

**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, 2014

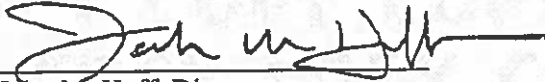
ORDER

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, 2014, 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, pensions, stock ownership and insurance plans, territory and plan of operation, growth of company, loss experience, reinsurance, accounts and records, statutory deposits, financial statements, comments on the financial statements, and summary of recommendations.

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, 2014 be and is hereby ADOPTED as filed and for Cigna Dental Health 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 8th day of June, 2016.



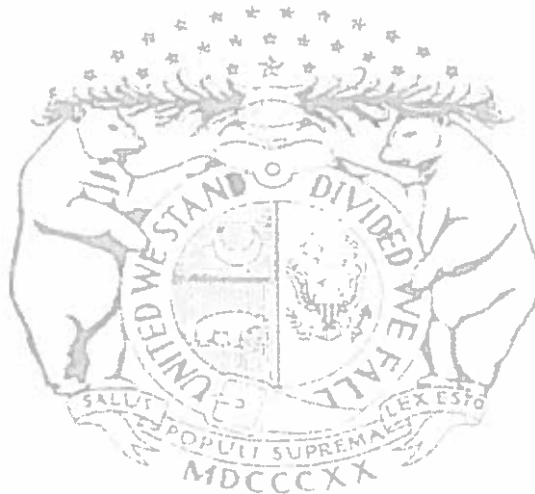

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
FINANCIAL EXAMINATION

Cigna Dental Health
of Missouri, Inc.

As of:
DECEMBER 31, 2014

FILED
JUN 20 2016
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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May 4, 2016
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 March 7, 2016 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, 2011, by examiners from the state of Missouri.

The current financial examination of the Company covers the period from January 1, 2012 through December 31, 2014, and was conducted by examiners from the State of Missouri in coordination with an examination conducted by the State of Ohio. This examination also included material transactions or events occurring subsequent to December 31, 2014.

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: Financial Reporting; Investments; Pricing, Billing and Collecting Premiums; and Claims and Reserving. These areas were evaluated by examiners from the state of Ohio. Their examination was conducted in a manner consistent with procedures followed by our own examiners and were deemed appropriate for this examination.

SUMMARY OF SIGNIFICANT FINDINGS

The Company continues to operate in a stable fashion by generating adequate income. No material deficiencies were identified in this Company.

SUBSEQUENT EVENTS

During 2015, Cigna Corporation and Anthem, Inc. announced plans for a series of mergers with Anthem, Inc., ultimately, the surviving entity. The merger proposal is currently undergoing regulatory approval by numerous states.

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 2012	\$5,350,000
2012	750,000
2013	740,000
2014	<u>480,000</u>
Total	<u>\$7,320,000</u>

Acquisitions, Mergers, and Major Corporate Events

The Company is part of the proposed merger between Cigna Incorporated and Anthem, Inc. described in the Subsequent Events section of this report.

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. A vacancy existed on the board of directors as of the examination date. The directors serving as of December 31, 2014, 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.
Christopher J. Whelan* Bloomfield, CT	Treasurer Cigna Dental Health of Missouri, Inc.

* Mr. Whelan was a member of the board of directors as of March 31, 2015.

Officers

The officers elected and serving as of December 31, 2014, were:

<u>Name</u>	<u>Office</u>
Matthew G. Manders	President
Anna Krishtul	Secretary
Christopher J. Whelan	Treasurer
Gregory J. Czar	Actuary

Committees

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

Conflict of Interest

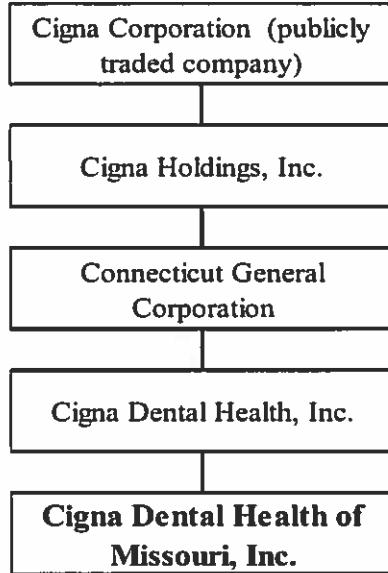
Conflict of interest certifications were made by the staff of the Company. These are documented online through the affirmation statement required to be completed annually by all employees of the Cigna companies.

