



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
DELTA DENTAL OF TENNESSEE
NASHVILLE, TENNESSEE

AS OF
DECEMBER 31, 2022

TABLE OF CONTENTS

Introduction	1
Scope of Examination	1
Compliance with Previous Examination Findings	3
Company History	4
Management and Control	5
Management	5
Control	6
Organizational Chart	8
Dividends	9
Corporate Records	9
Management Agreements	9
Affiliation Agreement	9
Administrative Services	10
Claims Processing Services	10
Territory and Plan of Operation	10
Growth of Company	11
Loss Experience	12
Reinsurance	12
Accounts and Records	12
Market Conduct Activities	13
Subsequent Events	14
Financial Statements	15
Assets	15
Liabilities, Capital, and Surplus	16
Statement of Revenue and Expenses	17
Capital and Surplus Account	18
Analysis of Changes in Financial Statements	19
Comments and Recommendations	19
Conclusion	20
Certification	21

Nashville, Tennessee
April 15, 2024

Honorable Carter Lawrence
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-1-408, a full-scope financial examination and market conduct review, as of December 31, 2022, has been made of the condition and affairs of:

DELTA DENTAL OF TENNESSEE
NAIC # 54526
240 Venture Circle
Nashville, Tennessee 37228

hereinafter referred to as the “Company” or “DDTN” and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or “Department”). The examination was conducted by duly authorized representatives of the Department. This examination was called through the National Association of Insurance Commissioners (NAIC) Financial Examination Electronic Tracking System (FEETS).

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2017. This examination covers the period from January 1, 2018, through December 31, 2022, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The Company is a member of the Renaissance Health Service Corporation group (“Group”), with Michigan as the lead state for the Group. For this examination, no other

state participated, due to the lead state scheduling a group examination as of December 31, 2024.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with practices and procedures promulgated by the NAIC *Financial Condition Examiners Handbook* (“Handbook”), as deemed appropriate. The examination was planned and performed to evaluate the financial condition of the Company as of December 31, 2022. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance, by identifying and assessing inherent risks within the Company, and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management’s compliance with statutory accounting principles and annual statement instructions.

During planning, all accounts and balances were considered to determine which key activities and accounts would be examined. The key activities included: Investments; Underwriting; Reserving; Claims; Related Party; and Expenses.

The Company’s 2022 Annual Statement was compared with or reconciled to the corresponding general ledger account balances.

Independent information technology (IT) specialist services, provided by Baker Tilly US, LLP, were utilized in the examination review of the Company’s information technology general controls.

The actuarial firm of Baker Tilly US, LLP, was utilized in the examination review of the Company’s reserving practices.

The Company’s Certified Public Accountant (CPA) workpapers were reviewed for the 2022 audit and copies were incorporated into the examination, as deemed appropriate.

A separate market conduct review was also performed concurrently with the financial examination. See “Market Conduct Activities” section of this report.

The Company provided a letter of representation certifying that management has disclosed all significant matters and records.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The examination included a review to determine the current status of the comments and recommendations noted in the previous report on examination, as of December 31, 2017. A summary of the Comments and Recommendations and the corrective actions taken by the Company are discussed below:

Comments

1. It was suggested that the Company evaluate the adequacy of its coverage and consider increasing its fidelity bond protection to the amount suggested by the NAIC.

Corrective Action

The Company complied with this comment by increasing its fidelity coverage to the amount suggested by the NAIC.

2. It was suggested that as a best practice, the Company should consider executing a formally documented Service Level Agreement (SLA) to ensure that particular aspects of the services, including quality, availability, and responsibilities, are agreed upon by the Delta Dental Plan of Michigan, Inc. (DDPMI), Renaissance Health Service Corporation (RHSC or "Member"), and the Company.

Corrective Action

The Company has not complied with this comment by adding a SLA to their service agreements with DDPMI and RHSC.

