

REPORT ON EXAMINATION
OF
DELTA DENTAL OF DELAWARE, INC.
AS OF
DECEMBER 31, 2023

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
DELTA DENTAL OF DELAWARE, INC.
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 19904-2465

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 24.026, dated December 4, 2023, an examination has been made of the affairs, financial condition and management of

DELTA DENTAL OF DELAWARE, INC.

hereinafter referred to as the Company or DDD. The Company was incorporated under the laws of the State of Delaware as a non-stock company with its registered office located at 203 NE Front Street, Suite 101, Milford, Delaware. The administrative office of the Company is located at 300 Corporate Drive, Camp Hill, Pennsylvania.

SCOPE OF EXAMINATION

We have performed our multi-state examination of DDD. 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 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 is a non-profit dental service corporation subject to 18 *Del. C.* Ch. 38 “Dental Plan Organization Act” of the Delaware Insurance Code and is a tax-exempt corporation under Section 501(c)(4) of the Internal Revenue Code. The Company was originally organized as a non-stock corporation under the laws of the State of Delaware on October 24, 2004, by representatives of DDP, for the particular purpose of merging the existing wholly owned corporation of the same name but being domiciled in Pennsylvania, (DDD Pennsylvania). The Company received Certificate of Authority No. 111 as a domestic dental plan organization from the Department on October 24, 2004. Effective November 15, 2004, DDD Pennsylvania, was merged into the Delaware domiciled Company, which became the surviving corporation. As the surviving corporation in the merger, the Company assumed all the assets, liabilities and other obligations of DDD Pennsylvania, which subsequently dissolved.

Dividends

The Company’s Board of Directors (Board) did not approve or authorize any dividends during the exam period.

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company’s Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by or under the direction of its Board. The Board shall consist of not less than three (3) and no more than thirteen (13) directors, all of whom shall be citizens of the United States. Any person elected as a director, except to fill an unexpired term of a predecessor, shall serve for

a period of one (1) year, or until a successor is elected. Further, the number of Directors who are not dentists must exceed the number of Directors who are dentists by at least one.

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

<u>Name</u>	<u>Title</u>
Michael James Castro	CEO Delta Dental of California, Chairman
Alicia Frias Weber	EVP, CFO, Delta Dental of California
Michael Griffin Hankinson	EVP, Chief Legal Officer, Delta Dental of California
Sarah Mays Chavarria	CPO, Delta Dental of California
Dominic Stuart Titcombe	CIO Delta Dental of California

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a Chairman, a Secretary and a Treasurer, all of whom shall be elected annually by the Board at the annual meeting of the Board and shall hold office for a period of one year or until their successors are elected. The primary officers serving as of December 31, 2023 were as follows:

<u>Name</u>	<u>Title</u>
Michael James Castro	Chair
Alicia Frias Weber	Treasurer
Michael Griffin Hankinson	Secretary
Sarah Mays Chavarria	President

Board Committees

The Company's amended and restated bylaws provide that the Board shall have an Executive Committee and such other Standing Committees as the Board shall designate. The Executive Committee shall consist of not less than two (2) or more than three (3) members of the Board, one of whom shall be the Chair of the Board. The Executive Committee shall have and may exercise the powers of the Board when the Board is not in session.

As of December 31, 2023, the Board had designated the following committee:

Executive Committee

Michael James Castro, Chair
Michael Griffin Hankinson
Alicia Frias Weber

To provide the audit-related oversight duties as are required by federal and Delaware State law, the Company utilizes the following Committees as designated by the DDP Board. Their members as of December 31, 2023, were as follows:

Audit Committee

Glen F. Bergert, Chair
Joseph P. Beck, Jr.
Eugene F. Carter, Jr.

