

Examination Warrant Number 18-00901-47041-A1

**Report of Examination of
Cigna Dental Health of Pennsylvania, Inc.
Philadelphia, Pennsylvania**

As of December 31, 2018

For Informational Purposes Only

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Harrisburg, Pennsylvania
May 1, 2020

Honorable Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 18-00901-47041-A1, dated August 14, 2018, an examination was made of

Cigna Dental Health of Pennsylvania, Inc., NAIC Code:47041

a Pennsylvania domiciled, single-state, risk assuming preferred provider organization not licensed as an insurer (“RANLI PPO”), hereinafter referred to as “Cigna Dental” or the “Company.” The examination was conducted at the Company’s office, located at 1601 Chestnut Street, Two Liberty Plaza, Philadelphia, Pennsylvania 19103.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department (“Department”) has performed an examination of the Company, which was last examined as of December 31, 2014. This examination covered the four-year period from January 1, 2015 through December 31, 2018.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners (“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 the Company, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. An 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 the Company 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. Statements were prepared by management and are therefore the responsibility of management. 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.

This examination report includes significant findings of fact, in accordance with 40 P.S. § 323.5(a), and general information about the Company and its financial condition. There may be

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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 Company.

For each year of the examination period, the certified public accounting firm of PricewaterhouseCoopers LLP (“CPA”) provided an unmodified audit opinion on the Company’s year-end financial statements based on statutory accounting principles. Relevant work performed by the CPA, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

The following affiliated companies were examined at the same time as part of a group coordinated examination:

Company	State	NAIC Code
HealthSpring of Florida, Inc.	FL	11532
Bravo Health Mid Atlantic Inc.	MD	10095
Bravo Health Pennsylvania, Inc.	PA	11524
Cigna Dental Health Plan of Arizona, Inc.	AZ	47013
Cigna Dental Health of Delaware, Inc.	DE	95380
Cigna Dental Health of Florida, Inc.	FL	52021
Cigna Dental Health of Kansas, Inc.	KS	52024
Cigna Dental Health of Maryland, Inc.	MD	48119
Cigna Dental Health of Missouri, Inc.	MO	11160
Cigna Dental Health of New Jersey, Inc.	NJ	11167
Cigna Dental Health of North Carolina, Inc.	NC	95179
Cigna Dental Health of Ohio, Inc.	OH	47805
Cigna Dental Health of Virginia, Inc.	VA	52617
Cigna Dental Health of Texas, Inc.	TX	95037
Cigna HealthCare of Arizona, Inc.	AZ	95125
Cigna HealthCare of Colorado, Inc.	CO	95604
Cigna HealthCare of Connecticut, Inc.	CT	95660
Cigna HealthCare of Florida, Inc.	FL	95136
Cigna HealthCare of Georgia, Inc.	GA	96229
Cigna HealthCare of Illinois, Inc.	IL	95602
Cigna HealthCare of New Jersey, Inc.	NJ	95500
Cigna HealthCare of North Carolina, Inc.	NC	95132
Cigna HealthCare of South Carolina, Inc.	SC	95708
Cigna HealthCare of St. Louis, Inc.	MO	95635
Cigna HealthCare of Tennessee, Inc.	TN	95606
Cigna HealthCare of Texas, Inc.	TX	95383
Cigna Arbor Life Insurance Company	CT	13733
Connecticut General Life Insurance Company	CT	62308
Cigna Health and Life Insurance Company	CT	67369
Loyal American Life Insurance Company	OH	65722
American Retirement Life Insurance Company	OH	88366
Cigna National Health Insurance Company	OH	61727

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Provident American Life and Health Insurance Company	OH	67903
United Benefit Life Insurance Company	OH	65269
Sterling Life Insurance Company	IL	77399
Cigna Worldwide Insurance Company	DE	90859
Allegiance Life and Health Insurance Company, Inc.	MT	12814
CareCore New Jersey, LLC	NJ	10144

The Connecticut Insurance Department assumed the role of Lead State for the coordinated examination. The Ohio Department of Insurance assumed the role of Facilitating State for the subgroup examination of the dental holding group of which Cigna Dental is a subsidiary.

HISTORY

Cigna Dental was incorporated as Dental Health of Pennsylvania, Inc., August 9, 1979, but changed its name to Dental Health Inc. on November 19, 1979. The Company commenced business on March 1, 1982. Its current name was adopted on September 3, 1985. The Company received its Certificate of Authority from the state of Pennsylvania on October 9, 1990.

The Company is currently authorized to transact business of a RANLI-PPO under the provisions of 40 P.S. § 764.a.

MANAGEMENT AND CONTROL

CAPITALIZATION

As of the examination date, December 31, 2018, the Company's total capital was \$1,500,227, consisting of 3,000 capital shares of issued and outstanding common stock with a par value of \$0.01 per share amounting to \$30; \$308,626 in gross paid in and contributed surplus; and \$1,191,571 in unassigned funds (surplus).

The total capitalization required of the Company to transact the business of a RANLI-PPO, pursuant to 31 Pa. Code § 152.9(b), is \$200,000. The Company has met all governing requirements throughout the examination period.

STOCKHOLDER

The Company is a wholly owned subsidiary of Cigna Dental Health, Inc. ("CDH"), a Florida corporation. During the examination period, the Company made the following dividend payments to its sole stockholder:

<u>Year</u>	<u>Amount</u>	<u>Dividend Type</u>	<u>Payment</u>
2015	\$2,800,000	Extraordinary	Cash
2016	\$1,500,000	Extraordinary	Cash
2017	\$1,650,000	Extraordinary	Cash
2018	\$1,495,000	Extraordinary	Cash

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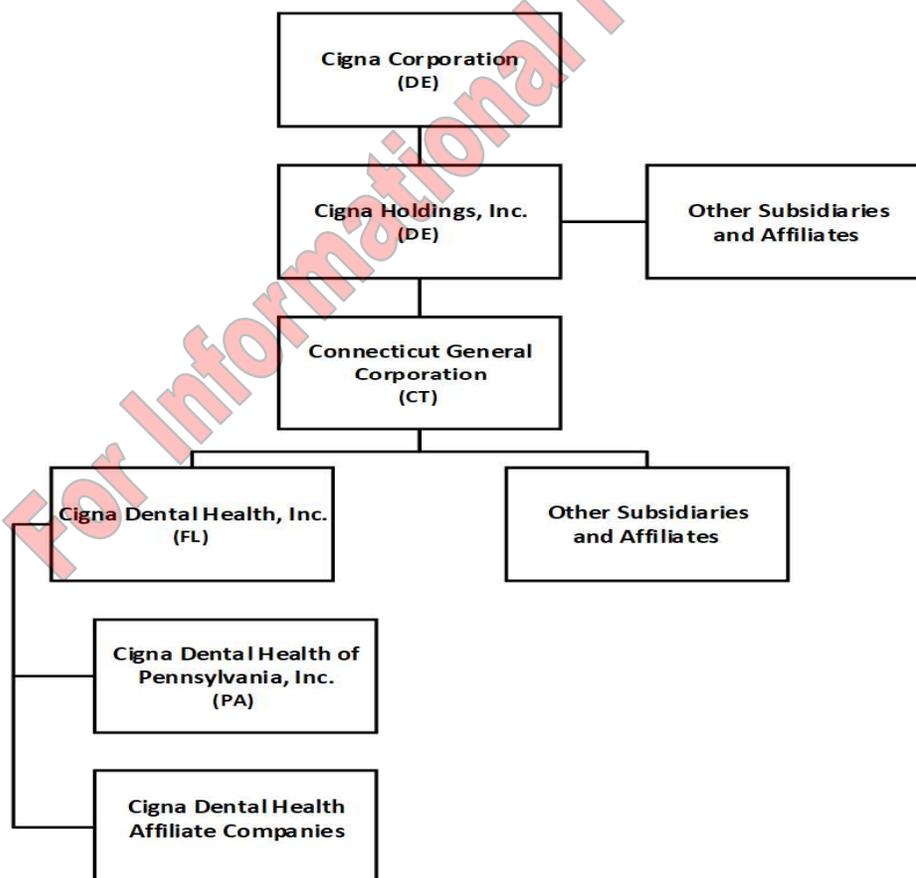
All the dividends noted above were approved by the Board of Directors, properly reported to the Department, and paid within the existing regulatory guidelines in accordance with the provisions of 40 P.S. §§ 459.8, 991.1404(e), 1405(b)(1), and 31 Pa. Code § 25.22. Dividends were considered extraordinary based on the provisions of 40 P.S. § 1405(b)(2). The Company obtained the approval of the Department for each extraordinary dividend noted above. All extraordinary dividends were paid from the Company's unassigned funds (surplus).

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system and is subject to registration statement filings pursuant to 40 P.S. § 991.1404. The Company submitted all required registration filings to the Department during the examination period. The Insurance Holding Company Registration Statement for 2018 was filed on March 22, 2018.

Cigna Corporation ("Cigna"), a publicly held global health services organization incorporated in Delaware, is named as the ultimate controlling person in the holding company system. Members of the holding company system as of December 31, 2018 include the following entities illustrated in the abbreviated version of Cigna's organizational chart and briefly described below:

Organizational Chart



Cigna Dental Health of Pennsylvania, Inc.

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Cigna is a holding company whose subsidiaries provide group, life and health insurance, managed care products and services, and investment and financial services. Cigna has shares that are traded publicly on the New York Stock Exchange (“NYSE”) under the ticker symbol “CI.” Cigna is organized into several business segments which include Integrated Medical, Health Services, International Markets, and Group Disability and Other. Cigna has sales capabilities in over 30 countries and more than 170 million customer and patient relationships throughout the world. Cigna employs more than 74,000 people worldwide.