Recommendations

1. It was recommended that the Company comply with the NAIC Annual Statement Instructions for Health Insurance Companies ("Instructions") in accordance with Tenn. Code Ann. § 56-1-501(b), regarding the answering of the general interrogatory questions.

Corrective Action

The Company has complied with this recommendation by correctly answering the general interrogatory questions.

2. It was recommended that the Company maintain all invested assets under a custodial agreement that complies with Tennessee Compilation of Rules and Regulations ("Tenn. Comp. R. & Regs.") 0780-01-46.

Corrective Action

The Company was not in compliance with this recommendation during the examination period. The agreements were not authorized by a resolution of the Board or an authorized committee of the Board, as required by Tenn. Comp. R. & Regs. 0780-01-46-.02(2). Once notified of this requirement, the Company complied with this requirement. See the “Accounts and Records” and “Comments and Recommendations” sections of this report.

3. It was recommended that the Company comply with the NAIC Instructions in accordance with Tenn. Code Ann. § 56-1-501(b), by having their appointed actuary report to the Board of Directors (“Board”) or audit committee each year on the items within the scope of the actuarial opinion.

Corrective Action

The Company has complied with this recommendation by having their appointed actuary report to the Company’s audit committee each year on the items within the scope of the actuarial opinion.

COMPANY HISTORY

The Company was incorporated under Tennessee law on September 20, 1965, as the Tennessee Dental Service Corporation. It was organized pursuant to the “Dental Service Plan Law, 1961,” Tenn. Code Ann. § 56-30-101 *et seq.* The Company was issued a Certificate of Authority on July 17, 1969, to commence the business of a dental service plan. On October 6, 1970, the Company’s name was changed to Delta Dental Plan of Tennessee (DDPT). The Company formed Delta Dental Service, a nonprofit corporation, on February 19, 1993. Effective June 29, 1993, Delta Dental Service, and the Company merged, and DDPT became the surviving corporation. Effective March 12, 2005, the Company changed its name to Delta Dental of Tennessee.

The Company is owned by RHSC, a Michigan-based non-profit corporation. RHSC is the ultimate controlling party for numerous other dental insurance entities operating under the “Delta Dental” name. Tennessee’s insurance holding company law (Tenn. Code Ann. Title 56 Chapter 11) specifies that it does not apply to dental service plan corporations such as the Company; therefore, the Company is exempt from the holding company filing requirements.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The governing body of the Company is a Board consisting of not less than nine (9) nor more than eleven (11) directors. In accordance with the Bylaws, the Board should be comprised of dentists and public members, which are individuals who are not either a dentist or a spouse of a dentist. The public members shall be comprised of representatives from the general public and shall comprise the majority of the Board.

The directors are elected each year by RHSC, the sole corporate member of the Company, as defined in the Company's Bylaws. The terms of the directors elected each year shall be for three (3) years. Directors may serve for up to three (3) full terms, but not to exceed ten (10) years. Each director holds office until the next annual meeting of the Member and until his/her successor is elected and qualified or until his/her earlier resignation or removal.

The following persons were duly elected and serving as directors on the Company's Board, as of December 31, 2022:

<u>Director</u>	<u>Principal Occupation</u>
Paul Huston Bacon	Dentist, Paul Bacon Jr., DDS
Fredrick Vanhuss Guthrie Jr.	Dentist, Guthrie Dentistry Inc
Christopher Threadgill Holmes	CEO, FirstBank
Bradley Allan Lampley	Attorney, Adams and Reese LLP
Earl Jerome Melson	Judge, State of Tennessee – Knox County Circuit Court
Janet Moore Miller	CEO, Colliers International Nashville, LLC
Jeremy Charlton Park	CEO, cityCURRENT Managing Director, Higginbotham Insurance Group
Martin Drew Robinson	Attorney, Retired
Jimmy Bernard Sheats II	Endodontist, Jimmy B Sheats, DDS PC
Jean Evette White	CEO, Leadership Nashville

