ORDER

After full consideration and review of the report of the financial examination of Advantica Insurance Company for the period ended December 31, 2018 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 findings, subsequent events, company history, corporate records, management and control, territory and plan of operation, reinsurance, accounts and records, financial statements, comments on financial statement items, analysis of changes to surplus and general comments and/or 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, 2018 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 26th day of September, 2019.

Chlora Lindley-Myers, Director
Department of Commerce and Insurance

1 Pursuant to Executive Order #19-02, effective August 28, 2019, the department name was changed from the Department of Insurance, Financial Institutions and Professional Registration to the Department of Commerce and Insurance.
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Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial Institutions and Professional Registration
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

hereinafter referred to as “AIC” or as the “Company.” The Company’s main office is located at 12399 Gravois Road, St. Louis, MO 63127, telephone number (314) 656-3000. Examination fieldwork began on March 4, 2019 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered
We have performed a multi-state examination of AIC. The last examination was completed as of December 31, 2014. This examination covers the period of January 1, 2015 through December 31, 2018. This examination also included material transactions or events occurring subsequent to December 31, 2018.

Procedures
This full-scope examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (Department or DIFP) 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 identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.
All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This includes assessing significant estimates made by management and evaluating 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 is documented separately following the Company’s financial statements. The following key activities were identified: Claims and Reserving, Investments and Treasury, Premiums and Underwriting, and Related Parties.

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 insurer 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 were separately communicated to other regulators or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues or material changes to the balance sheet or income statement identified during the examination.

COMPANY HISTORY

General
Advantica Insurance Company was originally organized as Essex Benefits Insurance Company, Inc. on February 6, 2004, and received a certificate of incorporation from the Missouri Secretary of State on 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). During 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). AIC is licensed to write business in Missouri and Florida.
Capital Stock and Paid in Capital
The Company is authorized to issue 15,000 shares of common stock at a par value of $100 per share. AIC reported 12,000 shares issued and outstanding to Advantica Administrative Services, Inc., resulting in a common capital stock account of $1.2 million. AIC was initially capitalized with $3 million. Contributions made in 2005, 2011 and 2013 raised the contributed capital balance to $6.4 million. During 2017, Advantica Reinsurance Company, Ltd. and Advantica, Inc. were merged into AIC, and contributed capital raised to its current level of $6,824,391.

Dividends
No dividends were paid during the examination period.

Acquisitions, Mergers and Major Corporate Events
In 2017, Delta Dental of Missouri, AIC’s ultimate controlling entity, restructured its subsidiary organizations to streamline services and achieve cost efficiencies. Advantica Administrative Services, Inc. (AAS) and Advantica Holding Company merged. AAS was the surviving entity and became the immediate parent of AIC, Advantica Dental Benefits, Inc., Advantica EyeCare IPA of New York, Inc. and DeniServ, LLC. Advantica, Inc. and Advantica Reinsurance Company, Ltd. were merged into AIC. Advantica Administrative Services New York IPA, Inc. was merged into Advantica EyeCare IPA of New York, Inc.

During 2018, Advantica EyeCare IPA of New York, Inc. changed its name to Advantica IPA New York, Inc., while Advantica Dental Benefits, Inc. and DeniServ, LLC were merged into Delta Dental of Missouri.

CORPORATE RECORDS

Corporate Documents
The Company’s articles of incorporation and bylaws were reviewed. There were no revisions made to the articles of incorporation or bylaws during the examination period.

Meeting Minutes
The minutes of the shareholder, board of directors, and committee meetings were reviewed and appear to adequately support and approve the corporate transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors
The management of the Company is vested in a board of nine directors authorized by the Company’s bylaws. All directors are employees of the Company. The directors serving at December 31, 2018, were as follows:
Officers
The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2018 were:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>E.B. Rob Goren</td>
<td>President &amp; Vice President</td>
</tr>
<tr>
<td>Barbara Bentrup</td>
<td>Secretary &amp; Treasurer</td>
</tr>
</tbody>
</table>

Committees
The Company has no established committees of its own, instead relying on the committees of the ultimate controlling entity, DDMO. The various committees of the board established by DDMO at December 31, 2018, are as follows:

**Executive Committee**
Dr. Robert Butler, Chairperson
William Bender
Brian Berglund, Jr.
Rosemary Bishop
E.B. Rob Goren
Dr. James Rhea
Dr. Timothy Taylor
Dr. Mark Zust

