

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

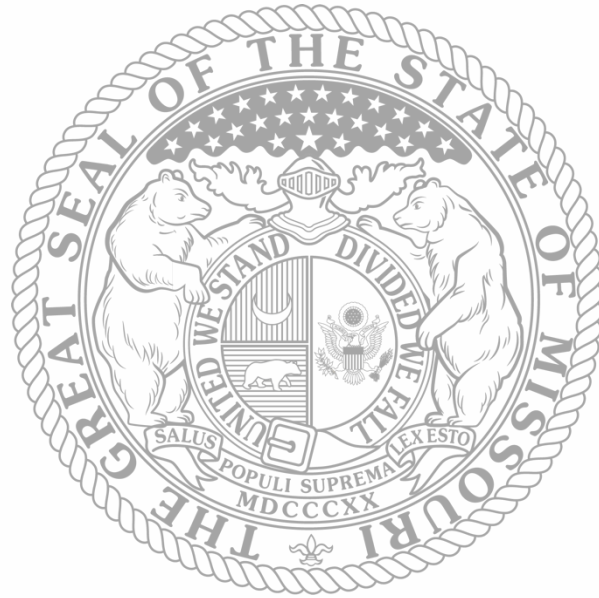
After full consideration and review of the report of the financial examination of Advantica Insurance Company for the period ended December 31, 2023, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri 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 Advantica Insurance Company as of December 31, 2023, be and is hereby ADOPTED as filed and for Advantica Insurance Company 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 23rd day of December, 2024.



Chlora Lindley-Myers
Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

ADVANTICA INSURANCE COMPANY

AS OF
DECEMBER 31, 2023

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	2
BOARD OF DIRECTORS	2
SENIOR OFFICERS	3
PRINCIPAL COMMITTEES	3
CORPORATE RECORDS.....	4
HOLDING COMPANY, SUBSIDIARIES, AND AFFILIATES.....	4
ORGANIZATIONAL CHART	4
INTERCOMPANY TRANSACTIONS	5
TERRITORY AND PLAN OF OPERATION	5
GROWTH OF COMPANY AND LOSS EXPERIENCE	5
REINSURANCE	6
GENERAL.....	6
ASSUMED REINSURANCE	6
CEDED REINSURANCE.....	6
ACCOUNTS AND RECORDS	6
INDEPENDENT AUDITOR	6

ACTUARIAL OPINION.....	6
INFORMATION SYSTEMS.....	7
FINANCIAL STATEMENTS.....	7
ASSETS.....	8
LIABILITIES, CAPITAL AND SURPLUS	8
STATEMENT OF REVENUE AND EXPENSES.....	9
RECONCILIATION OF CAPITAL AND SURPLUS.....	9
COMMENTS ON FINANCIAL STATEMENT ITEMS	10
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION	10
SUMMARY OF RECOMMENDATIONS.....	10
SUBSEQUENT EVENTS.....	10
ACKNOWLEDGMENT	11
VERIFICATION.....	11
SUPERVISION	12

St. Louis, MO
November 5, 2024

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

Advantica Insurance Company (NAIC #12278)

hereinafter referred to as such, as AIC, or as the Company. Its administrative office is located at 12399 Gravois Road, St. Louis, MO 63127, telephone number (314) 656-3000. The fieldwork for this examination began on March 25, 2024, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a multiple-state financial examination of Advantica Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2015, through December 31, 2018. The current examination covers the period of January 1, 2019, through December 31, 2023, 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 AIC included Claims Handling and Reserving, Investments, Premiums and Underwriting, and Related Party. The examination also included a review and evaluation of information technology general controls.

The examination was also conducted concurrently with the examinations of the Company's Missouri-domiciled affiliate, Delta Dental of Missouri.