Officers

As stated in the Bylaws, the officers of the Company shall be a Chair of the Board, Vice Chair of the Board, Second Vice Chair of the Board, Immediate Past Chair of the Board, President, Secretary and Treasurer, or other officers as may be elected or appointed by the Board. The President shall be selected by the Executive Committee of the Board and approved by the Board. The President shall select and employ the Secretary and Treasurer, who will be subject to confirmation by the Executive Committee or Board. The President may select employees to serve as operating officers of the Company but must report this to the Board. The officers shall be elected annually by the Board at the first meeting of the Board held after each annual meeting of the Member. The term of each officer, other than the President, Secretary, and Treasurer, is three (3) years unless earlier terminated, and no officer may succeed himself/herself in the same office. During the review of the Company's 2022 officers, it was noted that the Company's President and Secretary were the same person. This is not in compliance with Tenn. Code Ann. § 48-58-401(d), which states that the same individual may simultaneously hold more than one (1) office in a corporation, except the offices of president and secretary. However, during the examination the Company appointed a new Secretary, which corrected this issue. See the "Comments and Recommendations" section later in this report.

The following individuals were duly elected by the Board and were serving as officers of the Company, as of December 31, 2022:

<u>Name</u>	<u>Title</u>
Paul Huston Bacon	Chair
Jean Evette White	Vice Chair
Bradley Allan Lampley	Second Vice Chair
Martin Drew Robinson	Immediate Past Chair
Jeffrey Russell Ballard	President
Jeffrey Russell Ballard	Secretary and Treasurer

Committees

Pursuant to the Bylaws, the Company has an Executive and Compensation Committee, an Audit and Finance Committee, an Investment Committee, a Governance Committee, and a Quality Assurance and Improvement Committee. In addition to the Committees required by the Bylaws, the Company has a Corporate Citizenship Committee.

CONTROL

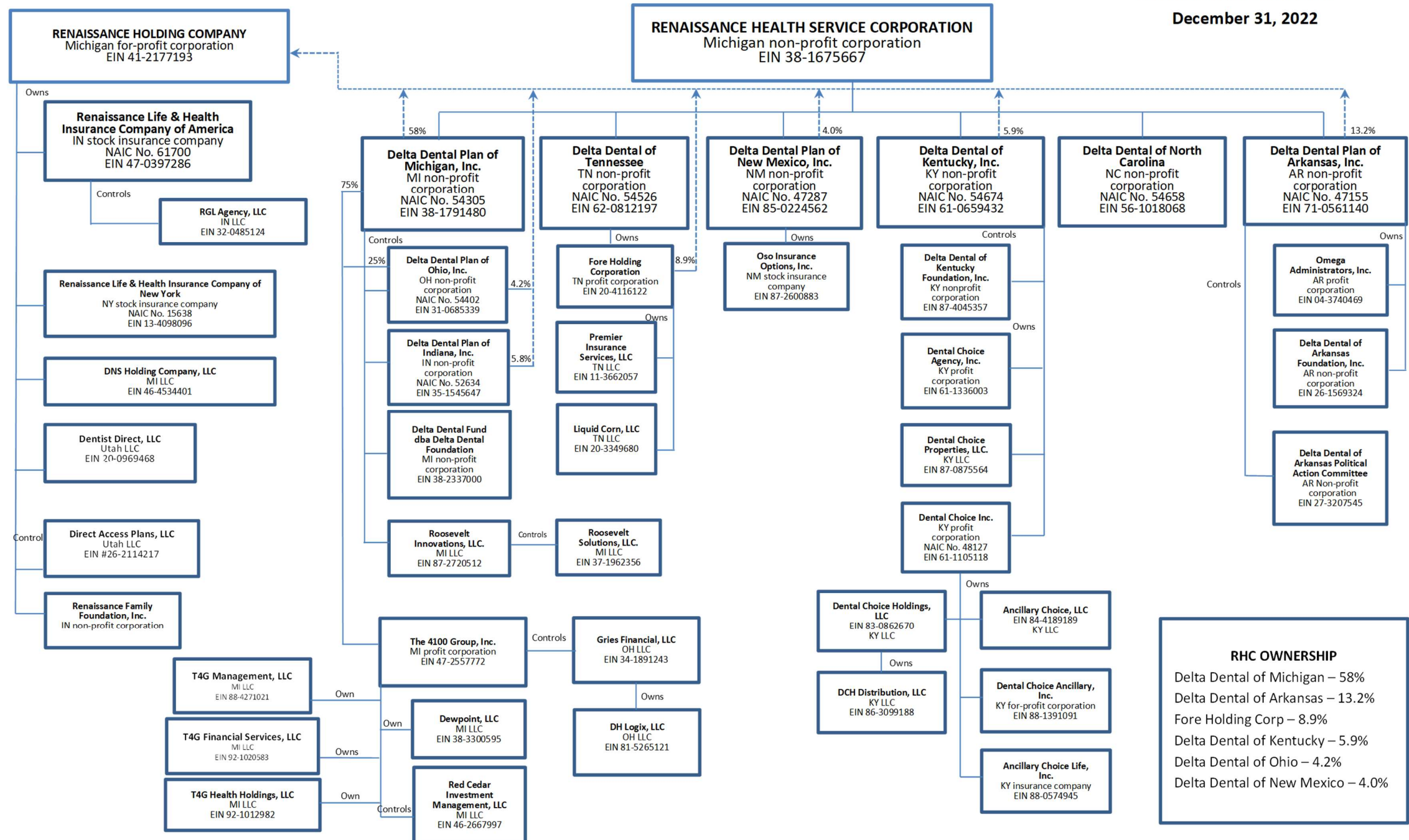
The Control of the Company is vested in its Member pursuant to the Dental Service Plan Law, 1961 (Sections 56-30-101 *et seq.*). The sole corporate member of the Company is RHSC, which is a Michigan non-profit corporation. RHSC is also the sole corporate

member of other Delta Dental Plans located in other states. A further discussion of the relationship is contained in the “Management Agreements” section of this report.

The following organizational chart shows the ownership of the Company:

ORGANIZATIONAL CHART

ORGANIZATIONAL CHART December 31, 2022



DIVIDENDS

No dividends or distributions have been paid to RHSC since the inception of the Company.

CORPORATE RECORDS

Minutes of meetings of the Company's Board and committees were reviewed for the period under examination. They appear to adequately reflect the acts of the respective bodies.

Charter

The original Charter of the Company was filed with the Tennessee Secretary of State on June 29, 1993. The Company amended its charter on March 1, 2019, adjusting the Company's stated purpose and mission to include vision insurance.

Bylaws

On March 1, 2019, the Company amended its Bylaws to add sections regarding the Company's new vision insurance product. The Bylaws, as amended, were reviewed and found to contain key provisions commonly noted within insurance company bylaws.

MANAGEMENT AGREEMENTS

AFFILIATION AGREEMENT

In late 2005, the Company entered an affiliation agreement with DDPMI, a Michigan nonprofit corporation, and Dental Health Plan, Inc. (subsequently renamed "Renaissance Health Services Corporation" or RHSC), a Michigan nonprofit corporation. The agreement was amended on September 1, 2008, as part of an effort to make the individual affiliation arrangements of each affiliated Delta Dental company consistent. In general, the purpose of the affiliation is to enable the companies to achieve certain long-term goals such as improved operational efficiencies and to allow for diversification through other affiliated for-profit companies.

RHSC is the sole voting member of the Company and DDPMI. Under the terms of the affiliation agreement, the Company remains a separate corporation with a separate Board. The Board of the Company continues to designate its own CEO and approve its own budget and investments. Additionally, the Company retains its voting rights in Delta Dental Plans Association (DDPA). RHSC has the right to nominate two (2) individuals to serve as voting directors on the boards of the Company and DDPMI.

ADMINISTRATIVE SERVICES

Renaissance Health Services Group Administrative Agreement:

Effective February 1, 2017, the Company entered into an administrative services agreement between RHSC and all companies in the Renaissance Health Services Group. Through this agreement, DDPMI provides the Company services, such as human resources, group administration, software support, customer service support, actuarial services, underwriting services, accounting services, legal services, and IT services. In addition, Renaissance Life and Health Insurance Company of America (RLHICA) provided the Company with administrative services for its individual products.

Prior to January 1, 2022, through the above agreement, the Company's individual products were managed by RLHICA; however, as of January 1, 2022, the Company moved this business to Morgan White Administrators, Inc., dba MWG Administrators (MWG).

MWG Administrative Services Agreement

Effective July 1, 2017, the Company entered into an administrative services agreement with MWG. Through this agreement, MWG provided online quoting & enrollment services, billing services and premium processing services, commission payment services, customer services related to the items above, and reporting. Effective January 1, 2022, the Company moved the full administration of its individual product business to MWG as mentioned above.

CLAIMS PROCESSING SERVICES

Through an administrative services agreement between DDPMI and the Company, DDPMI provides numerous claims processing services to the Company. Claims processing services offered by DDPMI to the Company in 2022 included claims scanning, processing, adjudication, printing, focused review, automated correspondence, electronic data interchange transaction processing, rating, reporting, dashboards, individual enrollment, and billing system use.

TERRITORY AND PLAN OF OPERATION

TERRITORY

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

PLAN OF OPERATION

The Company provides services under written contracts which entitle the subscribers to reimbursement for certain dental services provided by licensed dentists. Both local and national contracts are administered, providing subscribers access to the local provider

networks maintained by the Company, as well as the national provider networks of the Delta Dental system under the Delta USA program. The Company captures the core of Tennessee's mid-market by targeting small groups and mid-sized companies, including government programs, domestic agencies, and individuals.

The Company offers dental plans to fit a range of needs, through its two (2) networks Delta Dental Premier and Delta Dental PPO. The usual term of coverage is for one (1) year, and all accounts are billed on a monthly basis. The Company markets its products via direct sales through its internal marketing department and independent agents.

In addition to the Company's dental products, the Company started providing vision service plans in 2019. The Company currently offers four (4) vision products: (1) DeltaVision 130, (2) DeltaVision 150, (3) DeltaVision 150-12, and (4) DeltaVision 175. The term of coverage and billing basis for the Company's vision products are the same as the Company's dental products.

The Company also earns income by providing services through Administrative Service Contracts. Under these contracts, the Company acts as the dental service plan administrator for clients who wish to self-insure. The Company pays claims for these contracts using Company funds and is reimbursed weekly or monthly by clients, charging an administrative fee in the process.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to this examination, according to its annual statements filed with the Department:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Net Earned Premiums</u>	<u>Net Income</u>
2022	\$116,299,463	\$24,910,423	\$91,389,040	\$209,846,124	\$4,415,637
2021	\$110,253,036	\$19,869,175	\$90,383,861	\$172,343,655	\$6,701,653
2020	\$104,709,651	\$24,003,327	\$80,706,324	\$176,466,882	\$6,276,727
2019	\$85,314,004	\$18,188,129	\$67,125,875	\$174,262,360	\$3,078,133
2018	\$82,377,170	\$21,366,825	\$61,010,345	\$167,770,822	\$4,211,319

LOSS EXPERIENCE

The following comparative data reflects the loss experience of the Company for the period under review, as reported by the Company in its annual statements filed with the Department:

<u>Year</u>	<u>Premiums Earned</u>	<u>Losses & LAE</u>	<u>Loss Ratio</u>
2022	\$209,846,124	\$190,254,125	90.66%
2021	\$172,343,655	\$148,863,480	86.38%
2020	\$176,466,882	\$148,464,750	84.13%
2019	\$174,262,360	\$155,851,125	89.43%
2018	\$167,770,822	\$152,686,591	91.01%

REINSURANCE

The Company does not have any reinsurance agreements.

