

REPORT OF EXAMINATION
OF THE
CIGNA DENTAL HEALTH OF DELAWARE, INC.
AS OF
DECEMBER 31, 2014

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

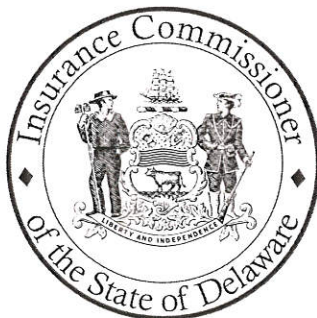
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT OF EXAMINATION, made as of December 31, 2014 of the

CIGNA DENTAL HEALTH OF DELAWARE, INC

is a true and correct copy of the document filed with this Department.

Attest By:  _____

Date: June 1, 2016

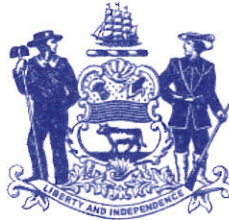


In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 1st day of June, 2016.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT OF EXAMINATION
OF THE
CIGNA DENTAL HEALTH OF DELAWARE, INC
AS OF
DECEMBER 31, 2014

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.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart", is written over a horizontal line.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 1st day of June, 2016

TABLE OF CONTENTS

SALUTATION	1
SCOPE OF EXAMINATION.....	1
SUMMARY OF SIGNIFICANT FINDINGS OF FACT.....	2
COMPANY HISTORY	3
Common Capital Stock and Paid-in Surplus	3
Dividends to Stockholders	3
MANAGEMENT AND CONTROL	4
Stockholder	4
Board of Directors.....	4
Committees	5
Officers	5
Holding Company System	6
Intercompany Agreements	7
TERRITORY AND PLAN OF OPERATION	9
Territory	9
Plan of Operation	9
Growth of Company	9
REINSURANCE.....	10
FINANCIAL STATEMENTS	10
NOTES TO FINANCIAL STATEMENTS.....	14
SUBSEQUENT EVENTS	15
SUMMARY OF RECOMMENDATIONS	15
CONCLUSION.....	15

SALUTATION

March 31, 2016

Honorable Karen Weldin Stewart
Commissioner
Delaware Department of Insurance
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 15.041, dated April 24, 2015 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," 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 Cigna Dental Health insurance companies (CDH 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. The previous examination of the Company was completed as of December 31, 2011. This examination covers the period from January 1, 2012 through

December 31, 2014. 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 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

Cigna Dental Health of DE, Inc.

disclosed in the previous examination.

COMPANY HISTORY

Cigna Dental Health of Delaware, Inc. was incorporated on January 18, 1986 under the laws 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. § 38 per a certificate of authority dated September 19, 1986.

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 Corp. Cigna Corp. 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 Cigna Dental Health, Inc., resulting in total capital stock a total of \$1,000.

As of December 31, 2014, the Company's Gross Paid-in and Contributed Surplus totaled \$497,053, and Policyholder Surplus totaled \$254,601, the difference related to on-going net losses.

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 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 of Directors.

Board of 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 of Directors (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.

At December 31, 2014, there was one vacant board position, which was subsequently filled in the first quarter of 2015 by Christopher John Whelan. The members serving on the Board of Directors at year-end 2014 were as follows:

Name	Principle Occupation
Mathew Manders	President, U.S. Commercial Markets and Global Health Care Operations, Cigna Corporation

Julie Vayer

Chief Operating Officer,
Total Health and Network,
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 Directors of the Company appointed the Audit Committee of Connecticut General Corporation 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 of Directors, 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 of Directors. Any number of offices may be held by the same person.

At December 31, 2014, the Company's principal officers and their respective titles were as follows:

Name	Title
Matthew Glenn Manders	President
Anna (NMN) Krishtul	Secretary
Gregory John Czar	Actuary
Julie Ann Vayer	Vice President
Maureen Hardiman Ryan	Vice President
Scott Ronald Lambert	Vice President and Treasurer

Certificate of Incorporation and bylaws

The Company did not amend its Articles of Incorporation or bylaws during the exam period.

It was noted per review of the corporate records that records maintained by the CDH legal entities do not comply with certain state specific requirements and the Companies' own bylaws regarding shareholder meetings and the appointment of Officers and Directors. In addition, the corporate minutes lacked evidence of actions such as the board's approval of investment transactions and acceptance of prior examination reports.

It is 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.

Holding Company System

As a dental plan organization organized under 18 Del. C. §38, the Company is not subject to the requirements of the Holding Company statute, 18 Del. C. §50. The Company is a directly owned subsidiary of Cigna Dental Health, Inc. and an indirect, wholly-owned subsidiary of Corporation.

