

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

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Cigna Dental Health of Virginia, Inc. as of December 31, 2018, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 29th day of May 2020

A handwritten signature in black ink, appearing to read 'Scott A. White', written over a horizontal line.

Scott A. White
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
May 1, 2020

Honorable Scott A. White
Commissioner of Insurance
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by the authority of Section 38.2-4315 of the Code of Virginia, an examination of the records and affairs of

CIGNA DENTAL HEALTH OF VIRGINIA, INC.

Sunrise, Florida

hereinafter referred to as the Corporation, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The last examination of the Corporation was made by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2017. This examination covers the one-year period from January 1, 2018 through December 31, 2018.

This examination was conducted in accordance with the NAIC Financial Condition Examiners' Handbook (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Corporation's financial condition, assess corporate governance, identify current and prospective risks of the Corporation 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.

The coordinated examination of the Cigna Group, of which the Corporation is a member, was led by the Connecticut Insurance Department. The examination of the Corporation was conducted concurrently with the examination of the following insurers:

InsurerDomiciliary State

Cigna Dental Health Plan of Arizona, Inc.	Arizona
Cigna HealthCare of Arizona, Inc.	Arizona
Cigna HealthCare of Colorado, Inc.	Colorado
Cigna Arbor Life Insurance Company	Connecticut
Connecticut General Life Insurance Company	Connecticut
Cigna Health and Life Insurance Company	Connecticut
Cigna HealthCare of Connecticut, Inc.	Connecticut
Cigna Dental Health of Delaware, Inc.	Delaware
Cigna Worldwide Insurance Company	Delaware
Cigna Dental Health of Florida, Inc.	Florida
Cigna HealthCare of Florida, Inc.	Florida
HealthSpring of Florida, Inc.	Florida
Cigna HealthCare of Georgia, Inc.	Georgia
Cigna HealthCare of Illinois, Inc.	Illinois
Sterling Life Insurance Company	Illinois
Bravo Health Mid-Atlantic, Inc.	Maryland
Cigna Dental Health of Maryland, Inc.	Maryland
Cigna Dental Health of Missouri, Inc.	Missouri
Cigna HealthCare of St. Louis, Inc.	Missouri
Allegiance Life & Health Insurance Company	Montana
Cigna Dental Health of North Carolina, Inc.	North Carolina
Cigna HealthCare of North Carolina, Inc.	North Carolina
Cigna Dental Health of New Jersey, Inc.	New Jersey
Cigna HealthCare of New Jersey, Inc.	New Jersey
American Retirement Life Insurance Company	Ohio
Cigna Dental Health of Ohio, Inc.	Ohio
Cigna National Health Insurance Company	Ohio
Loyal American Life Insurance Company	Ohio
Provident American Life & Health Insurance Company	Ohio
United Benefit Life Insurance Company	Ohio
Bravo Health Pennsylvania, Inc.	Pennsylvania
Cigna Dental Health of Pennsylvania, Inc.	Pennsylvania
Cigna HealthCare of South Carolina, Inc.	South Carolina
Cigna HealthCare of Tennessee, Inc.	Tennessee
Cigna Dental Health of Texas, Inc.	Texas
Cigna HealthCare of Texas, Inc.	Texas

All accounts and activities of the Corporation 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.

The examination report includes significant findings of fact 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 the Corporation.

HISTORY

The Corporation was incorporated in the Commonwealth of Virginia effective July 29, 1999. According to its Articles of Incorporation, the purpose for which the Corporation was organized is as follows:

... To establish and operate a limited health care services health maintenance organization, and to engage in any other lawful business for which corporations may be organized under the Virginia Stock Corporation Act.

The Corporation became licensed in Virginia as a health maintenance organization ("HMO") offering limited health care services pursuant to Chapter 43 of Title 38.2 of the Code of Virginia on June 26, 2000.

CAPITAL AND SURPLUS

At December 31, 2018, the Corporation's Capital and surplus was \$2,894,920. According to the Articles of Incorporation, the Corporation has the authority to issue 1,000 shares of common capital stock with a par value of \$1.00 per share. At December 31, 2018, 1,000 shares of common capital stock were issued and outstanding, with Gross paid in and contributed surplus of \$1,005,000, and Unassigned funds of \$1,888,920.

