

**Report on Examination**  
**of**  
**Cigna Dental Health of Florida, Inc.**  
**Sunrise, Florida**  
**as of**  
**December 31, 2018**



**FLORIDA OFFICE OF  
INSURANCE REGULATION**



## OFFICE OF INSURANCE REGULATION

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COMMISSIONER OF AGRICULTURE

David Altmaier, Commissioner  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399

Dear Sir:

In accordance with Section 636.039, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of Cigna Dental Health of Florida, Inc. as of December 31, 2018. Our report on the examination follows.

Florida Office of Insurance Regulation  
May 1, 2020

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## SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2018 of Cigna Dental Health of Florida, Inc. (Company), a Florida prepaid limited health service organization (PLHSO). The examination covered the period of January 1, 2017 through December 31, 2018 and took place primarily in the Company's Sunrise, Florida office. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (Office) was as of December 31, 2016.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The Handbook required that we plan and perform our 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. Our examination also included identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively. 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included 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.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes (F.S.) 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 were separately communicated to other regulators and/or the Company.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no findings of a significant nature to report for the period of this examination.

### **COMPANY HISTORY**

The Company was incorporated in the State of Florida on November 29, 1973 and authorized by the State of Florida to operate as a PLHSO in accordance with Part I of Chapter 636, (F.S.). The Company obtained its Certificate of Authority from the Florida Office of Insurance Regulation on March 11, 1974. The Company was licensed only in the State of Florida.

#### **Mergers and Acquisitions**

There was nothing to report concerning mergers and acquisitions for the period of this examination.

### **CORPORATE RECORDS**

The minutes of the company's shareholder and Board of Directors (Board) meetings were reviewed for the period examined. The minutes of the Board adequately documented its meetings and approval of Company transactions in accordance with Section 636.042, F.S., which included the authorization of investments as required by Section 641.35(7), F.S.

## DIVIDENDS AND CAPITAL CONTRIBUTIONS

The Company paid ordinary dividends in the amount of \$9,200,000 to (Parent) as of December 31, 2017 and \$9,600,000 as of December 31, 2018. The Company did not receive capital contributions during the period examined.

## MANAGEMENT AND CONTROL

The Company was wholly owned by Cigna Dental Health Inc., which was wholly owned by Connecticut General Corporation. The ultimate parent was Cigna Corporation, a Delaware corporation. Cigna Corporation common stock is publicly traded on the New York Stock Exchange.

The Company's senior officers and directors were:

### Senior Officers

<u>Name</u>	<u>Title</u>
Frederick E. Scardellette	President
Anna Krishtul	Secretary
Scott R. Lambert	Treasurer
Gregory N. Malone	Actuary

### Board of Directors

<u>Name</u>	<u>Location</u>
Amie L. Benedict	Bloomfield, CT
Jason D. Meade	Bloomfield, CT
Frederick E. Scardellette	West Chester, PA

**Investment Committee**

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Tracy Labonte  
Susan Metrow  
David Russell  
Frank Sataline  
Christopher Snow

**Audit Committee**

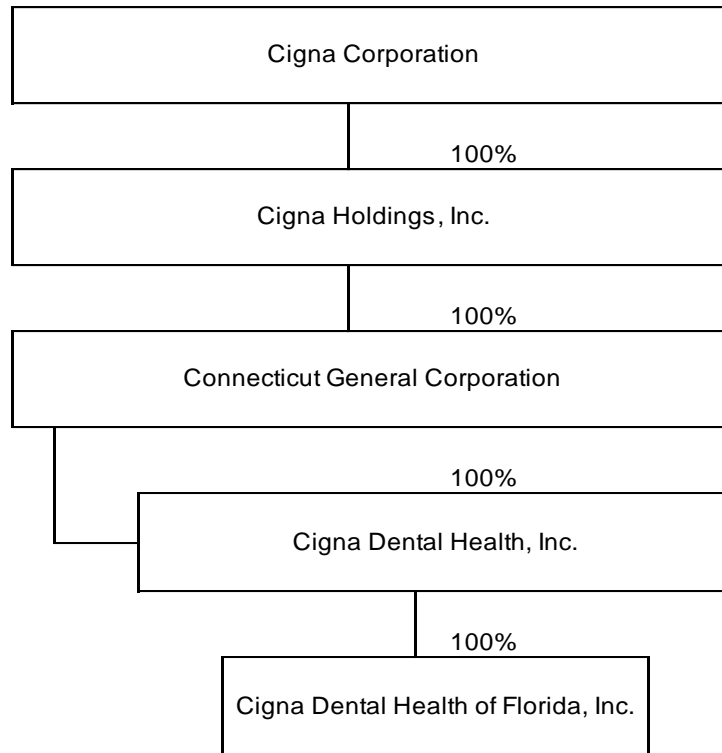
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David Bourdon  
Mary Agoglia Hoeltzel  
Ryan Loyd  
Mark Parsons  
Jeffrey T. Rigg  
Neil B. Tanner  
Jonathan Winderman  
James Yablecki

The Company was a member of an insurance holding company system during the period of examination. A company organized as a PLHSO is not required to file a holding company registration statement with the Office.

An abbreviated organizational chart reflecting a holding company system is shown below.

**Cigna Dental Health of Florida, Inc.  
Abbreviated Organizational Chart  
December 31, 2018**



**AFFILIATED AND OTHER AGREEMENTS**

The following agreements were in effect between the Company and its affiliates:

Administrative Services Agreement

There was an Administrative Services Agreement between Cigna Dental Health, Inc. (formerly Cigna Dental Management Systems, Inc.) and the Company whereby Cigna Dental Health, Inc. performed accounting functions and maintained appropriate financial records on behalf of the Company.



### Investment Advisory Agreement

Effective September 15, 2009, there was an Investment Advisory Agreement between Cigna Investments, Inc. and the Company whereby Cigna Investments, Inc. acted as the investment adviser for the Company's investment portfolio.

### Consolidated Federal Income Tax Agreement

Amended and Restated on January 1, 1997, and June 17, 2019, the Company entered into an Amended and Restated Consolidated Federal Income Tax Agreement, which stated that Cigna's indirectly wholly owned domestic subsidiary insurance companies had entered into a Consolidated Federal Income Tax Agreement (Tax Agreement), which became effective as of April 1, 1982. The Tax Agreement sets forth the method of allocation of federal income taxes for Cigna and its wholly owned domestic subsidiaries, including insurance subsidiaries. It provided for immediate reimbursement to companies with net operating losses to the extent that their losses were used to reduce consolidated taxable income; while those companies with current taxable income as calculated under federal separate return provisions, were liable for payment determined as if they had each filed a separate return. However, current credit was given for any foreign tax credit, operating loss or investment tax credit carryovers actually used in the current consolidated return. The Company participated as a party to the agreement.

### Investment Pooling Agreement

There was an Investment Pooling Agreement between Cigna Investments, Inc. and certain Cigna Corporation subsidiaries, including the Company, whereby Cigna Corporation pooled the investments of each party of the agreement. The agreement effective date was April 1, 2013 and later amended to add additional parties to the agreement.

### Dental Consultation Agreement

Effective October 1, 2000, there was a Dental Consultation Agreement between Cigna Dental Health, Inc. and certain subsidiaries of CHC, including the Company. Under this agreement, Cigna Dental Health, Inc. provided dental consultations at the request of the Company with respect to selected dental cases.

### Administrative Services Agreement

The Administrative Services Agreement between Cigna Dental Health of California, Cigna Dental Health and its subsidiaries, including the Company, provided administrative and management services relating to prepaid dental plans and payroll processing. The agreement effective date was January 1, 1996 and later amended to add additional parties to the agreement.

### Fee Sharing Agreement

Effective August 4, 2014, there was a Fee Sharing Agreement between Cigna Corporation and certain of its subsidiaries, including the Company, whereby the Company pays Cigna Corporation their share of the Affordable Care Act fee and Cigna paid the fee on behalf of the subsidiaries as one payment.

## **TERRITORY AND PLAN OF OPERATION**

The Company was licensed and operated only in the State of Florida. The Company was a dental plan, which provided comprehensive dental health services to subscribers in the State of Florida for predetermined prepaid monthly fees based upon the number of individuals enrolled in the plan. This Company did not provide any other type of coverage.

## COMPANY GROWTH

The Company reported the following for years 2017 through 2018:

*(Dollars are in millions.)*

	<u>2017</u>	<u>2018</u>
Member months	1,969,075	2,203,287
Year-end enrollment	165,004	184,664
Premiums	\$ 33.2	\$ 37.2
Revenues	\$ 43.1	\$ 46.5
Underwriting deductions	\$ 31.1	\$ 33.1
Net income	\$ 7.8	\$ 10.5
Shareholder dividends	\$ 9.2	\$ 9.6
Paid in surplus received	\$ -	\$ -
Admitted assets	\$ 5.8	\$ 6.4
Liabilities	\$ 2.7	\$ 2.7
Capital and surplus	\$ 3.1	\$ 3.7

## REINSURANCE

The Company had no ceding or assuming reinsurance arrangements.

## ACCOUNTS AND RECORDS

There were no significant examination findings related to the Company's accounts and records.

## SURPLUS NOTES

The Company had no surplus notes.

## STATUTORY DEPOSITS

The Company maintained on deposit with the Office an insolvency protection deposit of \$50,000 in accordance with Section 636.046, F.S.

## **FINANCIAL STATEMENTS**

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified, the impact of such adjustment would be documented separately following the Company's financial statements.

Financial Statements, as reported and filed by the Company with the Office, are reflected in the following pages:

**Cigna Dental Health of Florida, Inc.**  
**Admitted Assets, Liabilities, Capital and Surplus**  
**December 31, 2018**

	Per Company	Examination Adjustments	Per Examination
<b>Admitted Assets</b>			
Bonds	\$ 60,093	\$ -	\$ 60,093
Cash, cash equivalents and short-term investments	5,685,649	-	5,685,649
Subtotal	5,745,742	-	5,745,742
Investment income due and accrued	79	-	79
Uncollected premiums and agents' balances	3,401	-	3,401
Current income tax recoverable	30,956	-	30,956
Net deferred tax asset	673,223	-	673,223
<b>Total admitted assets</b>	<b>\$ 6,453,401</b>	<b>\$ -</b>	<b>\$ 6,453,401</b>
<b>Liabilities</b>			
Claims unpaid	\$ 1,232,372	\$ -	\$ 1,232,372
Unpaid claims adjustment expenses	15,917	-	15,917
Aggregate health policy reserves	-	-	-
Premiums received in advance	188,835	-	188,835
Remittances and items not allocated	25,558	-	25,558
Amounts due to parent, subsidiaries and affiliates	522,744	-	522,744
Aggregate write-ins for other liabilities	727,525	-	727,525
<b>Total liabilities</b>	<b>\$ 2,712,951</b>	<b>-</b>	<b>\$ 2,712,951</b>
<b>Capital and Surplus</b>			
Common capital stock	\$ 500	-	\$ 500
Gross paid in and contributed surplus	575,061	-	575,061
Unassigned funds (deficit)	3,164,889	-	3,164,889
<b>Total capital and surplus</b>	<b>\$ 3,740,450</b>	<b>\$ -</b>	<b>\$ 3,740,450</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 6,453,401</b>	<b>\$ -</b>	<b>\$ 6,453,401</b>

**Cigna Dental Health of Florida, Inc.**  
**Statement of Revenue and Expenses**  
**Year Ended December 31, 2018**

Net premium income	\$37,244,168
Aggregate write-ins for other health care related revenues	9,217,772
<b>Total revenues</b>	<b>46,461,940</b>
Other professional services	16,536,162
Outside referrals	392,228
<b>Subtotal</b>	<b>16,928,390</b>
Net reinsurance recoveries	0
<b>Total hospital and medical</b>	<b>16,928,390</b>
Claims adjustment expenses	64,792
General administrative expenses	16,161,801
<b>Total underwriting deductions</b>	<b>33,154,983</b>
<b>Net underwriting gain</b>	<b>13,306,957</b>
Net investment gains	107,119
Net (loss) from agents' or premium balances charged off	(1,326)
<b>Income before federal income tax</b>	<b>13,412,750</b>
Federal income tax	2,958,006
<b>Net income</b>	<b>\$ 10,454,744</b>

**Cigna Dental Health of Florida, Inc.**  
**Statement of Changes in Capital and Surplus**  
**Two Years Ended December 31, 2018**

Capital and surplus - December 31, 2016	4,905,325
Net income	7,816,985
Change in net deferred income tax	(414,382)
Change in nonadmitted assets	33,418
Dividends to stockholder	(9,200,000)
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Capital and surplus - December 31, 2017	3,141,346
Net income	10,454,744
Change in net deferred income tax	68,647
Change in nonadmitted assets	(324,287)
Dividends to stockholder	(9,600,000)
<hr/>	
	3,740,450
Examination adjustments	-
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Capital and surplus - December 31, 2018	<u>\$ 3,740,450</u>

**Cigna Dental Health of Florida, Inc.**  
**Comparative Analysis of Changes in Capital and Surplus**  
**December 31, 2018**

The following is a reconciliation of capital and surplus between that reported by the Company and determined by the examination.

<b>Capital and surplus, December 31, 2018 - per annual statement</b>				\$ 3,740,450
	<b>Per</b>	<b>Per</b>	<b>Increase</b>	
	<b>Company</b>	<b>Examination</b>	<b>(Decrease)</b>	
			<b>In Capital</b>	
			<b>&amp; Surplus</b>	
Total assets	\$ 6,453,401	\$ 6,453,401	\$ -	
Total liabilities	\$ 2,712,951	\$ 2,712,951	\$ -	-
<b>Capital and surplus, December 31, 2018 - per examination</b>				<u>\$ 3,740,450</u>



## **COMMENTS ON FINANCIAL STATEMENTS**

There were no examination adjustments to the Financial Statements.

## **SUMMARY OF RECOMMENDATIONS**

There were no recommendations for findings of a significant nature.

## **SUBSEQUENT EVENTS**

In March 2020, the World Health Organization recognized the coronavirus (COVID-19) outbreak as a pandemic. While the complete effects of COVID-19 on the economy and financial markets are still unknown, the Office recognizes that it could have a significant impact on all domestic insurers, including the Company. The Office will continue to closely monitor this situation and share information with the Company as appropriate regarding these developments.

## CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Cigna Dental Health of Florida, Inc. consistent with the insurance laws of the State of Florida.

At December 31, 2018, the Company's capital and surplus was \$3,740,450 and the Company was in compliance with the minimum capital and surplus requirement of Section 636.045, F.S.

In addition to the undersigned, the following individuals participated in the examination: Ryan Havick CFE, MCM; Michael Nadeau, CPA, CISA, CFE, AES; Steven Mahan, FSA and Charlie Kreske, CFE, MCM, associated with the firm of Eide Bailly, LLP; and from the Florida Office of Insurance Regulation: Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor and Emmaculate Muambo, APIR, Financial Control Specialist.

Respectfully submitted,



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Carolyn M. Morgan, APIR  
Director, Life & Health Financial Oversight  
Florida Office of Insurance Regulation