



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

ORDER

After full consideration and review of the report of the financial examination of Liberty Dental Plan of Missouri, Inc. for the period ended December 31, 2017, 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 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, corporate history, corporate records, management and control, territory and plan of operation, reinsurance, financial statements, financial statement changes resulting from examination, comments on financial statement items, summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Liberty Dental Plan of Missouri, Inc. as of December 31, 2017 be and is hereby ADOPTED as filed and for Liberty Dental Plan 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 25th day of July, 2019.



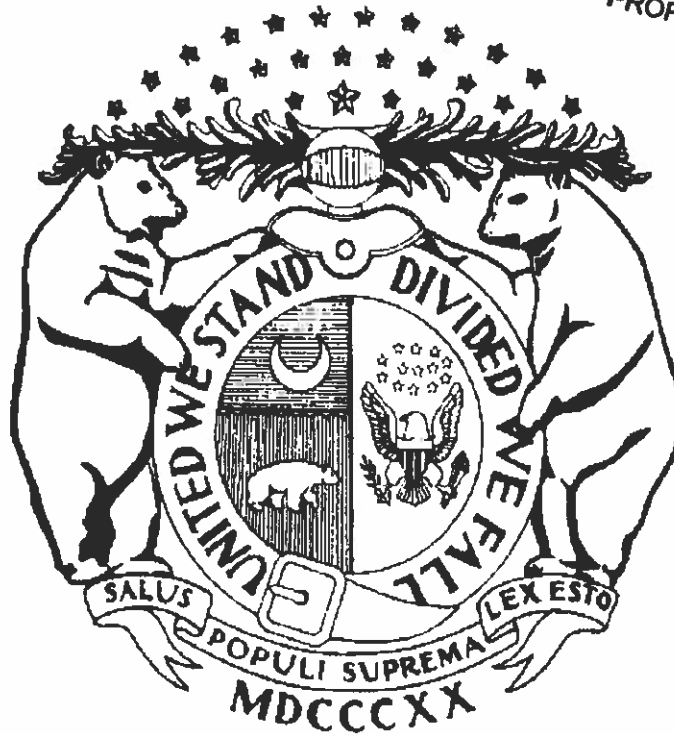
Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE
FINANCIAL EXAMINATION OF
Liberty Dental Plan of Missouri, Inc.

AS OF
DECEMBER 31, 2017

FILED
AUG 5 2019
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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Kansas City, MO
May 20, 2019

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

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

Liberty Dental Plan of Missouri, Inc.

hereinafter referred to as such, as LDP MO, or as the Company. Its administrative office is located at 340 Commerce Suite 100, Irvine, California, 92602. The fieldwork for this examination began on September 10, 2018, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) has performed a full-scope financial examination of Liberty Dental Plan of Missouri, Inc. The last examination of the Company by the DIFP covered the period of September 23, 2010 through December 31, 2014. The current examination covers the period of January 1, 2015 through December 31, 2017, 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 DIFP and 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 LDP MO included cash and investments, claims handling and reserving, related party, and premiums and underwriting. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact 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 separately communicated to other regulators and/or the Company.

The examination was coordinated with the Nevada Division of Insurance (Nevada) examination of Liberty Dental Plan of Nevada, Inc. and the Florida Office of Insurance Regulation examination of Liberty Dental Plan of Florida, Inc. Nevada was the lead state for the coordinated examinations.

Reliance Upon Others

Although each of the affiliated companies within the holding company group write in a specific jurisdiction, the affiliated companies share the same operating systems, employees and management. Various workpapers, documents, and other information provided by the lead state were relied upon during our examination of LDP MO. This information included, but was not limited to, actuarial review, IT review, and control and substantive testing for key activities.

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.

CORPORATE HISTORY

General

Liberty Dental Plan of Missouri, Inc. was incorporated on September 23, 2010 under the laws of Missouri and was issued a certificate of authority on April 29, 2011. The Company operates under provisions of Chapter 354 Revised Statutes of Missouri (Health Services Corporations – Health Maintenance Organizations – Prepaid Dental Plans). LDP MO offers administration and management of a complete array of dental management and benefit services in Missouri.

In 2013, LDP MO began providing services through risk revenue contracts. Revenue associated with these contracts accounted for approximately 71% of total revenue in 2017 and has experienced growth in these contracts of 320% since 2013. Much of this growth is attributed to expansion of Medicare and/or Medicaid product offerings through partnership with WellCare Health Plans and CareMore Health.

