

EXAMINATION REPORT
OF
DELTA DENTAL INSURANCE COMPANY
AS OF
DECEMBER 31, 2023

TRINIDAD NAVARRO
COMMISSIONER



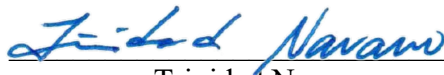
STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
DELTA DENTAL INSURANCE COMPANY
AS OF
DECEMBER 31, 2023

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.



Trinidad Navarro
Insurance Commissioner

Dated this 18th day of June, 2025

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May 22, 2025

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

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 24.025, dated December 4, 2023, an examination has been made of the affairs, financial condition, and management of

DELTA DENTAL INSURANCE COMPANY

hereinafter referred to as the Company or DDIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1807 North Market Street, Wilmington, Delaware. The administrative office of the Company is located at 1130 Sanctuary Parkway, Alpharetta, Georgia.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The last examination was conducted as of December 31, 2019 by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2020 through December 31, 2023. Our examination was performed as part of the multi-state coordinated examination of the Dentegra

Group of regulated entities wherein Delaware is the lead state. The examination was conducted concurrently with that of the Company's following affiliated companies:

Delta Dental Sub-group

<u>NAIC No.</u>	<u>Name</u>	<u>Domicile</u>
81396	Delta Dental Insurance Co (DDIC)	DE
11132	Delta Dental of Delaware Inc. (DDD)	DE
73474	Dentegra Insurance Co (DIC)	DE
55263	Delta Dental of New York (DDNY)	NY
54798	Delta Dental of Pennsylvania (DDP)	PA
12329	Delta Dental of West Virginia (DDWV)	WV
12210	Dentegra Insurance Co of New England (DICNE)	MA

Alpha Sub-Group

95366	Alpha Dental of Arizona Inc. (ADAZ)	AZ
11174	Alpha Dental of Utah Inc. (ADUT)	UT
95163	Alpha Dental Programs Inc. (ADP)	TX

To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners* (NAIC) *Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC 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 an adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Laws 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.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Armanino LLP (Armanino). Certain auditor work papers of the 2023 Armanino audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

The Company was originally organized and incorporated under the laws of the State of Illinois on February 9, 1970, as the Dental Service Plans Insurance Company. The Company was organized to supplement the services provided by Delta Dental Plans (individually called state plans); reinsure state plans and insure in states where no dental state plans existed, in conjunction with state plans' having multi-state contracts and serve as an underwriting vehicle in states where state plans do not operate or, because of financial or charter considerations, are unable to underwrite dental programs.

In 1980, the Company, with permission from the Illinois Director of Insurance, moved its administrative and executive offices from Chicago, Illinois to San Francisco, California. In 1982, the name of the Company was changed to Delta Service Plans Insurance Company, and in 1991, the name was again changed to DDIC. Subsequently, effective September 27, 2002, the Company re-domesticated from the State of Illinois to the State of Delaware.

Common Capital Stock

The Company's Restated Certificate of Incorporation provides that the Company is authorized to issue 250,000 shares of common capital stock with a par value of \$25 per share. As of December 31, 2023, the Company had 65,863.17 shares of common stock issued and outstanding, resulting in common capital stock of \$1,646,579. The following table reflects ownership of the Company's common stock:

<u>Owners of DDIC Common Stock</u>	<u>Shares</u>	<u>Percentage</u>
DDC Insurance Holdings, Inc. *	59,972.58	91.06%
Delta Dental Plan of Michigan, Inc.	4,004.17	6.08%
Delta Dental of Washington	834.33	1.27%
Delta Dental of Illinois	333.67	0.51%
Delta Dental of Kentucky, Inc.	240.00	0.36%
Delta Dental Plan of Ohio, Inc.	167.00	0.25%
Delta Dental of Missouri	100.00	0.15%
Delta Dental of Pennsylvania *	81.42	0.12%
Alabama Owners	41.00	0.06%
Delta Dental of Virginia	35.00	0.05%
Delta Dental of Minnesota	34.00	0.05%
Louisiana Owners	20.00	0.03%
	<u>65,863.17</u>	<u>100.00%</u>

*affiliated entities

Preferred Capital Stock

As of December 31, 2023, the Company had 150,000 shares of cumulative non-voting preferred stock authorized, issued and outstanding, with a par value of \$70 per share, resulting in preferred capital stock of \$10,500,000. All of the Company's preferred stock is owned by immediate parent DDC Insurance Holdings, Inc. (DDCIH).