ACCOUNTS AND RECORDS

The Company's 2022 annual statement was reconciled to the corresponding general ledger account balances. All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. These test checks and reviews revealed no material discrepancies. Accounting records conformed to statutory accounting practices and appeared to properly reflect the operations and status of the Company during the period under examination.

During the period under examination, the Company amended its Custodial Agreements with First Horizon Bank and Commonwealth Financial Services, LLC, to bring both agreements into compliance with Tenn. Comp. R. & Regs. 0708-01-46. The Company's agreements had not been authorized by a resolution of the Board or an authorized committee of the Board, as required by Tenn. Comp. R. & Regs. 0708-01-46-.02(2). Therefore, the Company was not in compliance with Tenn. Comp. R. & Regs. 0708-01-46-.02(2) during the examination period. However, once notified of the requirement, the Company created and provided a written authorization of the agreements. See the "Comments and Recommendations" section later in this report.

The Company's Risk Based Capital Report was reviewed. The Company was in compliance with Tenn. Code Ann. § 56-46-101, *et seq.* (Risk Based Capital for Insurers).

The Company's books and records are located in Nashville, Tennessee.

MARKET CONDUCT ACTIVITIES

In conjunction with this examination, a market conduct review was made of the Company, as of December 31, 2022. The following items were addressed:

Operations and Management Standards

Company anti-fraud initiatives were examined to determine if they are reasonably designed to prevent, detect, or mitigate fraudulent insurance acts. Company procedures and policies relating to privacy were reviewed to determine compliance with Tenn. Code Ann. § 56-8-104(19). No issues were noted.

Complaint Handling Standards

The Company maintains a complaint register, as required by various state Unfair Trade Practices Acts, and the register and the accompanying files are maintained for a minimum of five (5) years in accordance with statutory requirements. The Company's complaint procedures and complaint register were examined in accordance with requirements of Tenn. Code Ann. § 56-8-104(11) and the NAIC *Market Regulation Handbook* and were found to be in compliance.

Marketing and Sales Standards

Marketing and sales advertisements were reviewed during the examination and were determined to be in compliance with Tenn. Code Ann. § 56-8-104(1) and the NAIC *Market Regulation Handbook*.

Producer Licensing

During the review of the Company's producer appointments and terminations, it was determined that the Company was not in compliance with Tenn. Code Ann. §§ 56-6-115 and 117, as the Company's listing of producers included several producers that were not properly appointed or terminated, and the listing overall did not match the Department's records for the Company's appointed producers. See the "Comments and Recommendations" section later in this report.

Policyholder Services Standards

The Company's timeliness of response to policyholder requests, provision of adequate disclosures, and compliance with applicable statutes and rules were examined. The Company was found to be in compliance with the relevant market conduct standards.

Underwriting and Rating Standards

In the examination of the Company's underwriting procedures and policy administration, policy files for open and closed policies were reviewed in accordance with established Company guidelines. During the examination of these contracts, no instances of unfair methods of competition, or unfair or deceptive acts were found. Underwriting procedures and policy administration conducted by the Company appear to be in compliance with established Company guidelines.

The examiners reviewed a sample of the policy forms that were used by the Company during the period of examination. All forms and rates were noted, without exception, as having been filed with the TDCI prior to their use, in accordance with Tenn. Code Ann. § 56-35-111. The filings are consistent in form and included appropriate documents.

Claims

In the examination of claims handling practices, the Company's efficiency of claims handling, accuracy of payment, adherence to contract provisions, and compliance with applicable statutes and rules were examined. The Company's claims were properly documented and handled in accordance with the Company's policy provisions and applicable statutes and rules. No issues or concerns were identified.

SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed. No events were noted that required additional disclosure in this examination report. Management stated in the Letter of Representation that they were not aware of any events subsequent to December 31, 2022, that could have a material effect on the Company's financial condition.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, capital and surplus, and a statement of revenue and expenses as of December 31, 2022, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2022 Annual Statement:

	<u>ASSETS</u>		
	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$65,880,700		\$65,880,700
Stocks:			
Common Stocks	31,077,498		31,077,498
Real estate:			
Properties occupied by company	1,409,333		1,409,333
Cash and short-term investments	10,874,733		10,874,733
Other invested assets	1,075,057		1,075,057
Investment income due and accrued	452,189		452,189
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	2,022,487	\$13,913	2,008,574
Furniture and equipment, including health care delivery assets	1,355,511	1,355,511	
Receivables from parent, subsidiaries and affiliates	23,716		23,716
Aggregate write-ins for other assets	<u>4,148,374</u>	<u>650,711</u>	<u>3,497,663</u>
Totals	<u>\$118,319,598</u>	<u>\$2,020,135</u>	<u>\$116,299,463</u>

LIABILITIES, CAPITAL, AND SURPLUS

Claims unpaid		\$9,751,770
Unpaid claims adjustment expenses		563,888
Aggregate health policy reserves, including the liability of \$0 for medical loss ratio rebate per the Public Health Service Act.		275,686
Premiums received in advance		2,597,572
General expenses due or accrued		8,631,751
Amounts withheld or retained for the account of others		1,403,992
Amounts due to parent, subsidiaries and affiliates		1,185,764
Aggregate write-ins for other liabilities		<u>500,000</u>
 Total Liabilities		 24,910,423
 Aggregate write-ins for other than special surplus funds	\$66,558,365	
Unassigned funds (surplus)	<u>24,830,675</u>	
 Total Capital and Surplus		 <u>91,389,040</u>
 Totals		 <u>\$116,299,463</u>

STATEMENT OF REVENUE AND EXPENSES

Member Months		<u>4,525,071</u>
Net premium income		<u>\$209,846,124</u>
Total Revenues		209,846,124
Hospital and Medical:		
Other professional services		<u>172,778,026</u>
Total Hospital and Medical		172,778,026
Claims adjustment expenses, including \$0 cost containment expenses		17,476,099
General administrative expenses		11,783,425
Total Underwriting Deductions		<u>202,037,550</u>
Net underwriting gain or (loss)		7,808,574
Net investment income earned	\$2,392,935	
Net realized capital gains (losses) less capital gains tax	<u>100,589</u>	
Net Investment gains (losses)		2,493,524
Aggregate write-ins for other income or expenses		<u>(5,886,461)</u>
Net income or (loss) after capital gains tax and before all other federal income taxes		<u>4,415,637</u>
Net Income		<u>\$4,415,637</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Capital and Surplus December 31, prior year	<u>\$90,383,861</u>	<u>\$80,706,324</u>	<u>\$67,125,875</u>	<u>\$61,010,345</u>	<u>\$60,189,992</u>
Net income or (loss)	4,415,637	6,701,653	6,276,727	3,078,133	4,211,319
Change in net unrealized capital gains or (losses) less capital gains tax of \$0	(3,156,841)	2,765,626	7,693,320	2,490,728	(3,304,207)
Change in non-admitted assets	<u>(253,617)</u>	<u>210,258</u>	<u>(389,598)</u>	<u>546,669</u>	<u>(86,759)</u>
Net change in capital and surplus	<u>1,005,179</u>	<u>9,677,537</u>	<u>13,580,449</u>	<u>6,115,530</u>	<u>820,353</u>
Capital and Surplus end of reporting year	<u>\$91,389,040</u>	<u>\$90,383,861</u>	<u>\$80,706,324</u>	<u>\$67,125,875</u>	<u>\$61,010,345</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus

\$91,389,040

Total Capital and Surplus, as established by this examination, is the same as what was reported by the Company in its 2022 Annual Statement. There were no changes made to any asset or liability item as a result of the examination performed as of December 31, 2022.