Cigna Holdings, Inc. is a wholly owned subsidiary of Cigna and is the holding company for Connecticut General Corporation.

Connecticut General Corporation (“CGC”) is a wholly owned subsidiary of Cigna Holdings, Inc. and is the holding company for CDH.

CDH is a wholly owned subsidiary of CGC. CDH is the holding company for the dental health insuring corporations that provide dental health maintenance organization plans (Dental HMO), dental preferred provider organization plans (Dental PPO), exclusive dental provider organization plans, traditional dental indemnity plans, and a dental discount program.

BOARD OF DIRECTORS

Management of the Company is vested in its Board of Directors (“Board”), which was comprised of the following members as of the examination date, December 31, 2018:

Name and Address	Principal Occupation
Frederick E. Scardellette, Chair West Chester, PA	Provider Contracting Senior Director Cigna Corporation
Amie L. Benedict Somers, CT	Vice President, Product Solutions Cigna Corporation
Jason D. Meade South Windsor, CT	Business Finance Senior Director Cigna Corporation

The Company’s by-laws stipulate the total number of directors shall be three, given the directors have not designated a set number of directors that shall constitute the whole Board. The composition of the Board meets the requirements of 40 P.S. § 991.1405(3)(i).

Board members are elected at the annual meeting of the stockholder and serve for a term of one year and until their successor is elected and qualified, except as otherwise provided within the Company’s by-laws. If the office of any director becomes vacant, a majority of the remaining officers, although less than a quorum, may elect a successor for the unexpired term and until a successor is elected and qualified.

There are no independent directors on the Board of this Company. The Company has interlocking directorates with affiliated insurance entities to centralize various governance functions and gain efficiencies when performing overlapping Board processes.

COMMITTEES

The Board and committee structure of the Company's ultimate controlling parent, Cigna, demonstrates compliance with the independence requirements of 40 P.S. §§ 991.1405(c)(3), (4) and (4.1). Cigna, a publicly held corporation, has an audit committee that complies with the Sarbanes-Oxley Act of 2002 and NYSE rules for public companies. Cigna's audit committee is comprised of three independent Board members that are not part of Cigna's management.

As of December 31, 2018, the Company's Board had not established any committees. However, the Board has designated the audit committee of its indirect parent, CGC, to serve as the Company's audit committee. The CGC audit committee is comprised of eight members that are part of Cigna's senior management. Cigna's audit committee is responsible for providing independent oversight of the CGC audit committee in compliance with the NAIC Annual Financial Reporting Model Regulation.

The audit committees were comprised of the following members as of the examination date, December 31, 2018:

Cigna Audit Committee

Roman Martinez, IV, Chair
William J. DeLaney
Mark B. McClellan

CGC Audit Committee

Mary A. Hoeltzel, Chair
David Bourdon
Ryan Loyd
Mark Parsons
Jeffrey Rigg
Neil Tanner
Jonathan Winderman
James Yablecki

Consistent with 40 P.S. § 991.1405(c)(5), the Company is considered to be in compliance with the overall dictates of Pennsylvania laws as they relate to the existence, composition, and independence of the Board and its committee thereof.

OFFICERS

As of the examination date, December 31, 2018, the following officers were appointed and serving in accordance with the Company's by-laws:

Name	Title
Frederick E. Scardellette	President
Scott R. Lambert	Treasurer
Anna Krishtul	Secretary
Gregory N. Malone	Actuary
Mark P. Fleming	Vice President
Maureen H. Ryan	Vice President
Amie L. Benedict	Vice President
Joanne R. Hart	Vice President
Lance M. Thomas	Vice President
Kathleen M. O'Neil	Vice President

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes revealed the following:

- Written Consent of the Sole Stockholder in Lieu of and Annual Meeting are executed annually in compliance with the Company's by-laws.
- The Stockholder elects' directors in such written consent in compliance with the by-laws.
- The Stockholder ratified the prior year's actions of the officers and directors in such written consent.
- The Company's officers are appointed annually by unanimous consent of the Board in lieu of their Annual Meeting.
- The Company's investment transactions are approved annually by unanimous consent of the Board in lieu of their Annual Meeting.
- No formal, in-person meetings are held by the Board.
- All directors recorded their consent to the actions of the Board in writing.

ARTICLES OF INCORPORATION

There were no changes or amendments to the Company's Articles of Incorporation during the period under examination.

BY-LAWS

There were no changes or amendments to the Company's by-laws during the period under examination.

SERVICE AND OPERATING AGREEMENTS

The Company is party to various service and operating agreements, which includes intercompany and related-party agreements. The following significant agreements were in place during the examination period:

Administrative Service Agreement

The Company entered into an Administrative Services Agreement ("Services Agreement") with its affiliate Cigna Dental Health of Florida, Inc. ("CDH-FL"), dated as of September 1, 1991. The agreement was subsequently amended on December 31, 2007 to comply with Statements of Statutory Accounting Principles with respect to timely settlement of amounts owed in transactions between related parties. The agreement includes an automatic renewal provision for successive one-year periods unless it is terminated by either party with a thirty-day written notice.

Under the terms of the agreement, CDH-FL manages certain administrative and financial services including data processing, reconciliation of premiums, transfer of funds collected via lockbox, financial reporting, accounts payable, and accounts receivable. In return for providing these services, CDH-FL is paid a fixed monthly fee on a per individual, couple, and/or family enrolled in the plan. All related party balances are settled within thirty days. For the year ended December 31, 2018, the Company paid management fees totaling \$572,081 to CDH-FL.

Although this agreement is titled Administrative Services Agreement, it is reported in the Company's Annual Statement for all years in the examination period as the Management Services Agreement. During the review of the agreement, the examination team verified the amount allocated to the Company was carried out in accordance to the agreement. However, further analysis of the management fees calculated per the fixed monthly fee at year-end 2018 revealed the total amount collected exceeded the actual service cost and did not meet the fair and reasonable provisions contained in 40 P.S. §§ 991.1405(a)(1)(i-iv).

It is recommended that the Company perform a year-end true-up (adjustment) to ensure the monthly fee recorded and paid is in compliance with SSAP 25 and 40 P.S. §§ 991.1405(a)(1)(i-iv).

Fee Sharing Agreement

The Company entered into a Fee Sharing Agreement with its ultimate parent Cigna and certain other affiliates, effective August 27, 2014. The agreement was subsequently amended to clarify the allocation of shared expenses. The amendment was signed by the Company on December 15, 2014, and became effective on May 10, 2016, which is the date when approval was granted by all applicable regulatory authorities of all parties to the agreement.

The agreement was executed to comply with Section 9010 of the Patient Protection and Affordable Care Act ("Section 9010"). Section 9010 imposes a fee on each covered entity engaged in the business of providing health insurance for United States health risks. Cigna is required to remit a single payment to the United States Department of the Treasury ("U.S. Treasury") on behalf of all covered entities in the Cigna group.

Under the terms of the agreement, Cigna Health and Life Insurance Company ("CHLIC") is the designated entity responsible for the allocation, payment, and settlement of shared service expenses. The fee is allocated among the parties in proportion to estimates of each party's premiums for that fee year. As the designated entity, CHLIC is authorized to pay the fee to the U.S. Treasury on Cigna's behalf for the fee owed collectively by all parties to the agreement. Payment to the U.S. Treasury is required by September 30th of each fee year.

This intercompany agreement was determined to be fair and reasonable and meets the requirements contained in 40 P.S. § 991.1405(a)(1)(i).

Guarantor Agreement

The Company entered into a Guarantor Agreement with its direct parent, CDH, effective December 1, 1990. This agreement remains in full force unless it is terminated by CDH upon sixty-days' written notice to the Company.

Cigna Dental Health of Pennsylvania, Inc.

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Under the terms of the agreement, CDH guarantees the performance of the Company's contractual obligations to enrollees and providers in the event of insolvency. This guarantee of performance is limited to:

- Continuation of benefits to enrollees for the duration of the contract period for which payment has been made by or on behalf of such enrollees.
- Payment to providers for services rendered prior to the date of insolvency.

In the aggregate, the obligations under the guarantee are limited to \$1,000,000. No payments were made to the Company under the guarantee during the examination period.

This intercompany agreement was determined to be fair and reasonable and meets the requirements contained in 40 P.S. § 991.1405(a)(1)(i).

Investment Advisory Agreement

The Company entered into an Investment Advisory Agreement with Cigna Investments, Inc. ("Cigna Investments"), effective on August 27, 2009. This agreement may be terminated by either party at any time through written notice to the other party.

Under the terms of the agreement, the Company retains Cigna Investments to act as its investment adviser for the Company's investment portfolio and to provide investment management and brokerage services as required. This agreement does not affect custody of the Company's investment portfolio.

The fees paid by the Company is their proportionate share of costs and expenses incurred by Cigna Investments, based on advisory services provided to all of their clients. The Company is required to pay all fees upon receipt of its bill from Cigna Investments, but no later than ninety days after receipt. For the year ended December 31, 2018, the Company paid advisory fees totaling \$2,028 to Cigna Investments.

This intercompany agreement was determined to be fair and reasonable and meets the requirements contained in 40 P.S. § 991.1405(a)(1)(i).

Tax Allocation Agreement

The Company is party to an Amended and Restated Consolidated Federal Income Tax Agreement with its ultimate parent Cigna and certain participating subsidiaries. The agreement was originally adopted effective on April 1, 1982 and was subsequently amended and restated effective as of January 1, 1997. The Company became a party to the agreement, effective August 17, 1987.

This agreement provides for the filing of a consolidated federal income tax return as a member of an affiliated group under Cigna. Pursuant to this agreement, payments for estimated taxes or any other payments ("refunds") will be made four times a year. A final payment or refund will be made in each November after the tax return for the prior year has been filed. For the year ended December 31, 2018, the Company paid tax payments totaling \$492,248 to Cigna.

This tax allocation agreement is in writing and was approved by the Board of Directors. The agreement meets the fair and reasonable requirements contained in 40 P.S. § 991.1405(a)(1)(i).

REINSURANCE

The Company neither assumed nor ceded any written business during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company is only licensed to do business in the Commonwealth of Pennsylvania. The following table provides a distribution of the Company’s premiums written by line of business.

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
December 31, 2018				
Dental only	5,865,882	0	5,865,882	0.0%
Health subtotal	5,865,882	0	5,865,882	0.0%
Totals	\$ 5,865,882	\$ 0	\$ 5,865,882	100.0%

The Company is a dental plan that provides comprehensive dental health services to subscribers for predetermined prepaid monthly fees. The monthly fees the Company pays for dental care services provided to subscribers by participating providers is generally based upon the number of individuals enrolled in the plan. When the subscriber is referred to an out-of-network dental specialist, the Company pays fees based primarily upon the nature of the specific care provided.

The dental plans are implemented in the following manner: contracts between the Company and employers, unions, or other Pennsylvania organizations that request coverage under the plan will be issued for one, two or more years. These group contracts can be canceled by either party upon sixty days’ notice prior to renewal. For a monthly premium, a Pennsylvania resident who is an employee of a group (“Subscriber”) and his or her dependents, if any, will be able to choose from a select panel of participating general dentists. The Company contracts with Network General Dentists to provide certain dental services, in accordance with the benefit schedule (the “Patient Charge Schedule”) selected by the contracting group. If the member does not make a choice from the panel of Network General Dentists, Cigna maintains an office transfer policy which will automatically assign the member to any Network General Dentist the member chooses to visit for services and the member will receive the benefits under his or her plan.

The Company contracts with a network of providers to handle the dental needs of members in Pennsylvania. In contracting with Network General Dentists, the Company does not impose restrictions on his or her methods of diagnosis or treatment and does not attempt to interfere with the private dentist-patient relationship.

The Company also contracts with specialists including Periodontists, Orthodontists, Oral Surgeons, Pedodontists, and Endodontists. A listing of participating specialists is available to Network General Dentists. When covered specialized dental care services are appropriate for a Covered Person, the Network General Dentist will initiate the referral process. The Company reviews the specialty referral request and authorizes payment for covered specialty treatment according to the terms of the applicable Patient Charge Schedule and the contract between the Company and the specialist. Such specialized dental care is usually provided by Network Specialists but may be provided by out-of-network specialists.

The Company markets its managed dental care products through duly licensed and appointed producer firms, individuals, and private exchanges. The Company's primary strategy for marketing in Pennsylvania is to utilize the existing employee benefit, business expertise and broker relationships of the Cigna group sales offices to solicit companies who have employees residing in Pennsylvania. The sales force also uses their contacts to market to Pennsylvania employers.

Marketing materials for the Cigna Dental Care® plans are created at the national level by a dedicated marketing unit. The nationwide plans are a mix of licensed dental health maintenance organization plans, dental plan organizations, prepaid plans, and plans with open access features. When the terms "Cigna Dental Care® / DHMO" or "Cigna Dental Care® (DHMO)" are used in marketing materials, it must be in combination with a disclaimer explaining the term is used to encompass plans that vary by state and may include plans with open access features. In recent months, changes have been initiated to broker-facing materials, administrative requests have been made to effectuate changes to MyCigna.com, and the Company is readying a refile of Patient Charge Schedules to bring them into alignment.

SIGNIFICANT OPERATING RATIOS AND TRENDS

The Company reported the following net underwriting, investment, and other gains or losses during the period under examination:

	2018	2017	2016	2015
Admitted Assets	\$ 1,708,382	\$ 1,391,135	\$ 1,523,353	\$ 1,555,582
Liabilities	\$ 208,155	\$ 173,256	\$ 218,908	\$ 211,274
Capital and Surplus Funds	\$ 1,500,227	\$ 1,217,879	\$ 1,304,444	\$ 1,344,308
Net Premium Income	\$ 5,865,882	\$ 5,762,915	\$ 5,337,497	\$ 5,461,853
Benefits to Members	\$ 2,733,146	\$ 2,608,781	\$ 2,223,018	\$ 2,280,074
Net Investment Income	\$ 24,450	\$ 10,608	\$ 2,231	\$ (1,501)
Net Income	\$ 1,777,528	\$ 1,564,165	\$ 1,460,156	\$ 1,462,941

PENDING LITIGATION

The Company is not a party to any current or pending legal proceedings that might have a material adverse effect on the Company's financial condition as of the date of this examination report

FINANCIAL STATEMENTS

The financial condition of the Company, as of December 31, 2018, and the results of its operations for the four-year period under examination, are reflected in the following statements*:

Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
Comparative Statement of Revenue and Expenses;
Comparative Statement of Capital and Surplus; and
Comparative Statement of Cash Flow

*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding errors.