**Compensation Committee**
Brian Berglund, Jr., Chairperson
Oladipupo Adefala
Rosemary Bishop
Richard Braun
Dr. Mark Mancin
Dr. James Rhea
Dr. Timothy Taylor
Gary Williams
Dr. Mark Zust
Governance/Nominating Committee
Dr. James Rhea, Chairperson
William Bender
Brian Berglund, Jr.
Rosemary Bishop
Dr. William Edwards
Dr. William Gray
Dr. Mark Mancin
Deborah Patterson
Dr. Timothy Taylor
Gary Williams
Dr. Mark Zust

Finance and Audit Committee
William Bender, Chairperson
Oladipupo Adefala
Brian Berglund, Jr.
Rosemary Bishop
Richard Braun
Johnny Custardo
Gary Williams

Holding Company, Subsidiaries, and Affiliates
The Company is part 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 in turn is wholly owned by Delta Dental of Missouri, the ultimate controlling entity of the holding company system.

Organization Chart
The following organizational chart depicts the Company within the current holding company system. All subsidiaries shown are wholly owned.
Affiliated Transactions
The following affiliated agreements were in place as of December 31, 2018:

1. **Type:** Intercompany Service Agreement
   - **Parties:** DDMO and its direct and indirect subsidiaries, including AIC
   - **Effective:** November 1, 2010
   - **Terms:** Parties agree to supply and receive requested management and support services. A list of services that may be requested is shown as Attachment A to the agreement. Direct expenses will be settled at cost, while indirect expenses will be settled based on the appropriate cost allocation methodology.

2. **Type:** Intercompany Tax Allocation Agreement
   - **Parties:** DDMO and its direct and indirect subsidiaries, including AIC
   - **Effective:** December 1, 2010
   - **Terms:** Parties agree to file consolidated federal and state income tax returns. Each party’s tax liability is determined as if parties filed on a separate basis. Balances are settled within 30 days following the end of the applicable quarter.

TERRITORY AND PLAN OF OPERATION

AIC is licensed in Missouri under Chapter 376 RSMo (Life, Health and Accident Insurance), and is authorized to write accident and health insurance. AIC is also licensed in Florida as a life and health insurer authorized for accident and health coverage. The Company offers vision insurance in both states, and dental coverage only in Florida. The Company also assumes dental and vision business through reinsurance agreements with National Guardian Life Insurance Company.

REINSURANCE

**Assumed**
During the examination period, AIC assumed dental business under a 100% quota share reinsurance agreement with National Guardian Life Insurance Company in states where the Company is not authorized.

As a result of the merger of Advantica Reinsurance Company, Ltd. (ARC) into AIC, AIC assumed vision business during 2017 and 2018. Prior to the merger, ARC was party to a 100% quota share reinsurance agreement with National Guardian Life Insurance Company. In conjunction with the merger, the reinsurance agreement was amended to transfer all of ARC’s rights and obligations to AIC.
The Company does not cede any business.

ACCOUNTS AND RECORDS

Independent Auditor
The Company’s financial statements for the period under examination were audited by BKD LLP. The workpapers and reports of the most recent independent audit were reviewed for this examination. These workpapers and reports were used in the course of this examination as deemed appropriate.

Independent Actuaries
Reserves and related actuarial items as of December 31, 2018, were reviewed and certified by F. Ray Martin, FSA, MAAA, of MarACon, LLC.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2018, 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" section, which follow the financial statements.

There may have been additional differences found in the course of this examination that 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 key activity.
### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Nonadmitted Assets</th>
<th>Net Admitted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$6,586,754</td>
<td>$6,586,754</td>
</tr>
<tr>
<td>Cash, cash equivalents, and short-term investments</td>
<td>3,036,820</td>
<td>3,036,820</td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>40,659</td>
<td>40,659</td>
</tr>
<tr>
<td>Uncollected premiums and agents' balances</td>
<td>179,323</td>
<td>179,323</td>
</tr>
<tr>
<td>Funds held by or deposited with reinsured companies</td>
<td>140,098</td>
<td>140,098</td>
</tr>
<tr>
<td>Guaranty funds receivable or on deposit</td>
<td>32,566</td>
<td>32,566</td>
</tr>
<tr>
<td>Receivable from parent, subsidiaries and affiliates</td>
<td>76,569</td>
<td>76,569</td>
</tr>
<tr>
<td>Aggregate write-ins for other than invested assets</td>
<td>1,820</td>
<td>(1,820)</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$10,094,609</strong></td>
<td><strong>$10,092,788</strong></td>
</tr>
</tbody>
</table>