Dividends

The Company's Board of Directors (Board) did not approve or authorize any dividends during the exam period. The amount of arrearages in cumulative non-voting preferred dividends is \$31,848,500 as of the examination date.

Surplus Notes

As of December 31, 2023, the Company had six (6) surplus notes issued, totaling \$35,750,000 that were approved by the Department. The surplus notes were as follows:

<u>Date Issued</u>	<u>Note Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
1/1/1984	\$ 750,000	None	N/A
6/1/2001	5,000,000	6%	N/A
9/6/2002	5,000,000	6%	N/A
11/10/2003	5,000,000	6%	N/A
8/1/2006	10,000,000	3%	7/31/2026
12/8/2008	10,000,000	3%	12/31/2023
	<u>\$ 35,750,000</u>		

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Amended and Restated Articles of Incorporation and Restated Bylaws, all corporate powers are exercised by or under the direction of the Board. The bylaws, as amended and restated June 27, 2017, provide that the Company's business and affairs shall be under the control of its Board. The Board shall consist of five (5) directors. Each director shall hold office until the next annual meeting of the shareholders or until his successor shall have been elected and qualified. Directors shall be at least 21 years of age.

Directors duly elected and serving as of December 31, 2023 were as follows:

<u>Name</u>	<u>Principle Occupation</u>
Michael James Castro	CEO, Delta Dental of California, Chair
Sarah Mays Chavarria	President, Delta Dental of California
Michael Griffin Hankinson, Esq.	EVP, Chief Legal Officer, Delta Dental of California
Alica Frias Weber	EVP, Chief Financial Officer, Delta Dental of California
Dominic S. Titcombe	EVP, Chief Information and Product Officer

Board Committees

The Company's bylaws state that the Board may designate one or more committees, including an Executive Committee, which shall consist of one or more directors of the Company. The Executive Committee shall have and may exercise the powers of the Board in the management of the business and affairs of the Company. The members of the Committee were as follows:

Executive Committee

Michael James Castro, Chair
Michael Griffin Hankinson
Alicia Frias Weber
Andrea M. Fegley, Esq.

In accordance with the provisions of the Management and Service Agreement between the Company and Delta Dental of California (DDC), to provide the audit-related oversight duties as are required by federal and Delaware State law, the Company utilizes the Audit Committee as designated by the DDC Board. Its members were:

Audit Committee

Glen F. Bergert, Chair
Roy A. Gonella
Ian R. Law
Steven F. McCann
Terry A. O'Toole
Andrew J. Reid

Also, under the terms of the above agreement, the Company utilizes the DDC Finance Committee to perform financial oversight and governance duties on its behalf. Its members were:

Finance Committee

Terry A. O'Toole, Chair
R. Allan Allford
Glen F. Bergert
Roy A. Gonella
Steven F. McCann
Andrew J. Reid

Investment activities related to the Company are overseen by the following committee:

Investment Committee

Alicia Frias Weber, Chair
Michael James Castro
Sarah Mays Chavarria
Michael Griffin Hankinson
Christopher Harze
Richard Sbragia

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election consist of a Chair of the Board, a Vice Chair, a Secretary and a Treasurer all of whom shall be elected at the annual meeting of the Directors and shall hold office for a period of one year and until their successors are elected and qualified. The Board may also appoint such other officers and agents as they shall deem necessary for the prompt and efficient transaction of the corporation's business. The Board shall have the power to employ a President to administer the affairs of the Corporation under the Board. The primary officers serving as of December 31, 2023 were as follows:

<u>Name</u>	<u>Title</u>
Michael James Castro	Chairman of the Board
Michael Griffin Hankinson	President
Alica Frias Weber	Treasurer
Andrea M. Fegley	Secretary

