

REPORT OF EXAMINATION
OF THE
CIGNA DENTAL HEALTH OF DELAWARE, INC.
AS OF
DECEMBER 31, 2018

Office of the
Commissioner



Delaware
Department of Insurance

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The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

Dated this 26 day of May, 2020

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May 1, 2020

Honorable Trinidad Navarro
Commissioner
Delaware Department of Insurance
1351 West North Street, Suite 101
Dover, Delaware 19904
Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 19.016, dated May 30, 2019 an examination has been made of the affairs, financial condition and management of the

CIGNA DENTAL HEALTH OF DELAWARE, INC.

hereinafter referred to as Company or CDHD incorporated under the laws of the State of Delaware as a dental plan organization with its administrative home office located at 1571 Sawgrass Corporate Parkway, Sunrise, Florida 33323. The Report of such examination is submitted herewith.

SCOPE OF EXAMINATION

We have performed our examination of the Company in conjunction with the coordinated examination of the Cigna Dental Health group of insurance companies. The Company is licensed and operates in the State of Delaware only. The Ohio Department of Insurance was named the Facilitating State for the subgroup of dental companies by the State of Connecticut, the Lead State for Cigna Corporation (Cigna). The previous examination of the Company was completed by the Delaware Department of Insurance (Department) as of December 31, 2014. This examination covers the period from January 1, 2015 through December 31, 2018. Transactions subsequent to the examination date were reviewed where deemed necessary.

We conducted our examination in accordance with the *National Association of Insurance Commissioners* (NAIC) *Financial Condition Examiners Handbook* (Handbook). The Handbook

Cigna Dental Health of Delaware, Inc.

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 may include 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 will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* §321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

This examination had no material adverse findings, significant non-compliance findings, material changes in financial statements or updates on other significant regulatory information disclosed in the previous examination.

COMPANY HISTORY

CDHD was incorporated on January 18, 1986, under the laws of the State of Delaware and commenced business September 19, 1986. The Company is licensed and operates in the State of Delaware only and is authorized to transact the business of a dental plan organization under 18 *Del. C.* § 3810 per a certificate of authority dated September 19, 1986.

Cigna Dental Health of Delaware, Inc.

Cigna Dental Health, Inc. (CDH) owns all the outstanding stock of the Company and is a wholly-owned subsidiary of Connecticut General Corporation (CGC), which is a wholly-owned subsidiary of Cigna Holdings, Inc., which is a wholly-owned subsidiary of Cigna. Cigna is the ultimate controlling person in the holding company system.

Common Capital Stock and Paid-in Surplus

The Certificate of Incorporation provides that the authorized capital stock of the Company shall be 1,000 shares of \$1 par value common stock. All authorized shares of common capital stock are owned by CDH, resulting in total capital stock of \$1,000.

As of December 31, 2018, the Company's Gross Paid-in and Contributed Surplus totaled \$497,053, and Policyholder Surplus totaled \$263,167, the difference related to on-going net losses.

The following table reflects the CDHD's capitalization activity since the prior examination:

	<u>Capital Stock</u>	<u>Gross Paid in & Contributed Surplus</u>
December 31, 2014	\$1,000	\$497,053
Activity	<u>0</u>	<u>0</u>
December 31, 2018	<u>\$1,000</u>	<u>\$497,053</u>

Dividends to Stockholders

There were no stockholder dividends paid during the examination period

MANAGEMENT AND CONTROL

Stockholder

Article I, Section 1.1 of the Company's amended bylaws, states "An annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors (Board) from time to time. Any other proper business may be transacted at the annual meeting." Special meetings of the shareholders may be called at any time by the Chairman of the Board, Vice Chairman of the Board, the President, by a Vice President or by the Board.

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers are exercised by or under the direction of its Board. The bylaws provide that the number of directors is to be established by the Board or by action of the stockholder and consist of one or more members. Directors are elected annually and hold office until the first annual meeting of stockholders or until their successors have been elected and qualified. At all meetings of the Board, one-third of its members constitute a quorum for the transaction of business.

The members serving on the Board as of December 31, 2018 were as follows:

<u>Name</u>	<u>Principle Occupation</u>
Fredrick Eugene Scardellette	Vice President Dental & Vision, Market Managing Director Strategy Segments and Solutions Cigna Corporation
Jason Dean Meade	Business Finance Senior Director Finance: Pricing Management Department Cigna Corporation

Committees

Article III, Section 3.1 of the amended bylaws, states in part, "The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace an absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation..."

On December 23, 2009, the Board of the Company appointed the Audit Committee of CGC to act as the Audit Committee of the Company for the purposes of complying with the NAIC Annual Financial Reporting Model Regulation.