Dividends

LDP MO paid two dividends to its parent, Liberty Dental Plan Corporation (Liberty Corporation), during the examination period. The first was paid in November of 2016 in the amount of \$1,000,000, nearly all of which was considered extraordinary. The second was paid in March of 2018 in the amount of \$800,000, all of which was considered extraordinary.

Capital Stock and Contributions

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

Mergers and Acquisitions

No mergers or acquisitions occurred during the examination period.

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 Board of Directors' meetings, committee meetings, and policyholder meetings were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

The property and business of the Company is controlled and managed by a Board of Directors. Pursuant to the Company's Articles of Incorporation and Bylaws, the Board shall consist of a sole director and shall meet on an annual basis.

The Company's sole director is the CEO and President, Amir Neshat, D.D.S., of Newport Coast, California.

Committees

The Company's Bylaws allow for the establishment of committees of the Board of Directors. However, as of the examination date, the Company had not established any such committees.

Officers

Pursuant to the Company's Bylaws, the officers shall consist of a President, a Secretary, and such other officers as deemed necessary, including one or more Vice Presidents, Treasurer, and one or more Assistant Treasurers or Assistant Secretaries. These officers shall be chosen annually and will hold office until their successors are elected and qualify. The officers elected and serving, as of December 31, 2017, were as follows:

Amir Neshat, D.D.S
John Carvelli
Maja Kapic

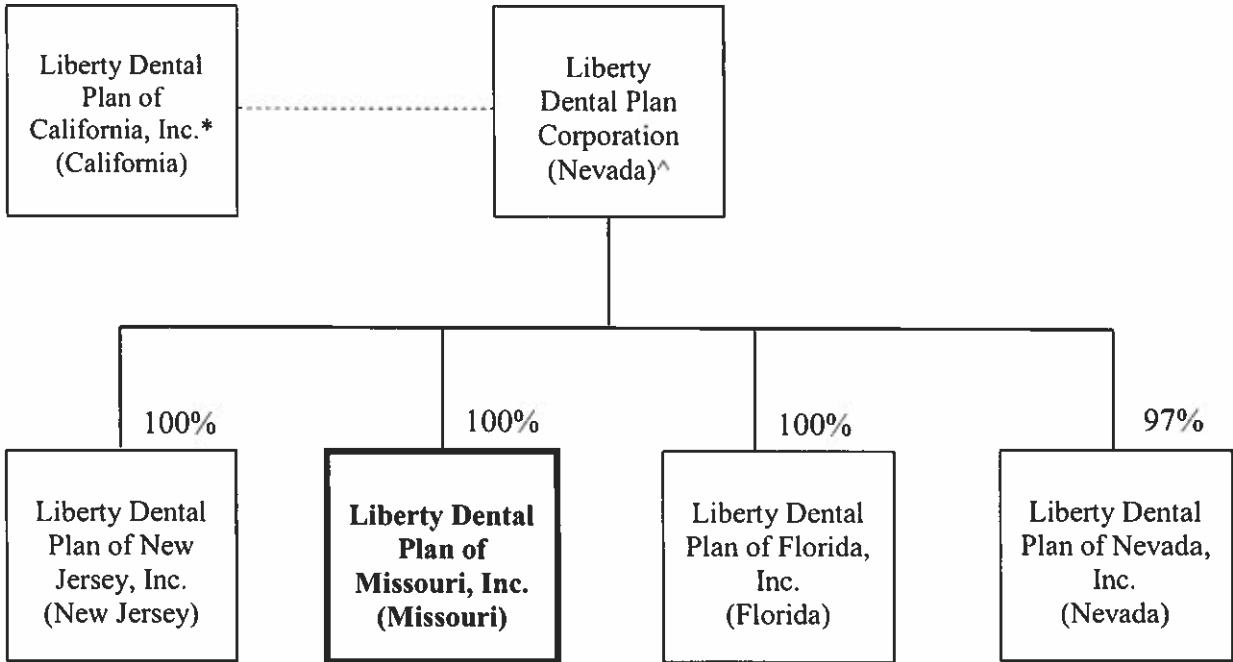
President/Chief Executive Officer
Senior Vice President/Secretary
Chief Financial Officer

Holding Company, Subsidiaries and Affiliates

LDP MO is a wholly-owned subsidiary of Liberty Dental Plan Corporation. Liberty Corporation is licensed as a for-profit corporation which, during the examination period, was domesticated in the state of Nevada. Subsequent to the examination period, effective May 20, 2019, Liberty Dental Corporation re-domesticated to the state of Delaware. Liberty Corporation exercises control of twelve different insurance-related entities which are affiliated through common ownership and control. The only business of the Liberty Corporation companies is the administration and management of a complete array of dental management and benefit services.