Corporate Records

The recorded minutes of the shareholders and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

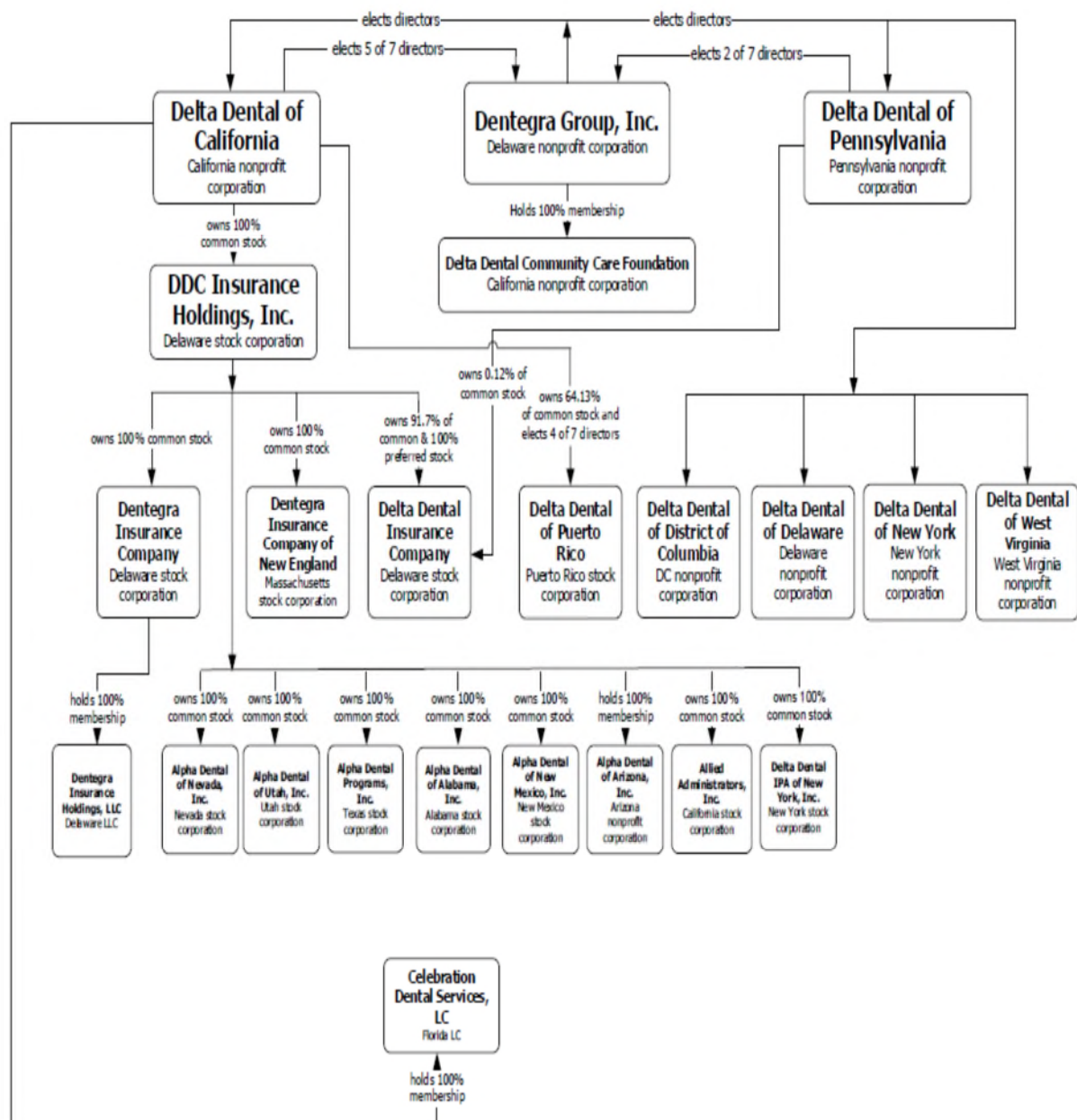
The Company is a member of an insurance holding company system known as the Dentegra as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. DDC operates as the ultimate controlling entity. Dentegra is bifurcated into two (2) parent companies, DDC and

DDP. DDC and DDP, operating as non-profit companies, combine their resources in an effort to eliminate duplication in the areas of market development and technology, to share best practices, develop economies of scale, increase competitiveness on a national scale and to bring new services to its subscribers, clients and partner dentists.

Certain companies within the holding company system are members of the Delta Dental Plans Association (DDPA). DDPA is a nationwide association of independently-operated dental health service plans that have a key feature of offering subscribers access to the national provider networks under the Delta USA program and access to the local provider networks maintained by Dentegra.

The following organizational chart reflects the identities and interrelationships between the entities within the holding company group:

Insurance Holding Company System of Delta Dental of California



Agreements with Affiliates

As of December 31, 2023, the Company was party to following affiliated agreements, which were disclosed in the annual Form B filings with the Department:

AARP Dental Insurance Plan Marketing and Operations Support Agreement

Effective May 1, 2004, the Company entered into a Marketing and Operations Support Agreement with its parent, DDC, under which DDC provides certain support services to the Company in regard to the AARP Dental Insurance Plan, including underwriting and actuarial, marketing, enrollment and eligibility, claims adjudication, enrollee call center and grievance responses, quality management, professional relations, financial services, data collection and reporting and compliance and legal services.

AARP Dental Insurance Plan Administrative Services Agreement

Effective May 1, 2004, the Company entered into an arrangement with affiliate DIC, whereby the Company acts as an administrator on behalf of DIC in regard to two group dental insurance contracts issued by DIC to the AARP Dental Insurance Trust. This arrangement was subsequently reflected in an Administrative Services Agreement.

Management and Service Agreement

Effective January 1, 2005, as amended January 1, 2013, the Company entered into a Management and Service Agreement with its affiliates, including DDC, DIC and DICNE, whereby DDC provides all management services required for the cost-effective and efficient operation of DIC and DICNE, by itself and through its subsidiary, DDIC. Effective March 1, 2016, the Company entered into Amendment No. 2 to add language required by 45 CFR 156.340, governing federally facilitated marketplace health plan issuers.

Administrative Services Agreement

Effective September 1, 2011, the Company entered into an Administrative Services Agreement with its parent DDC, under which DDC provides administrative services in regard to a dental contract issued by the Company to the Texas Health and Human Services Commission.

Amended and Restated General Agency Agreement

Effective January 1, 2006, the Company entered into an Amended and Restated General Agency Agreement with DDP and DDD, under which DDD acts as general agent for the Company in Delaware and DDP provides management services to DDD.

Dental Administration Agreement

Effective January 1, 2006, as amended January 1, 2009, the Company entered into a Dental Administration Agreement with DDWV and DDP, whereby DDWV provides administrative services to the Company in West Virginia and DDP provides management services to DDWV.

DeltaCare USA Administrative Service Agreement

Effective January 1, 2007, the Company entered into a DeltaCare USA Administrative Services Agreement with DIC and other Delta Dental Plan members, including Alpha Dental of Alabama, Inc. (ADAL), ADAZ, ADNM, Alpha Dental of Nevada (ADNV), ADUT, ADP, DDP, DDNY, DIC, and DICNE. In accordance with the terms of the agreement, DDIC will provide administrative services for DeltaCare USA programs underwritten by the Company. An Amendment dated April 1, 2016, clarified certain functions provided and the calculation of compensation.

Amended and Restated General Agency Agreement

Effective January 1, 2009, the Company entered into an Amended and Restated General Agency Agreement with Delta Dental of the District of Columbia, Inc. (DDDC), DDP and PaCa,

whereby DDDC acts as the general agent for DDIC in the District of Columbia and DDP provides management services to the Company and DDDC. PaCa dissolved on December 31, 2016 and is no longer party to this agreement.

Administrative Services Agreement

Effective August 15, 2010, as amended January 1, 2014, the Company entered into an Administrative Services Agreement with DDC, whereby DDIC provides administrative services to DDC's dental and vision products, DeltaCare USA and DeltaVision, respectively.

