

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 Delta Dental of Missouri 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.

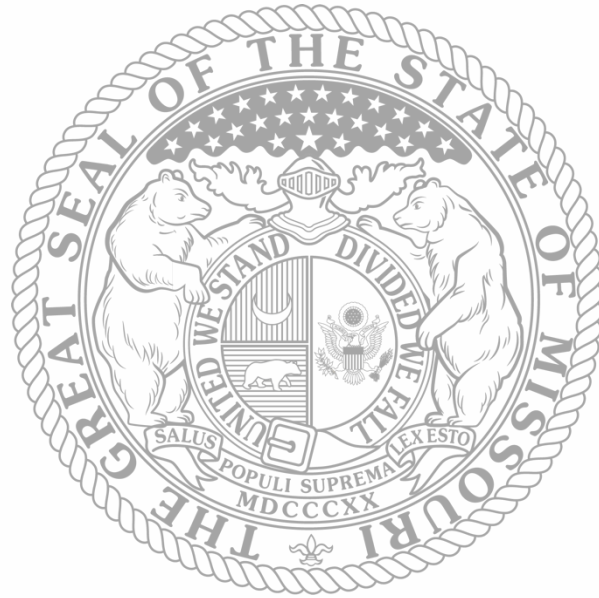
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Delta Dental of Missouri as of December 31, 2023, be and is hereby ADOPTED as filed and for Delta Dental of Missouri to take the following action or actions, which I consider necessary to cure any violation 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 23rd day of December, 2024.



A handwritten signature in blue ink that reads 'Chlora Lindley-Myers'.

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

DELTA DENTAL OF MISSOURI

AS OF
DECEMBER 31, 2023

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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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

Delta Dental of Missouri (NAIC #55697)

hereinafter referred to as such, as DDMO, 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 Delta Dental of Missouri. 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 DDMO 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.

This examination was conducted concurrently with the examination of the Company's Missouri domiciled affiliate, Advantica Insurance Company.

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 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). In 1985, the Company changed its name to Delta Dental Plan of Missouri. In 2005, the Company changed its name to Delta Dental of Missouri.

Mergers, Acquisitions, and Major Corporate Events

In 2022, Advantica IPA New York, Inc., an indirect subsidiary 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 members of the Company. The Company's Bylaws specify that the Board shall consist of sixteen members. Nine members serve as representatives of the public and seven members are selected from dentist members. The Board of Directors elected and serving as of December 31, 2023, were as follows:

Name and Address

Oladipupo A. Adefala
St. Charles, Missouri

Dr. Noble P. Cooper, Jr.
Blythewood, South Carolina

Johnny Custardo
Grimesland, North Carolina

Anthony M. Garavaglia
Chesterfield, Missouri

E.B. Rob Goren
High Ridge, Missouri

Dr. William A. Gray
St. Louis, Missouri

Steven L. Harris
Florissant, Missouri

Dr. Megan L. Krohn
Kansas City, Missouri

Deborah J. Patterson
St. Louis, Missouri

Dr. Cynthia S. Petrie
Kansas City, Missouri

Christine L. Pierson
Lee's Summit, Missouri

Dr. Nathan W. Suter
Crestwood, Missouri

Kate E. Tucker
Clayton, Missouri

Dr. Latasha M. Vick
Joplin, Missouri

Gary R. Williams
Taylors, South Carolina

Dr. Mark R. Züst
Weldon Spring, Missouri

Principal Occupation and Business Affiliation

Cyber Security Strategist
Fortinet, Inc.

Dentist and Owner
Noble P. Cooper, DDS, PA

Managed Care Contracting
Cubro Group

SVP – Employee Benefits
Alliant Insurance Services, Inc.

President and Chief Executive Officer
Delta Dental of Missouri

Oral Surgeon
St. Louis South Oral Surgery

Audit Partner
RubinBrown, LLP

Dentist and Owner
Megan Krohn DDS Mobile LLC

Retired
Monsanto

Professor and Department Chair
UMKC – School of Dentistry

Chief Executive Officer
DeBruce Companies

Dentist
Green Leaf Dental Care

Attorney
Legal Services of Eastern Missouri

Adjunct Professor and Supervising Dentist
Missouri Southern State University

Vice President of Administration
Mount Vernon Mills, Inc.