Officers

Article IV, Section 4.1 of the Company's amended bylaws provide that the officers of the Company are chosen by the Board, consisting of a President and Secretary, and it may, if it so determines, a Chairman of the Board from among its members and other officers with titles set by resolution of the Board. Any number of offices may be held by the same person.

As of December 31, 2018, the Company's principal officers and their respective titles were as follows:

<u>Name</u>	<u>Title</u>
Frederick Eugene Scardellette	President
Anna (NMN) Krishtul	Secretary
Gregory Nicolas Malone	Actuary
Scott Ronald Lambert	Treasurer
Maureen Hardiman Ryan	Vice President
Mark Paul Fleming	Vice President
Lance Manuel Thomas	Vice President
Joanne Ruth Hart	Vice President
Kathleen Murphy O'Neil	Vice President

Insurance Holding Company System

As a dental plan organization organized under 18 *Del. C.* §3810, the Company is not subject to the requirements of the Holding Company statute, 18 *Del. C.* §5001. The Company is a directly owned subsidiary of CDH and an indirect, wholly-owned subsidiary of Cigna. The following abbreviated presentation of the holding company system reflects the identities and interrelationships between the Company, its Parent, affiliated insurers, and other members of the holding company system as of December 31, 2018:

Cigna Dental Health of Delaware, Inc.

Cigna Corporation (Delaware)

Cigna Holdings, Inc.

Cigna Investment Group, Inc.

Connecticut General Corporation

Cigna Dental Health, Inc.

Cigna Dental Health of California, Inc.

Cigna Dental Health of Colorado, Inc.

Cigna Dental Health of Delaware, Inc.

Cigna Dental Health of Florida, Inc.

Cigna Dental Health of Illinois, Inc.

Cigna Dental Health of Kansas, Inc.

Cigna Dental Health of Kentucky, Inc.

Cigna Dental Health of Missouri, Inc.

Cigna Dental Health of New Jersey, Inc.

Cigna Dental Health of North Carolina, Inc.

Cigna Dental Health of Ohio, Inc.

Cigna Dental Health of Pennsylvania, Inc.

Cigna Dental Health of Texas, Inc.

Cigna Dental Health of Virginia, Inc.

Cigna Dental Health Plan of Arizona, Inc.

Cigna Dental Health of Maryland, Inc.

Cigna Health Corporation

Healthsource, Inc.

Intercompany Agreements

The Company participated in agreements, as summarized below, with its affiliates. The agreements were submitted to the Department.

The CDH entities rely on affiliates to provide certain services under the terms of intercompany agreements. The following intercompany agreements are in place:

Administrative Services Agreement

CDH provides services including, but not limited to, data processing, financial, marketing, and plan administration services to the Company for a monthly management fee.

Amended and Restated Consolidated Federal Income Tax Agreement

Facilitates the filing of a consolidated federal income tax return as an affiliated group under Cigna.

Investment Advisory Agreement

Cigna Investment Management is retained as the investment advisor and provides investment management and brokerage services to affiliates.

Cigna Dental Health of Delaware, Inc.

Amended and Restated Investment Pooling Agreement

Cigna subsidiaries pool short-term investments to facilitate effective cash management of short-term assets by affording access to a broader range and size of available assets.

Fee Sharing Agreement

Section 9010 of the Patient Protection Affordable Care Act (PPACA) imposes an annual fee on each entity that engages in the business of providing health insurance. Cigna and all of its subsidiaries that are subject to this fee are collectively treated as a single covered entity. Cigna has selected Cigna Health and Life Insurance Company (CHLIC) as the designated entity responsible for paying the annual fee to the US Treasury. The Fee Sharing Agreement authorizes CDH entities to reimburse CHLIC for each entity's share of the annual fee.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is licensed to write only in the State of Delaware.

Plan of Operation

The Company is authorized to transact the business of a dental plan organization under 18 *Del. C. ch. 38* by a certificate of authority dated September 19, 1986. Its operations are consolidated with fifteen affiliated companies. The CDH companies are dental health insuring corporations that provide comprehensive dental health services to customers for predetermined prepaid monthly fees. The insurers pay monthly fees for dental care services provided to its customers by participating dental care providers based generally upon the number of individuals enrolled in the plan.