COMMENTS AND RECOMMENDATIONS

Comments

1. As noted in the “Compliance with Previous Examination Findings” and “Accounts and Records” sections of this report, the Company’s Custodial Agreements were not in compliance with Tenn. Comp. R. & Regs. 0780-01-46-.02(2) during the examination period.

During the examination, the Company created and provided a written authorization that meets the requirements of Tenn. Comp. R. & Regs. 0780-01--46-.02(2).

2. As noted in the “Management and Control” section of this report, the Company’s President and Secretary were the same person. Tenn. Code Ann. § 48-58-401(d) states that the same individual may simultaneously hold more than one (1) office in a corporation, except the offices of president and secretary. Therefore, the Company was not in compliance with Tenn. Code Ann. § 48-58-401(d).

During the examination, the Company appointed a new Secretary, who is not the same person as the President. This action satisfies the requirements of Tenn. Code Ann. § 48-58-401(d).

Recommendations

1. As noted in the “Market Conduct Activities” section of this report, the Company’s producer appointments and terminations were not in compliance with Tenn. Code Ann. §§ 56-6-115 and 117.

It is recommended that the Company comply with Tenn. Code Ann. §§ 56-6-115 and 117, ensure that all appointments and terminations are completed accordingly, and reconcile any differences between the Company’s and the Department’s records of appointed agents.

CONCLUSION

Rules and procedures as prescribed by the statutes of the State of Tennessee and guidance from the NAIC Handbook, as deemed appropriate, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Delta Dental of Tennessee.

In such manner, it was found that as of December 31, 2022, the Company had admitted assets of \$116,299,463, and liabilities, exclusive of surplus, of \$24,910,423. Thus, there existed for the additional protection of the policyholders, the amount of \$91,389,040 in the form of aggregate write-ins for other than special surplus funds and unassigned funds (surplus). Tenn. Code Ann. §§ 56-2-114 and 56-2-115 require an insurer of this Company's type to maintain a minimum surplus of \$2,000,000. In addition, Tenn. Code Ann. § 56-30-112, requires the Company to maintain a contingency reserve. For this examination, as of December 31, 2022, the Company maintained surplus sufficient to satisfy the requirements of Tenn. Code Ann. §§ 56-2-114, 56-2-115, and 56-30-112.

The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Bradley Glassell; Shelli Isiminger, FLMI, AIRC, ACS, MCM, CICSR, APIR, AIE; Nneka LaBon, APIR, MCM; and Rhonda Bowling-Black, CFE, ARe, MCM; and A. Jay Uselton, CFE, Supervising Examiner, Insurance Examiners for the State of Tennessee, participated in the work of this examination. An actuarial review was performed by Neal Freedman, FSA, MAAA, and Joe Healey of Baker Tilly US, LLP, of Philadelphia, PA. A review of the Company's information systems was performed by Dennis Schaefer, CISSP, CISA; Chandini Kannan; and Michael Skowronek of Baker Tilly.

Respectfully submitted,

Dustin Rice
Dustin Rice (Jun 25, 2024 13:00 CDT)

Dustin Rice
Examiner-in-Charge
State of Tennessee

CERTIFICATION

The undersigned certifies and says that he has duly executed the attached examination report of Delta Dental of Tennessee located in Nashville, Tennessee, dated April 15, 2024, and made as of December 31, 2022, on behalf of the Tennessee Department of Commerce and Insurance. The undersigned further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.

Dustin Rice

Dustin Rice (Jun 25, 2024 13:00 CDT)

Dustin Rice
Examiner-in-Charge
State of Tennessee