Dentist
Family Dentistry of St. Peters, Inc.

Senior Officers

The officers of the Board of Directors are elected, and the officers of the Company are appointed. The officers serving, as of December 31, 2023, were as follows:

<u>Name</u>	<u>Office</u>
Dr. Mark R. Zust	Chair of the Board
E.B. Rob Goren	President and Chief Executive Officer
Steven L. Harris	Treasurer
Deborah J. Patterson	Secretary
Jonathan R. Jennings	Chief Operating Officer
Kiran Achen	Chief Information Officer
James J. Barone	Chief Sales and Marketing Officer
James E. Stanhaus	Chief Human Resource Officer
Cipriano Mascote	Chief Actuarial Officer
Rhonda Graack	General Counsel
Oladipupo A. Adefala	First Vice Chair
Nathan Sutter	Second Vice Chair

Principal Committees

In accordance with the Company's Bylaws, the Board has established various committees with responsibility for managing the Company's affairs between meeting of the Board. The full board reviews and approves the actions of the committees.

Committees established 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 (Articles) and Bylaws were reviewed. Effective September 15, 2020, the Company's Bylaws were amended to permit remote participation and voting at the meetings of the Board of Directors and the annual meeting of members. There was no revision to the Articles during the examination period. The minutes of the Board, Board Committees, and membership were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

DDMO is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). DDMO is the ultimate control entity of the holding company system. Subsidiaries include an administrative services organization and a health insurer.

Organizational Chart

The following organizational chart depicts the applicable portion of 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 DDMO 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 DDMO 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.

Network Access and Administrative Services Agreement: An agreement between DDMO and Advantica Administrative Services, Inc. (AAS), whereby DDMO receives access to certain dental and other health care providers of AAS and receives administration services from AAS. Services provided under the agreement are to be reimbursed at cost.

TERRITORY AND PLAN OF OPERATION

The Company is licensed by the Missouri Department of Commerce and Insurance under Sections 354.700 through 354.723, RSMo (Prepaid Dental Plans). The Company is also licensed in the state of South Carolina. DDMO is a member of the Delta Dental Plan Association (DDPA). The DDPA is network of Delta Dental companies that operate in all 50 states, Guam, Puerto Rico, and the Virgin Islands.

The Company provides prepaid dental benefits and administrative services to its members throughout Missouri and South Carolina. The majority of members and total operations are located within Missouri.

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 administrative service contracts (ASC). For this service, DDMO receives fees on a per member, per month or a percentage of claims basis. The fees are billed and collected from each employer monthly.

The Company also sells and issues individual and family dental plans in both Missouri and South Carolina, and group vision plans in South Carolina.

GROWTH OF COMPANY AND LOSS EXPERIENCE

During the examination period, the Company experienced steady growth in total assets, premium income, and capital and surplus and reported net income each year.

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	\$ 170,499	\$ 147,486	\$ 1,487	\$ 8,005	\$ 137,273	107.4%
2020	183,464	145,441	4,243	8,388	152,546	95.3%
2021	200,964	153,479	3,940	9,392	165,766	92.6%
2022	204,415	168,922	2,945	6,375	163,514	103.3%
2023	213,300	181,700	(2,037)	2,379	171,226	106.1%

The Company had a stable loss experienced with growth in total benefits proportional to growth in total revenues. The Company attributed the lower medical loss ratio in 2020 to the disruption caused by COVID-19 on benefit utilization.

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	\$ 147,499	\$ 108,798	73.8%
2020	145,441	102,220	70.3%
2021	153,479	112,985	73.6%
2022	168,922	123,274	73.0%
2023	181,710	138,329	76.1%

REINSURANCE

The Company does not assume or cede any business.