Federal Tax Sharing Agreement

Effective for taxable periods on or after January 1, 2011, the Company and DIC became a party to a Federal Tax Sharing Agreement with their direct parent, Group, and other affiliated companies. In accordance with the terms of the agreement, Group will prepare and file all tax returns on behalf of its majority-owned or controlled subsidiaries. The purpose of the tax sharing agreement is to provide the methodology and procedures for allocating the consolidated federal tax liability (or benefit) to and amongst the stated companies in the agreement.

Intercompany Services Agreement

Effective January 1, 2012, and amended January 1, 2013, the Company and DIC became a party to an Intercompany Services Agreement between the Company, DDC, DDP, DIC and DICNE, whereby each company cooperates in the performance of certain administrative and corporate service tasks for each other as members of the enterprise holding company system. The agreement replaces the March 1, 1997 Corporate Administration Agreement.

Optical Character Recognition Services Agreement

Effective January 11, 2012, and amended July 1, 2015 and March 1, 2016, the Company entered into a Services Agreement with DDC and DDP, under which DDC and DDP perform services required of the Optical Character Recognition Program for all enterprise affiliates as part of the claims processing operations. This Services Agreement replaces the September 20, 2003 Administrative Agreement between the Company and DDP.

Administrative Agreement

Effective January 1, 2014, the Company entered into an Administrative Agreement with DIC, whereby the Company provides administrative services on behalf of DIC with respect to the Federal Employees Dental and Vision Insurance Program (FEDVIP) and Veteran Affairs Dental Insurance Program (VADIP) Plans.

FEDVIP/VADIP Dental Insurance Plans Administrative Services Agreement

Effective January 1, 2014, the Company entered into an Administrative Services Agreement with DDC, whereby DDC provides services and financial support on behalf of the Company in respect to the FEDVIP and VADIP Plans.

Administrative Services Agreement

Effective October 1, 2015, the Company entered into an Administrative Services Agreement with DDC, DDP, and Delta Dental Puerto Rico (DDPR), whereby DDPR performs claims processing services as may be assigned by DDC, DDP, and DDIC.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2023, the Company was licensed to transact business in 32 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. No new jurisdictions were added during the examination period.

The Company is authorized as a stock insurer to transact the business of life, including annuities and health insurance as defined in 18 *Del. C.* §902 "Life insurance" and 18 *Del. C.* §903 "Health insurance", with their principal office facilities located in Mechanicsburg, Pennsylvania.

Plan of Operation

As of December 31, 2023, approximately 67% of the Company's direct written premiums were produced in three (3) jurisdictions. The table below reflects the geographical breakdown of the Company's direct written premiums in 2023.

<u>Jurisdiction</u>	<u>Direct Written Premium</u>	<u>Percentage</u>
Florida	\$ 343,128,313	36%
Georgia	168,396,224	18%
Texas	121,167,032	13%
Mississippi	84,808,963	9%
Alabama	37,856,664	4%
Louisiana	34,439,885	4%
Other Jurisdictions	157,790,182	17%
Total	<u><u>\$ 947,587,263</u></u>	<u><u>100.0%</u></u>

The Company administers dental care programs under agreements with various subscriber groups/clients through affiliation with the DDPA, a national association that governs all Delta-branded plans. These programs provide enrollees with quality, cost-effective dental benefits.

The Company offers a variety of local programs that range from managed fee-for-service and preferred-provider programs to dental health maintenance organizations, as well as customized programs as needed. The products offered include the Delta Dental Premier®, Delta Dental PPO and DeltaCare USA.

Distribution System

The Company's sales distribution system involves three key channels: direct sales to purchasers; coordination of sales to purchasers through independent brokers, consultants and general agents and sales to purchasers through co-marketing arrangements with other carriers.

