

Report of the Examination of
HumanaDental Insurance Company
Louisville, Kentucky
As of December 31, 2020

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April 4, 2022

Honorable Nathan Houdek
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

HUMANADENTAL INSURANCE COMPANY
Louisville, Kentucky

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of HumanaDental Insurance Company (HDIC or the company) was conducted in 2016 as of December 31, 2015. The current examination covered the intervening period ending December 31, 2020, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of affiliated companies domiciled in Arkansas, Florida, Georgia, Illinois, Louisiana, Michigan, Ohio, Pennsylvania, Tennessee, Texas, Utah, and Washington with Wisconsin acting in the capacity as the lead state for the coordinated examination. Representatives of Arkansas, Florida, Georgia, Illinois, Louisiana, Michigan, Ohio, Pennsylvania, Tennessee, Texas, Utah, and Washington participated in the examination, and their work was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks

(including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

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, annual statement instructions, and Wisconsin laws and regulations. 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 at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance (OCI). The actuary reviewed the adequacy of the unpaid claims liability, unpaid claims adjustment expense, aggregate health policy reserves, premium deficiency reserves, uncollected premiums, and agents' balances in the course of collection, accrued retrospective premiums, and health receivables. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

HumanaDental Insurance Company is a Wisconsin-domiciled life and health insurer authorized to conduct insurance business pursuant to ch. 611, Wis. Stat. The company was initially organized on January 1, 1908, under the name Wisconsin National Life Insurance Company (WNLIC) and was a publicly traded stock insurance company.

Effective March 26, 1975, N. V. Netherlands Insurance Company (N. V. Netherlands) acquired 91.42% of the outstanding capital stock of WNLIC, and on April 29, 1976, N. V. Netherlands acquired the remaining outstanding shares of WNLIC through a reverse stock split. Ownership and control of WNLIC was transferred to Nationale-Nederlanden U.S. Corporation, a wholly owned subsidiary of N. V. Netherlands, on May 2, 1977, and to Nationale-Nederlanden U.S. Life Insurance Company effective January 1, 1981. On June 30, 1985, the capital stock of the company was transferred to Nationale-Nederlanden U.S. Holdings, Inc. On July 30, 1993, 100% of the capital stock of WNLIC was purchased by Protective Life Insurance Company (PLIC), a subsidiary of the Alabama-domiciled insurance holding company Protective Life Corporation.

Ownership and control of WNLIC was purchased from PLIC by HumanaDental, Inc., a Delaware-domiciled holding company and wholly owned subsidiary of Humana Inc. (Humana), effective May 10, 2000. The name of the company was changed to HumanaDental Insurance Company on May 10, 2000.

The company commenced issuing dental health insurance policies in 2001, and its ongoing portfolio of net retained insurance risk is comprised solely of dental health insurance.

The company is licensed in the District of Columbia and in all state jurisdictions except New York.

In 2020, the company collected direct premium in the following states:

Michigan	\$399,080,523	62.1%
Texas	40,052,331	6.2
California	20,457,397	3.2
Washington	17,398,585	2.7
New Jersey	13,704,639	2.1
Illinois	13,169,465	2.0
Wisconsin	12,782,901	2.0
All others	<u>125,997,348</u>	<u>19.6</u>
Total	<u>\$642,645,312</u>	<u>100.0%</u>

HDIC primarily offers dental and vision products, but also has some Medicare Supplement business. In 2015, HDIC began writing business under the Federal Employees Health Benefits Plan. In addition, the company began offering Medicare Advantage products to its consumers during 2019. The company does have some old life and annuity business that is 100% ceded to Protective Life Insurance Company. This is discussed further in the section titled “Reinsurance.”

The company markets its products based on three core alternatives: indemnity insurance coverage, preferred provider organization networks, and administrative-only products. For non-Medicare Advantage business, HDIC marketing operations are conducted through marketing offices of an affiliate, Humana Insurance Company (HIC). For the company’s Medicare Advantage business, the marketing services are provided through an affiliate, Humana MarketPOINT.

The following chart is a summary of premium income as reported by the company in 2020. The growth of the company is discussed in the “Financial Data” section of this report.

Premium Income

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Medicare supplement	\$114,234,911	\$	\$	\$114,234,911
Dental only	101,694,199			101,694,199
Federal employees health benefit plan	24,119,869			24,119,869
Title XVIII - Medicare	398,093,711			398,093,711
Other health	32,257		32,257	
Life	<u>4,470,365</u>	-	<u>4,470,365</u>	
Total All Lines	<u>\$642,645,312</u>	<u>\$</u>	<u>\$4,502,622</u>	<u>\$638,142,690</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three members. Directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Each member of the company's board of directors is a senior executive of the ultimate parent, Humana Inc., and is a member of other boards of directors in the holding company group

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Bruce Dale Broussard Louisville, Kentucky	President & Chief Executive Officer Humana Inc.	2022
Joseph Matthew Ruschell Louisville, Kentucky	Associate Vice President, Assistant General Counsel & Corporate Secretary Humana Inc.	2022
Susan Draney Schick Louisville, Kentucky	Segment President, Group and Military Business Humana Inc.	2022

Officers of the Company

Each senior executive officer of HumanaDental Insurance Company is also a senior executive officer of Humana Inc. and serves as an officer in other legal entities within the holding company group. The HDIC senior officers serving at the time of this examination are as follows:

Name	Office
Susan Draney Schick	President, Segment President-Group and Military Business
Brian Andrew Kane	Chief Financial Officer ¹
Susan Marie Diamond	Chief Financial Officer ²
Alan James Bailey	Vice President and Treasurer
Joseph Matthew Ruschell	Associate Vice President, Assistant General Counsel and Corporate Secretary
Vanessa Marie Olson	Senior Vice President and Chief Actuary
Timothy Alan Wheatley	Segment President, Retail

¹ Mr. Kane retired effective June 1, 2021.

² Ms. Diamond was elected as interim Chief Financial Officer until her election to Chief Financial Officer effective June 28, 2021.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committees of the ultimate parent company, Humana Inc., perform comprehensive corporate governance oversight on behalf of each Humana Inc. operating subsidiary including HumanaDental Insurance Company. The Humana Inc. board of directors has the following committees: Audit; Executive; Investment; Nominating, Governance & Sustainability; Organization & Compensation; and Technology. Composition of the board committees at the time of the examination are listed below:

Audit Committee

Frank A. D'Amelio, Chair
Raquel C. Bono, M.D.
John W. Garratt
William J. McDonald

Executive Committee

Bruce Dale Broussard, Chair
Kurt J. Hilzinger
David A. Jones Jr.

Investment Committee

John W. Garratt, Chair
William J. McDonald
James J. O'Brien
Marissa T. Peterson

Organization & Compensation Committee

James J. O'Brien, Chair
Wayne A.I. Frederick, M.D.
David A. Jones Jr.
Jorge S. Mesquita

