



Janet T. Mills
Governor

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
34 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0034

Eric A. Cioppa
Superintendent

May 14, 2021

Eric A. Cioppa, Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Superintendent:

Pursuant to the provisions of 24 M.R.S. §2307 and in conformity with your instructions, a financial examination has been made of the

**MAINE DENTAL SERVICE CORPORATION
D/B/A DELTA DENTAL PLAN OF MAINE**

as of December 31, 2019. The following report is respectfully submitted.



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**STATE OF MAINE
BUREAU OF INSURANCE**

REPORT OF FINANCIAL EXAMINATION

**MAINE DENTAL SERVICE CORPORATION
D/B/A DELTA DENTAL PLAN OF MAINE
PORTLAND, ME**

AS OF DECEMBER 31, 2019

NAIC COMPANY CODE: 14369

NAIC GROUP CODE: 4763

ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of Maine Dental Service Corporation dated May 14, 2021, was delivered to that insurer on June 11, 2021; and

WHEREAS Maine Dental Service Corporation and Bureau of Insurance staff have agreed to certain modifications with respect to the Report of Examination; and

WHEREAS I find such modifications proper; and

WHEREAS no hearing with respect to the Report of Examination has been requested by Maine Dental Service Corporation;

NOW THEREFORE, I accept the Report of Examination and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S. §226 (3).

Dated: 6-17-21



Eric A. Cioppa, Superintendent

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SCOPE OF EXAMINATION

Maine Dental Service Corporation d/b/a Delta Dental Plan of Maine (DDPME or the “Company”) was last examined as of December 31, 2014, by the State of Maine Bureau of Insurance (MBOI). This examination covered the period from January 1, 2015, to December 31, 2019.

This examination was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners (NAIC), in conformity with statutory accounting practices, NAIC guidelines, the 2020 Financial Condition Examiners Handbook (FCEH) and the laws, rules, and regulations prescribed or permitted by the State of Maine. The examination consisted of a review of the Company's operations, controls, corporate governance, valuation of assets, and determination of liabilities at December 31, 2019. The examination also included the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively.

This examination was coordinated with the State of New Hampshire Insurance Department (NHID), which concurrently examined Delta Dental Plan of New Hampshire (DDPNH), a New Hampshire domestic insurance company and the Company's affiliate through common management, and Red Tree Insurance Company (RTI), also a New Hampshire domestic insurance company and subsidiary of the Company, and with the State of Vermont Department of Financial Regulation which concurrently examined Delta Dental Plan of Vermont (DDPVT), a Vermont domestic insurance company and the Company's affiliate through common management. These companies are members of the Northeast Delta Dental (NEDD) Group. Baker, Newman, Noyes, LLP (BNN) performed the 2019 external audit of NEDD and all insurance affiliates. BNN work papers were utilized for this examination to the extent deemed appropriate. The MBOI utilized the work performed by the NHID when appropriate in order to enhance the effectiveness and efficiency of this examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination does not attest to the fair presentation of the financial statements included herein. Comments on various balance sheet items, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

This examination report includes significant findings of fact, pursuant to 24-A M.R.S. §225 (1), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature, are not included herein, and are instead separately reported to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

Comment 1:

Claim forms do not comply with 24-A M.R.S. §2186 (3)(A), which states that all applications and claim forms for insurance used by insurers in this State, regardless of the form of transmission, must contain the required fraud warning.

Status:

This comment currently remains unresolved. A small percentage of claims are submitted to the Company on the American Dental Association (ADA) claim form, which does not include the required fraud warning and does not comply with 24-A M.R.S. §2186 (3)(A). The MBOI and the Company are working with the ADA to amend the claim form.

CURRENT EXAMINATION

See comment from the prior examination above. No new issues have been noted during the current examination.

THE COMPANY

HISTORY

The Company was incorporated in the State of Maine on April 28, 1965, under Special Statute and is now subject to 13-B M.R.S. Conditions of the Company's licensure were set forth in a MBOI letter dated May 19, 1987.

The Company, along with its affiliates, DDPNH and DDPVT, does business under the trade name Northeast Delta Dental.

The Company's statutory home office is in Portland, Maine. The Company maintains a marketing office in Saco, Maine.

MANAGEMENT AND CONTROL

During 1997, the Company, DDPNH, and DDPVT formed New England Dental Administrators LLC (NEDA) whose purpose is to provide third party administrative services for employers wishing to obtain cost efficient, self-funded employee dental benefit plans for their employees.

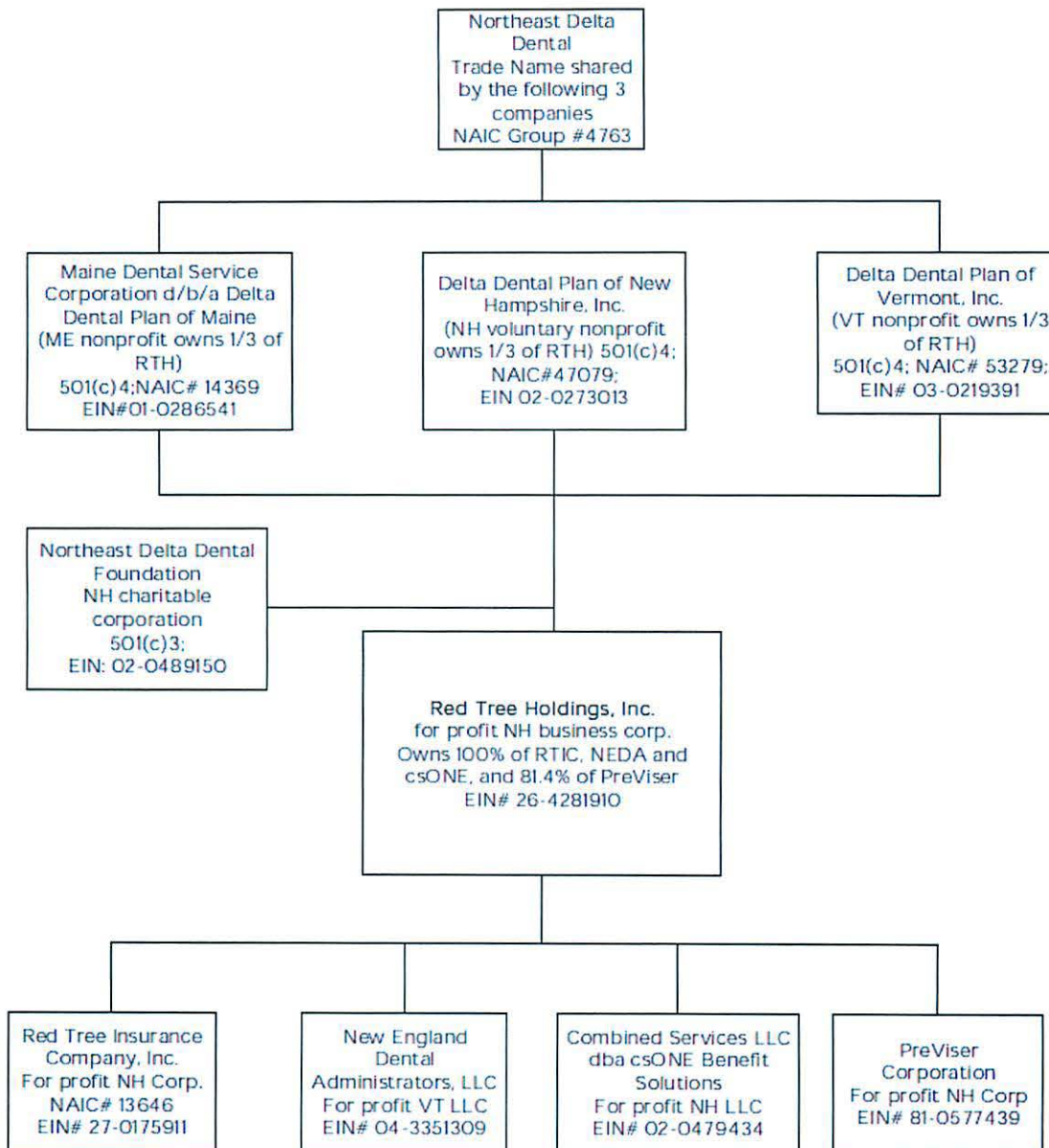
In January 2009, the Company, DDPNH, and DDPVT formed a holding company, Red Tree Holdings, Inc. (RTH), for the purpose of pursuing other investment opportunities. The Company, DDPNH, and DDPVT each own a one-third interest in RTH. On December 31, 2010, the Company, DDPNH, and DDPVT sold their ownership interests in NEDA to RTH.

In May 2009, RTH formed a wholly owned subsidiary, RTI, which is licensed to provide vision insurance in the states of Maine and New Hampshire. In December 2009, RTH purchased sole membership interest in Combined Services LLC (CS), d/b/a csONE Benefit Solutions, which provides employee benefit insurance brokerage services, flexible employee benefit plan administration services, and COBRA administration services to its customers. CS is also the Company's general agent amongst the insurance brokers that market the Company's dental benefit plans to employers and individuals.

On January 21, 2016, the Board of Directors of RTH authorized and approved the acquisition of all outstanding stock of PreViser Corporation ("PreViser") for \$8.1 million. The Company, DDPVT, and DDPNH each made capital contributions to RTH in the amount of \$2.7 million for the acquisition of PreViser by RTH in 2016. PreViser develops and markets oral health risk assessment software.

In 2018, the Company, DDPNH, and DDPVT each made \$1 million capital contributions to RTH. On January 24, 2018, RTH purchased \$2,670,336 of newly issued common stock from PreViser. As of December 31, 2019, RTH owns 81.4% of PreViser.

The following organizational chart is as of December 31, 2019:



CORPORATE RECORDS

The Company’s articles of incorporation, bylaws, and minutes of the board of directors meetings held during the period under examination were reviewed.

CORPORATE GOVERNANCE

The Company is governed and overseen by its board of directors and its management team.

As of December 31, 2019, the Company's Board of Directors consisted of the following members:

<u>Name</u>	<u>Title</u>
Don E. Oakes	Chair
Kyra Chadbourne, DDS	Vice Chair
Kristine Avery	Director
Michael Bevilacqua*	Director
Jennifer Brunacini, DDS	Director
David Daigler	Director
Jeffrey B. Doss, DDS*	Director
Jayne Giles	Director
Michael Goldberg, DMD	Director
Katherine Heer, DMD	Director
Bruce Nickerson	Director
Scott Normandeau	Director
Katherin O'Grady	Director
Burton Rankie, DDS	Director
Jeffrey Walawender, DDS	Director

The following officers were appointed by the Board or Directors and were serving as of December 31, 2019:

<u>Name</u>	<u>Title</u>
Thomas Raffio	President & Chief Executive Officer
Benjamin E. Marcus, Esq.	Clerk
Michael Bevilacqua*	Treasurer
Francis R. Boucher	Senior Vice President

*Subsequent to December 31, 2019, Michael Bevilacqua and Jeffrey B. Doss, DDS retired as Directors, and Laura Oakes and Kathy Reynolds were elected as Directors. Bruce Nickerson replaced Michael Bevilacqua as Treasurer.

TRANSACTIONS WITH AFFILIATES

The Company, DDPNH, and DDPVT conduct business under the trade name Northeast Delta Dental. The Company purchases certain services, which include processing of premiums, claims, and provider contracts, marketing, and subscriber group services, from DDPNH under a marketing and administration agreement. The Company provides management services to CS under a management services agreement.

The Company has provided a guarantee to increase RTI's shareholder's equity to a minimum of \$2,000,000 if it falls below this amount. This guarantee is required by the MBOI.

TERRITORY & PLAN OF OPERATION

The Company is a not-for-profit tax exempt organization under 24 M.R.S. Chapter 19 which was established to provide dental benefit programs for employers and individuals through a network of participating member dentists in the State of Maine. Covered individuals can submit claims for certain

dental services which are provided for under written policies. Dental service related benefits are paid up to a maximum amount per covered individual, as defined by the various programs. The Company also provides dental service plan administration for other groups.

REINSURANCE

Through their association with the Delta Dental Plan Association's Federal Marketing Group (FMG), the Company, DDPNH, and DDPVT participate, together as NEDD, in various dental benefit risk sharing arrangements with other Delta Dental Companies, under which NEDD assumes a small portion of the risk for specific dental benefit contracts of Delta Dental of California (DDCA). NEDD participated in the following risk sharing arrangements with DDCA during the period under examination:

- TRICARE Retiree Dental Program
- Veterans Affairs Dental Insurance Program
- Federal Employees Dental and Vision Program

The reinsurance agreement for the TRICARE Retiree Dental Program ended effective December 31, 2018. As of December 31, 2019, the Company reinsures approximately 0.84% of the risk and expenses associated with each of the two remaining dental benefit contracts.

The Company did not have any ceded reinsurance arrangements during the period under examination.

FINANCIAL STATEMENTS

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Revenue and Expenses, and the Statement of Capital and Surplus are as presented by management and audited by the Company's external auditors. It should be noted that these financial statements have not been audited by the MBOI and thus the MBOI does not express an opinion on the financial statements as a whole.

**STATEMENT OF ADMITTED ASSETS, LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2019**

Assets

Bonds	\$ 30,508,652
Common stocks	18,624,644
Cash and Cash Equivalents	7,479,360
Investment income due and accrued	71,476
Uncollected premiums in the course of collection	1,538,434
Funds held by or deposited with reinsured companies	306,800
Amounts receivable relating to uninsured plans	<u>1,993,537</u>
Total assets	<u>\$ 60,522,903</u>

Liabilities

Claims unpaid	\$ 2,102,600
Unpaid claims adjustment expenses	197,000
Premiums received in advance	1,406,769
General expenses due or accrued	663,181
Amounts due to parent, subsidiaries and affiliates	358,854
Liability for amounts held under uninsured plans	<u>1,354,800</u>
Total liabilities	<u>\$ 6,083,204</u>

Capital and Surplus

Unassigned funds	<u>54,439,699</u>
Total Capital and Surplus	<u>54,439,699</u>
Total Liabilities, Capital and Surplus	<u>\$ 60,522,903</u>

STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2019

Member Months	1,961,610
Net premium income	\$ 72,512,255
Aggregate write-ins for other non-health revenues	<u>100,000</u>
Total revenues	72,612,255
Other professional services	56,371,032
Less: Net reinsurance recoveries	<u>(3,092,865)</u>
Total hospital and medical	59,463,897
Claims adjustment expenses	2,160,918
General administrative expenses	<u>10,904,424</u>
Total underwriting deductions	<u>72,529,239</u>
Net underwriting gain	<u>83,016</u>
Net investment income earned	1,140,982
Net realized capital losses	<u>(1,898,865)</u>
Net investment losses	<u>(757,883)</u>
Net loss	<u>\$ (674,867)</u>

**STATEMENT OF CAPITAL AND SURPLUS
YEAR ENDED DECEMBER 31, 2019**

Capital and surplus, December 31, 2018	\$ 51,648,300
Net loss	(674,867)
Change in net unrealized capital gains	4,852,931
Change in nonadmitted assets	(1,386,666)
Aggregate write-ins for gains or losses in surplus	<u>1</u>
Net change in capital and surplus	<u>2,791,399</u>
Capital and surplus, December 31, 2019	<u>\$ 54,439,699</u>