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 Delta Dental of Missouri 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	\$ 96,465,509	\$ 0	\$ 96,465,509
Common Stocks	58,148,374	46,453	58,101,921
Real Estate – Properties Occupied by the Company	4,332,756	0	4,332,756
Cash, Cash Equivalents, and Short- Term Investments	35,375,099	0	35,375,099
Investment Income Due and Accrued	689,744	0	689,744
Premiums and Considerations: Uncollected Premiums and Agents' Balances in the Course of Collection	5,777,824	0	5,777,824
Reinsurance: Funds Held by or Deposited with Reinsured Companies	972,254	0	972,254
Amounts Receivable Relating to Uninsured Plans	10,253,819	0	10,253,819
Guaranty Funds Receivable or on Deposit	59,944	0	59,944
Electronic Data Processing Equipment and Software	811,112	0	811,112
Furniture and Equipment, Including Health Care Delivery Assets	6,987,856	6,987,856	0
Aggregate Write-Ins for Other-Than- Invested Assets	1,693,124	1,232,827	460,297
TOTAL ASSETS	\$ 221,567,415	\$ 8,267,136	\$ 213,300,279

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2023

Claims Unpaid	\$ 11,951,280
Unpaid Claims Adjustment Expenses	1,600,341
Premiums Received in Advance	9,848,982
General Expenses Due or Accrued	14,734,908
Amounts Withheld or Retained for the Account of Others	1,922,044
Amounts Due to Parent, Subsidiaries, and Affiliates	198,884
Liability for Amounts Held Under Uninsured Plans	1,817,719
TOTAL LIABILITIES	\$ 42,074,158
Aggregate Write-Ins for Other-Than-Special Surplus Funds	200,000
Unassigned Funds (Surplus)	171,026,121
TOTAL CAPITAL AND SURPLUS	\$ 171,226,121
TOTAL LIABILITIES AND SURPLUS	\$ 213,300,279

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended December 31, 2023

Net Premium Income	\$ 181,710,078
Total Revenue	\$ 181,710,078
Hospital/Medical Benefits	138,329,000
Claims Adjustment Expenses	18,484,940
General Administrative Expenses	26,933,164
Total Underwriting Deductions	\$ 183,747,104
Net Underwriting Gain (Loss)	\$ (2,037,026)
Net Investment Income Earned	4,876,151
Net Realized Capital Gain (Loss)	(465,345)
Net Investment Gain (Loss)	\$ 4,410,806
Aggregate Write-Ins for Other Income or Expenses	5,285
Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes	\$ 2,379,065
Federal and Foreign Income Taxes Incurred	0
NET INCOME (LOSS)	\$ 2,379,065

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	\$ 120,736	\$ 137,273	\$ 152,546	\$ 165,766	\$ 163,514
Net Income (Loss)	8,005	8,338	9,392	6,375	2,379
Change in Net Unrealized Capital Gains (Losses) Less Capital Gains Tax	9,376	6,009	4,124	(7,755)	7,673
Change in Nonadmitted Assets	(845)	925	(296)	(872)	(2,340)
Net Change in Capital and Surplus	16,537	15,273	13,220	(2,252)	7,712
Capital and Surplus, End of Year	\$ 137,273	\$ 152,546	\$ 165,766	\$ 163,514	\$ 171,226

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 Delta Dental of Missouri during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Rebecca Edwards, PIR, Justin Lamb, and 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 Delta Dental of Missouri, 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.

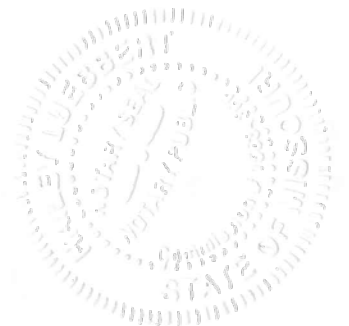
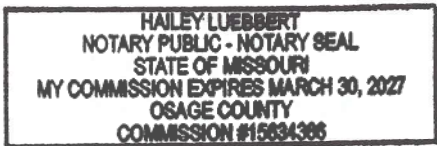
Brian D. Hammann

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 Luebbert*

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