CAPITAL AND SURPLUS REQUIREMENT

Section 38.2-4302 of the Code of Virginia states that an HMO licensed in Virginia shall maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than \$600,000, up to a maximum of \$4,000,000. 14 VAC 5-210-60 A requires that an HMO report the sum of its uncovered expenses for each three-month period ending December 31, March 31, June 30 or September 30. Because the sum of the Corporation's uncovered expenses for the three-month period ending December 31, 2018

was \$201,733, the Corporation's minimum net worth requirement at December 31, 2018 was \$600,000.

MANAGEMENT AND CONTROL

The Corporation's bylaws provide that the Board of Directors (the "Board") shall be responsible for the management of the business of the Corporation. The number of directors shall be one or more. The directors shall be elected at the annual meeting of the stockholders and each director elected shall serve until the next succeeding annual meeting of the stockholders and until his successor shall have been elected and qualified.

The officers of the Corporation shall consist of a President and a Secretary. The Board may also choose a Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers if such officers are deemed necessary. The officers shall hold office until the first meeting of the Board after the annual meeting of shareholders next succeeding his election, and until his successor is elected and qualified.

At December 31, 2018, the Board of Directors and select Officers were as follows:

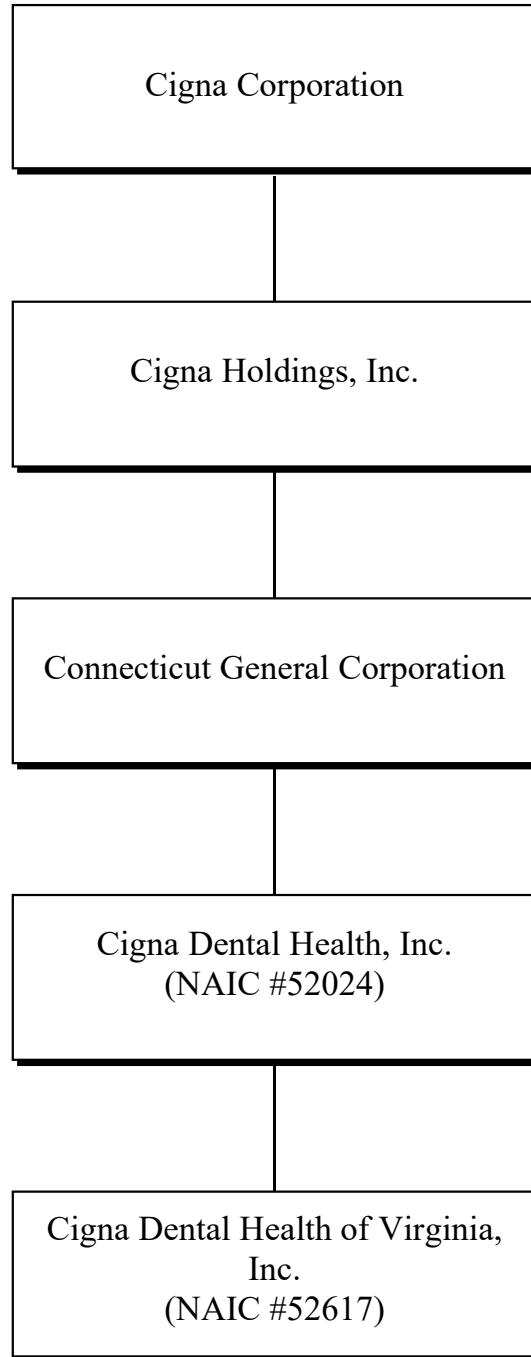
<u>Directors</u>	<u>Principal Occupation</u>
Amie L. Benedict	Vice President, Product Solutions Cigna Health and Life Insurance Company Hartford, CT
Jason D. Meade	Business Finance Senior Director Cigna Health and Life Insurance Company Hartford, CT
Frederick E. Scardellette	President, Chairman of the Board Cigna Health and Life Insurance Company Philadelphia, PA

Officers

Frederick E. Scardellette	President
Anna Krishtul	Secretary
Scott R. Lambert	Treasurer

AFFILIATED COMPANIES

According to its Articles of Incorporation, the Corporation has the authority to issue 1,000 shares of common capital stock with a par value of \$1.00 per share. At December 31, 2018, the 1,000 outstanding shares of common stock were owned by Cigna Dental Health, Inc. ("CDH"). The chart on the following page illustrates the organizational structure of the Corporation and select affiliated entities at December 31, 2018.



TRANSACTIONS WITH AFFILIATES

Administrative Services Agreement

Effective December 31, 2007, the Corporation entered into an amended Administrative Services Agreement with Cigna Dental Health of Florida, Inc. ("CDHF"). Under the terms of the agreement, CDHF shall provide the Corporation with all necessary administrative and management services in connection with the Corporation's operations. These services shall include data processing, premium reconciliation, fund transfers, financial services, marketing direction, local sales monitoring, and quality management activity monitoring. In return for providing the services, the Corporation shall pay CDHF a monthly fixed fee per member based on the coverage chosen by the member. The Corporation incurred \$559,160 in fees related to this agreement in 2018.

Consolidated Federal Income Tax Agreement

Effective July 29, 1999, the Corporation became a party to a Consolidated Federal Income Tax Agreement with and among Cigna Corporation and its subsidiaries. In accordance with the agreement, Cigna Corporation will either be paid the amount of the federal income tax liability or pay the amount of the federal income tax refund for all of the subsidiaries included in the consolidated federal income tax return. The federal income tax liability or refund is computed as if each subsidiary were filing a separate income tax return. However, tax benefits arising from a subsidiary's tax credits or net operating losses are only paid to the subsidiary to the extent that such losses or credits are utilized in the reduction of the consolidated federal income tax liability.

Insolvency Guarantee

Effective June 1, 2000, the Corporation entered into an insolvency guarantee with CDH. Under the terms of the insolvency guarantee, CDH guarantees the performance of the Corporation's contractual obligations in the event of the Corporation's insolvency. The guarantee of performance is limited to: (1) continuation of benefits to members for the duration of the contract period for which payment has been made by or on behalf of such members; and (2) payment to providers for services rendered prior to the date of solvency. Under no circumstances shall the insolvency guarantee be construed to be a guarantee of payment of the general obligations of the Corporation. CDH's obligation under the insolvency guarantee shall not exceed \$1 million. The insolvency guarantee is to remain in full force and effect until not less than 60 days' written notice of termination is given by CDH to both the Corporation and the Bureau.

Investment Advisory Agreement

Effective September 17, 2009, the Corporation entered into an Investment Advisory Agreement with Cigna Investments, Inc. ("CII"). Under terms of the agreement, CII shall make and carry out decisions with respect to the acquisition, holding and disposition of securities, real estate or any other asset of the Corporation's portfolio subject to investment goals and limitations set by the Corporation. As compensation for investment advisory services, the Corporation shall pay CII a fee based upon its proportionate share of the costs and expenses incurred by CII. The Corporation's proportionate share of costs and expenses is based on the Corporation's proportionate share of assets under CII's management as of the last day of the immediately preceding quarter. The Corporation incurred \$3,060 in fees related to this agreement in 2018.

Dividend to Stockholder

The Corporation paid a cash dividend of \$1,300,000 to CDH in 2018.

TERRITORY AND PLAN OF OPERATION

At December 31, 2018, the Corporation's service area, as reported in its 2018 Annual Statement, included the entire state of Virginia.

Services are provided by dentists in independent practice within the Corporation's service area. Each member must choose a participating general dentist from a list of the Corporation's primary dental providers. Members are referred to specialists by the primary dental provider.

PROVIDER AGREEMENTS

The Corporation has entered into agreements with numerous participating general dentists and specialists to provide dental services to members. Participating general dentists are paid a monthly capitation fee based on the number of members enrolled with the participating general dentist and the type of product chosen by the member. Specialists are compensated according to published fee schedules for services performed. At December 31, 2018, the Corporation had agreements with the following specialists: endodontists, oral surgeons, orthodontists, pediatric dentists, and periodontists.

CONTRACT FORMS

Contracts are available on a group basis. Basic contract services include office visits, oral examinations and diagnosis, complete series x-rays, certain treatments and routine teeth cleaning. Exclusions include treatment received from a non-participating dentist or specialist without the prior approval of the Corporation, cosmetic dental surgery, prescription drugs, or services considered to be experimental in nature. The above are abbreviated descriptions of coverages and exclusions and the provisions in each individual group contract may vary.