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Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31, 2018

	2018	2017	2016	2015
Cash, cash equivalents and short-term investments	1,170,250	826,239	1,065,668	1,039,218
Subtotal, cash and invested assets	<u>1,170,250</u>	<u>826,239</u>	<u>1,065,668</u>	<u>1,039,218</u>
Premiums and considerations	504,258	483,476	452,077	454,608
Current federal and foreign income tax recoverable and interest thereon	11,221	19,748	0	7,142
Net deferred tax asset	1,528	1,286	2,218	2,836
Receivable from parent, subsidiaries and affiliates	3,969	23,562	3,390	3,054
Aggregate write-ins for other than invested assets	17,156	36,824	0	48,724
Total	<u>\$ 1,708,382</u>	<u>\$ 1,391,135</u>	<u>\$ 1,523,353</u>	<u>\$ 1,555,582</u>
Claims unpaid	\$ 171,807	\$ 139,370	\$ 124,055	\$ 171,264
Unpaid claims adjustment expenses	2,199	1,593	1,348	4,444
Premiums received in advance	19,517	20,500	18,650	21,004
General expenses due or accrued	0	8,723	61,935	7,977
Current federal and foreign income tax payable and interest thereon	0	0	7,826	0
Remittances and items not allocated	4,664	3,070	5,094	6,585
Amounts due to parent, subsidiaries and affiliates	0	0	0	0
Aggregate write-ins for other liabilities	9,968	0	0	0
Total liabilities	<u>208,155</u>	<u>173,256</u>	<u>218,908</u>	<u>211,274</u>
Aggregate write-ins for special surplus funds	0	112,225	0	100,220
Common capital stock	30	30	30	30
Gross paid in and contributed surplus	308,626	308,626	308,626	308,626
Unassigned funds (surplus)	1,191,571	796,998	995,788	935,432
Total capital and surplus	<u>1,500,227</u>	<u>1,217,879</u>	<u>1,304,444</u>	<u>1,344,308</u>
Totals	<u>\$ 1,708,382</u>	<u>\$ 1,391,135</u>	<u>\$ 1,523,352</u>	<u>\$ 1,555,582</u>

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**Comparative Statement of Revenue and Expenses
For the Year Ended December 31, 2018**

	2018	2017	2016	2015
Net premium income	\$ 5,865,882	\$ 5,762,915	\$ 5,337,497	\$ 5,461,853
Total revenues	<u>5,865,882</u>	<u>5,762,915</u>	<u>5,337,497</u>	<u>5,461,853</u>
Other professional services	2,643,211	2,499,793	2,147,412	2,177,537
Outside referrals	89,935	108,988	75,606	102,537
Subtotal (hospital and medical)	<u>2,733,146</u>	<u>2,608,781</u>	<u>2,223,018</u>	<u>2,280,074</u>
Total hospital and medical	<u>2,733,146</u>	<u>2,608,781</u>	<u>2,223,018</u>	<u>2,280,074</u>
Claims adjustment expenses, including cost containment expenses	9,245	11,230	7,089	10,933
General administrative expenses	869,703	747,963	813,587	866,294
Total underwriting deductions	<u>3,612,094</u>	<u>3,367,974</u>	<u>3,043,694</u>	<u>3,157,301</u>
Net underwriting gain or (loss)	<u>2,253,788</u>	<u>2,394,941</u>	<u>2,293,803</u>	<u>2,304,552</u>
Net investment income earned	24,450	10,608	2,231	(1,501)
Net realized capital gains or (losses)	(11)	(25)	6	(47)
Net investment gains or (losses)	24,439	10,583	2,237	(1,548)
Net gain or (loss) from agents' or premium balances charged off	78	900	(1,064)	(187)
Net income or (loss) before federal income taxes	<u>2,278,305</u>	<u>2,406,424</u>	<u>2,294,976</u>	<u>2,302,817</u>
Federal income taxes incurred	500,777	842,259	834,820	839,876
Net income (loss)	<u>\$ 1,777,528</u>	<u>\$ 1,564,165</u>	<u>\$ 1,460,156</u>	<u>\$ 1,462,941</u>

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**Comparative Statement of Capital and Surplus
For the Year Ended December 31, 2018**

