,000 and a \$100,000 deductible. This meets the suggested minimum amount of coverage recommended by NAIC guidelines.

The Company also receives protection through additional policies providing coverages that include professional liability, insurance company errors and omissions, managed care errors and omissions, vicarious liability, medical professional liability, healthcare government liability and healthcare errors and omissions.

### **PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company has no employees; therefore, it has no pension plan or insurance benefits for employees.

## TERRITORY AND PLAN OF OPERATION

The Company is licensed by the Missouri Department of Insurance, Financial Institutions and Professional Registration under Chapter 354 RSMo (Health Services Corporation-Health Maintenance Organizations-Prepaid Dental Plans) to offer coverage on a prepaid basis. Dental services are listed in a schedule of benefits. A network of dentists and specialists is maintained with payments made on a capitation basis. The Company ensures an effective network through its credentialing process and through quality management reviews.

The Company markets to medium and large employer groups in Missouri through licensed and appointed agents from the internal group sales offices of Connecticut General Life Insurance Company and other Cigna HealthCare companies. The advertising efforts are primarily through direct distribution of informational materials to prospective members.

The Company has established procedures to manage grievances and complaints filed by its members, as required by Section 354.715 RSMo (Service contracts: complaint procedures). This policy is communicated annually to all members.

## GROWTH OF COMPANY

The Company has maintained its overall financial position over the past five years. Additional accumulation of capital and surplus has been limited due to the dividends paid during this period. The following table illustrates the relative stability of the operation. (Dollar amounts are expressed in thousands.)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Assets	\$1,561	\$1,625	\$1,513	\$1,690	\$1,487
Total Capital and Surplus	\$1,179	\$1,277	\$1,155	\$1,306	\$1,191
Net Income	\$644	\$614	\$476	\$497	\$686

## LOSS EXPERIENCE

The overall loss experience of the Company has been stable as well. The following table illustrates that stability. (Dollar amounts are expressed in thousands.)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Claims and Related Expense Reserves	\$322	\$324	\$331	\$314	\$232
Net Incurred Claims	\$5,325	\$5,221	\$4,715	\$4,714	\$4,384
Medical Loss Ratio	75.0%	75.1%	77.5%	77.8%	73.0%

## REINSURANCE

The Company does not assume or cede any reinsurance.

## ACCOUNTS AND RECORDS

### Independent Auditor

The Company's financial statements were audited by the firm of PricewaterhouseCoopers LLP, for the period covered by this examination.

### Company Actuary

The Company's actuarial opinions, for the period under examination, were prepared by its chief actuary, Rodney A. Hill, FSA, MAAA.

## STAUTORY DEPOSITS

### Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2011, as reflected below, were deemed sufficient in par and market value to meet the deposit requirements for the state of Missouri in accordance with Section 354.707 RSMo (Capital and surplus requirements; deposit required).

<u>Security</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
US Treasury Note	\$55,000	\$55,477	\$55,473

### Deposits with Other States

None.

## FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2011, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements," which follow the financial statements.

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

**BALANCE SHEET**  
**As of December 31, 2011**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$55,477	\$0	\$55,477
Cash	894,685	0	894,685
Investment income due and accrued	122	0	122
Uncollected premiums	512,382	5,611	506,771
Net deferred tax asset	4,749	0	4,749
Receivables from parent	9,647	0	9,647
Aggregate write-ins; state income tax receivable	15,532	0	15,532
	<hr/>		<hr/>
Total Assets	\$1,492,594	\$5,611	<u>\$1,486,983</u>
	Covered	Uncovered	Total
Claims unpaid	\$214,194	\$12,731	\$226,925
Unpaid claims adjustment expenses	5,132	0	5,132
Premiums received in advance	20,225	0	20,225
General expenses due or accrued	7,248	0	7,248
Current federal income tax payable	36,100	0	36,100
	<hr/>		<hr/>
Total Liabilities	\$282,899	\$12,731	\$295,630
Common capital stock			50,000
Gross paid in and contributed surplus			52,000
Aggregate write-in; statutory financial reserve			150,000
Unassigned funds (surplus)			939,353
Total capital and surplus			<hr/> <u>1,191,353</u>
Total liabilities, capital and surplus			<u>\$1,486,983</u>

**INCOME STATEMENT**  
**For Year Ending December 31, 2011**

Net premium income	\$6,006,430
Other professional services	4,232,152
Outside referrals	152,342
Subtotal (hospital and medical)	<u>4,384,494</u>
Claims adjustment expenses	8,017
General administrative expenses	560,320
Total underwriting deductions	<u>4,952,831</u>
Net underwriting gain or (loss)	1,053,599
Net investment income earned	838
Net realized capital gains or (losses)	103
Net investment gains or (losses)	<u>941</u>
Net income or (loss) before all other federal income	1,054,540
<i>Less:</i> Federal and foreign income taxes incurred	368,050
Net income (loss)	<u>\$686,490</u>

**RECONCILIATION OF SURPLUS**  
**Changes from December 31, 2008 to December 31, 2011**

	2008	2009	2010	2011
Capital and surplus prior reporting year	\$1,178,990	\$1,277,394	\$1,155,138	\$1,306,116
Net income or (loss)	613,669	475,598	497,010	686,490
Change in net deferred income tax	7,993	7,372	(27,294)	(875)
Change in nonadmitted assets	(23,258)	(19,696)	81,262	(378)
Dividends to stockholders	(500,000)	(650,000)	(400,000)	(800,000)
Prior period adjustment	0	64,470	0	0
Net change in capital and surplus	<u>98,404</u>	<u>(122,256)</u>	<u>150,978</u>	<u>(114,763)</u>
Capital and surplus end of reporting year	<u>\$1,277,394</u>	<u>\$1,155,138</u>	<u>\$1,306,116</u>	<u>\$1,191,353</u>

## EXAMINATION CHANGES

There are no changes in the financial statements as a result of this examination.

## COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the Company's financial statements.

## SUMMARY OF RECOMMENDATIONS

Management should continue to monitor the impact of the *Patient Protection and the Affordable Care Act* on the financial strength of the Company and affiliated entities.

**ACKNOWLEDGEMENT**

The assistance and cooperation extended by the officers and staff of Cigna Dental Health of Missouri, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Art Palmer, CFE, and Andy Balas, CFE, CPA, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination.

**VERIFICATION**

State of Missouri )  
                          ) ss  
County of St. Louis)

I, Robert P. Jordan, 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 the Company, 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.

Robert P. Jordan  
Robert P. Jordan, CFE  
Examiner-in-Charge  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration

Sworn to and subscribed before me this 23 day of January, 2013  
My commission expires:  
Oct. 18, 2014

Magda Otto Lynch  
Notary Public



**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.

Michael R. Shadowens  
Michael Shadowens, CFE  
Audit Manager, St. Louis  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration