

Report
of the
Examination of
Delta Dental of Wisconsin, Inc.
Stevens Point, Wisconsin
As of December 31, 2021

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November 3, 2022

Honorable Nathan D. 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:

DELTA DENTAL OF WISCONSIN, INC.
Stevens Point, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Delta Dental of Wisconsin, Inc. (hereinafter DDWI or the company) was conducted in 2017 as of December 31, 2016. The current examination covered the intervening period ending December 31, 2021 and included a review of such subsequent transactions as deemed necessary to complete the examination.

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 insurer 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.

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 concerning the alternative or additional examination steps performed during the examination.

II. HISTORY AND PLAN OF OPERATION

Delta Dental of Wisconsin, Inc. is described as a non-stock, nonprofit service insurance corporation, licensed under ch. 613, Wis. Stat, established to provide dental care plans. DDWI offers a variety of benefit plans, on both insured and self-insured basis, including a) traditional indemnity plans and b) preferred provider organization plans.

The company was incorporated on May 17, 1962 and commenced business on January 1, 1967. The company was initially named Wisconsin Dental Service, Inc. It changed its name to Delta Dental Plan of Wisconsin in 1978. In May 2005 the company amended its Articles of Incorporation to change its name to that presently used. The company is part of the nationwide Delta Dental Plan System.

DDWI utilizes two provider networks to carry out its mission of providing dental benefits—Delta Dental Premier and Delta Dental PPO. A traditional indemnity program is delivered through the Delta Dental Premier network. DDWI has contracts with 2,934 providers, which is approximately 90% of Wisconsin dentists. Under a participating dentist contract, providers agree to accept payment for services based on the lesser of the actual billed fee or the Maximum Allowable Charge (MAC) established by DDWI for each procedure. Enrollees are free to see both contracted and noncontracted providers and no referrals are necessary to seek treatment from a specialist.

In addition to contracted arrangements with providers for its indemnity plans, the company also has a preferred provider organization (PPO) network which includes 1,814 contracting providers. Under the PPO contracts, dentists agree to a greater discount than provided under the Premier network. DDWI has separate rate schedules for general dentistry and specialists in endodontics, periodontics, oral surgery, and orthodontics.

Delta Dental Premier and PPO networks are available on both insured and self-insured Administrative Services Only (ASO) plans. Currently, approximately 60% of DDWI's members are enrolled in ASO plans. Under ASO plans, an employer establishes benefits, rights, and privileges for participating employees and their dependents. DDWI processes benefit payments and collects per-member-per-month administrative fees from the employer for service rendered.

Pooled plans for small groups (two to 49 employees) are available utilizing the Delta Dental Premier and PPO networks. Plans for groups with two or more employees can be offered without any employer contribution.

The provider contracts for both the Delta Dental Premier and PPO networks include hold-harmless provisions for the protection of policyholders. Under these contracts, the dentist agrees that an eligible patient shall not be liable for any amount payable by DDWI under the terms of the applicable dental care contract, whether or not payment has been made by DDWI. Provider contracts may be terminated by either party giving not less than 90 days' written notice to the other party prior to the desired effective date of termination.

Group Dental Coverage

The company markets its group insurance plans throughout Wisconsin. The company offers a limited range of dental care coverage that may be changed by riders to include deductibles and coinsurance. The following basic dental-care coverages are provided:

- Diagnostic and preventive services (dental exams, bitewing X-rays, teeth cleaning, topical fluoride treatment for dependents to age 19).
- Basic restorative services (emergency treatment to relieve pain; extractions and other oral surgery; fillings).
- Major restorative services (root canal and gum disease treatment, oral surgery, crowns, complete and partial dentures, fixed bridges, repairs, and adjustments).
- Orthodontic treatment – optional.

Deductibles usually range from \$0 to \$75 per person per calendar year. Dependent coverage is generally provided to age 26 for dependents and full-time students. Benefit maximums vary by plan type, usually ranging from \$500 to \$2,000 per person per Benefit Accumulation Period. Under the PPO plans, use of the PPO network is encouraged by plan design and by additional out-of-pocket costs for going out-of-network. Coinsurance percentages may apply.

The company markets to groups and individuals. Nearly all DDWI's group dental plans can be offered at any level of employer contribution. Group business is marketed using outside agencies supported by in-house account executives. Individual business is marketed by Encara Corp. on behalf of DDWI but is administered by Wyssta Services, Inc. a subsidiary of DDWI.

Individual Dental Coverage

Delta Dental of Wisconsin, Inc., offers three core Individual plan options: Enhanced, Classic and Basic; and three Exchange-certified plans: Delta Dental Individual & Family High Plan, Low Plan Major, and Low Plan. All plans are available for single enrollees (single plan), single enrollee plus one dependent (two-person plan), or single enrollee plus multiple dependents (family plan).