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, 2014:

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 of 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 Delaware Department of Insurance.

Administrative Services Agreement

This agreement, effective September 1, 1991, is between CIGNA Dental Health of Florida, Inc. (CDH/FL) and the Company. This agreement provides for CDH/FL to render administrative and management services including data processing, premium reconciliation, transfer of funds, financial services, marketing direction, plan administration services, and dental

operations direction. Charges under this agreement are a fixed monthly fee per subscriber. The agreement was subsequently amended December 31, 2007 to provide for timely settlement of related party balances.

Federal Tax Allocation Agreement

This agreement is between CIGNA Corporation and each of its subsidiaries that are or become a party to the agreement, including the Company. This agreement provides for the combined group to file a consolidated income tax return and for the allocation of their consolidated tax liability with a final settlement each November after the tax return for the prior year has been filed. This agreement is an amended and restated agreement that was originally adopted effective as of April 1, 1982, as amended, including amendments effective as of January 1, 1997.

Investment Advisory Agreement

This agreement, effective September 15, 2009, is between CIGNA Investment Advisors, Inc. (the "Advisor") and the Company. This agreement provides for the Advisor, at its sole discretion (in accordance with applicable law and as provided in the General Investment Authorizations promulgated by CIGNA Corporation for itself and its subsidiaries), to make and carry out decisions with respect to: the acquisition, holding and disposition of securities in the Company's portfolio, as the Adviser deems appropriate in accordance with required guidelines defined within the agreement. The Adviser shall, within the limitations set forth in the agreement, have the exclusive right to manage the Portfolio and may use and rely upon such information and materials as it may deem pertinent (including seeking advice from its affiliates). The Adviser shall not be required to consult in advance with anyone except as required by applicable law. Payment for services provided are to be settled within ninety (90) days.

Fee Sharing Agreement

The Company participates in a Fee Sharing Agreement effective August 19, 2014 with Cigna Corporation, whereas Cigna is designated the entity for the payment of Health Care Provider Fees required under Section 9010 of the Patient Protection and Affordable Care Act (PPACA) Public Law. The agreement allows Cigna to pay each year to the U.S. Department of Treasury the fee owed collectively by all covered entities in the group, and to perform all necessary and appropriate actions that may be required to fulfill Cigna's responsibilities as the designated entity. The agreement was subsequently amended in December, 2014 to provide clarification under Section 1 of the Fee Sharing Agreement for the allocation, payment and settlement of the shared expense.

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. §38 by a certificate of authority dated September 19, 1986. Its operations are consolidated with fifteen affiliated companies within the CDH group. 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.

Growth of Company

The following information was obtained from the Company's filed Annual Statements:

	<u>Net Admitted Assets</u>	<u>Total Capital and Surplus</u>	<u>Total Revenues</u>	<u>Net Income/(Loss)</u>
2014	280,155	254,601	115,416	(36,602)
2013	299,922	291,283	104,283	(14,186)
2012	335,119	305,335	123,516	(54,964)
2011	378,627	360,398	109,020	(46,030)
2010	429,383	406,463	93,173	(47,967)

The Company's primary source of cash from operations is premiums received from members. As shown the Company has experienced net losses from operations for all three (3) years under examination, totaling \$105,752. The Company maintains adequate capital well above regulatory requirements. During 2014 premium revenue increased 10.7% primarily due to a increase in membership of 10.9%. In 2014, the Company was assessed the health insurance fee required by the PPACA. This fee is imposed on health services companies in the healthcare industry to help fund the additional insurance benefits and coverage provided by the legislation.

REINSURANCE

The Company neither ceded nor assumed reinsurance.

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2014, along with supporting exhibits as detailed below:

- Statement of Assets and Liabilities, Surplus and Other Funds
- Statement of Operations
- Reconciliation of Capital and Surplus for the Examination Period

It should be noted that the various schedules and exhibits may not add to the totals shown due to rounding. The narratives on the individual accounts, with the exception of the reserve related balances, are presented on the “exception basis” in the Notes to the Financial Statements section of this report.