Nominating, Governance & Sustainability Committee

David A. Jones, Jr., Chair
Frank A. D'Amelio,
Karen W. Katz

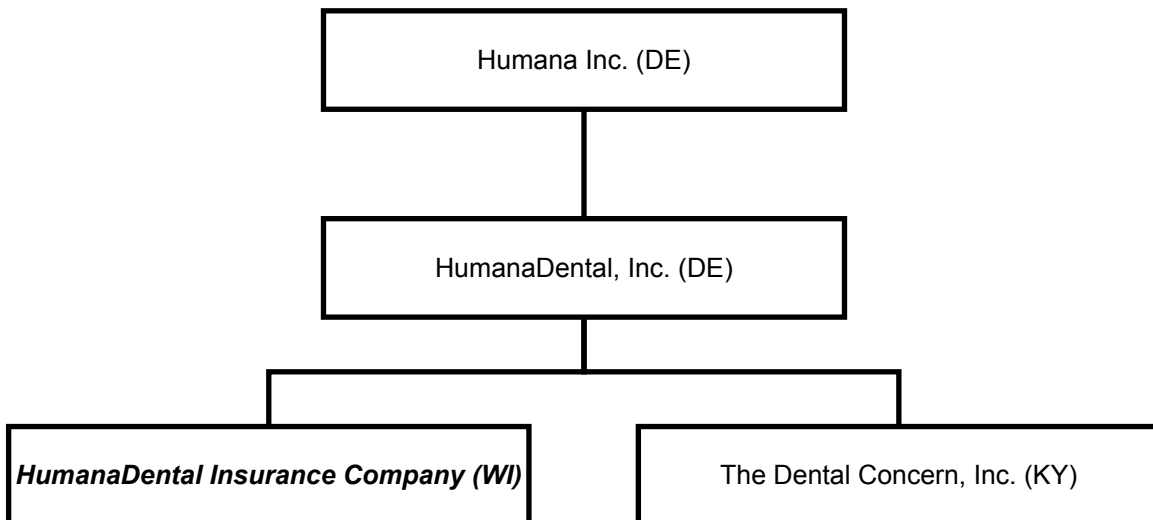
Technology Committee

Marissa T. Peterson, Chair
Raquel C. Bono, M.D.
Wayne A.I. Frederick, M.D.
Karen W. Katz
Marcy S. Klevorn

IV. AFFILIATED COMPANIES

HumanaDental Insurance Company is a member of a holding company system. The ultimate parent is Humana Inc. The holding company consists of 34 insurance companies operating in 18 states and Puerto Rico. The abbreviated organizational chart below depicts the relationships among the affiliates in the direct succession of control of the company. A brief description of affiliates deemed significant follows the organizational chart.

**Organizational Chart
As of December 31, 2020**



Humana Inc.

Humana Inc. is an insurance holding company which provides indemnity insurance, managed health care insurance, and specialty service products through the operations of its subsidiary companies. Humana Inc. is a Delaware corporation incorporated on July 27, 1964. Humana products are offered primarily through subsidiary life and health indemnity insurers, health maintenance organizations (HMO), and preferred provider organizations, and are marketed for employer groups, government benefit programs, and individuals.

As of December 31, 2020, the GAAP basis audited financial statements of Humana Inc. reported total assets of \$34,969.0 million, total liabilities of \$21,241.0 million, and total stockholders' equity of \$13,728.0 million. Operations for 2020 produced a net income of \$3,367.0 million.

HumanaDental, Inc.

HumanaDental, Inc. is a non-operating intermediate holding company domiciled in Delaware which holds the assets of certain HumanaDental operating subsidiaries. HumanaDental, Inc. holdings include the Wisconsin-domiciled insurer HumanaDental Insurance Company.

As of December 31, 2020, the GAAP basis unaudited financial statements of HumanaDental, Inc. reported total assets of \$36.5 million, total liabilities of \$0, and total stockholders' equity of \$36.5 million. Unconsolidated operations for 2020 produced a net loss of \$0.2 million.

The Dental Concern, Inc.

The Dental Concern, Inc. is a licensed limited health service organization in the states of Florida, Illinois, and Kentucky and a licensed dental health maintenance organization in the states of Colorado, Maryland, and Missouri. The subsidiary's dental products are marketed primarily to employer groups. The subsidiary markets to individuals in Kentucky and now offers vision plans.

As of December 31, 2020, the statutory basis audited financial statements of The Dental Concern, Inc. reported total admitted assets of \$13.6 million, total liabilities of \$4.5 million, and policyholders' surplus of \$9.1 million. Operations for 2020 produced net income of \$4.0 million.

Agreements with Affiliates

Indemnity Agreement between HDIC and Humana Inc.

HumanaDental Insurance Company and Humana Inc. entered into an indemnity agreement on May 10, 2000, whereby Humana Inc. agrees to indemnify HDIC from all liability or loss that HDIC may suffer as a result of HDIC's failure to perform its insurance risk obligations in the event that HDIC should become insolvent or otherwise financially incapable of meeting its obligations. Under the agreement, Humana Inc. guarantees continuation of coverage under certificates of coverage issued by HDIC for the duration of the contract for which payment has been made, continuation of benefits to HDIC members who are confined in an inpatient facility on the date of insolvency until the member's discharge, and payment to providers for services rendered before insolvency and required by HDIC's certificates of

coverage. Humana also agrees to indemnify HDIC and hold harmless HDIC from any and all liability and loss that HDIC may suffer arising from HDIC's provision of administrative services to Humana Inc.

Tax Allocation Agreement between HDIC and Humana Inc.

HumanaDental Insurance Company and Humana Inc. are parties to a Tax Allocation Agreement effective May 10, 2000, and amended and restated on January 1, 2016. The agreement provided that Humana Inc. will file consolidated tax returns for all the legal entities in the Humana Inc. holding company group, including HDIC. The consolidated tax liability for each year shall be apportioned to Humana Inc. and its subsidiaries based on applicable provisions of the Internal Revenue Code, based on the ratio by which the portion of consolidated tax liability attributable to each respective member of the group bears to the consolidated tax liability. Humana Inc. shall credit to each respective affiliate 100% of the excess of the affiliate's separate return tax liability over its allocated consolidated tax return liability. Humana Inc. is responsible for the preparation and filing of all consolidated tax returns and any other returns or documents required to be filed with the Internal Revenue Service.

Effective January 1, 2016, this agreement was amended and restated to update the settlement of intercompany balances within Humana from 90 days after the calculation of any federal and state income tax expense to 30 days. In addition, a clause was added for Humana Inc. to indemnify and hold harmless HDIC in the event that the Internal Revenue Service levies HDIC's assets for any unpaid taxes

Corporate Service Agreement between HDIC and Humana Inc.

HumanaDental Insurance Company is party to a Corporate Service Agreement with Humana Inc. effective January 3, 2007. It has been amended January 1, 2011, and January 1, 2013, for regulatory compliance purposes. Humana Inc. provides services supporting the business operations of HDIC. Humana provides HDIC with services such as payroll, trade accounts payments, broker commissions, medical and product management, executive management, information systems, financial and legal services, human resource and sales distribution management, and related services. Humana Inc. receives a direct reimbursement for services with direct costs and a pro rata share of costs of shared services and overhead based upon weighted membership. The agreement provides that Humana Inc. collects funds due HDIC in the operation of its business and performs any necessary banking and

accounting administrative duties to accomplish collections and disbursements of funds on behalf of HDIC. No amendment has been made since the January 2013 amendment.

Service Center Service Agreements between HDIC, Humana Insurance Company, and Humana Inc.

HumanaDental Insurance Company has established a service center service agreement with Humana Insurance Company (HIC) and Humana Inc. as a Repository effective January 3, 2007. It has been amended January 1, 2011, and January 1, 2013, for regulatory compliance purposes. The agreements provide that HIC will provide HDIC with claims processing, customer service, front-end operations, billing and enrollment, utilization review, and other support activities. HIC expenses allocated to HDIC include general business expenses incurred by HIC in performance of the services. Humana Inc. serves as the Repository under the service center service agreement, pursuant to which Humana Inc. disburses and collects management fees that are required by the agreements and performs any necessary banking and administrative duties required to accomplish its Repository duties. The 2011 and 2013 amendments also integrated some previously separate affiliate agreements into this agreement. No amendments have been made since the 2013 amendment.

Marketing Service Agreement between HDIC and MPOINT

A Medicare Risk Marketing Service Agreement, effective June 7, 2006, is in force between Humana MarketPOINT, Inc. (MPOINT), HIC, and Humana Inc. as Repository. It was amended January 1, 2013, for regulatory compliance purposes and several affiliates were added to the agreement including HDIC. Under the terms of the agreement, MPOINT provides marketing services including the provision of staff, systems, and related support to HDIC in order to market Humana Medicare Risk Products.

V. REINSURANCE

The company's reinsurance portfolio and strategy at the time of the examination are described below. The company maintains one ceding reinsurance contract in force. The contract contained proper insolvency provisions.

HumanaDental Insurance Company maintains a 100% quota share reinsurance agreement with Protective Life Insurance Company whereby all business written by Wisconsin National Life Insurance Company prior to April 1, 1999, is ceded to PLIC. The agreement covers all business written on a direct basis by the company and all previously assumed or coinsured risks on or prior to April 1, 1999. Risks ceded under the agreement include ordinary life insurance, other A&H, and individual annuity contracts.

Under the agreement with PLIC, the reinsurer accepts cession or retrocession of all HDIC's rights and interest in the coinsured policies and agrees to perform all contractual liabilities under the coinsured policies and to perform all responsibilities of HDIC under the reinsurance agreements that relate to the coinsured policies arising on or after the agreement effective date.

Pursuant to a service agreement between the parties, PLIC agrees to provide all normal and necessary policyholder service with regard to the subject policies, including billing and collection of premiums, payment of claims, normal policyholder services, preparation of periodic statutory financial statement data, administration of the related reinsurance agreements for the ceded policies, and underwriting and issuance of any coinsured policies.

The reinsurance agreement cannot be canceled by the parties and will remain in force until the last coinsured policy ceases to be in force. The parties agree that the reinsurance agreement may not be materially modified unless required by law, and HDIC may not recapture the coinsured policies. The company received a one-time ceding commission of \$24,900,000 upon the execution of the agreement in 1999.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2020, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Capital and Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

HumanaDental Insurance Company
Assets
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 73,406,163	\$	\$ 73,406,163
Cash, cash equivalents, and short-term investments	101,831,488		101,831,488
Investment income due and accrued	456,027		456,027
Uncollected premiums and agents' balances in course of collection	2,636,824	407,766	2,229,058
Accrued retrospective premiums and contracts subject to redetermination	6,242,305		6,242,305
Amounts receivable relating to uninsured plans	12,758,851	1,512	12,757,339
Current federal and foreign income tax recoverable and interest thereon	2,331,476		2,331,476
Net deferred tax asset	7,411,740	3,157,675	4,254,065
Guaranty funds receivable or on deposit	1,071,993		1,071,993
Furniture and equipment, including health care delivery assets	405,036	405,036	
Health care and other amounts receivable	9,151,363	292,134	8,859,229
Write-ins for other than invested assets:			
Prepaid commissions	3,432,759	3,432,759	
Deposits	318,046	318,046	
Prepaid expenses	<u>289,343</u>	<u>289,343</u>	
Total Assets	<u>\$221,743,414</u>	<u>\$8,304,270</u>	<u>\$213,439,144</u>

HumanaDental Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2020

Claims unpaid		\$ 67,390,417
Accrued medical incentive pool and bonus payments		3,016,072
Unpaid claims adjustment expenses		520,955
Aggregate health policy reserves		12,639,649
Premiums received in advance		4,601,088
General expenses due or accrued		6,702,710
Remittance and items not allocated		352,374
Amounts due to parent, subsidiaries, and affiliates		1,130,569
Payable for securities lending		183,261
Liability for amounts held under uninsured accident and health plans		371,173
Unclaimed Property (including \$118,393 current)		<u>239,171</u>
Total Liabilities		97,147,440
Common capital stock	\$ 2,600,000	
Gross paid in and contributed surplus	72,674,680	
Unassigned funds (surplus)	<u>41,017,024</u>	
Total Capital and Surplus		<u>116,291,703</u>
Total Liabilities, Capital and Surplus		<u>\$213,439,144</u>

HumanaDental Insurance Company
Statement of Revenue and Expenses
For the Year 2020

Net premium income		\$638,142,690
Change in unearned premium reserves and reserve for rate credits		<u>246,216</u>
Total revenues		638,388,906
Medical and Hospital:		
Hospital/medical benefits	\$377,526,935	
Other professional services	72,437,393	
Emergency room and out-of-area	13,174,580	
Prescription drugs	15,090,089	
Incentive pool and withhold adjustments	<u>3,185,057</u>	
Subtotal	481,414,054	
Less		
Net reinsurance recoveries	<u>118,530</u>	
Total medical and hospital	481,295,524	
Claims adjustment expenses	28,687,649	
General administrative expenses	114,378,594	
Increase in reserves for life and accident and health contracts	<u>(5,258,178)</u>	
Total underwriting deductions		<u>619,103,588</u>
Net underwriting gain or (loss)		19,285,318
Net investment income earned	1,882,966	
Net realized capital gains or (losses)	<u>346,947</u>	
Net investment gains or (losses)		2,229,913
Aggregate write-ins for other income or expenses		<u>8,430,315</u>
Net income or (loss) before federal income taxes		29,945,546
Federal and foreign income taxes incurred		<u>9,234,513</u>
Net Income (Loss)		<u>\$ 20,711,034</u>