The Enhanced Plan works like employer-sponsored dental plans, where the individual pays a small percentage of the cost for services and the plan pays the rest. Preventive care is covered at 100%, which means the individual pays nothing for exams, cleanings, X-rays, and topical fluoride treatments (subject to age restrictions). Benefits are subject to a \$50 annual deductible, and a \$1,000 policy-year dollar maximum.

The Classic Plan works like the Enhanced Plan except the individual pays a small percentage of the cost for every dental service, including preventive care, and the plan pays the rest. Benefits are subject to a \$50 annual deductible, and a \$1,000 policy-year dollar maximum. As of March 31, 2021, the Classic Plan is no longer being sold, but existing policyholders will be allowed to renew.

The Basic Plan provides basic protection where diagnostic services and most preventive care are covered at 100%. Emergency services, fillings and non-surgical extractions are also covered. There is no annual deductible, and a \$1,000 policy-year dollar maximum applies.

The company starts premium calculation with an actuarially determined base rate factor. The rate may be adjusted for relevant demographic factors including, but not limited to, age, geography, group size, and occupation as well as the group's specific covered benefits. At renewal, group experience is reviewed, and a recommendation is made for adjusting the group's rate. In rare instances, the recommendation may include canceling the group's coverage. The base rate and other rating factors are reviewed regularly and adjusted to reflect changes in trend and other relevant cost drivers.

Affiliates and Associated Business Activities

DDWI is a member of the Delta Dental Plans Association (DDPA). DDPA, headquartered in Oak Brook, Illinois, is an association of independent service corporations from around the country. DDPA has a proprietary interest in the Delta Dental service marks and branding and requires Delta Dental member companies to meet its service mark licensing requirements. Other examples of DDPA activities

include advertising programs, DeltaUSA products, and setting national standards for such issues as grievance procedures and contract language. DDWI's President, Douglas Ballweg, is a member of the DDPA board of directors.

Prior to 2019, DDWI provided certain information technology services for dental benefit administration to some other DDPA member companies, including Delta Dental of Illinois, Inc. (DDIL). These services included software development and implementation, online processing services, and training and consulting. DDWI was reimbursed for the provision of these services on a volume-based, fixed charge per claim, subject to a minimum monthly charge. In addition, the development costs of any new enhancement to the system shared among the affected users.

In 2019, DDWI created another subsidiary, NorthWinds Technology Solutions, LLC (NorthWinds), with Delta Dental of Illinois, Inc. (DDIL) with each owning 50% of the new subsidiary. NorthWinds was created to provide information technology services to, and manage technology improvements for, both DDWI and DDIL and some unaffiliated companies. As of January 1, 2022, this is now a three-party joint venture as Corvesta (parent company of Delta Dental of Virginia) was added to the venture to provide the Keyspring platform as the basis of the operating system.

DDWI provides grants to various organizations that support its mission of improving oral and overall health in Wisconsin directly and through its Delta Dental of Wisconsin Foundation, Inc., ("Foundation"), which was established in 2018. The mission of the Foundation is to initiate, collaborate with, and support programs that extend access to dental care, ensure a strong dental workforce, and improve the oral health of underserved and vulnerable populations. In 2021, DDWI contributed \$4,500,000 without donor restrictions to the Foundation and over \$800,000 directly to other organizations in support of this mission.

III. MANAGEMENT AND CONTROL

Board of Directors

The corporate bylaws provide that the board of directors consist of no fewer than nine and no more than 13 directors, which are elected at an annual meeting of the board by a vote of the majority of directors then in office. The President of the company may be a member of the board, if elected by the board. The directors, except the President if the President is also a director, are divided into three classes with one class elected annually for a term of three years, with a limit of four consecutive terms. The principal corporate officers are Chairperson, President, Secretary, and Treasurer, with these positions appointed at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. In 2022, the board of directors consisted of 10 members. Two members will retire in 2023 and only one will be replaced in order to keep the three classes balanced.