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, 2014. 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.

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.

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.

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Assets	\$1,690	\$1,487	\$1,461	\$1,384	\$1,755
Total Capital and Surplus	\$1,306	\$1,191	\$1,184	\$1,202	\$1,311
Net Income	\$497	\$686	\$743	\$755	\$591

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Claims and Related Expense Reserves	\$314	\$232	\$191	\$130	\$212
Net Incurred Claims	\$4,714	\$4,384	\$4,303	\$4,069	\$4,159
Medical Loss Ratio	77.8%	73.0%	71.9%	70.8%	72.7%

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 actuarial opinions, for the period under examination, were prepared by the Company's Actuarial Senior Director, Gregory A. Malone, FSA.

STAUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2014, 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	\$55,318	\$55,424

Deposits with Other States

None.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, are based on the statutory financial statements filed by the Company as of December 31, 2014. 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, 2014

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$55,317	\$0	\$55,317
Cash, and cash equivalents	1,164,813	0	1,164,813
Investment income due and accrued	176	0	176
Uncollected premiums	504,244	2,641	501,603
Net deferred tax asset	2,639	0	2,639
State income tax recoverable	30,776	0	30,776
Totals	1,757,965	2,641	1,755,324
	Covered	Uncovered	Total
Claims unpaid	197,893	9,286	207,179
Unpaid claims adjustment expenses	4,913	0	4,913
Premiums received in advance	15,164	0	15,164
General expenses due or accrued	8,249	0	8,249
Current federal income tax payable	129,983	0	129,983
Remittances and items not allocated	2,495	0	2,495
Amounts due to parent	76,217	0	76,217
Total liabilities	434,914	9,286	444,200
Aggregate write-ins for special surplus funds			102,000
Common capital stock			50,000
Gross paid in and contributed surplus			52,000
Aggregate write-ins for other-than-special surplus funds			150,000
Unassigned funds (surplus)			957,124
Total capital and surplus			1,311,124
Total liabilities, capital and surplus			\$1,755,324

INCOME STATEMENT
For Year Ending December 31, 2014

	Total
Member months	307,267
Net premium income	\$5,721,178
Other professional services	4,037,467
Outside referrals	121,131
Total hospital and medical	4,158,598
Claims adjustment expenses	13,541
General administrative expenses	595,991
Total underwriting deductions	4,768,130
Net underwriting gain or (loss)	953,048
Net investment income earned	(396)
Net realized capital gains or (losses)	42
Net investment gains or (losses)	(354)
Net gain or (loss) from premium balances charged off	59
Net income or (loss) before all other federal income taxes	952,753
Federal and foreign income taxes incurred	361,961
Net income (loss)	\$590,792

RECONCILIATION OF SURPLUS
Changes from December 31, 2011 to December 31, 2014

	2011	2012	2013	2014
Capital and surplus prior reporting year	\$1,306,116	\$1,191,353	\$1,184,334	\$1,201,602
Net income or (loss)	686,490	743,212	754,907	590,792
Change in net deferred income tax	(875)	(759)	(1,801)	450
Change in nonadmitted assets	(378)	528	4,162	(1,720)
Dividends to stockholders	(800,000)	(750,000)	(740,000)	(480,000)
Net change in capital and surplus	(114,763)	(7,019)	17,268	109,522
Capital and surplus end of reporting year	\$1,191,353	\$1,184,334	\$1,201,602	\$1,311,124

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

There are no recommendations as a result of this examination.

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.

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.

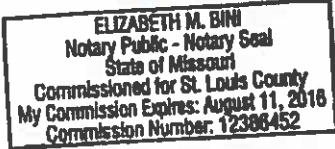
Robert P. Jordan

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

Sworn to and subscribed before me this 14th day of April 2016
My commission expires:

8/11/16

Elizabeth M. Sinn
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 M. Shatka

Michael Shadowens, CFE
Assistant Chief Examiner, St. Louis
Missouri Department of Insurance, Financial
Institutions and Professional Registration