HumanaDental Insurance Company
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2020

	2020	2019	2018	2017	2016
Capital and surplus, beginning of year	\$ 75,553,000	\$55,617,462	\$62,268,781	\$69,844,063	\$84,647,125
Net income (loss)	20,711,034	(11,060,035)	17,608,078	18,778,823	23,856,811
Change in net unrealized capital gains/losses	9,521	61,944	(71,858)	338	(338)
Change in net deferred income tax	1,136,629	4,479,941	104,547	(2,072,673)	(493,727)
Change in nonadmitted assets	(1,118,480)	(2,986,311)	(2,284,591)	1,095,403	1,741,854
Surplus adjustments:					
Paid in	20,000,000	35,000,000	(7,496)		92,338
Dividends to stockholders		(5,560,000)	(22,000,000)	(25,000,000)	(40,000,000)
Write-ins for gains and (losses) in surplus:					
Prior Period Adjustments – Claims				<u>(377,173)</u>	
Capital and Surplus, End of Year	<u>\$116,291,703</u>	<u>\$75,553,000</u>	<u>\$55,617,462</u>	<u>\$62,268,781</u>	<u>\$69,844,063</u>

HumanaDental Insurance Company
Statement of Cash Flow
For the Year 2020

Premiums collected net of reinsurance		\$634,670,256
Net investment income		<u>2,541,974</u>
Total		637,212,230
Less:		
Benefit- and loss-related payments	\$452,582,389	
Commissions, expenses paid and aggregate write-ins for deductions	142,931,338	
Federal and foreign income taxes paid (recovered) net of tax on capital gains (losses)	<u>11,570,545</u>	
Total		<u>607,084,272</u>
Net cash from operations		30,127,958
Proceeds from Investments Sold, Matured or Repaid:		
Bonds	\$38,220,609	
Miscellaneous proceeds	<u>183,261</u>	
Total investment proceeds		38,403,870
Cost of Investments Acquired—Long-term Only:		
Bonds	<u>42,304,774</u>	
Net cash from investments		(3,900,903)
Cash Provided/Applied:		
Capital and paid-in surplus, less treasury stock	20,000,000	
Other cash provided (applied)	<u>6,020,724</u>	
Net cash from financing and miscellaneous sources		<u>26,020,724</u>
Net Change in Cash, Cash Equivalents, and Short-Term Investments		52,247,779
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>49,583,710</u>
End of Year		<u>\$101,831,488</u>

Growth of HumanaDental Insurance Company

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2020	\$213,439,144	\$97,147,440	\$116,291,703	\$638,142,690	\$481,295,524	\$20,711,034
2019	142,330,304	66,777,304	75,553,000	384,125,796	302,394,908	(11,060,035)
2018	101,009,207	45,391,745	55,617,462	205,319,068	131,185,194	17,608,078
2017	98,535,541	36,266,760	62,268,781	252,169,056	157,882,537	18,778,823
2016	111,087,918	41,243,855	69,844,063	318,309,818	203,261,096	23,856,811
2015	136,395,920	51,748,795	84,647,125	395,632,564	259,907,946	25,202,789

Growth of HumanaDental Insurance Company (continued)

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2020	3.2%	75.4%	22.4%	-3.9%
2019	-2.9	78.7	22.8	-3.8
2018	8.6	63.9	29.4	-34.3
2017	7.4	62.6	28.8	-30.0
2016	7.5	63.9	26.5	-21.4
2015	6.4	65.7	26.7	-15.2

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2020	457,946	556.75	6.9
2019	476,487	345.59	6.0
2018	495,275	95.86	5.3
2017	754,159	23.69	5.2
2016	1,077,369	83.21	9.2
2015	1,370,833	4.51	5.2