At the end of 2022, the board of directors consisted of the following persons:

Name and Residence	Principal Occupation	Term Expires
Jeffrey Martin Stevens Point, WI	Retired, former President/CEO Ascension Health/Ministry Health Care	2022
Monica Hebl, DDS Milwaukee, WI	Dentist, Burleigh Dental	2022
Anne Smith Madison, WI	Retired Assistant Clinical Professor and Director Law and Entrepreneurship Clinic at UW Law School	2023
Bradley McClain Madison, WI	CFO UW Credit Union	2023
Cristy Garcia-Thomas Milwaukee, WI	Chief External Affairs Officer Advocate Aurora Health	2023
James Kolstad, DDS Waukesha, WI	Partner/Orthodontist Reichl & Kolstad Orthodontics	2023
Timothy Kinzel, DDS Middleton, WI	Retired Dentist	2022

Name and Residence	Principal Occupation	Term Expires
Jed Roher Madison, WI	Partner/Attorney Husch Blackwell LLP	2024
Tina Chang Brookfield, WI	Chairman & CEO SysLogic, Inc.	2024
Douglas Ballweg Stevens Point, WI	President & CEO Delta Dental of Wisconsin, Inc.	Permanent while in office

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office
Douglas Ballweg	President & CEO
Anne Treankler	Secretary & CRO
Craig Aittama	Treasurer & Vice President – Finance
Dave Peterson	Chief Growth & Strategy Officer
David Vanden Heuvel	Chief Business Development Officer
Noreen Parrett	Vice President – General Counsel
Sue Shulfer	Vice President – Human Resources

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors.

The committees at the time of the examination are listed below:

Compensation Committee

Cristy Garcia-Thomas, Chair
Jeff Martin
Brad McClain
Jed Roher
Douglas Ballweg

Finance & Audit Committee

Brad McClain, Chair
Jeff Martin
Tina Chang
Tim Kinzel
Douglas Ballweg

Nominating & Gov Committee

Anne Smith, Chair
Jeff Martin
Monica Hebl
James Kolstad
Douglas Ballweg

Antitrust Litigation Committee

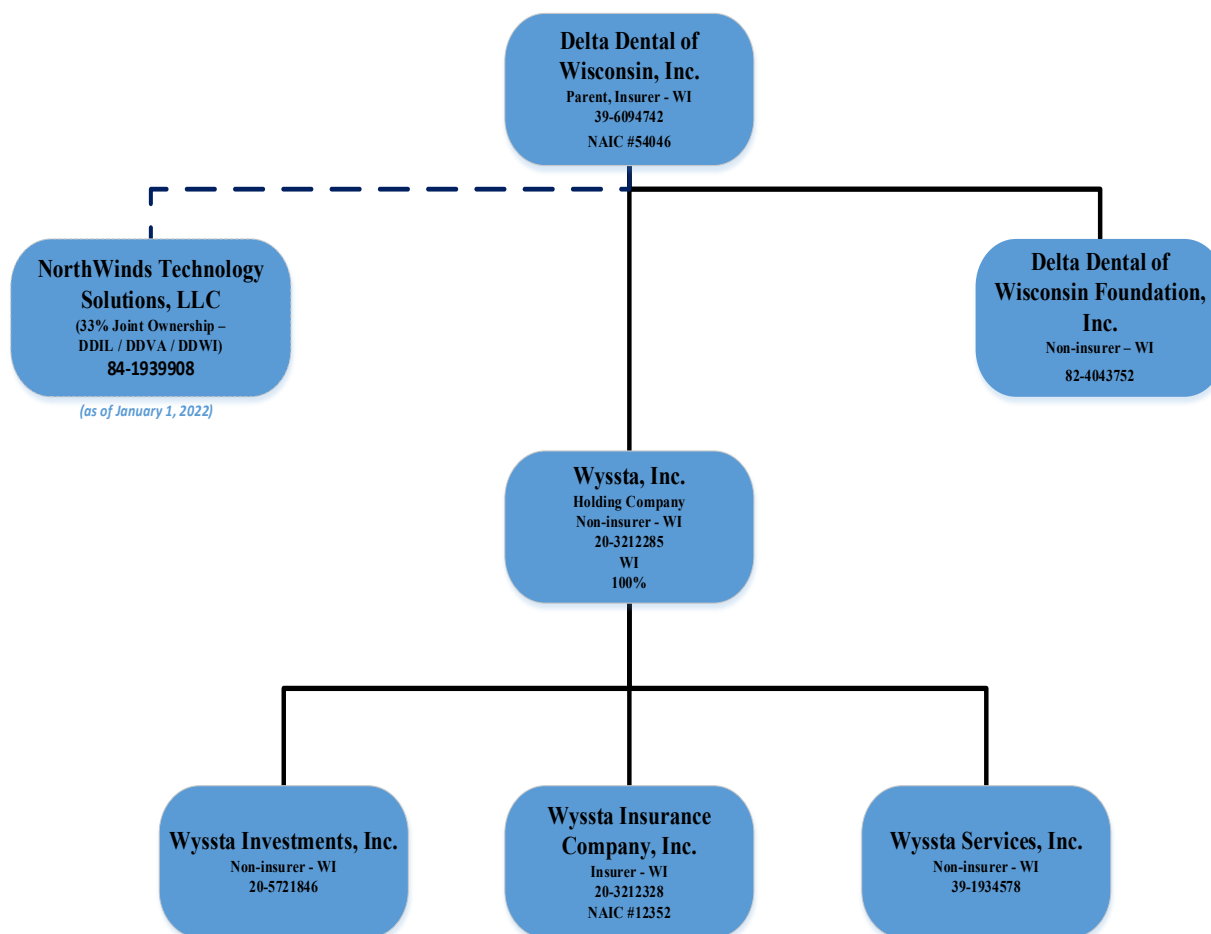
Jeff Martin, Chair
Tina Chang
Cristy Garcia-Thomas
Brad McClain
Jed Roher
Anne Smith
Douglas Ballweg

The company has its own employees. The principal employees and officers have been identified above.

IV. AFFILIATED COMPANIES

The company is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. All members on the holding company chart are domiciled in Wisconsin. A brief description of the significant affiliates of the company follows the organizational chart.

**Holding Company Chart
As of December 31, 2021**



Wyssta, Inc.

Wyssta, Inc., a wholly owned subsidiary of DDWI, was incorporated on June 30, 2005, and was formed to operate as a holding company. Wyssta, Inc., has three wholly owned subsidiaries: Wyssta Insurance Company, Inc., Wyssta Investments, Inc., and Wyssta Services, Inc. Wyssta, Inc., has 100,000 shares of no-par value common stock authorized and 19,270 shares issued and outstanding. As

of December 31, 2021, the Wyssta, Inc., and Subsidiaries consolidated audited financial statements reported total assets of \$34,540,941, total liabilities of \$6,115,583, and total stockholder's equity of \$28,425,358. Operations for 2021 produced a net income of \$6,552,934 on total revenues of \$49,420,484.

Wyssta, Inc., has a service agreement with DDWI dated October 1, 2018, according to which DDWI provides to Wyssta, Inc., administrative, managerial, and professional services. In addition, DDWI maintains premises and employees sufficient to provide Wyssta, Inc., with space and services necessary for Wyssta, Inc., to carry out its operations. Wyssta, Inc., reimburses DDWI for all costs and expenses incurred by DDWI for employees, equipment, facilities, and other items in connection with DDWI performing services on behalf of Wyssta, Inc.

Wyssta Insurance Company, Inc.

Wyssta Insurance Company, Inc., became a part of the holding company system on June 30, 2005, on which date the company was incorporated. The company was organized under ch. 611, Wis. Stat. Wyssta Insurance Company, Inc., provides group vision policies offered through a service agreement with EyeMed Vision Care, Inc. Wyssta Insurance Company, Inc., has 50,000 shares of \$25 par value common stock authorized, issued, and outstanding which are indirectly owned by DDWI. As of December 31, 2021, the Wyssta Insurance Company, Inc., audited financial statement reported total assets of \$18,749,690, total liabilities of \$3,588,654, and total capital and surplus of \$15,161,035. Operations for 2021 produced net income of \$2,664,003, on total revenues of \$22,516,339.

Wyssta Insurance Company, Inc., has a service agreement with DDWI, dated October 1, 2018, according to which DDWI provides to Wyssta Insurance Company, Inc., administrative, managerial, and professional services. In addition, DDWI maintains premises and employees sufficient to provide Wyssta Insurance Company, Inc., with space and services necessary for Wyssta Insurance Company, Inc., to carry out its operations. Wyssta Insurance Company, Inc., reimburses DDWI for all costs and expenses incurred by DDWI for employees, equipment, facilities and other items in connection with DDWI performing services on behalf of Wyssta Insurance Company, Inc.

Wyssta Services, Inc.

Wyssta Services, Inc., provides various dental and vision administrative services and has 9,000 shares of \$1.00 par value common stock authorized and 6,500 shares issued and outstanding which are owned by Wyssta, Inc. As of December 31, 2021, the Wyssta Services, Inc., audited financial statement reported total assets of \$10,870,386, total liabilities of \$2,846,198, and total stockholder's equity of \$8,024,188. Operations for 2021 produced net income of \$2,654,181 on total revenues of \$25,637,068.

DDWI has a service agreement with Wyssta Services, Inc., dated October 1, 2018, according to which DDWI provides administrative and managerial services necessary for Wyssta Services, Inc., to conduct its normal business operations as a third-party administrator. The services include providing general management, information, and personnel to perform third-party processing services. Wyssta Services, Inc., reimburses DDWI for the actual cost of these services.

Wyssta Investments, Inc.

Wyssta Investments, Inc., became a part of the holding company system on August 18, 2006. Wyssta Investments, Inc., was created for the purpose of holding an investment in a start-up biotechnology company, C3 Jian, Inc. (C3 Jian) now known as Armata Pharmaceuticals, Inc. Since this time the company has added investments in Healthentic, Inc. (Healthentic) and Encara Corporation (Encara).

- **Armata**—A biotech firm out of Marina Del Rey, California, which conducts research on the development of precisely targeted bacteriophage therapeutics for the treatment of antibiotic-resistant and difficult-to-treat bacterial infections. In prior years, DDWI invested \$25,000,000 and Wyssta Investments, Inc., invested \$11,000,000 in Armata as of December 31, 2021. Armata went public on May 9, 2019 and is listed on the New York Stock Exchange (ARMP). Based on the market value of Armata's stock, DDWI's investment in Armata was valued at \$8,926,887 (1,628,994 shares) and Wyssta Investments, Inc.'s investment in Armata was valued at \$2,623,172 (478,681 shares) as of December 31, 2021.
- **Healthentic**—Based in Seattle, Washington, this firm promotes wellness by offering a tool to help benefit managers control health care costs and outcomes. Wyssta Investments, Inc., was a 20% owner in Healthentic as of December 31, 2021. Total investment as of December 31, 2021, is \$4,400,000. The company holds one of five board seats as of December 31, 2021. Under the equity method of accounting, the Wyssta Investments, Inc.'s share of the equity in Healthentic was \$293,300, as of December 31, 2021.
- **Encara**—A joint venture effort with three other members of the Delta Dental Plans Association (Delta Dental of Virginia, Washington Dental Service, and Delta Dental of New Jersey) to devise a dental insurance product for offering in the individual market, including health exchanges to be created under the Affordable Care Act. Total investment as of December 31, 2021, is \$2,100,000. Wyssta

Investments, Inc., held a 25% ownership interest and held one of four board seats as of December 31, 2021. Under the equity method of accounting the Wyssta Investments, Inc., share of the equity in Encara was \$320,594, as of December 31, 2021.

As of December 31, 2021, Wyssta Investments, Inc., audited financial statements reported total assets of \$4,162,765, total liabilities of \$2,546, and total stockholder's equity of \$4,160,219 for Wyssta Investments, Inc. Operations for 2021 produced a net income of \$1,244,502 on revenues of \$1,267,077.

DDWI has a service agreement with Wyssta Investments, Inc., dated October 1, 2018, according to which DDWI provides administrative and managerial services necessary for Wyssta Investments, Inc. The services include general management, information, and personnel to perform duties. Wyssta Investments, Inc., reimburses DDWI for the actual cost of these services.

NorthWinds Technology Solutions, LLC

Effective July 1, 2019, the company entered into a joint venture, NorthWinds, with DDIL. The company and DDIL each held a 50 percent share of NorthWinds. As part of the initial capital infusion, the company transferred computer hardware and software in addition to \$2,000,000 in 2019. The company invested another \$5,500,000 in 2020. For statutory accounting purposes, the company records the investment in NorthWinds at the underlying audited GAAP equity adjusted to a limited statutory basis of accounting. Effective January 1, 2022, the joint venture with NorthWinds was amended to add Corvesta (parent company of Delta Dental of Virginia) as an owner, resulting in each company holding a one-third share. The company contributed \$9,250,000 on December 29, 2021, per the new agreement. The rate structure for operating and modernization have been established such that no further capital commitments will be required. In the agreement, KeySpring software developed and owned by Corvesta, will be transferred to NorthWinds and will eventually become the software used by the company and DDIL. As of December 31, 2021, NorthWind's audited financial statement reported total assets of \$27,332,861, total liabilities of \$4,146,309, and members equity of \$23,186,552. Operations for 2021 produced a net loss of \$14,156,592 on revenues of \$35,348,752.

NorthWinds provides information technology services to the LLC members. DDWI has a service agreement with NorthWinds, dated July 1, 2019, according to which DDWI provides employees, sufficient premises and services specified in the agreement. The services include managerial, administrative, and professional services. NorthWinds reimburses DDWI for the actual cost of these

services. DDWI has a Software & Services Agreement with NorthWinds, dated January 1, 2022, which covers the services provided by NorthWinds. DDWI pays NorthWinds for services rendered and equipment.

Delta Dental of Wisconsin Foundation Inc.

Delta Dental of Wisconsin Foundation, Inc. (the Foundation), is a non-stock, nonprofit corporation that was established in 2018 with DDWI as its sole member. The Foundation was created to initiate, collaborate with, and support programs that extend access to dental care, ensure a strong dental workforce, and improve the oral health of underserved and vulnerable populations. The company made contributions without donor restrictions of \$4,500,000 to the Foundation in both 2021 and 2020. In addition, in 2020, the company committed to contribute \$10,000,000 to a donor restricted endowment fund held by the Foundation. The contribution was paid in 2021. In 2021, the Foundation contributed over \$2,000,000 to various organizations, including many safety net dental clinics, in support of its mission. As of December 31, 2021, the Foundation's audited financial statement reported total assets of \$16,778,803, total liabilities of \$1,392,097, and total equity of \$15,386,706. Operations for 2021 produced net income of \$2,010,234 on total revenues of \$4,515,400.

V. REINSURANCE

Effective December 31, 1995, DDWI entered into a joint venture agreement with Wisconsin Physicians Service Insurance Corporation (WPS). Under the agreement, DDWI “will underwrite and issue group dental coverage under one of its group dental plans to eligible participants enrolled by WPS and will also process, investigate, settle, and issue benefit payments for such plan participants.” WPS’ duties include marketing and premium collection. The joint venture agreement defines fees relevant to the joint venture policies and indicates that fees are to be split monthly so that 80% is earned by DDWI as its administrative fee and 20% is earned by WPS as its marketing fee. Both marketing and administrative fees are subject to specified per-member-per-month minimum earning levels. The agreement was non-cancellable for the initial three-year term after which it can be automatically renewed for additional one-year terms. All policies issued under the WPS/DDWI joint venture agreement are reinsured under a quota-share reinsurance agreement, which is outlined below:

Reinsurer: Wisconsin Physicians Service Insurance Corporation

Type: Quota-Share Reinsurance

Effective date: January 1, 1996; policy is for an initial three-year term and automatically renewing for additional one-year terms thereafter

Policy Coverage Reinsured:	Reinsurance Quota Share	Company's Quota Share	Ceding Allowance
1) Group dental policies originally issued by WPS and then transferred to DDWI policy forms in accordance with the 1995 joint venture agreement	100%	None	None
2) Group dental policies solicited by WPS and issued on DDWI policy form with initial effective dates of January 1, 1996, or later	50%	50%	None
3) Group dental policies solicited by and originally issued on DDWI policy forms who elect to enter the Joint Venture agreement	None	100%	100%

Termination: Either party may terminate the agreement by giving the other party written notice of such intention to terminate at least 180 days in advance of the effective date of termination

The quota-share reinsurance agreement contains a proper insolvency clause.

On February 1, 2000, DDWI entered into a reinsurance assumption agreement with seven members of DDPA. The purpose of the agreement is to share the underwriting risk under the TRICARE Retiree Dental Program (TRDP). The TRDP contract was awarded to Delta Dental Plan of California (DDP of CA) by the United States Department of Defense to provide dental benefits to certain military personnel retired from the U.S. Military Services and their dependents. All functions and operations required to be performed by the TRDP contract are performed by DDP of CA. DDPA members participating in the agreement share any underwriting gain or loss sustained under the TRDP contract according to their contractual percentages. An amendment to the Amended and Restated Risk-Sharing Agreement, effective January 1, 2014, allowed DDWI to increase its risk retention in the pool with a 3.02% share.

On January 1, 2014, DDWI entered a second risk sharing agreement with DDP of CA. DDWI has this agreement with DDP of CA for the Federal Employees Dental and Vision Insurance Program (FEDVIP) and Veterans Affairs Dental Insurance Program (VADIP). DDWI is a 2.53% participant of the pool.

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, 2021, 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.

Delta Dental of Wisconsin, Inc.
Assets
As of December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$143,003,497	\$	\$143,003,497
Stocks:			
Common stocks	119,000,844		119,000,844
Real Estate:			
Properties occupied by the company	23,630,311		23,630,311
Cash, cash equivalents and short-term investments	22,397,761		22,397,761
Other invested assets	13,374,418	4,203,789	9,170,629
Write-ins for invested assets:			
457b assets	2,332,669		2,332,669
Investment income due and accrued	731,408		731,408
Uncollected premiums and agents' balances in the course of collection	876,224	1,032	875,192
Accrued retrospective premiums and contracts subject to redetermination	13,952		13,952
Funds held by or deposited with reinsured companies	520,938		520,938
Amounts receivable relating to uninsured plans	1,050,494		1,050,494
Furniture and equipment, including health care delivery assets	3,111,317	3,111,317	
Receivables from parent, subsidiaries, and affiliates	1,052,416		1,052,416
Write-ins for other than invested assets:			
Misc. receivable	300,150		300,150
Anti-trust legal fees receivable	480,000	480,000	
Prepays	968,699	968,699	
Company Owned Vehicles	395,971	395,971	
Cash Surrender Value of Life Insurance	313,875		313,875
Recoverable State Income Tax	239,894		239,894
Total Assets	<u>\$333,794,838</u>	<u>\$9,160,808</u>	<u>\$324,634,030</u>

