

Report on the Examination

As of December 31, 2019

Of

Delta Dental Plan of Vermont, Inc.

by the



State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

For consumer assistance:
[Banking] 888-568-4547
[Insurance] 800-964-1784
[Securities] 877-550-3907
www.dfr.vermont.gov

Thomas Raffio
President
Delta Dental Plan of Vermont, Inc.
One Delta Drive
Concord, NH 03302-2002

ORDER OF ADOPTION

In accordance with 8 V.S.A. § 3574 (c), I order that the Report on the Examination of Delta Dental Plan of Vermont, Inc. for the year ending December 31, 2019 is adopted.

The Company may appeal this order within 30 days of its adoption in accordance with the Vermont Administrative Procedure Act and Department of Financial Regulation Rule 82-1.



Michael S. Pieciak, Commissioner

6/11/2021

Date



DELTA DENTAL PLAN OF VERMONT, INC.
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May 14, 2021

Michael S. Pieciak, Commissioner
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

Dear Commissioner Pieciak:

Pursuant to the November 20, 2019 examination order, the Insurance Division's financial examination team has conducted an examination of:

Delta Dental Plan of Vermont, Inc.
with their statutory home offices located at
12 Bacon Street, Suite B
Burlington, VT 05401

The examination was performed pursuant to 8 V.S.A. §3563 in order to ascertain the Company's financial condition, ability to fulfill its obligations and compliance with the provisions of Vermont law.



SCOPE OF EXAMINATION

As of December 31, 2019, the financial examination of the Delta Dental Plan of Vermont, Inc. (the Company or DDPVT) was performed in coordination with the Maine and New Hampshire Departments of Insurance, with its concurrent financial examination of the Northeast Delta Dental Group (the Group or NEDD). As of December 31, 2019, the Group consisted of four insurance entities as follows:

- Maine Dental Service Corporation d/b/a Delta Dental Plan of Maine (DDPME)
- Delta Dental Plan of New Hampshire, Inc. (DDPNH)
- Delta Dental Plan of Vermont, Inc. (DDPVT)
- Red Tree Insurance Company, Inc. (RTIC)

The Company's last financial condition examination was as of December 31, 2014 for the previous five-year period. The Reports on Examination of these companies will be issued under separate cover by their domestic state regulators. The three states pooled their resources, shared work and tested data as a single unit. New Hampshire functioned as the examination coordinator.

The examination was conducted pursuant to 8 V.S.A. §3563 and guidance provided by the National Association of Insurance Commissioners (NAIC). The examination covered the period from January 1, 2015 through December 31, 2019. The Department conducted the examination in accordance with NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of DDPVT and evaluate system controls and procedures used to mitigate those risks. The 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 DDPVT were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and

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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 DDPVT's financial statements.

This examination report includes significant findings of fact, as mentioned in 8 V.S.A. §3574 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or DPPVT.

SUMMARY OF SIGNIFICANT FINDINGS

There were no findings in the prior exam report or the current exam report. There were no adjustments made to the annual statement based on this examination.

HISTORY

The Company commenced business on September 1, 1966 as a third-party administrator of dental programs. The Company changed its name to Vermont Dental Services, Inc on July 19, 1967 and again on May 3, 1989 to Delta Dental Plan of Vermont, Inc. The Company was granted authority to underwrite their own business on June 27, 1977 under Title 8, Chapter 125 of the Vermont State Statutes and through a "permit to operate" that restricted them to written premium of 2 times surplus. This was amended per letter of October 22, 1996, increasing the premium-to-reserve ratio from 2:1 to 8:1. The Company is a non-profit, tax- exempt organization which provides programs of dental care, rendered by dentists, to businesses, associations, unions and individuals located primarily in Vermont that become subscribers to the program.

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In 1976 the Company joined with the DDPNH and DDPME to form an association called Northeast Delta Dental to market their products.

In 1995, the three companies founded Northeast Delta Dental Foundation, a New Hampshire 501(c)(3) charitable corporation.

MANAGEMENT AND CONTROL

Corporate Records

The Company's headquarters and administrative offices are located in Concord, New Hampshire, and the Company maintains its corporate records at this location. The Articles of Incorporation, By-Laws and minutes of the Board of Directors meetings held during the period under examination were reviewed. Based upon our review, the Company appears to be conducting its affairs in accordance with its By-Laws. The recorded minutes of these meetings adequately documented approval and oversight of the Company's investment transactions, other material transactions, events and changes in directors.

Membership

The Company is a member organization. Membership is open to any person who is licensed to practice dentistry by the appropriate regulatory authority of the State of Vermont and who complies with the rules, regulations and Bylaws of the Company. A membership agreement is provided indicating that dental services performed by the Member meets the standards of professional care prescribed by state law. Membership automatically terminates upon revoking or suspension of license to practice dentistry by the State of Vermont. Members meet annually to hear reports and to transact other corporate business which properly come before them, including the election of Trustees. The presence in person of at least thirty-six or more Members of the Company or more than twenty percent of the Members on record with the Company represented by written proxy constitute a quorum.

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Board of Trustees

The affairs of the Company are managed by the Board of Trustees. The number of Trustees are an even number that is not less than twelve nor more than sixteen. One half of the Trustees are public members and one half are provider members. The Trustees have the power necessary to carry on the business of the Company. A majority of the Trustees in office constitute a quorum for the transaction of any business.

The following were elected to the Board of Trustees of the Company in accordance with the By-Laws and serving as of December 31, 2019:

<u>Name</u>	<u>Residence</u>
David Baasch, DDS Baasch Dental	Vermont
Nancy Rowden Brock Consultant	Vermont
Elizabeth Carmack, DMD Bennington Dental Center	Vermont
Adam Fasoli, DMD Middlebury Dental Group	Vermont
Theron Main, DDS Timberland Dental Group	Vermont
Suzanne McDowell King Arthur Flour Company	Vermont
Katherine O'Connell, CPA CPA Site Solutions	Vermont
Richard Park Retired	Vermont

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<u>Name</u>	<u>Residence</u>
Rachel Rivard, DDS Community Health Centers of the Rutland Region	Vermont
David Solomon, DDS David B. Solomon, DDS	Vermont
Brian Townsend The State of Vermont – Agency of Digital Services	Vermont
Jason Williams The University of Vermont Medical Center	Vermont

Officers

The Officers of the Company are a Chairman, a Vice Chair, a President, a Secretary who is a resident of the State of Vermont, and any other Officers that may be appointed in accordance with the By-laws.

The Officers of DDPVT as of December 31, 2019 were as follows:

<u>Name</u>	<u>Title</u>
David A. Baasch, DDS	Chair
David Solomon, DDS	Vice Chair
Thomas Raffio	President and CEO
Richard Park	Secretary
Katherine O'Connell, CPA	Treasurer
William H. Lambrukos	Senior Vice President

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Affiliated Companies

- Northeast Delta Dental (NEDD): DDPME, DDPNH and DDPVT joined to form an association called NEDD to market their products. NEDD is governed by a Board of Trustees, which is comprised of five members from each member's Board of Trustees. As part of this entity the companies market their products through three channels: direct sales, brokers and affiliations with other healthcare providers. In addition, DDPNH provides premiums, claims processing, marketing and other administrative services for a predetermined fee on behalf of DDPME and DDPVT.

- Red Tree Holdings, Inc. (RTH): During 2009, DDPME, DDPNH and DDPVT formed a holding company for other investments, RTH. Each corporation own one third of RTH's outstanding common stock. RTH has the following subsidiaries:
 - Red Tree Insurance Company, Inc. (RTI): RTI is a wholly owned subsidiary of RTH which operates as a licensed vision insurance company in the states of New Hampshire and Maine. DDPME has a guarantee in place to contribute capital to RTI if at anytime its surplus levels fall below \$2 million, the Boards of both DDPVT and DDPNH have voted to share in any additions to equity needed to maintain RTI's minimum requirements. RTI was licensed in Vermont during October of 2020.

 - Combined Services LLC (CSLLC): CSLLC is a wholly owned subsidiary of RTH which provides employee benefit insurance brokerage services, flexible benefit plan administrative services and COBRA administrative services to customers. CSLLC is also the companies' general agent amongst insurance brokers that market the companies dental benefit plans to employers and individuals. DDPVT

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has a five-year service agreement whereby they provide management and related services to CSLLC in exchange for a management fee.

- New England Dental Administrators, LLC (NEDA): DDPME, DDPNH and the Company formed NEDA, a Vermont company 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. DDPME, DDPNH and DDPVT initially invested \$10,000 for a one third interest in the organization and each has made subsequent investments. In December 2010, a transaction resulted in the entity being owned 100% by RTH.

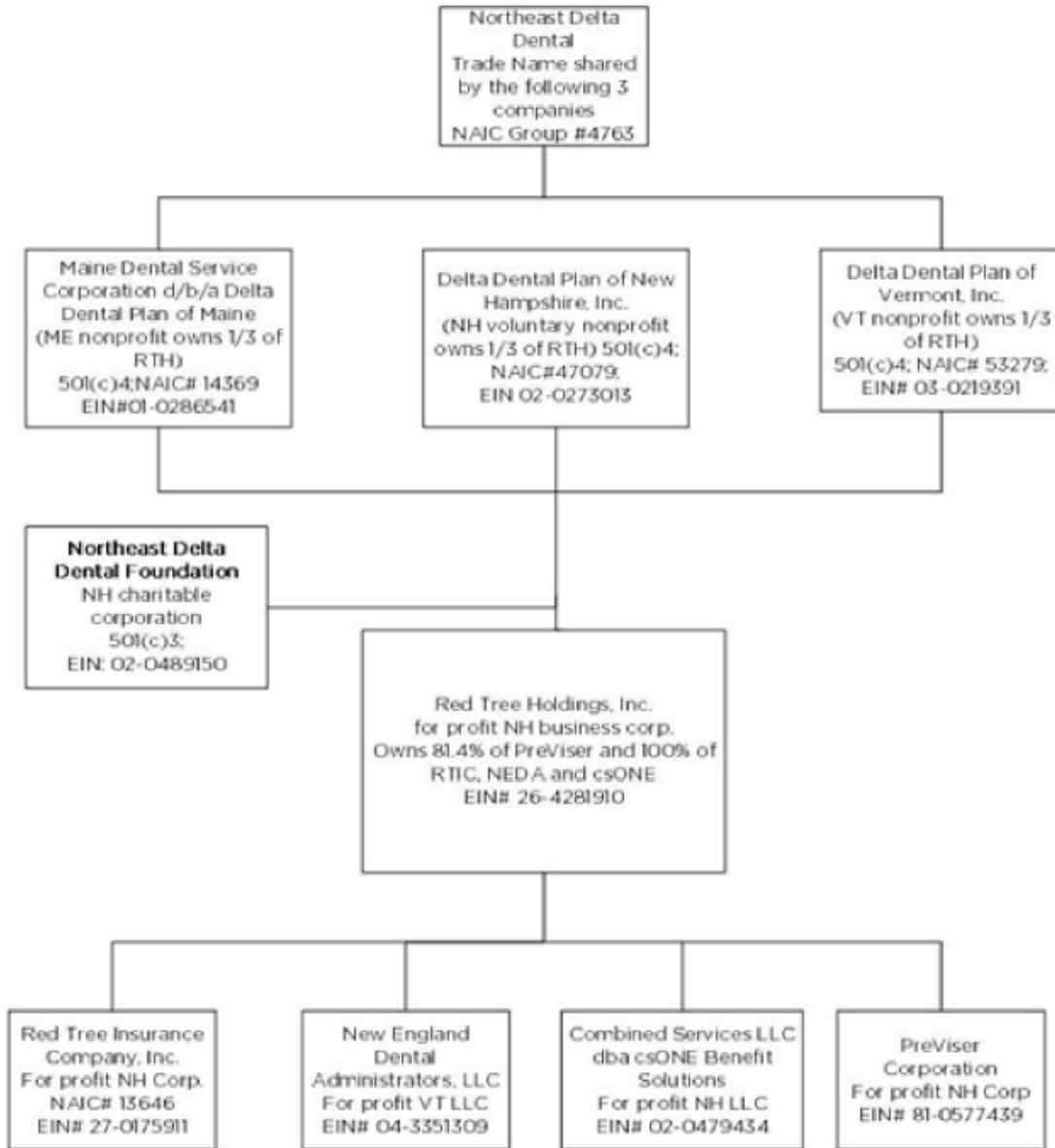
- PreViser Corporation (PreViser): PreViser is an information technology company, which provides digital risk assessment and oral health management software and services. As of December 31, 2019, RTH owned approximately 81.4% of PreViser.

The Company's President and CEO is also the President and CEO of DDPNH, DDPME, NEDA, RTH and RTI, and is the Chair of the management committee of CSLLC.

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Organizational Chart

The corporate structure as of December 31, 2019 is as follows:



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TERRITORY AND PLAN OF OPERATIONS

DDPVT is licensed only in Vermont. However, through NEDD, and its indirect ownership in RTI, the Group can administer its dental plans throughout Vermont, New Hampshire and Maine. RTI also provides vision insurance coverage in the states of New Hampshire and Maine, subsequent to the exam date RTI was licensed in Vermont to provide vision coverage.

REINSURANCE

The Company along with DDPNH and DDPME have each entered into a reinsurance agreement whereby they assume a portion of the risk for various dental benefit contracts. The Company entered into an agreement with Delta Dental of California whereby they assume a portion of the risk for specific dental benefit contracts.

FINANCIAL STATEMENTS

The following statements are based on the statutory financial statements filed by DDPVT with the Vermont Department of Financial Regulation and present the financial condition of the Company for the period ending December 31, 2019.

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Statement of Admitted Assets, Liabilities and Surplus

Admitted Assets:

Investments	\$ 23,788,553
Investment in affiliate	1,457,626
Cash and short-term investments	2,783,080
Accounts receivable	2,622,986
Accrued investment income	179,120
	<hr/>
Total assets	<u>\$ 30,831,365</u>

Liabilities:

Subscribers' claims payable and related accrued expenses	1,160,800
Accounts payable and accrued expenses	374,465
Accounts payable - related parties	366,770
Unearned revenue and advances	1,568,885
	<hr/>
Total liabilities	<u>3,470,920</u>

Surplus:

Special Surplus	55,000
Surplus	27,305,445
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Total surplus	<u>27,360,445</u>
	<hr/>
Total liabilities and surplus	<u>\$ 30,831,365</u>

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Statement of Operations and Changes in Surplus

Revenues:	
Premiums earned	\$ 35,948,663
Management fee	100,000
Total revenues	<u>36,048,663</u>
Net losses and expenses incurred:	
Risk claims incurred	29,143,823
Underwriting expenses, net	7,053,169
Total net losses and expenses incurred	<u>36,196,992</u>
Deficiency in excess of net losses and expenses incurred	(148,329)
Net investment loss	<u>(988,646)</u>
Net loss	(1,136,975)
Change in net unrealized appreciation on investments	1,345,155
Change in nonadmitted assets	4,722
Change in surplus	<u>212,902</u>
Surplus, beginning of year	<u>27,147,543</u>
Surplus, end of year	<u><u>\$ 27,360,445</u></u>

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SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared a worldwide pandemic due to a novel coronavirus outbreak, known as COVID 19. The direct and indirect effects of the pandemic on the financial health and operations of the Company may be material, however, the ultimate impact is not determinable at this time. Most dental offices were closed, except for emergency services from the middle of March through the month of May. The Company provided premium and self-insured administrative fee relief to its customers for the month of July. All premium customers, with the exception of ACA exchange individual customers received a credit on their July premium bill equal to the amount billed for the month of June. Self-insured group customers received a credit equal to the amount billed for administrative fees for the month of July. The total premium relief equated to \$2.8 million in premium credits and \$309,000 in self-insured group administrative fee credits.

COMMENTS AND RECOMMENDATIONS

There are no significant findings or financial adjustments as a result of this examination. A Group Level Management Letter will be issued to the Board as a result of this exam addressing opportunities for improvement and other items that did not reach a level of significance to warrant inclusion in this report. In such cases, these matters were thoroughly discussed with responsible personnel during the examination.

CONCLUSION

In addition to the undersigned Miranda Cloutier, Examiner in Charge and regulators and their appointees from Maine and New Hampshire also participated in this coordinated examination. Additionally, work completed by the Maine and New Hampshire Departments of Insurance in

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their coordinated examination of the Company was accepted to supported conclusions in certain areas of the examination.

Respectfully submitted,



Karen Ducharme, CPA, CFE
Director of Company Licensing and Examinations
Division of Insurance
Vermont Department of Financial Regulation

STATE OF VERMONT
COUNTY OF WASHINGTON

Karen Ducharme, being duly sworn, deposes and says that the foregoing report submitted by her is true to the best of her knowledge and belief.

Subscribed and sworn to before me

This 9th day of June, 2021



Notary Public

Commission expires 1/31/2023