ORDER

After full consideration and review of the report of the financial examination of Delta Dental of Missouri 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 Delta Dental of Missouri as of December 31, 2018 be and is hereby ADOPTED as filed and for Delta Dental of Missouri 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

Delta Dental of Missouri

hereinafter referred to as “DDMO” 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 DDMO. 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**

Delta Dental of Missouri was incorporated as a not-for-profit entity on November 10, 1958, as Missouri Dental Service, and was licensed as a health services corporation under the provisions of Chapter 354 RSMo (Health Service Corporations). The Company changed its name to Delta Dental Plan of Missouri on February 23, 1985.

On July 1, 1990, the DIFP issued a Certificate of Authority for the Company to operate as a prepaid dental plan pursuant to Sections 354.700 to 354.723 RSMo (Prepaid Dental Plans). In 2005, the Company changed its name to Delta Dental of Missouri.

**Capital Stock**

As a not-for-profit entity, DDMO has no common capital stock or paid-in surplus. The Company does maintain segregated surplus of $200,000 in compliance with Section 354.707.1 RSMo (Capital, surplus, security required) and Section 354.710.1 RSMo (Reserve requirements).
Dividends
The Company has no shareholders; therefore, no dividends are paid.

Acquisitions, Mergers and Major Corporate Events
In 2017, DDMO, the 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 Advantica Insurance Company (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 DDMO.

CORPORATE RECORDS

Corporate Documents
The Company’s articles of incorporation and bylaws were reviewed. There were no revisions made to the articles of incorporation during the examination period. Revisions made to the DDMO bylaws during the period under examination were properly filed with the Department and the Missouri Secretary of State.

Meeting Minutes
The minutes of the annual membership, 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 16 directors authorized by the Company’s bylaws. The directors serving at December 31, 2018, were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal Occupation</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oladipupo Adefala</td>
<td>Senior Security Strategist Fortinet, Inc.</td>
<td>St. Charles, MO</td>
</tr>
<tr>
<td>William Bender</td>
<td>Wealth Advisor Buckingham, Strategic Wealth</td>
<td>Chesterfield, MO</td>
</tr>
<tr>
<td>Brian Berglund, Jr.</td>
<td>Attorney Bryan Cave LLP</td>
<td>Denver, CO</td>
</tr>
<tr>
<td>Rosemary Bishop</td>
<td>Transition Associate BWTP Transition Solutions</td>
<td>Clayton, MO</td>
</tr>
<tr>
<td>Richard Braun</td>
<td>Principal Braun Consulting</td>
<td>Naples, FL</td>
</tr>
<tr>
<td>Dr. Robert Butler</td>
<td>Dentist</td>
<td>St. Louis, MO</td>
</tr>
<tr>
<td>Johnny Custardo</td>
<td>Managing Director Cubro Group</td>
<td>Grimesland, NC</td>
</tr>
<tr>
<td>Dr. William Edwards</td>
<td>Dentist</td>
<td>Spartanburg, SC</td>
</tr>
<tr>
<td>E.B. Rob Goren</td>
<td>President &amp; CEO Delta Dental of Missouri</td>
<td>High Ridge, MO</td>
</tr>
<tr>
<td>Dr. William Gray</td>
<td>Oral Surgeon</td>
<td>Clayton, MO</td>
</tr>
<tr>
<td>Dr. Mark Mancin</td>
<td>Dentist</td>
<td>Platte City, MO</td>
</tr>
<tr>
<td>Deborah Patterson</td>
<td>Retired</td>
<td>St. Louis, MO</td>
</tr>
<tr>
<td>Dr. James Rhea</td>
<td>Dentist</td>
<td>Warson Woods, MO</td>
</tr>
<tr>
<td>Dr. Timothy Taylor</td>
<td>Dentist</td>
<td>Trimble, MO</td>
</tr>
<tr>
<td>Gary Williams</td>
<td>Vice-President of Human Resources Mount Vernon Mills, Inc.</td>
<td>Taylors, SC</td>
</tr>
<tr>
<td>Dr. Mark Zust</td>
<td>Dentist</td>
<td>Chesterfield, MO</td>
</tr>
</tbody>
</table>
**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>Dr. Robert Butler</td>
<td>Chairman of the Board</td>
</tr>
<tr>
<td>E.B. Rob Goren</td>
<td>President &amp; CEO</td>
</tr>
<tr>
<td>Rosemary Bishop</td>
<td>Secretary</td>
</tr>
<tr>
<td>William Bender</td>
<td>Treasurer</td>
</tr>
<tr>
<td>Barbara Bentrup</td>
<td>CFO, Corporate Counsel, Assistant</td>
</tr>
<tr>
<td></td>
<td>Secretary &amp; Assistant Treasurer</td>
</tr>
<tr>
<td>Ronald Inge</td>
<td>Chief Dental Officer &amp; COO</td>
</tr>
<tr>
<td>Jonathan Jennings</td>
<td>Chief Actuary &amp; VP of Underwriting and Project Management</td>
</tr>
<tr>
<td>Karl Mudra</td>
<td>Chief Information Officer</td>
</tr>
<tr>
<td>Edward Pattarozzi</td>
<td>Chief Sales &amp; Marketing Officer</td>
</tr>
<tr>
<td>Dr. James Rhea</td>
<td>First Vice Chairman</td>
</tr>
<tr>
<td>Dr. Mark Zust</td>
<td>Second Vice Chairman</td>
</tr>
</tbody>
</table>

**Committees**

In accordance with the bylaws, the board has established various committees with responsibility for managing the Company’s affairs between meetings of the board. Quarterly, the full board reviews and approves the actions of the committees.

Committees established as of December 31, 2018 were:

**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 the ultimate controlling entity of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions).

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  
   **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  
   **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.

3. **Type:** Network Access and Administrative Services Agreement  
   **Parties:** DDMO and Advantica Administrative Services (AAS)  
   **Effective:** December 31, 2018  
   **Terms:** This agreement gives DDMO access to certain dental and other health care providers and vendors, along with providing third-party administrator services. The agreement also provides network access and utilization of AAS’s contact information, policies, procedures, customer service, claims adjudication, complaint-grievance appeals processing and other administrative services. AAS also grants DDMO a non-exclusive, royalty-free license to use AAS’s network and/or product names. All services are provided at cost.

TERRITORY AND PLAN OF OPERATION

The Company is licensed as a not-for-profit prepaid dental plan in Missouri under Chapter 354 RSMo (Health Service Corporations – Health Maintenance Organizations – Pre-paid Dental Plans). The Company is also licensed and writes business in the state of South Carolina.

DDMO is a member of the Delta Dental Plan Association (DDPA). The DDPA is a network of Delta Dental companies that operate in all 50 states, Guam, Puerto Rico and the Virgin Islands.
DDMO provides dental insurance benefits to over two million members. Employer groups pay a fee to DDMO and, in turn, DDMO then pays dental claims for their employees. National employer groups can access a nationwide provider panel and local procedure fees via the national association.

The Company also processes and pays claims for self-funded employers who reimburse DDMO for the claims processed on their behalf. These arrangements are referred to as ASC (Administrative Service Contracts). For this service, DDMO receives administrative fees on a per member, per month or a percentage of claims basis. The fees are billed and collected from each employer group monthly.

REINSURANCE

The Company does not assume or cede 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 key activity.
## Assets

<table>
<thead>
<tr>
<th>Assets</th>
<th>Nonadmitted Assets</th>
<th>Net Admitted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$58,592,869</td>
<td>$58,592,869</td>
</tr>
<tr>
<td>Common stocks</td>
<td>33,576,115</td>
<td>32,070,664</td>
</tr>
<tr>
<td>Property occupied by the company</td>
<td>5,846,458</td>
<td>5,846,458</td>
</tr>
<tr>
<td>Cash, cash equivalents, and short-term investments</td>
<td>36,654,512</td>
<td>36,654,512</td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>473,497</td>
<td>473,497</td>
</tr>
<tr>
<td>Uncollected premiums and agents' balances</td>
<td>3,045,432 (267)</td>
<td>3,045,165</td>
</tr>
<tr>
<td>Funds held by or deposited with reinsured companies</td>
<td>1,618,603</td>
<td>1,618,603</td>
</tr>
<tr>
<td>Amounts receivable relating to uninsured plans</td>
<td>12,310,819</td>
<td>12,310,819</td>
</tr>
<tr>
<td>Guaranty funds receivable or on deposit</td>
<td>231,884</td>
<td>231,884</td>
</tr>
<tr>
<td>Electronic data processing equipment and software</td>
<td>1,788,342</td>
<td>1,788,342</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>2,274,401 (2,274,401)</td>
<td>0</td>
</tr>
<tr>
<td>Receivable from parent, subsidiaries and affiliates</td>
<td>767,162</td>
<td>767,162</td>
</tr>
<tr>
<td>Aggregate write-ins for other than invested assets</td>
<td>1,329,664 (1,054,142)</td>
<td>275,522</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$158,509,758</strong></td>
<td><strong>$153,675,497</strong></td>
</tr>
</tbody>
</table>

## Liabilities, Surplus and Other Funds

General expenses due or accrued 13,121,350
Amounts withheld or retained for the account of others 1,279,562
Liability for amounts held under uninsured plans 2,348,213

**TOTAL LIABILITIES** 32,939,393

Required statutory surplus $200,000
Unassigned funds (surplus) 120,536,104

**TOTAL CAPITAL AND SURPLUS** $120,736,104

**TOTAL LIABILITIES, CAPITAL AND SURPLUS** $153,675,497
### Statement of Revenue and Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net premium income</td>
<td>$195,582,533</td>
</tr>
<tr>
<td>Aggregate write-ins for other health care related revenues</td>
<td>3,232</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>$195,585,765</strong></td>
</tr>
<tr>
<td>Hospital/Medical benefits</td>
<td>$152,698,267</td>
</tr>
<tr>
<td>Claims adjustment expenses</td>
<td>17,475,089</td>
</tr>
<tr>
<td>General administrative expenses</td>
<td>22,739,068</td>
</tr>
<tr>
<td><strong>Total underwriting deduction</strong></td>
<td><strong>$192,912,424</strong></td>
</tr>
<tr>
<td>Net underwriting gain or (loss)</td>
<td>$2,673,341</td>
</tr>
<tr>
<td>Net investment income earned</td>
<td>3,704,495</td>
</tr>
<tr>
<td>Net realized capital gains (losses)</td>
<td>(239,769)</td>
</tr>
<tr>
<td>Net investment gains (losses)</td>
<td><strong>$3,464,726</strong></td>
</tr>
<tr>
<td><strong>Net income or (loss)</strong></td>
<td><strong>$6,138,067</strong></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>$82,338,440</td>
<td>$91,024,010</td>
<td>$105,596,245</td>
<td>$119,782,052</td>
</tr>
<tr>
<td>Net income</td>
<td>7,079,945</td>
<td>9,707,392</td>
<td>7,470,908</td>
<td>6,138,067</td>
</tr>
<tr>
<td>Change in:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gains/losses</td>
<td>467,834</td>
<td>2,823,077</td>
<td>4,557,169</td>
<td>(4,456,805)</td>
</tr>
<tr>
<td>Nonadmitted assets</td>
<td>1,137,791</td>
<td>2,041,766</td>
<td>2,157,730</td>
<td>1,322,790</td>
</tr>
<tr>
<td>Surplus adjustments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transferred from capital</td>
<td></td>
<td></td>
<td></td>
<td>(2,050,000)</td>
</tr>
<tr>
<td>Change in surplus</td>
<td>$8,685,570</td>
<td>$14,572,235</td>
<td>$14,185,807</td>
<td>$954,052</td>
</tr>
<tr>
<td>Surplus: Current year</td>
<td>$91,024,010</td>
<td>$105,596,245</td>
<td>$119,782,052</td>
<td>$120,736,104</td>
</tr>
</tbody>
</table>
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 Delta Dental of Missouri 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 Milster, 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 Milster, 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

Twana D. Green
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