GROWTH OF THE CORPORATION

The following data is representative of the growth of the Corporation, at year-end, for the ten-year period ending December 31, 2018. The data is compiled from the Corporation's filed Annual Statements, the previous examination report, and the current examination report.

<u>Year</u>	Total Admitted <u>Assets</u>	Total <u>Liabilities</u>	Capital And <u>Surplus</u>
2009	\$2,238,812	\$407,200	\$1,831,612
2010	2,439,218	227,551	2,211,667
2011	1,842,178	192,823	1,649,355
2012	2,116,160	246,118	1,870,042
2013	2,209,475	161,375	2,048,100
2014	2,034,640	230,974	1,803,666
2015	2,025,084	202,420	1,822,664
2016	2,470,955	187,590	2,283,365
2017	2,852,672	197,687	2,654,985
2018	3,099,285	204,365	2,894,920

<u>Year</u>	<u>Total Revenue</u>	<u>Net Investment Gains</u>	<u>Medical & Hospital Expenses</u>	<u>Administrative Expenses</u>	<u>Pre-Tax Income (Loss)</u>
2009	\$6,546,732	\$18,832	\$4,311,463	\$915,288	\$1,338,813
2010	6,502,738	10,073	4,007,771	798,451	1,706,589
2011	6,175,988	5,814	3,662,874	768,640	1,750,288
2012	6,322,564	5,135	3,525,668	764,463	2,037,568
2013	6,013,616	1,178	3,140,950	755,189	2,118,655
2014	5,744,165	2,891	2,891,243	807,360	2,048,453
2015	5,552,507	7,420	2,715,221	740,172	2,104,534
2016	5,739,382	10,868	2,715,742	757,673	2,276,835
2017	5,920,362	21,489	2,987,088	689,372	2,265,391
2018	5,534,530	49,711	2,885,037	722,850	1,976,354

The Corporation's enrollment data at year-end is illustrated as follows:

<u>Year</u>	<u>Number of Members</u>
2009	34,810
2010	33,199
2011	31,923
2012	31,160
2013	29,162
2014	26,361
2015	25,740
2016	26,216
2017	28,257
2018	26,954

SPECIAL RESERVES AND DEPOSITS

At December 31, 2018, the Bureau required the Corporation to maintain a minimum deposit of \$400,000 with the Treasurer of Virginia.

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the Corporation for the period ending December 31, 2018. No examination adjustments were made to the statutory financial statements filed by the Corporation with the Bureau for the period ending December 31, 2018.

ASSETS

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$426,399		\$426,399
Cash and short-term investments	<u>2,146,786</u>		<u>2,146,786</u>
Subtotals, cash and invested assets	\$2,573,185	\$0	\$2,573,185
Investment income due and accrued	2,307		2,307
Uncollected premiums	471,068	1,219	469,849
Current federal income tax recoverable and interest thereon	37,036		37,036
Net deferred tax asset	1,401		1,401
Receivables from parent, subsidiaries, and affiliates	1,448		1,448
Aggregate write-ins for other than invested assets	<u>14,059</u>		<u>14,059</u>
Total assets	<u><u>\$3,100,504</u></u>	<u><u>\$1,219</u></u>	<u><u>\$3,099,285</u></u>

LIABILITIES, CAPITAL AND SURPLUS

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$158,264	\$14,333	\$172,597
Unpaid claims adjustment expenses	2,427		2,427
Premiums received in advance	17,474		17,474
Remittances and items not allocated	2,578		2,578
Aggregate write-ins for other liabilities	9,289		9,289
Total liabilities	<u>\$190,032</u>	<u>\$14,333</u>	<u>\$204,365</u>
Common capital stock			\$1,000
Gross paid in and contributed surplus			1,005,000
Unassigned funds (surplus)			<u>1,888,920</u>
Total capital and surplus			<u>\$2,894,920</u>
Total liabilities, capital and surplus			<u><u>\$3,099,285</u></u>