Finance Committee

Joseph P. Beck, Jr., Chair
Eugene F. Carter, Jr.
Glen F. Bergert

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

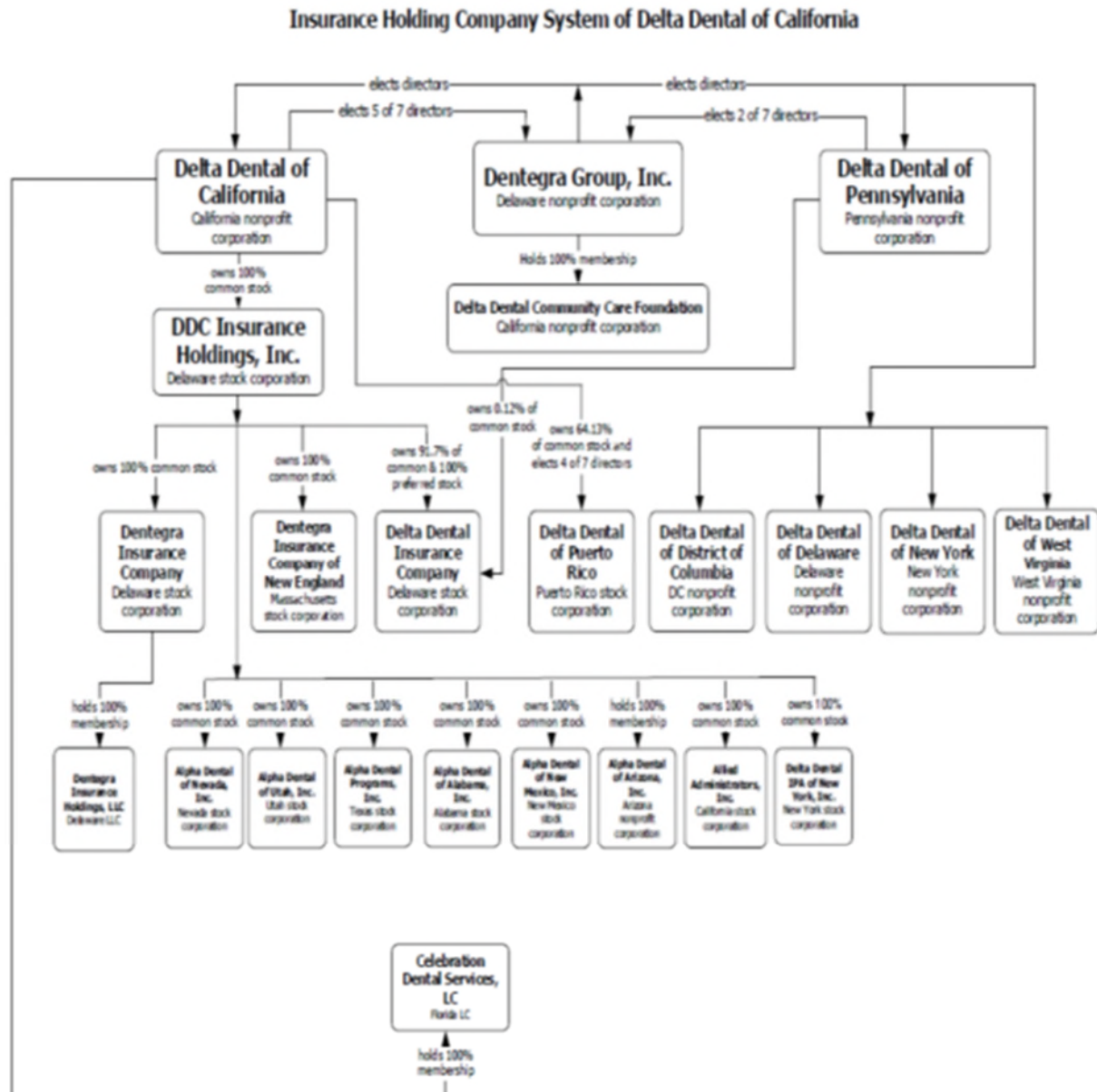
The Company is associated with an insurance holding company system known as Dentegra as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. Delta Dental of California (DDC) operates as the ultimate controlling entity. Dentegra is bifurcated into two (2) parent companies, DDC and DDP. DDC and DDP, operating as non-profit companies, combine their

Delta Dental of Delaware, Inc.