	2018	2017	2016	2015
Capital and surplus, December 31, previous year	\$ 1,217,879	\$ 1,304,444	\$ 1,344,308	\$ 2,680,567
Net income or (loss)	1,777,528	1,564,165	1,460,156	1,462,941
Change in net deferred income tax	242	(932)	(618)	480
Change in nonadmitted assets	(422)	202	598	320
Dividends to stockholders	(1,495,000)	(1,650,000)	(1,500,000)	(2,800,000)
Net change in capital and surplus	\$ 282,348	\$ (86,565)	\$ (39,864)	\$ (1,336,259)
Capital and surplus, December 31, current year	\$ 1,500,227	\$ 1,217,879	\$ 1,304,444	\$ 1,344,308

For Informational Purposes Only

Comparative Statement of Cash Flow For the Year Ended December 31, 2018

	2018	2017	2016	2015
Cash from Operations				
Premiums collected net of reinsurance	\$ 5,843,695	\$ 5,733,568	\$ 5,338,272	\$ 5,487,035
Net investment income	24,450	10,608	2,231	(1,501)
Total	<u>5,868,145</u>	<u>5,744,176</u>	<u>5,340,503</u>	<u>5,485,534</u>
Benefit and loss related payments	2,700,709	2,593,466	2,270,227	2,205,615
Commissions, expenses paid and aggregate write-ins for deductions	857,351	848,084	722,154	844,187
Federal and foreign income taxes paid (recovered)	492,248	869,822	819,855	836,936
Total deductions	<u>4,050,308</u>	<u>4,311,372</u>	<u>3,812,236</u>	<u>3,886,738</u>
Net cash from operations	<u>1,817,837</u>	<u>1,432,804</u>	<u>1,528,267</u>	<u>1,598,796</u>
Cash from Investments				
Proceeds from investments sold, matured or repaid:				
Net gain or (loss) on cash, cash equivalents and short term investments	(13)	(36)	9	(68)
Total investment proceeds	<u>(13)</u>	<u>(36)</u>	<u>9</u>	<u>(68)</u>
Net cash from investments	<u>(13)</u>	<u>(36)</u>	<u>9</u>	<u>(68)</u>
Cash from Financing and Miscellaneous Sources				
Cash provided (applied):				
Dividends to stockholders	1,495,000	1,650,000	1,500,000	2,800,000
Other cash provided or (applied)	21,187	(22,196)	(1,827)	(78,965)
Net cash from financing and miscellaneous sources	<u>(1,473,813)</u>	<u>(1,672,196)</u>	<u>(1,501,827)</u>	<u>(2,878,965)</u>
Reconciliation of cash and short-term investments:				
Net change in cash and short-term investments	344,011	(239,428)	26,449	(1,280,237)
Cash and short-term investments:				
Beginning of the year	826,239	1,065,667	1,039,218	2,319,455
End of the year	<u>\$ 1,170,250</u>	<u>\$ 826,239</u>	<u>\$ 1,065,667</u>	<u>\$ 1,039,218</u>

For Informational Purposes Only

SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

NOTES TO FINANCIAL STATEMENTS

ASSETS

INVESTMENTS

As of December 31, 2018, the Company's invested assets were distributed as follows:

	Amount	Percentage
Cash	(29,695)	-2.5%
Cash equivalents	1,199,945	102.5%
Totals	<u>\$ 1,170,250</u>	<u>100.0%</u>

The Company's bond and short-term investment portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 1,199,945	100.0%
Totals	<u>\$ 1,199,945</u>	<u>100.0%</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 1,199,945	100.0%
Totals	<u>\$ 1,199,945</u>	<u>100.0%</u>

The Company's investment portfolio consists of highly liquid short-term government bonds listed as cash equivalents.

The Company has a written investment policy as required by 40 P.S. § 653b(b). The investment policy is reviewed and approved on an annual basis by the Board as required by 40 P.S. § 504.1(c). The Company was following its investment policy at December 31, 2018.

The Company entered into a custodial agreement with JP Morgan Chase Bank, N.A., a national banking and financial services company effective August 4, 2005. The custodial agreement has not changed since the prior examination and is in compliance with the standards for custodial agreements pursuant to 31 Pa. Code § 148a.3.

LIABILITIES

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Company reported net reserves in the amount of \$171,807 for claims unpaid and \$2,199 for unpaid claims adjustment expenses on the December 31, 2018 Annual Statement.

Gregory N. Malone, FSA, MAAA, and Actuarial Managing Director of Cigna served as the Company's appointed actuary and provided a Statement of Actuarial Opinion ("Opinion") for all years in the examination period. For each year in the examination period, Mr. Malone issued an Opinion stating that the amounts carried in the balance sheet made a reasonable provision for all unpaid claims and other actuarial liabilities.

The Lead State retained the actuarial services of Lewis & Ellis, Inc. ("L&E Actuary") to perform an independent risk-focused review of the Company's claims unpaid and unpaid claims adjustment expenses reserve amounts reported by the Company. The L&E Actuary's assessment included a review of the Company's methodology and a summary of the results, as well as independent calculation of the Company's liabilities as of December 31, 2018 and as of August 31, 2018.