### Liabilities, Surplus and Other Funds

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims unpaid</td>
<td>$454,082</td>
</tr>
<tr>
<td>Unpaid claims adjustment expenses</td>
<td>22,704</td>
</tr>
<tr>
<td>Premiums received in advance</td>
<td>225,095</td>
</tr>
<tr>
<td>General expenses due or accrued</td>
<td>31,776</td>
</tr>
<tr>
<td>Current federal and foreign income tax payable</td>
<td>41,190</td>
</tr>
<tr>
<td>Amounts withheld or retained for the account of others</td>
<td>17,037</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$791,884</strong></td>
</tr>
<tr>
<td>Common capital stock</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Gross paid in and contributed surplus</td>
<td>6,824,391</td>
</tr>
<tr>
<td>Unassigned funds (surplus)</td>
<td>1,276,513</td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL AND SURPLUS</strong></td>
<td><strong>$9,300,904</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES, CAPITAL AND SURPLUS</strong></td>
<td><strong>$10,092,788</strong></td>
</tr>
</tbody>
</table>
## Statement of Revenue and Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net premium income</td>
<td>$13,781,533</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$13,781,533</td>
</tr>
<tr>
<td>Hospital/Medical benefits</td>
<td>$4,399,316</td>
</tr>
<tr>
<td>Less: Net reinsurance recoveries</td>
<td>(3,426,436)</td>
</tr>
<tr>
<td><strong>Total hospital and medical</strong></td>
<td>$7,825,752</td>
</tr>
<tr>
<td>Claims adjustment expenses</td>
<td>1,299,825</td>
</tr>
<tr>
<td>General administrative expenses</td>
<td>4,277,047</td>
</tr>
<tr>
<td><strong>Total underwriting deductions</strong></td>
<td>$13,402,624</td>
</tr>
<tr>
<td>Net underwriting gain or (loss)</td>
<td>$378,909</td>
</tr>
<tr>
<td>Net investment income earned</td>
<td>92,165</td>
</tr>
<tr>
<td>Net realized capital gains (losses)</td>
<td>331</td>
</tr>
<tr>
<td>Net investment gains (losses)</td>
<td>$92,496</td>
</tr>
<tr>
<td>Aggregate write-ins for other income or expenses</td>
<td>$4,272</td>
</tr>
<tr>
<td><strong>Net income or (loss) after capital gains tax and before all other federal income taxes</strong></td>
<td>$475,677</td>
</tr>
<tr>
<td>Federal and foreign income taxes incurred</td>
<td>$41,190</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>$434,487</td>
</tr>
</tbody>
</table>
Reconciliation of Capital and Surplus

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus: Prior year</td>
<td>$6,020,055</td>
<td>$5,874,739</td>
<td>$8,473,693</td>
<td>$8,857,487</td>
</tr>
<tr>
<td>Net income</td>
<td>29,554</td>
<td>475,739</td>
<td>394,544</td>
<td>434,487</td>
</tr>
<tr>
<td>Change in:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonadmitted assets</td>
<td>(10,750)</td>
<td>8,930</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate write-ins:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior period adjustment</td>
<td>(174,870)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in surplus</td>
<td>$ (145,316)</td>
<td>$ 475,739</td>
<td>$ 383,794</td>
<td>$ 443,417</td>
</tr>
<tr>
<td>Surplus: Current year</td>
<td>$ 5,874,739</td>
<td>$ 6,350,479</td>
<td>$ 8,857,487</td>
<td>$9,300,904</td>
</tr>
</tbody>
</table>

Examination Note to Reconciliation of Capital and Surplus:
Reported beginning 2017 surplus of $8,473,693 exceeded reported ending 2016 surplus of $6,350,479 by $2,123,214. This was due to the subsequent restatement of the 2016 financial statements to reflect the merger of Advantica, Inc. and Advantica Reinsurance Company, Ltd. into AIC during 2017. The restatement was made in accordance with Statement of Statutory Accounting Principles No. 3, Accounting Changes and Corrections of Errors, and was disclosed in the AIC 2017 Annual Statement Notes to Financial Statements No. 10.
ANALYSIS OF 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 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 employees of Advantica Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Rick Stamper, CFE and Ken Tang, CFE, 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, Karen Muster, 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.

Karen Muster, CFE, CPA
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 16th day of August 2019

My commission expires: 05-15-2022

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 Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Insurance, Financial Institutions and Professional Registration