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2018, as determined by this examination, along with supporting exhibits as detailed below:

- Statement of Assets as of December 31, 2018
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2018
- Summary of Income for the year ended December 31, 2018
- Reconciliation of Capital and Surplus for the Period from the Prior Examination December 31, 2015 to December 31, 2018

Statement of Assets
As of December 31, 2018

	Assets	Nonadmitted Assets	Net Admitted Assets
Cash	\$ 260,412		\$ 260,412
Uncollectible premiums and agents' balances in course of collection	10,198		10,198
Current federal and foreign income tax recoverable and interest thereon	4,297		4,297
Receivables from parent, subsidiaries & affiliates	81	-	81
Aggregate write-ins:	1,708	-	1,708
Total Assets	<u>\$ 276,696</u>	<u>\$ -</u>	<u>\$ 276,696</u>

Statement of Liabilities, Surplus and Other Funds
As of December 31, 2018

		<u>Notes</u>
Claims unpaid	\$ 11,762	1
Unpaid claims adjustment expenses	169	1
Premiums received in advance	1,105	
Remittances and items not allocated	291	
Aggregate write-ins for special surplus funds	202	
Total Liabilities	<u>\$ 13,529</u>	
Common capital stock	\$ 1,000	
Gross paid-in and contributed surplus	497,053	
Unassigned funds	(234,886)	
Total Capital and Surplus	<u>\$ 263,167</u>	
Total Liabilities, Capital and Surplus	<u>\$ 276,696</u>	

Statement of Revenue and Expenses
For the Year Ended December 31, 2018

Member Months	7,789
Net premium income	\$ 133,340
Total revenue	<u>\$ 133,340</u>
Hospital and Medical	
Other professional services	\$ 138,345
Outside referrals	4,478
Total hospital and medical	<u>\$ 142,823</u>
Claims adjustment expenses	\$ 263
General administrative expenses	13,601
Increase in reserves for life and accident and health contracts	<u>(5,365)</u>
Total underwriting deductions	<u>\$ 151,322</u>
Net underwriting gain or (loss)	\$ (17,982)
Net investment income earned	269
Net realized capital gains (losses)	1
Net investment gains (losses)	270
Net gain or (loss) from agents	<u>(7)</u>
Net income after capital gains and before all other Federal income taxes	\$ (17,719)
Federal and foreign income taxes incurred	<u>(4,297)</u>
Net income (loss)	<u><u>\$ (13,422)</u></u>

**Reconciliation of Surplus
From Prior Examination to December 31, 2018**

	<u>Capital Stock</u>	<u>Gross Paid in and Contributed</u>	<u>Unassigned Surplus</u>	<u>Aggregate Write-ins</u>	<u>Total</u>
Beginnng Balance (2015)	\$ 1,000	\$497,053	(\$239,124)	3,372	\$ 262,301
2016 (1)			34,152		34,152
2016 (2)			3,372	(3,372)	-
2017 (1)			(19,864)		(19,864)
2018 (1)			(13,422)		(13,422)
Ending Balance (2018)	\$1,000	\$497,053	(\$234,886)	-	\$263,167

1. Represents net income, change in unrealized capital gains(losses), change in unrealized foreign exchange gain(losses), change in net deferred income tax, change in non- admitted assets, change in reinsurance for unauthorized reinsurers.
2. Reclassification of PPACA industry fee.

NOTES TO FINANCIAL STATEMENTS

Note 1

Claims Unpaid	\$ 11,762
Unpaid claims adjustment expenses	169

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2018. The examination analysis of life and accident and health reserves was conducted in accordance with Generally Accepted Actuarial Principles and Statutory Accounting Principles, including *NAIC Accounting Practices and Procedures Manual*, Statements of Statutory Accounting Principle No. 51, 52, and 54 (SSAPs No. 51, 52, and 54).

SUBSEQUENT EVENTS

During March of 2020, the World experienced a pandemic related to the COVID-19 virus. As of the date of this report, the Company has not been able to quantify the effects of this pandemic on its current or future financial statements. Also, as of the date of this report, the Company was fully operational and was providing services to its policyholder.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There Company has complied with the following prior examination recommendations:

It was recommended the Company maintain adequate records regarding the approval of investment transactions or by a committee thereof. It is further recommended that Company maintain and retain all records needed to comply with 18 *Del. C.* §3810.

It was recommended that the Company take steps to monitor and maintain appropriate reserves and to file quarter payment lags, carried reserves, and corresponding financial reconciliations with the Department for the calendar year 2016.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

The assistance and cooperation from the Company's management and staff were appreciated and are acknowledged.

Respectfully submitted,



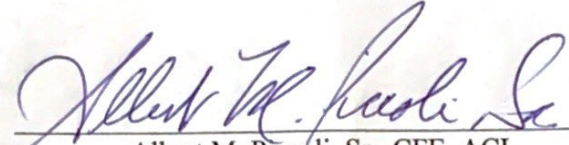
Albert M. Piccoli, Sr., CFE, ACI
Examiner In-Charge
Delaware Department of Insurance



Anthony Cardone, CFE, CPA
Supervising Examiner
Delaware Department of Insurance

Cigna Dental Health of Delaware, Inc.

I, Albert M. Piccoli, Sr., hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 19.016.


Albert M. Piccoli, Sr., CFE, ACI