Organizational Chart

The following organizational chart depicts the Company’s ownership and insurance affiliates, as of December 31, 2017:



* Affiliated through common ownership and management

^ Effective May 20, 2019, Liberty Dental Plan Corporation re-domesticated to the state of Delaware.

Intercompany Transactions

The Company has the following agreements with its affiliated companies:

1. Type: Intercompany Services Agreement

Parties: LDP MO and Liberty Corporation

Effective: April 27, 2011; Amended September 12, 2012; Amended and Restated June 1, 2017, Amended March 1, 2018

Terms: Liberty Corporation will provide administrative services to LDP MO including eligibility related services, marketing, administration, information technology, member services, provider relations, credentialing, financial reporting, regulatory compliance management, fraud and abuse investigation/prevention, data analysis and reporting, retrospective reviews, clinical determination of services, benefit administration, member and provider history tracking case management, and ID card and fulfillment processing. Liberty Corporation will collect on behalf of and distribute to LDP MO, administrative fees due LDP MO for services provided by LDP MO. Liberty Corporation will charge LDP MO an amount equal to the direct costs of providing the services. LDP MO will pay the estimated monthly fees invoice within thirty (30) days of the receipt. A reconciliation of monthly estimated fee payments to actual direct costs shall be performed on an annual basis.

2. Type: Tax Allocation Agreement

Parties: LDP MO and Liberty Corporation

Effective: May 12, 2011

Terms: For all tax reporting periods from and after June 1, 2011, Liberty Corporation will file consolidated Federal income tax returns on behalf of LDP MO. LDP MO will file a combined, consolidated or unitary group tax return under applicable Missouri law. During all periods in which consolidated returns are filed, LDP MO will a) join in the filing of each consolidated return; b) file such consents, elections and other documents as necessary; and c) appoint Liberty Corporation, as applicable, as its exclusive agent and attorney-in-fact, to file such Consolidated returns, pay such taxes and take any action reasonably necessary or appropriate in connection with the determination of ultimate liability of each subsidiary for such taxes. LDP MO shall pay Liberty Corporation an amount established by Liberty Corporation for the quarterly estimated tax payment. There are no fees other than expenses that may arise under the dispute and indemnification provisions of the agreement. The Tax Allocation Agreement provides for liabilities for taxes that may arise in the future.

3. Type: Business Associate Agreement

Parties: LDP MO and Liberty Corporation

Effective: June 1, 2017

Terms: The agreement sets forth the obligations of Liberty Corporation as a business associate of LDP MO under the Health Insurance Portability and Accountability Act (HIPAA). There are no fees charged under this agreement.

TERRITORY AND PLAN OF OPERATION

Liberty Dental Plan of Missouri is licensed as a pre-paid dental provider in Missouri under Chapter 354 Revised Statutes of Missouri (Health Services Corporations – Health Maintenance Organizations – Prepaid Dental Plans). The Company is not currently licensed in any jurisdictions other than Missouri.

LDP MO offers administration of a complete array of dental management and benefit services, including group dental, Medicare and Medicaid plans. Its target customers include employers, trusts, associations, unions and municipalities. LDP MO focuses primarily on relationship building and partnering with medical managed care companies to provide dental benefits. LDP MO markets its dental plans through the utilization of internal Missouri-licensed personnel.

REINSURANCE

LDP MO does not participate in reinsurance in its normal course of business. During the period under examination, the Company did not assume or cede any reinsurance.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Missouri DIFP and present the financial condition of Liberty Dental Plan of Missouri, Inc. for the period ending December 31, 2017. The accompanying comments on financial statement items reflect any examination adjustments to the amounts reported in the annual statement 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.