Delta Dental of Wisconsin, Inc.
Liabilities and Net Worth
As of December 31, 2021

Claims unpaid	\$ 12,497,500
Unpaid claims adjustment expenses	890,000
Aggregate health policy reserves	305,153
Aggregate health claim reserves	
Premiums received in advance	8,804,298
General expenses due or accrued	8,881,340
Amounts withheld or retained for the account of others	23,138,326
Amounts due to parent, subsidiaries, and affiliates	3,107,689
Liability for amounts held under uninsured plans	1,110,923
Write-ins for other liabilities:	
457b liability	2,332,669
Deferred liability NTS	4,239,125
Deferred compensation	4,417,082
Payable WPS	41,761
Reserve for Outstanding Checks	<u>2,994</u>
Total Liabilities	69,768,860
Unassigned funds (surplus)	<u>254,865,170</u>
Total Liabilities, Capital, and Surplus	<u>\$324,634,030</u>

Delta Dental of Wisconsin, Inc.
Statement of Revenue and Expenses
For the Year 2021

Net premium income		\$279,380,403
Medical and Hospital:		
Other professional services	\$222,399,073	
Less:		
Net reinsurance recoveries	(5,655,034)	
Total medical and hospital	228,054,107	
Claims adjustment expenses	12,724,377	
General administrative expenses	34,948,312	
Increase in reserves for life and accident and health contracts	<u>7,000</u>	
Total underwriting deductions		<u>275,733,697</u>
Net underwriting gain or (loss)		3,646,706
Net investment income earned	4,313,615	
Net realized capital gains or (losses)	<u>(5,690,543)</u>	
Net investment gains or (losses)		(1,376,928)
Write-ins for other income or expenses:		
Sundry		<u>12,147</u>
Net Income (Loss)		<u>\$ 2,281,925</u>

Delta Dental of Wisconsin, Inc.
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2021

	2021	2020	2019	2018	2017
Capital and surplus, beginning of year	\$221,843,959	\$196,710,817	\$191,327,632	\$192,035,218	\$174,908,416
Net income (loss)	2,281,925	11,879,672	7,706,683	3,666,438	(2,296,785)
Change in net unrealized capital gains/losses	31,592,460	4,182,930	6,546,976	(3,341,555)	20,299,839
Change in nonadmitted assets	(1,159,903)	4,445,540	(8,739,704)	(1,178,057)	(868,885)
Cumulative effect of changes in accounting principles		4,625,000			
Write-ins for gains and (losses) in surplus:					
Change in Unrealized on 457b Plan	<u>306,729</u>	<u> </u>	<u>(130,770)</u>	<u>145,588</u>	<u>(7,367)</u>
Capital and Surplus, End of Year	<u>\$254,865,170</u>	<u>\$221,843,959</u>	<u>\$196,710,817</u>	<u>\$191,327,632</u>	<u>\$192,035,218</u>

Delta Dental of Wisconsin, Inc.
Statement of Cash Flow
For the Year 2021

Premiums collected net of reinsurance		\$279,492,279
Net investment income		<u>4,860,891</u>
Total		284,353,170
Less:		
Benefit- and loss-related payments	\$227,881,607	
Net transfers to separate accounts, segregated accounts, and protected cell accounts		
Commissions, expenses paid and aggregate write-ins for deductions	<u>52,171,970</u>	
Dividends paid to policyholders		
Total		<u>280,053,577</u>
Net cash from operations		4,299,593
Proceeds from Investments Sold, Matured or Repaid:		
Bonds	\$28,864,638	
Stocks	26,750,797	
Real estate	5,079,290	
Miscellaneous proceeds	<u>1,412</u>	
Total investment proceeds		60,696,137
Cost of Investments Acquired—Long-term Only:		
Bonds	45,017,343	
Stocks	19,241,710	
Real estate	14,094,248	
Other invested assets	10,150,000	
Miscellaneous applications	<u>235,793</u>	
Total investments acquired		88,739,094
Net cash from investments		(28,042,957)
Other cash provided (applied)	<u>8,670,582</u>	
Net cash from financing and miscellaneous sources		<u>8,670,582</u>
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(15,072,782)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>37,470,544</u>
End of Year		<u>\$ 22,397,761</u>

Growth of Delta Dental of Wisconsin, Inc.