Based on the procedures performed and the results obtained, the examination team obtained sufficient documentation to support the conclusion that the Company's carried claims unpaid and unpaid claims adjustment expenses reserve amounts are reasonably stated as of December 31, 2018.

SUBSEQUENT EVENTS

Dividend

The Company paid two extraordinary dividends from its unassigned funds (surplus) totaling \$2,100,000 to its sole stockholder CDH during the year-ended December 31, 2019. The first extraordinary dividend payment of \$1,000,000 in cash was paid to CDH on August 1, 2019. The second extraordinary dividend payment of \$1,100,000 in cash was paid to CDH on November 7, 2019. The first and second dividend payments were approved by the Department on July 22, 2019, and November 7, 2019, respectively. The dividend payments were approved by the Board, properly reported to the Department, and paid within the existing regulatory guidelines in accordance with the provisions of 40 P.S. § 459.8, 991.1404(e), § 1405(b)(1), and 31 Pa. Code § 25.22. The dividend payments were considered extraordinary based on the provisions of 40 P.S. § 1405(b)(2).

Amendment to the Tax Allocation Agreement

The Department approved an Amendment to the Amended and Restated Consolidated Federal Income Tax Agreement ("Amendment") on April 30, 2019. The Amendment was executed by the Company on June 17, 2019.

On December 20, 2018, Cigna Corporation acquired control of Express Scripts, Inc. The Acquisition technically constituted a change of control of Cigna's U.S. insurance subsidiaries

because the top-tier holding company of such companies changed from Cigna Corporation, a Delaware corporation that has been renamed Cigna Holding Company (“Old Cigna”), to Halfmoon Parent, Inc., a Delaware corporation that has been renamed Cigna Corporation (“New Cigna”). Prior to the Acquisition, New Cigna was a direct, wholly owned subsidiary of Old Cigna. In connection with the Acquisition, New Cigna became the direct parent of Old Cigna. Cigna Parent Corporation will now serve as the new common parent of the consolidated tax group.

Patient Protection and Affordable Care Act Risk-Corridor Ruling

On April 27, 2020, The United States Supreme Court ordered the federal government to pay insurance companies \$12 billion dollars promised in the Patient Protection and Affordable Care Act (“ACA”). The money awarded to the plaintiffs is related to the start-up costs associated with the ACA risk-corridor program.

The risk-corridor program was created in an effort to stabilize health insurance premiums and support insurance companies willing to provide insurance coverage to applicants regardless of various factors, including their health status. Under the ACA, insurance companies utilized a formula whereby insurance companies participating in the ACA marketplaces with losses or profits beyond certain “risk corridors” would share those losses and profits with the United States government for the first three years of the program: 2014, 2015, and 2016. As a result, insurance companies that made a profit were required to pay money to the government, and insurance companies that reported losses were supposed to receive money from the government under the formula. However, in 2014, money was not appropriated by the United States Congress, and payments were not made to insurance companies with losses as promised under the law.

The current ruling will now enforce the provisions of the ACA and require the federal government to pay the money owed to insurance companies. The Department will monitor new developments, as well as the financial and operational impact the ruling may have on the Company.

COVID-19

The Department is monitoring the impact of the COVID-19 global pandemic. The Department recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Company. As such, the Department will continue to monitor and share information with the Company as appropriate related to COVID-19 developments.

RECOMMENDATIONS

PRIOR EXAMINATION

The prior examination report contained the following recommendations:

1. It is recommended that the Company maintain documentation of corporate actions in order to facilitate a proper review of those actions against pertinent statutes and the Company's by-laws.

The Company has complied with this recommendation.

2. It is recommended that the Company's Board meeting minutes maintain documentation of the review and approval of its Investment Policy on an annual basis as required by 40 P.S. § 504.1(c).

The Company has complied with this recommendation.

CURRENT EXAMINATION

As a result of the current examination, the following recommendations are being made:

1. *It is recommended that the Company perform a year-end true-up (adjustment) to ensure the monthly fee recorded and paid is in compliance with SSAP 25 and 40 P.S. §§ 991.1405(a)(1)(i-iv).* (See Service and Operating Agreements – Administrative Service Agreement, page 8)

CONCLUSION

As a result of this examination, the financial condition of Cigna Dental Health of Pennsylvania, Inc., as of December 31, 2018, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 1,708,382	100.0 %
Liabilities	\$ 208,155	12.2 %
Capital and Surplus	1,500,227	87.8 %
Total liabilities, capital and surplus	<u>\$ 1,708,382</u>	<u>100.0 %</u>

Since the previous examination, made as of December 31, 2014, the Company's assets decreased by \$1,181,478, its liabilities decreased by \$1,138, and its surplus decreased by \$1,180,340.

This examination was conducted by Pamela Roberts, AFE.

Respectfully,



Melissa L. Greiner
Director
Bureau of Financial Examinations



David R. Evans, CFE
Examination Manager



Pamela Roberts, AFE
Examiner-in-Charge