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 with the holding company group:



Agreements with Affiliates

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

Guarantee Agreement

Effective December 3, 1999, the Company executed a Guarantee Agreement with DDP whereby DDP unconditionally guarantees the punctual payment of all contractual policyholder's obligations of the Company. In addition, DDP unconditionally guarantees that it will, by means of surplus or subordinated loans, infuse capital into the Company in an amount necessary to bring the Company's unencumbered surplus up to the amount needed to exceed 125% of the "Company Action Level" under the Risk Based Capital calculation for health insurers.

Amended and Restated General Agency Agreement

Effective January 1, 2006, the Company entered into an Amended and Restated General Agency Agreement with DDP and DDIC, whereby the Company will act as a general agent for DDIC in Delaware and DDP provides management services to the Company. Amending Agreement No. 1, effective January 1, 2021 describes how payment for services by DDD to DDP are currently being calculated.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2023, the Company was licensed to transact business solely in the State of Delaware. In 2023, the Company had direct premiums written of \$37,891,763. The Company is authorized as a non-profit corporation to transact business as a Dental Plan Organization as defined in 18 *Del. C.* §3802(3) "Dental plan organization."

Plan of Operation

The Company, a non-profit dental service corporation, administers dental care programs under agreements with various subscriber groups and/or clients in the State of Delaware. These dental care programs are offered through their affiliation with the DDPA. The Company provides cost-effective dental benefits from local programs, such as managed fee-for-service and Preferred-Provider Programs (PPO), as well as customized programs, such as Delta Dental Premier® and Delta Dental PPO.

Distribution System

The Company's sales distribution system involves three (3) 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 as follows:

	<u>2023</u>	<u>2019</u>
Direct	\$ 37,891,763	\$ 39,434,344
Reinsurance assumed	<u>-</u>	<u>-</u>
Total direct and assumed	\$ 37,891,763	\$ 39,434,344
Reinsurance ceded	<u>3,682</u>	<u>29,984,889</u>
Net Premiums Written	<u><u>\$ 37,888,081</u></u>	<u><u>\$ 9,449,455</u></u>

Ceded Reinsurance

Non-Affiliated

During the examination period, the Company, through Amendment 2, effective January 1, 2023, of the 2007 ceded reinsurance agreement between DDIC and AmFirst Insurance Company,

became a party to the agreement, and with Amendment 3 (also effective January 1, 2023), cedes 100% of premiums earned and claims incurred.

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 Income 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 2023
Bonds	\$ 12,524,367	\$ -	\$ 12,524,367
Cash	(1,570,345.0)	-	(1,570,345.0)
Cash equivalents	5,212,824.0	-	5,212,824.0
Short-term investments	-	-	-
Subtotals, cash and invested assets	<u>\$ 16,166,846</u>	<u>\$ -</u>	<u>\$ 16,166,846</u>
Investment income due and accrued	103,549	-	103,549
Uncollected premiums and agents' balances in the course of collection	2,607,456	72,626	2,534,830
Amounts recoverable from reinsurers	862	-	862
Amounts receivable relating to uninsured plans	1,134,330	-	1,134,330
Receivables from parent; subsidiaries and affiliates	71,207	-	71,207
Aggregate write-ins for other-than-invested assets	16,266	16,266	-
Total Assets	<u><u>\$ 20,100,516</u></u>	<u><u>\$ 88,892</u></u>	<u><u>\$ 20,011,624</u></u>

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

	Covered	Uncovered	Total
Claims unpaid (less \$0 reinsurance ceded)	\$ 1,470,000	\$ -	\$ 1,470,000
Unpaid claims adjustment expenses	58,000	-	58,000
Premiums received in advance	329,297	-	329,297
General expenses due or accrued	697,304	-	697,304
Ceded reinsurance premiums payable	3,682	-	3,682
Amounts due to parent; subsidiaries and affiliates	417,936	-	417,936
Liability for amounts held under uninsured plans	77,259	-	77,259
Total liabilities	<u>\$ 3,053,478</u>	<u>\$ -</u>	<u>\$ 3,053,478</u>
Common capital stock	XXX	XXX	\$ -
Preferred capital stock	XXX	XXX	-
Gross paid in and contributed surplus	XXX	XXX	-
Surplus notes	XXX	XXX	5,000,000
Aggregate write-ins for other-than-special surplus funds	XXX	XXX	-
Unassigned funds (surplus)	XXX	XXX	11,958,146
Total Capital and Surplus	<u>XXX</u>	<u>XXX</u>	<u>\$ 16,958,146</u>
Total Liabilities, Capital and Surplus	<u>XXX</u>	<u>XXX</u>	<u>\$ 20,011,624</u>