REINSURANCE

The Company reported the following distribution of premiums written for the years ended December 31, 2023, and the prior examination date of December 31, 2019:

	<u>2023</u>	<u>2019</u>
Direct	\$ 957,231,840	\$ 859,585,429
Reinsurance assumed (from affiliates)	<u>12,895,943</u>	<u>8,422,208</u>
Total direct and assumed	\$ 970,127,783	\$ 868,007,637
Reinsurance ceded (to affiliates)	51,517,589	62,646,909
Reinsurance ceded (to non-affiliates)	<u>49,419,720</u>	<u>48,939,949</u>
Net premiums written	<u>\$ 869,190,474</u>	<u>\$ 756,420,779</u>

Assumed Reinsurance

In 2023, the Company's assumed premium written was \$12,895,943, which was ceded to the Company by an affiliate, DDPR. Effective January 1, 1999, the Company, by means of a quota share reinsurance agreement, assumes 50% of the Covered Dental Care Service Contracts underwritten by affiliate DDPR. Covered Contracts are defined as all dental group service contracts providing dental benefits to members of groups composed of ten (10) or more primary members located in Puerto Rico.

Ceded Reinsurance

For the year ended December 31, 2023, the Company's ceded business consisted of various quota share reinsurance agreements. The Company's total ceded premium was approximately \$101.9 million in 2023, of which \$51.5 million was ceded to affiliate DDC. The remaining \$49.4 million was ceded to three (3) authorized non-affiliated reinsurers.

As of December 31, 2023, the Company was party to the following ceded reinsurance agreements:

Affiliated

Effective January 1, 2003, the Company entered into a reinsurance agreement with affiliate DIC, under which DIC reinsures fifty percent (50%) of two (2) group dental contracts in the State of Florida.

Effective January 1, 2014, the Company entered into a reinsurance agreement with affiliate DDC, under which DDC reinsures one hundred percent (100%) of the dental contract risks the Company entered into with the FEDVIP and the VADIP. The Company entered into separate contracts with the United States Office of Personnel Management to offer benefits in the FEDVIP and with the United States Department of Veteran Affairs to provide benefits in the VADIP. The Company acts as the administrator for the FEDVIP, as well as the VADIP and will provide coverage for enrollees residing in New York, Puerto Rico and the Virgin Islands. The Department approved the reinsurance agreement on March 28, 2014.

Effective January 1, 2015, the Company entered into a reinsurance agreement with affiliate DDC, under which DDC reinsures one hundred percent (100%) of the dental contract risks the Company entered into with the United States Office of Comptroller of the Currency (OCC), which offers benefits to OCC active employees, retirees and eligible dependents and their eligible dependents of the Office of Financial Research. The Department approved the reinsurance agreement on March 17, 2015.

Effective April 1, 2006, the Company entered into a reinsurance agreement with affiliate DDC, under which DDC reinsures fifty-six percent (56%) of the dental contract risks the Company entered into with the AARP Dental Insurance Trust regarding certain DeltaPreferred Option Dental

Insurance Contracts. This contract was amended effective January 1, 2021, to reduce the cession to 47%.

Effective January 1, 2023, the Company entered into a reinsurance agreement with affiliate DDC under which DDC reinsures the Company one hundred percent (100%) of the dental contract risks the Company entered into with the Federal Housing Finance Agency for their active employees, retirees and eligible dependents and their eligible dependents.

Non-Affiliated

Effective January 1, 2001, as amended seven (7) times, with the latest amendment as of July 1, 2010, the Company is party to a quota share reinsurance agreement with authorized reinsurer, AmFirst Insurance Company (AFIC), whereby AFIC reinsures fifty percent (50%) of the dental contract risks entered into with Benefits Association, Inc., a Mississippi association.

Effective May 1, 2002, as amended July 1, 2005, the Company entered into a reinsurance agreement with authorized reinsurer, Hannover Life Reassurance Company of America (Hannover Life), under which Hannover Life reinsures thirty-three percent (33%) of the dental contract risks the Company entered into with AARP.