COMMENTS ON THE FINANCIAL STATEMENTS

NOTE 1 – RESERVES

Risk & Regulatory Consulting, LLC, (“consulting actuary”) was engaged to provide actuarial assistance with the financial examination of the Company as of December 31, 2019. The consulting actuary’s review included: participation in interviews and discussions with key personnel, including the Appointed Actuary, to gain an understanding of the corporate structure, products, services, and reserving and pricing processes, and to determine where the majority of risks lie; review of controls to mitigate certain reserving and pricing risks; and review of the 2019 Statement of Actuarial Opinion and Actuarial Memorandum prepared by the Appointed Actuary. The reserves as reported by the Company were determined to be reasonable based on the review performed by the consulting actuary.

NOTE 2 – CAPITAL AND SURPLUS

The following table describes the capital and surplus changes for the five-year period beginning December 31, 2014:

Capital and surplus, December 31, 2014	\$ 41,658,255
Net income or (loss)	11,804,905
Change in net unrealized capital gains	2,354,747
Change in nonadmitted assets	(1,378,209)
Aggregate write-ins for losses in surplus	<u>1</u>
Capital and surplus, December 31, 2019	<u>\$ 54,439,699</u>

SUBSEQUENT EVENTS

On January 1, 2020, the Company was subject to an annual fee under section 9010 of the federal Affordable Care Act (ACA). This annual fee was allocated to individual health insurers based on the ratio of the amount of the entity’s net premiums written during the preceding year to the amount of health insurance for any United States (U.S.) health risk that is written during the preceding year. A health insurance entity’s portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2019, the Company had written health insurance subject to the ACA assessment, expected to conduct health insurance business in 2020, and estimated their portion of the annual health insurance industry fee to be payable September 30, 2020 in the amount of \$311,000. The Company disclosed in its Annual Statement for the year ended December 31, 2020 that the ACA fee paid in 2020 was \$304,777. On December 20, 2019, the annual fee on health insurance providers was repealed for calendar years beginning after December 31, 2020. As a result of the repeal, 2020 was the last fee year.

On February 24, 2020 and December 18, 2020, the Company, DDPNH, and DDPVT each made capital contributions of \$542,600 and \$366,300, respectively, to RTH which were used to further capitalize PreViser. In addition, on October 27, 2020, the Company, DDPNH, and DDPVT each made capital contributions of \$400,000 to RTH, which were contributed to RTI. This additional capital is necessary for RTI to become licensed in the state of Vermont.

On March 11, 2020, the World Health Organization declared the spreading coronavirus (“COVID-19”) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the U.S. The COVID-19 pandemic has continued to develop throughout 2020 and 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination’s review of the Company noted that there has not been a significant impact to the Company. The MBOI has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The MBOI continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

SUMMARY OF RECOMMENDATIONS

It is recommended that the Company continues to work with the MBOI to ensure that the claim forms being used contain the fraud statement required by 24-A M.R.S. §2186 (3)(A).

**STATE OF MAINE
COUNTY OF KENNEBEC, SS**

Vanessa J. Sullivan, being duly sworn according to law deposes and says that, in accordance with authority vested in her by Eric A. Cioppa, Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, she has made an examination of the condition and affairs of the

**MAINE DENTAL SERVICE CORPORATION
D/B/A DELTA DENTAL PLAN OF MAINE**

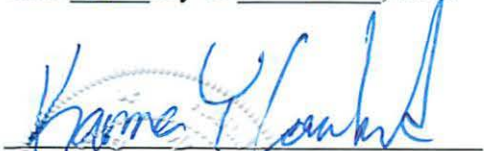
located in Portland, Maine as of December 31, 2019, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. The following examiners from the Bureau of Insurance assisted:

Arias Wan, CPA, CFE
A. Rion Turner



Vanessa J. Sullivan, CFE

Subscribed and sworn to before me
This 17 day of June, 2021



Notary Public

My Commission Expires:

KARMA LOMBARD
Notary Public, Maine

My Commission Expires June 12, 2023