Statement of Income
For the Year Ended December 31, 2023

	<u>Uncovered</u>	<u>Total</u>
Member months	XXX	1,104,582
Net premium income	XXX	\$ 37,888,081
Change in unearned premium reserves and reserve for rate credits	XXX	(84,721)
Total revenues	XXX	\$ 37,803,360
Hospital and Medical:		
Hospital/medical benefits		\$ 32,222,391
Aggregate write-ins for other hospital and medical		545
Subtotal		\$ 32,222,936
Less:		
Net reinsurance recoveries		862
Total hospital and medical benefits		\$ 32,222,074
Claims adjustment expenses; including \$340,148 cost containment expenses		2,692,751
General administrative expenses		2,599,082
Total underwriting deductions		\$ 37,513,907
Net underwriting gain (loss)		\$ 289,453
Net investment income earned		672,716
Net realized capital gains (losses) less capital gains tax of \$0		-
Net investment gains (losses)		\$ 672,716
Net gain or from agents' or premium balances charged off		(12,885)
Aggregate write-ins for other income or expenses		(40,384)
Net income or (loss); after capital gains tax and before all other federal income taxes		\$ 908,900
Federal and foreign income taxes incurred		-
Net income		\$ 908,900
Capital and Surplus Account		
Capital and surplus prior reporting year		\$ 16,068,043
Net income		908,900
Change in nonadmitted assets		(18,797)
Net change in capital and surplus		\$ 890,103
Capital and surplus end of reporting year		\$ 16,958,146

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

	Surplus Notes	Special Surplus Funds	Gross Paid In Capital	Unassigned surplus	Total
Opening Balance					
1/1/2020	\$ -	\$ 59,551	\$ -	\$ 3,609,882	\$ 3,669,433
2020 (1)	-	(59,551)	-	-	(59,551)
2020 (2)	-	-	-	1,051,033	1,051,033
2021 (1)	-	-	-	2,608,539	2,608,539
2021 (3)	5,000,000	-	-	-	5,000,000
2022 (1)	-	-	-	3,798,589	3,798,589
2023 (1)	-	-	-	890,103	890,103
Ending Balance	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,958,146</u>	<u>\$ 16,958,146</u>

- (1) Change in non admitted assets - net income, Change in unrealized gain (loss), Change in net deferred tax and Change in unauthorized reinsurance
(2) Change in special surplus for 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:

Losses	\$ 1,470,000
Loss Adjustment Expenses	\$ 58,000

The examination liability for the aforementioned captioned items of \$1,470,000 and \$58,000 are the same as reported by the Company as of December 31, 2023. The examination analysis of Loss and Loss Adjustment Expense reserves was 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).

SUBSEQUENT EVENTS

There were no other material subsequent events noted.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

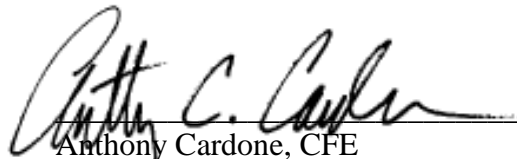
The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit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

Respectfully submitted,



Hails Taylor, CFE

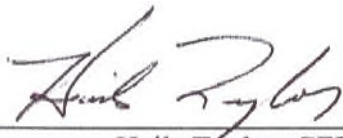
Examiner In-Charge
State of Delaware



Anthony Cardone, CFE
Supervising Examiner
State of Delaware

Delta Dental of Delaware, Inc.

I, Hails Taylor, 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 24.026.



Hails Taylor, CFE