**Statement of Assets and Liabilities, Surplus and Other Funds
as of December 31, 2014**

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Cash, cash equivalents and short-term investments	\$256,882		\$256,882
Premiums and considerations			
Uncollected premiums and agents' balances in course of collection	10,220	80	10,140
Current federal and foreign income tax recoverable and interest thereon	13,128		13,128
Aggregate write-ins for other than invested assets	5		5
Total assets excluding Separate Accounts	<u>\$ 280,235</u>	<u>\$ 80</u>	<u>\$ 280,155</u>
From Separate Accounts		-	-
Total	<u><u>\$ 280,235</u></u>	<u><u>\$ 80</u></u>	<u><u>\$ 280,155</u></u>

Liabilities, Surplus and Other Funds

		<u>Notes</u>
Claims unpaid	\$ 6,678	1
Unpaid claims adjustment expenses	177	2
Aggregate health policy reserves	16,265	3
Premiums received in advance	\$ 168	
General expenses due or accrued	165	
Remittances and items not allocated	475	
Amounts due to parents, subsidiaries and affiliates	1,626	
Total Liabilities	<u>\$ 25,554</u>	
Common capital stock	1,000	
Gross paid-in and contributed surplus	497,053	
Aggregate write-ins for special surplus funds	2,030	
Unassigned funds	(245,482)	
Surplus	<u>\$ 254,601</u>	
Total Liabilities, Capital and Surplus	<u><u>\$ 280,155</u></u>	

Statement of Revenues and Expenses
As of December 31, 2014

Member Months	6,814
Net premium income	\$ 115,416
Total revenues	<u>\$ 115,416</u>
 Hospital and Medical:	
Other professional services	\$ 137,065
Outside referrals	3,749
Subtotal	<u>140,814</u>
 Less:	
Total hospital and medical	140,814
Claims adjustment expense	361
General administrative expenses	13,491
Increase in reserves for life and accident and health contracts	10,596
Total underwriting deductions	<u>\$ 165,262</u>
Net underwriting gain or (loss)	(49,846)
 Net investment income earned	 <u>116</u>
Net investment gain (losses)	<u>116</u>
Net income or (loss) after capital gains tax and before all other federal income taxes	(49,730)
 Federal and foreign income taxes incurred	 <u>(13,128)</u>
Net Income	<u><u>\$ (36,602)</u></u>

**Reconciliation of Capital and Surplus
As of December 31, 2014**

Capital and Surplus, December 31, 2011	\$360,398
Net income or (loss)	(105,752)
Change in net deferred income tax	(3,353)
Change in nonadmitted assets	3,308
Net change in capital and surplus for the year	(105,797)
Capital and surplus, December 31, 2014	\$254,601

There were no financial adjustments to the Company's balance sheet accounts as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

(1) <u>Claims unpaid</u>	\$6,678
(2) <u>Unpaid claims adjustment expenses</u>	\$ 177
(3) <u>Aggregate health policy reserves</u>	\$16,275

The above-captioned amounts, which are the same as that reported by the Company in its Annual Statement, have been accepted for purposes of this Report of Examination. Thomas Botsko, ACAS, MAAA, the Ohio Department of Insurance's Chief Property and Casualty Actuary, reviewed the Company's 2013 and 2014 actuarial opinions, and the 2014 and 2015 annual statements. The 2014 run-off of the 2013 reserves indicate that the 2013 carried reserves developed with a deficiency. The 2015 run-off of the 2014 reserves also indicates a deficiency; however, the 2014 run-off is much less deficient than the prior year. Although the Ohio Department's actuary concluded that reserves as of December 31, 2014 for Cigna Dental Companies as a whole were subsequently proven to be only slightly deficient, it was noted that

Cigna Dental Health of DE, Inc.

Cigna Dental of Delaware, Inc. was significantly more deficient than other members of the group.

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

SUBSEQUENT EVENTS

In July 2015, Anthem, Inc. and Cigna Corporation announced that they have entered into a definitive agreement whereby Anthem, Inc. will acquire all outstanding shares of Cigna Corporation in a cash and stock transaction, valued at approximately \$54 billion. Several legal and regulatory approvals are required to formally close the transaction, which is expected to be completed in the second half of 2016.

SUMMARY OF RECOMMENDATIONS

It is 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 is 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.

CONCLUSION

The following schedule shows a comparison of the results from the December 31, 2014 examination to the 2011 Annual Statement balances, with changes between:

<u>Description</u>	<u>December 31, 2011</u>	<u>December 31, 2014</u>	<u>Increase (Decrease)</u>
Assets	<u>\$378,627</u>	<u>\$280,155</u>	<u>(\$98,472)</u>
Liabilities	\$18,229	\$25,554	\$7,325
Common capital stock	1,000	1,000	0
Aggregate Write-in for special surplus funds	0	2,030	2,030
Gross paid in and contributed surplus	497,053	497,053	0
Unassigned funds (surplus)	<u>(137,655)</u>	<u>(245,482)</u>	<u>(107,827)</u>
Total Capital and Surplus	<u>360,398</u>	<u>254,601</u>	<u>(105,797)</u>
Total Liabilities, Capital and Surplus	<u>\$378,627</u>	<u>\$280,155</u>	<u>(\$98,472)</u>

Respectfully submitted,



James Call, CFE
Examiner-In-Charge
State of Delaware