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2021	\$324,634,030	\$69,768,860	\$254,865,170	\$279,380,403	\$228,054,107	\$2,281,925
2020	284,678,333	62,834,374	221,843,959	262,940,074	193,138,368	11,879,672
2019	266,356,446	69,645,629	196,710,817	257,079,988	207,579,400	7,706,683
2018	240,776,124	49,448,492	191,327,632	250,324,692	198,535,641	3,666,438
2017	238,669,099	46,633,881	192,035,218	231,194,598	188,557,412	(2,296,785)
2016	218,459,695	43,551,279	174,908,416	223,355,349	186,363,385	9,964,727

Year	Profit Margin	Medical Loss Ratio	Administrative Expense Ratio	Enrollment	Change in Enrollment
2021	0.8%	81.6%	17.1%	709,770	2.0%
2020	4.4	73.4	24.6	696,010	2.5
2019	2.9	80.8	19.9	679,162	24.0
2018	1.4	79.2	20.4	547,657	2.9
2017	-1.0	81.5	15.5	532,457	1.3
2016	4.4	83.5	14.1	525,828	(11.4)

Per Member Per Month Information

	2021	2020	Percentage Change
Premiums:	\$33.07	\$31.04	6.5%
Expenses:			
Medical expenses	26.99	22.80	18.4
Claims adjustment expenses	1.51	1.43	5.6
General administrative expenses	<u>4.14</u>	<u>6.21</u>	-33.3
Total underwriting deductions	<u>\$ 32.63</u>	<u>\$30.44</u>	7.2%

Premium earned grew steadily during the examination period from \$231,194,598 in 2017 to \$279,380,403 in 2021, an increase of 20.8%. The total number of enrollees increased by 35%, or an increase of 183,942 in total enrollment. The enrollment numbers in the table above only include members where DDWI is at risk, ASO members are not included. The growth in premiums has been strong, and medical expenses incurred have grown proportionately to the growth in premiums earned as shown by the medical loss ratio staying comparable to prior years and was at 81.6% at year-end 2021.

The company's operating results were profitable in four out of the five years with 2017 being the only year posting a net loss at \$(2,296,785) and 2020 being a strong year at \$11,879,672. Assets increased 48.6% and liabilities increased 60.2% over the past five years ending December 31, 2021. The company maintains a strong capital position as underwriting and investment activities have contributed to surplus increasing by 45.7% during the examination period to \$254,865,170.

Financial Requirements

The company's calculation of compulsory and security surplus under s. Ins 51.80, Wis. Adm. Code, as of December 31, 2021, is as follows:

Admitted assets		\$324,634,030
Liabilities		<u>69,057,720</u>
Subtotal – Surplus adjusted for compulsory/security surplus		<u>\$255,576,310</u>
Net amount available to satisfy surplus requirements		\$255,576,310
Net premium earned	\$279,380,403	
Compulsory factor	<u>20%</u>	
Compulsory surplus Requirement (not less than \$2,000,000)		<u>55,876,081</u>
Compulsory Excess/(Deficit)		<u>\$193,555,131</u>
Net amount available to satisfy surplus requirements		\$255,576,310
Compulsory surplus	\$55,876,081	
Security surplus factor	<u>132%</u>	
Security surplus		<u>73,756,427</u>
Security Excess/(Deficit)		<u>\$175,674,785</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, 2021, is accepted.

Examination Reclassifications

No reclassifications were made as a result of the examination.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were no specific comments and recommendations in the previous examination report.

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.

Form B Filing

The examination identified that the company did not disclose all related party agreements in Item 5 of its 2021 Form B filing. Pursuant to s. Ins. 40.03 (3) (c), Wis. Adm. Code all affiliated agreements shall be disclosed. It is recommended that the company report all affiliated agreements in Item 5 of the Form B listing the agreement and a description of the agreement in accordance with s. Ins 40.03 (3) (c), Wis. Adm. Code.

VIII. CONCLUSION

Delta Dental of Wisconsin, Inc., is a non-stock, nonprofit service insurance corporation, established to provide dental care plans. Over 90% of Wisconsin dentists have a participating dental contract with DDWI.

DDWI's audited financial statements reported total assets of \$324,634,030, total liabilities of \$69,768,860, and statutory surplus of \$254,865,170. Operations for 2021 produced a net income of \$2,281,925. Premiums earned increased 20.8% and capital and surplus increased 45.7% during the examination period. The company had a favorable net income in all but the first year under examination.

The prior examination resulted in no recommendations. The current examination resulted in one recommendation and no reclassifications or surplus adjustments.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 26 - Form B Filing—It is recommended that the company report all affiliated agreements in Item 5 of the Form B listing the agreement and a description of the agreement in accordance with s. Ins 40.03 (3) (c), Wis. Adm. Code.

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
Gabe Gorske, CFE	Insurance Financial Examiner
Keith King	Insurance Financial Examiner
James Krueger	Data Specialist
Eleanor Lu, CISA	IT Specialist
Kongmeng Yang	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Kenton Harrison
Examiner-in-Charge