STATEMENT OF REVENUE AND EXPENSES

	<u>Uncovered</u>	<u>Total</u>
Net premium income	XXX	\$5,534,530
Total revenues	XXX	\$5,534,530
Hospital and Medical:		
Other professional services	\$576	\$2,731,531
Outside referrals	153,506	153,506
Total hospital and medical	\$154,082	\$2,885,037
Claims adjustment expenses	9,244	9,244
General administrative expenses	713,921	713,921
Total underwriting deductions	\$877,247	\$3,608,202
Net underwriting gain	XXX	\$1,926,328
Net investment income earned	XXX	\$49,722
Net realized capital losses	XXX	(11)
Net investment gains	XXX	\$49,711
Net gain from agents' or premium balances charged off	XXX	\$315
Net income before federal income taxes	XXX	\$1,976,354
Federal income taxes incurred	XXX	435,965
Net income	XXX	\$1,540,389

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2018</u>
Capital and surplus prior reporting year	<u>\$2,654,985</u>
GAINS AND LOSSES TO CAPITAL AND SURPLUS:	
Net income	\$1,540,389
Change in net deferred income tax	127
Change in nonadmitted assets	(581)
Dividends to stockholders	<u>(1,300,000)</u>
Net change in capital and surplus	<u>\$239,935</u>
Capital and surplus end of reporting year	<u><u>\$2,894,920</u></u>

CASH FLOW**Cash from Operations**

Premiums collected net of reinsurance	\$5,566,728
Net investment income	50,215
Total	<u>\$5,616,943</u>
Benefit and loss related payments	\$2,877,481
Commissions, expenses paid and aggregate write-ins for deductions	730,249
Federal income taxes paid	465,834
Total	<u>\$4,073,564</u>
Net cash from operations	<u>\$1,543,379</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:	
Net losses on cash and short-term investments	<u>(\$8)</u>
Total investment proceeds	<u>(\$8)</u>
Net cash from investments	<u>(\$8)</u>

Cash from Financing and Miscellaneous Sources

Cash provided (applied):	
Dividends to stockholders	(\$1,300,000)
Other cash provided	5,588
Net cash from financing and miscellaneous sources	<u>(\$1,294,412)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments	\$248,959
Cash and short-term investments:	
Beginning of the year	<u>1,897,827</u>
End of the year	<u>\$2,146,786</u>

SUBSEQUENT EVENTS

1. On July 16, 2019, the Bureau approved an extraordinary cash dividend of \$940,000 to CDH. The dividend was paid on August 1, 2019. On October 8, 2019, the Bureau approved an extraordinary cash dividend of \$1,225,000 to CDH. The dividend was paid on November 7, 2019.

2. On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Bureau is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Bureau and all insurance regulators with the assistance of the NAIC are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. As lead state, the Connecticut Insurance Department has been in communication with Cigna Corporation regarding the impact of COVID-19 on its business operations and the financial position, including its Pandemic Preparedness Plan and material Third Party Vendors business continuity plans. No current material operational, solvency or liquidity concerns resulted from the high level assessment of Cigna Corporation's operational and solvency position as a result of COVID-19.

ACKNOWLEDGEMENT

The courteous cooperation extended by the Corporation's officers and employees during the course of the examination is gratefully acknowledged. In addition to the undersigned, Gerald Hicks II participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink that reads "Kenneth G. Campbell". The signature is written in a cursive style with a large initial 'K' and a distinct 'G' and 'C'.

Kenneth G. Campbell, CFE
Assistant Chief Examiner

Frederick Scardellette
Market Managing Director
Frederick.Scardellette@Cigna.com



May 22, 2020

David H. Smith, CFE, CPCU
Chief Examiner
Commonwealth of Virginia
Bureau of Insurance
David.Smith@SCC.Virginia.gov

RE: Cigna Dental Health of Virginia, Inc.
Financial Examination as of 12/31/2018
30 Day Letter / Draft Exam Report – Company Response

Mr. Smith,

Cigna Dental Health of Virginia, Inc. (“Company”) is in receipt of the 30 Day Letter / Draft Exam Report from the Virginia Bureau of Insurance, dated May 8, 2020. No recommendations were identified within the report or the accompanying cover letter. The Company accepts the report.

No additional companies of the report are required by the Company.

Feel free to contact me or Karen Fogarty at Karen.Fogarty@Cigna.com if you have any questions or need any additional information.

Regards,

A handwritten signature in cursive script that reads "Frederick Scardellette".

Frederick Scardellette
President, Chairman of the Board
Cigna Dental Health of Virginia, Inc.