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

The Company was originally organized as Essex Benefits Insurance Company, Inc. on February 6, 2004, and issued a certificate of incorporation from the Missouri Secretary of State dated July 26, 2004. In 2005, the Company was issued a Certificate of Authority to write property, liability, and accident and health insurance pursuant to Chapter 379 RSMo (Insurance Laws Other than Life). In 2010, the Company modified its Certificate of Authority to write accident and health insurance only, and changed its name to Advantica Insurance Company. In 2013, AIC converted to a life and health company authorized to write accident and health insurance pursuant to Chapter 376 RSMo (Life, Health and Accident Insurance Laws).

The Company has 12,000 shares of common stock at a par value of \$100 per share issued and outstanding, all held by Advantica Administrative Services, Inc.

Mergers, Acquisitions, and Major Corporate Events

In 2022, Advantica IPA New York, Inc., an affiliate of the Company, was dissolved.

Dividends and Capital Contributions

There were no dividends or capital contributions during the examination period.

Surplus Notes

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

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors that are elected by the sole shareholder. The Company's Bylaws specify that the Board shall not be fewer than nine persons nor more than twenty-five persons. The Board of Directors elected and serving as of December 31, 2023, were as follows:

Name and Address

E.B. Rob Goren
High Ridge, Missouri

Jonathan R. Jennings
Kirkwood, Missouri

James J. Barone
St. Louis, Missouri

Ellen R. Samuels
Chesterfield, Missouri

Kiran Achen
Chicago, Illinois

Cipriano Mascote
Troy, Illinois

Jane E. Stanhaus
Edwardsville, Illinois

Allison M. Izsak
Clarkson Valley, Missouri

Rhonda K. Graack
Webster Groves, Missouri

Principal Occupation and Business Affiliation

President and Chief Executive Officer
Delta Dental of Missouri

Chief Operating Officer
Delta Dental of Missouri

Chief Sales and Marketing Officer
Delta Dental of Missouri

Director, Corporate Compliance
Delta Dental of Missouri

Chief Information Officer
Delta Dental of Missouri

Chief Actuarial Officer
Delta Dental of Missouri

Chief Human Resources Officer
Delta Dental of Missouri

Director, Marketing and Communications
Delta Dental of Missouri

General Counsel
Delta Dental of Missouri

Senior Officers

The officers elected and serving, as of December 31, 2023, were as follows:

Name

E.B. Rob Goren
Ellen R. Samuels

Office

President and Vice President
Secretary

Principal Committees

The Company does not have any committees and relies on the committees established by the board of directors of the ultimate controlling entity, Delta Dental of Missouri (DDMO). The committees established by DDMO and the members serving as of December 31, 2023, were:

Executive Committee

Dr. Mark R. Zust, Chairperson
Oladipupo A. Adefala
E.B. Rob Goren
Steven L. Harris
Deborah J. Patterson
Dr. Nathan Sutter
Gary R. Williams

Compensation Committee

Gary R. Williams, Chairperson
Oladipupo A. Adefala
Anthony Garavaglia
Steven L. Harris
Dr. Nathan Sutter
Kate E. Tucker
Dr. Mark R. Zust

Governance/Nominating Committee

Oladipupo A. Adefala, Chairperson
Dr. Noble Cooper, Jr.
Dr. William A. Gray
Steven L. Harris
Deborah J. Patterson
Dr. Nathan Sutter
Kate E. Tucker
Gary R. Williams
Dr. Mark R. Zust

Finance and Audit Committee

Steven L. Harris, Chairperson
Oladipupo A. Adefala
Johnny Custardo
Dr. William A. Gray
Christine Pierson
Gary R. Williams
Dr. Mark R. Zust

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 shareholder and board of directors were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

AIC is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). The Company is a wholly owned subsidiary of Advantica Administrative Services, Inc., which is wholly owned by Delta Dental of Missouri, the ultimate controlling entity of the holding company system.

Organizational Chart

The following organizational chart depicts the holding company group as of December 31, 2023. All subsidiaries shown are wholly owned unless otherwise noted.