Effective January 1, 2006, the Company entered into a reinsurance agreement with authorized reinsurer, Renaissance Life and Health Insurance Company of America (Renaissance Life), under which Renaissance Life reinsures ten percent (10%) of the dental contract risks the Company entered into with AARP.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2023
- Statement of Liabilities, Capital and Surplus as of December 31, 2023
- Statement of Revenue and Expenses for the year ended December 31, 2023
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2019 to December 31, 2023

Statement of Assets
As of December 31, 2023

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 304,991,897	\$ -	\$ 304,991,897
Common stocks (stocks)	49,590,744	-	49,590,744
Cash	57,641,405	-	57,641,405
Cash equivalents	33,852,457	-	33,852,457
Short-term investments	-	-	-
Subtotals, cash and invested assets	<u>\$ 446,076,503</u>	<u>\$ -</u>	<u>\$ 446,076,503</u>
Investment income due and accrued	2,568,734	-	2,568,734
Uncollected premiums and agents' balances in the course of collection	14,326,468	2,065,822	12,260,646
Amounts recoverable from reinsurers	6,625,148	-	6,625,148
Other amounts receivable under reinsurance contracts	14,764,671	141,612	14,623,059
Amounts receivable relating to uninsured plans	44,149,107	24,491	44,124,616
Current federal and foreign income tax recoverable and interest thereon	5,025,280	-	5,025,280
Net deferred tax asset	6,536,816	6,536,816	-
Guaranty funds receivable or on deposit	3,886,052	-	3,886,052
Electronic data processing equipment and software	195,231	-	195,231
Furniture and equipment; including health care delivery assets	6,188,238	6,188,238	-
Receivables from parent; subsidiaries and affiliates	19,489,563	-	19,489,563
Aggregate write-ins for other-than-invested assets	4,344,609	4,321,788	22,821
Total Assets	<u><u>\$ 574,176,420</u></u>	<u><u>\$ 19,278,767</u></u>	<u><u>\$ 554,897,653</u></u>

Statement of Liabilities, Capital and Surplus
As of December 31, 2023

	Covered	Uncovered	Total
Claims unpaid	\$ 40,782,200	\$ -	\$ 40,782,200
Unpaid claims adjustment expenses	1,920,000	-	1,920,000
Aggregate health policy reserves	178,753	-	178,753
Premiums received in advance	12,794,330	-	12,794,330
General expenses due or accrued	81,601,051	-	81,601,051
Current federal and foreign income tax payable and interest	413,809	-	413,809
Net deferred tax liability	6,161,891	-	6,161,891
Ceded reinsurance premiums payable	19,967,726	-	19,967,726
Amounts withheld or retained for the account of others	52,008	-	52,008
Remittances and items not allocated	83,829	-	83,829
Borrowed money and interest thereon \$0	15,078,429	-	15,078,429
Amounts due to parent, subsidiaries and affiliates	79,713,103	-	79,713,103
Payable for securities	1,098,579	-	1,098,579
Liability for amounts held under uninsured plans	2,292,902	-	2,292,902
Aggregate write-ins for other liabilities	9,619,787	-	9,619,787
Total liabilities	<u>\$271,758,397</u>	<u>\$ -</u>	<u>\$ 271,758,397</u>
Aggregate write-ins for special surplus funds	XXX	XXX	\$ -
Common capital stock	XXX	XXX	1,646,579
Preferred capital stock	XXX	XXX	10,500,000
Gross paid in and contributed surplus	XXX	XXX	7,297,853
Surplus notes	XXX	XXX	35,750,000
Unassigned funds (surplus)	XXX	XXX	227,946,024
(1) shares common (value included in common capital stock \$0) (less treasury stock; at cost)	XXX	XXX	1,200
Total Capital and Surplus	<u>XXX</u>	<u>XXX</u>	<u>\$ 283,139,256</u>
Total Liabilities, Capital and Surplus			<u><u>\$ 554,897,653</u></u>

Statement of Revenue and Expenses
For the Year Ended December 31, 2023

	Uncovered	Total
Member months	XXX	31,164,776
Net premium income	XXX	\$ 869,190,474
Change in unearned premium reserves and reserve for rate credits	XXX	1,531,197
Total revenues		\$ 870,721,671
Hospital and medical:		
Hospital/medical benefits		\$ 694,095,574
Aggregate write-ins for other hospital and medical		131,268
Subtotal		\$ 694,226,842
Less:		
Net reinsurance recoveries		63,812,392
Total hospital and medical		\$ 630,414,450
Claims adjustment expenses		76,507,914
General administrative expenses		159,039,058
Total underwriting deductions		\$ 865,961,422
Net underwriting gain or (loss)		\$ 4,760,249
Net investment income earned		12,414,412
Net realized capital gains or (losses) less capital gains tax of		(448,895)
Net investment gains or (losses)		\$ 11,965,517
Net gain or (loss) from agents' or premium balances charged off		(1,162,250)
Aggregate write-ins for other income or expenses		(108,296)
Net income or (loss); after capital gains tax and before all other federal income taxes		\$ 15,455,220
Federal and foreign income taxes incurred		5,259,000
Net income (loss)		\$ 10,196,220
Capital and Surplus Account		
Capital and surplus prior reporting year		\$ 262,482,512
Net income or (loss)		10,196,220
Change in unrealized gain		8,489,333
Change in nonadmitted assets		1,971,191
Net change in capital and surplus		\$ 20,656,744
Capital and surplus end of reporting year		\$ 283,139,256

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2019 to December 31, 2023

	Common Stock	Preferred Stock	Surplus Notes	Special Surplus Funds	Treasury Stock	Gross Paid In Capital	Unassigned Surplus	Total
Opening Balance								
1/1/2020	\$ 1,646,579	\$ 10,500,000	\$ 45,750,000	\$ 15,770,443	\$ (1,200)	\$ 7,297,853	\$ 125,232,635	\$ 206,196,310
2020 (1)							(5,870,697)	(5,870,697)
2021 (3)				(15,770,443)			15,770,443	-
2021 (1)							43,144,504	43,144,504
2021 (2)			(10,000,000)				-	(10,000,000)
2022 (1)							29,012,395	29,012,395
2023 (1)							20,656,744	20,656,744
Ending Balance	\$ 1,646,579	\$ 10,500,000	\$ 35,750,000	\$ -	\$ (1,200)	\$ 7,297,853	\$ 227,946,024	\$ 283,139,256

- (1) Change in non admitted assets – net income, Change in unrealized gain (loss) and Change in net deferred tax assets.
- (2) Change in accounting principles.
- (3) Change in special surplus, ACA.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statements as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Claims unpaid	\$40,782,200
Unpaid claims adjustment expenses	\$ 1,920,000

The examination liability for the aforementioned items of \$40,782,200 and \$1,920,000 are the same as reported by the Company as of December 31, 2023. The examination analysis of Claims unpaid and unpaid claims adjustment expense reserves were conducted in accordance with Generally Accepted Actuarial Principles and Statutory Accounting Principles, including NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles No. 55 (SSAP No. 55).

COMPLIANCE WITH PRIOR REPORT OF EXAMINATION

There were no recommendations in the prior report of examination.

SUBSEQUENT EVENTS

There were no other material subsequent events noted.

SUMMARY OF RECOMMENDATIONS

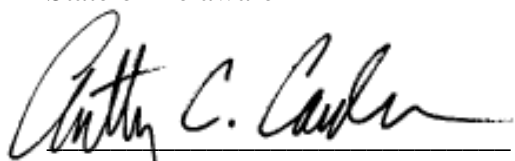
No examination report recommendations were noted as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, Armanino, and the Company's management and staff is appreciated and acknowledged.

Respectfully submitted,

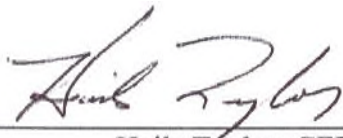
A handwritten signature in black ink, appearing to read "H. J. Taylor", written over a horizontal line.

Examiner In-Charge
State of Delaware

A handwritten signature in black ink, appearing to read "Anthony C. Cardone", written over a horizontal line.

Anthony Cardone, CFE
Supervising Examiner
State of Delaware

I, Hails Taylor, CFE, 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 24.025.



Hails Taylor, CFE