Per Member Per Month Information

	2020	2019	Percentage Change
Premiums:			
Commercial	\$ 22.88	\$ 24.61	7.0%
Medicare	<u>419.86</u>	<u>352.50</u>	19.1
Expenses:			
Hospital/medical benefits	\$153.22	\$100.67	52.2
Other professional services	9.06	11.16	-18.8
Emergency room and out-of-area	5.35	3.45	54.8
Prescription drugs	6.12	3.65	68.0
Incentive pool and withhold adjustments	1.29	0.93	38.6
Less: Net reinsurance recoveries	<u>0.05</u>	<u>0.16</u>	-70.5
Total medical and hospital	175.00	119.70	46.2
Claims adjustment expenses	10.10	5.50	83.6
General administrative expenses	35.12	22.72	54.6
Increase in reserves for accident and health contracts	<u>(2.13)</u>	<u>7.81</u>	-127.3
Total underwriting deductions	<u>\$218.09</u>	<u>\$155.73</u>	40.1

The company experienced favorable operating results for four out of five years under examination with 2019's operations resulting in a net loss. During the period under examination, the company's admitted assets increased 56%, health premiums earned increased 61%, and surplus increased by 37%.

HDIC made dividend payments for the first four years of the examination period for a total of \$127.6 million with the largest dividend of \$40.0 million paid in 2016. HDIC also received capital contributions from Humana Inc. in four out of the five years under examination. With the largest amount of \$35.0 million received in 2019. The capital contribution received in 2019 was to fund the net loss that the company experienced and to support the growth in business.

Membership in the vision and dental lines of business has been declining over the years due to HDIC moving its members to its affiliate, HIC. In addition to the decline in vision and dental lines of business, HDIC experienced a decline in its profit margin ratio as it grows its Medicare Select line of business. HDIC began offering Medicare Advantage products in 2019 and has continued to grow its membership base.

**HumanaDental Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2020**

Assets		\$213,439,144
Less liabilities		<u>97,147,440</u>
Adjusted surplus		116,291,704
Annual premium:		
Individual life and health	\$541,775,461	
Factor	<u>15%</u>	
Total		\$81,266,319
Group life and health	96,367,229	
Factor	<u>10%</u>	
Total		9,636,722
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>90,903,041</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 25,388,663</u>
Adjusted surplus (from above)		\$116,291,704
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum of 110%)		<u>109,992,679</u>
Security Surplus Excess (Deficit)		<u>\$ 6,299,025</u>

Reconciliation of Capital and Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2020, is accepted.

Examination Reclassifications

There were no examination reclassifications as a result of this examination.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were three specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Business Plan Changes—It is recommended that the company file substantial changes in its business plan in accordance with s. Ins.9.06, Wis. Adm. Code.

Action—Compliance.

2. Escheat Property—It is recommended that the escheat process be amended to comply with the notification process requirement described in s. 177.17 (5), Wis. Stat., and that the company modify and implement its escheat policy to include property valued at \$50 or more in its notification process in accordance with s. 177.17 (5) (c), Wis. Stat.

Action—Compliance.

3. Report on Executive Compensation—It is recommended that the company include all direct and indirect compensation in its annual Report on Executive Compensation in accordance with s. 611.63 (4), Wis. Stat.

Action—Compliance.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Failure to Timely Notify Insurance Commissioners of Data Breaches

Per OCI Bulletin issued on December 4, 2006, insurers were instructed to provide notification to OCI "of any unauthorized access to personal information of Wisconsin residents as soon as practicable, but no later than 10 days after it has become aware of such unauthorized access." While this bulletin was replaced by Act 73 in July of 2021, it would have been in place when a cybersecurity event occurred and OCI should have been notified within 10 days.

In July 2021, Act 73 was signed into Wisconsin Law requiring licensees to develop an information security program, take certain steps to promptly investigate cybersecurity events, and notify both OCI and consumers when a cybersecurity breach has occurred. Effective November 1, 2021, licensees were expected to meet the requirements as set forth by s. 601.954, Wis. Stat. regarding the notification of a cyber event to OCI. Notification is to be provided "as promptly as possible but no later than three business days from the determination that the cybersecurity event occurred."

A review of the Humana Inc. cybersecurity policy noted that the corporation has a separate policy for each state in which it is licensed that details the notification requirements rather than including one overarching notification requirement within its corporate cybersecurity policy. The notification requirement included in the separate policy for the state of Wisconsin is that the commissioner be notified no later than three business days from the determination that a cybersecurity event occurred. During the latter part of 2021, the company experienced a cybersecurity event that was not reported to OCI within the required notification timeframe. It is recommended that the company comply with its cybersecurity policy and procedures and state requirements with regard to timely notification of OCI.

Proper Filing of Escheated Checks

A review of the company's outstanding checks disclosed that the company had checks totaling \$692.00 that had not been remitted to the state of Wisconsin in accordance with s. 177, Wis. Stat.

It is recommended that the company implement a stronger process to ensure all escheated checks are filed and sent to the State of Wisconsin in accordance with s. 177, Wis. Stat.

VIII. CONCLUSION

HumanaDental Insurance Company is a wholly owned subsidiary of HumanaDental, Inc., which is a wholly owned subsidiary of Humana Inc. The company commenced issuing dental health insurance policies in 2001, and its ongoing portfolio of net retained insurance risk is comprised solely of dental health insurance. The company is licensed in the District of Columbia and in all state jurisdictions except New York.

The company experienced favorable operating results for four out of five years under examination with 2019's operations resulting in a net loss. During the period under examination, the company's admitted assets increased 56%, health premiums earned increased 61%, and surplus increased by 37%.

HDIC made dividend payments for the first four years of the examination period for a total of \$127.6 million with the largest dividend of \$40.0 million paid in 2016. HDIC also received capital contributions from Humana Inc. in four out of the five years under examination. With the largest amount of \$35.0 million received in 2019. The capital contributions received in 2019 were to fund the net loss that the company experienced and to support the growth in business.

The examination determined that the company was in compliance with all of the recommendations made by the previous examination. The current examination resulted in two recommendations. No adjustments were made to surplus as a result of the examination and there were no reclassifications. The amount of surplus reported by the company as of December 31, 2020, is accepted.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 22 - Failure to Timely Notify Insurance Commissioners of Data Breaches—It is recommended that the company comply with its cybersecurity policy and procedures and state requirements with regard to timely notification of OCI.
2. Page 23 - Proper Filing of Escheated Checks—It is recommended that the company implement a stronger process to ensure all escheated checks are filed and sent to the State of Wisconsin in accordance with s. 177, Wis. Stat.

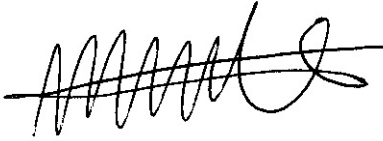
X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Nicholas Barsuli	Insurance Financial Examiner
Jacob Burkett	Insurance Financial Examiner
Nicholas Feyen	Insurance Financial Examiner
Joshua Daggett	Insurance Financial Examiner-Advanced
James Krueger	Data Specialist
David Jensen, CFE	IT Specialist
Eleanor Lu, CISA	IT Specialist
Karl Albert, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Marisa K. Rodgers
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

On August 17, 2021, the Humana Inc. Holding Company completed its purchase of Kindred at Home (KAH) by acquiring the remaining 60% interest from TPG Capital and Welsh, Carson, Anderson & Stowe, two private equity funds, for an enterprise value of \$8.2 billion (which included Humana's equity value of \$2.4 billion that represented the 40% minority ownership interest). Humana paid a transaction price of \$5.8 billion. The transaction price was net of their existing equity stake, through a combination of debt financing, the assumption of existing KAH indebtedness, and parent company cash. As a result of the acquisition, a \$1.1 billion gain was recognized as net other income as a result of the acquisition and remeasurement to fair value of the previously held 40% equity method investment with a carrying value of \$1.3 billion.

This acquisition expanded the group's home solutions business segment. Kindred at Home is a home health and hospice provider and has locations in 40 states, providing extensive geographic coverage for approximately 65% of the individual Medicare Advantage membership.

On December 29, 2021, the company received a \$35,000,000 capital contribution from Humana Inc.