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2023. Brief descriptions of these agreements are as follows:

Intercompany Service Agreement: An agreement between AIC and its affiliates effective November 1, 2010, whereby the parties agree to supply and receive requested management and support services. Services provided under the agreement are to be reimbursed at cost.

Intercompany Tax Allocation Agreement: An agreement between AIC and its affiliates, effective December 1, 2010, whereby the parties agree to file consolidated federal and state tax returns. Each party is responsible for their tax liability as calculated on a separate return basis.

TERRITORY AND PLAN OF OPERATION

The Company is licensed by the Missouri Department of Commerce and Insurance under Chapter 376, RSMo (Life, Health and Accident Insurance) and is authorized to write accident and health insurance. The Company offers vision insurance benefits in the state of Missouri.

The Company was licensed in Florida as a life and health insurer and wrote dental and vision insurance benefits in the state. In 2019, the Company sold the renewal rights to the vision insurance written in the state to a third party and ceased writing dental insurance. The Company discontinued its Florida license in 2023.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The Company's total assets remained steady while capital and surplus grew steadily with net income reported for each year during the examination period. Underwriting losses in 2019 were offset by other income from the sale of administrative and/or renewal rights on a portion of the Company's business.

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

(\$000s omitted)

Year	Total Assets	Net Premiums Earned	Underwriting Gain (Loss)	Net Income (Loss)	Capital and Surplus	Ratio of Net Premiums to Surplus
2019	\$ 14,633	\$ 9,460	\$ (2,353)	\$ 2,356	\$ 11,659	81.1%
2020	12,484	3,320	386	485	12,144	27.3%
2021	13,165	3,746	588	556	12,698	29.5%
2022	13,475	4,250	319	341	13,039	32.6%
2023	14,231	5,151	398	453	13,492	38.2%

The Company has seen total revenues grow steadily since the sale of a portion of its business in 2019, but total revenues have not returned to the pre-sale levels. The Company's medical loss ratio decreased in 2020 and 2021, which is attributed to the impact of COVID-19 pandemic on benefit utilization by insureds.

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
2019	\$ 9,460	\$ 5,148	54.4%
2020	3,320	1,642	49.5%
2021	3,746	1,968	52.5%
2022	4,250	2,541	59.8%
2023	5,151	3,161	61.4%

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

Premium Type	2019	2020	2021	2022	2023
Direct Premiums Written	\$ 6,969	\$ 3,959	\$ 3,746	\$ 4,250	\$ 5,151
Reinsurance Assumed:					
Non-Affiliates	3,468	0	0	0	0
Reinsurance Ceded:					
Non-Affiliates	977	638	0	0	0
Net Premiums Written	\$ 9,460	\$ 3,320	\$ 3,746	\$ 4,250	\$ 5,151

Assumed Reinsurance

The Company assumed vision benefit business under a fronting arrangement with National Guardian Life Insurance Company (NGLIC) in states where NGLIC was not licensed. The agreement with NGLIC was terminated in September 2019.

Ceded Reinsurance

In September 2019, the Company entered an agreement with Superior Vision Insurance, Inc. to sell the administrative and/or renewal rights to all vision business not located in the state of Missouri. The Company continued to underwrite the business until renewal and ceded the premium to the new carrier.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance contract.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, Forvis, LLP, in Cincinnati, Ohio, performed the statutory audit of the Company for the years under examination. Reliance was placed upon the CPA workpapers as deemed appropriate.

Actuarial Opinion

The Company's actuarial opinion regarding reserves and other actuarial items was issued by F. Ray Martin, FSA, MAAA for all years in the examination period. Mr. Martin is employed by MarACon, LLC in St. Louis, Missouri.

Information Systems

Pursuant to a contract with the Department, James Gowin, CISA, AES, AFE, MCM and Ryan Carroll, Security+, of Examination Resources, LLC (ER), conducted a review of the Company's information systems. Kimberly Dobbs, CFE, AES, CISA, Information Systems Financial Examiner-in-Charge with the Department, reviewed the work performed by ER.