ASSETS
as of December 31, 2017

	<u>Assets</u>	<u>Non Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 51,060	\$ -	\$ 51,060
Cash, cash equivalents and short-term investments	2,264,142	-	2,264,142
Uncollected premiums and agents' balances in course of collection	14,224	-	14,224
Net deferred tax asset	462	-	462
Receivables from parent, subsidiaries and affiliate	99,874	-	99,874
Health care and other amounts receivable	404	-	404
TOTAL ASSETS	<u>\$ 2,430,166</u>	<u>\$ -</u>	<u>\$ 2,430,166</u>

LIABILITIES, SURPLUS AND OTHER FUNDS
as of December 31, 2017

Claims unpaid	\$ 98,812
Unpaid claims adjustment expense	632
Premiums received in advance	18,975
General expenses due or accrued	61,050
Current federal and foreign income tax payable and interest thereon	479,600
Aggregate write-in for other liabilities – risk share payables	467,793
TOTAL LIABILITIES	<u>\$ 1,126,862</u>
Common capital stock	50,000
Gross paid in and contributed surplus	120,000
Aggregate write-in for other than special surplus	115,164
Unassigned funds (surplus)	1,018,140
TOTAL CAPITAL AND SURPLUS	<u>\$ 1,303,304</u>
TOTAL LIABILITIES, CAPITAL AND SURPLUS	<u>\$ 2,430,166</u>

STATEMENT OF INCOME
For the Year Ended December 31, 2017

Net premium income	\$ 720,444
Risk revenue	
	<u>1,753,414</u>
TOTAL REVENUES	\$ 2,473,858
Hospital and Medical	
Other professional services	\$ 951,572
Emergency room and out of area	2,142
Claims adjustment expenses	13,015
General administrative expenses	329,719
Total underwriting deductions	\$ 1,296,448
NET UNDERWRITING GAIN	\$ 1,177,410
Aggregate write-in for other income or expenses – penalties and fines	<u>(907)</u>
Net income after capital gains taxes and before all other federal income taxes	\$ 1,176,503
Federal and foreign income taxes incurred	356,000
NET INCOME	\$ 820,503

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2015 to December 31, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Capital and Surplus, Beginning of Year	\$ 392,629	\$1,124,292	\$ 483,095
Net Income	731,247	358,651	820,503
Change in Net Deferred Income Tax	1,691	(2,000)	(1,538)
Change in Non-Admitted Assets	(1,275)	2,152	1,244
Dividends to Stockholders	-	(1,000,000)	-
Change in Capital and Surplus for the Year	<u>\$ 731,663</u>	<u>\$ (641,197)</u>	<u>\$ 820,209</u>
Capital and Surplus, End of Year	\$1,124,292	\$ 483,095	\$1,303,304

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

SUMMARY OF RECOMMENDATIONS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Liberty Dental Plan of Missouri, Inc. during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
County of Jackson)

I, Sara McNeely, 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 Liberty Dental Plan of Missouri, Inc., 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.



Sara McNeely, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 6th day of June, 2019.

My commission expires: 4-8-2023


Notary Public

EBONEY JACKSON-SPOTWOOD
My Commission Expires
April 8, 2023
Clay County
Commission #19665798

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 DIFP and statutes of the State of Missouri prevailed.

A handwritten signature in black ink, appearing to read "Levi N. Nwasoria", written over a horizontal line.

Levi N. Nwasoria, CPA, CFE

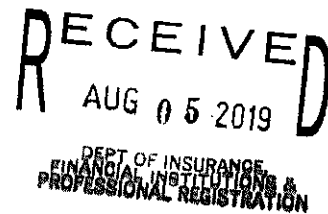
Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration



July 22, 2019

Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65102-0690
ATTN: Shannon Schmoeger, CFE. ARe
Chief Financial Examiner



RE: Liberty Dental of Missouri, Inc. (the "Company") 2017 Report of the Financial Examination

Dear Ms. Hanshaw:

This is to provide the Company's response to the December 31, 2017 Report of the Financial Examination (the "Report") which resulted from the recently completed regulatory examination. The Company wishes to inform the Missouri Department of Insurance that the findings of this examination as set out in the Report are accepted in their entirety, without rebuttal. This response may be included in the report as a public document.

The Company trusts the above is a complete and sufficient response to the Report. If there are any questions or concerns, please feel free to contact us any time.

Sincerely,

Amir Neshat, D.D.S.
President/CEO