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 Advantica Insurance Company for the period ending December 31, 2023. 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, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 8,973,010	\$ 0	\$ 8,973,010
Cash, Cash Equivalents, and Short- Term Investments	4,935,206	0	4,935,206
Investment Income Due and Accrued Premiums and Considerations:	49,363	0	49,363
Uncollected Premiums and Agents' Balances in the Course of Collection	37,384	0	37,384
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	120,168	0	120,168
Guaranty Funds Receivable or on Deposit	34,647	0	34,647
Receivables from Parent, Subsidiaries, and Affiliates	81,300	0	81,300
Aggregate Write-Ins for Other-Than- Invested Assets	1,000	1,000	0
TOTAL ASSETS	\$ 14,232,078	\$ 1,000	\$ 14,231,078

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2023

Claims Unpaid	\$ 94,000
Unpaid Claims Adjustment Expenses	4,700
Premiums Received in Advance	239,093
General Expenses Due or Accrued	269,900
Current Federal and Foreign Income Tax Payable and Interest Thereon	120,168
Amounts Withheld or Retained for the Account of Others	11,099
TOTAL LIABILITIES	\$ 738,960
Common Capital Stock	1,200,000
Gross Paid-In and Contributed Surplus	6,824,391
Unassigned Funds (Surplus)	5,467,727
TOTAL CAPITAL AND SURPLUS	\$ 13,492,118
TOTAL LIABILITIES AND SURPLUS	\$ 14,231,078

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended December 31, 2023

Net Premium Income	\$ 5,150,956
Total Revenue	\$ 5,150,956
Hospital/Medical Benefits	3,160,537
Claims Adjustment Expenses	301,786
General Administrative Expenses	1,290,784
Total Underwriting Deductions	\$ 4,753,107
Net Underwriting Gain (Loss)	\$ 397,849
Net Investment Income Earned	174,923
Net Investment Gain (Loss)	\$ 174,923
Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes	\$ 573,241
Aggregate Write-Ins for Other Income or Expenses	469
Federal and Foreign Income Taxes Incurred	120,168
NET INCOME (LOSS)	\$ 453,073

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2019 to December 31, 2023

(\$000's omitted)

	2019	2020	2021	2022	2023
Capital and Surplus, Beginning of Year	\$ 9,301	\$ 11,659	\$ 12,144	\$ 12,698	\$ 13,039
Net Income (Loss)	2,356	485	556	341	453
Change in Nonadmitted Assets	2	0	(1)	0	0
Net Change in Capital and Surplus	2,358	485	555	341	453
Capital and Surplus, End of Year	\$ 11,659	\$ 12,144	\$ 12,698	\$ 13,039	\$ 13,492

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2023, through the date of the report.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Advantica Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Rebecca Edwards, PIR, Justin Lamb, Ethan Adrian, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Brian D. Hammann, CPA, CFE, 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 Advantica Insurance 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.

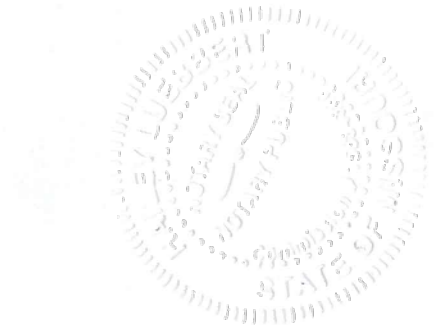
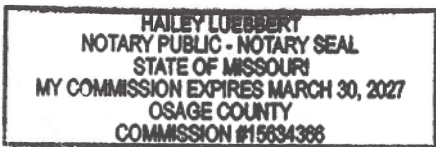
Brian D. Hammann

Brian D. Hammann, CPA, CFE
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 4th day of December, 2024.

My commission expires: March 30, 2027 *Hailey Luckert*

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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.

Michael R. Shadowens

Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance