

Report of the Examination of
Momentum Insurance Plans, Inc.
Fitchburg, Wisconsin
As of December 31, 2023

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January 3, 2025

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
101 East Wilson Street
Madison, Wisconsin 53703

Commissioner:

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

MOMENTUM INSURANCE PLANS, INC.
Fitchburg, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Momentum Insurance Plans, Inc. (Momentum, MIPI, or the company) was conducted in 2019 as of December 31, 2018. The current examination covered the intervening period ending December 31, 2023, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance
- Provider Contracts
- Territory and Plan of Operations
- Growth of the Company
- Reinsurance
- Financial Statements
- Accounts and Records
- Information Technology
- Underwriting

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 exempt from annual audit requirements under s. Ins 50.05, Wis. Adm. Code. This was approved by the Wisconsin Office of the Commissioner of Insurance for the year ending December 31, 2013, and for subsequent years until further notice. Due to this exemption, 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.

II. HISTORY AND PLAN OF OPERATION

Momentum Insurance Plans, Inc. is described as a for-profit network model limited service health organization (LSHO) insurer. An LSHO insurer is defined by s. 609.01 (3), Wis. Stat., as ". . . a health care plan offered by an organization established under ch. 185, 611, 613, or 614 or issued a certificate of authority under ch. 618 that makes available to its enrolled participants, in consideration for predetermined fixed payments, a limited range of health care services performed by providers selected by the organization." Under the network model, the company provides care through contracts with clinics and otherwise independent physicians operating out of their separate offices. LSHOs compete with traditional fee-for-service health care delivery.

The company was incorporated on June 21, 2010, and commenced business on October 25, 2010. The owners of Dental Health Associates of Madison, Ltd. (DHA) formed Momentum Holdings, LLC on April 19, 2010, a Chapter 183, Wis. Stat., limited liability company, to hold the direct ownership of MIPI. All issued and outstanding Class A shares of Momentum Holdings, LLC were purchased by DHA shareholders, on August 25, 2010. As of December 31, 2024, there were 24 member unitholders in Momentum Holdings, LLC, which all own equal membership interests in the company.

MIPI's sole focus is dental insurance, providing both general (preventive, diagnostic, basic-restorative, and major-restorative) and specialty dental care. MIPI initially served as a third-party administrator for a dental and orthodontic benefit plan offered by DHA to its employees and their dependents and later expanded to other individual participants and small groups in Wisconsin. MIPI currently operates in all 72 Wisconsin counties and markets its services through agents, brokers, online, and expos and events in the Dane County area. MIPI provides all its dental services through two types of provider agreements, which will be discussed below in greater detail.

The company has entered into provider agreements with over 40 different dental providers serving in Wisconsin (DHA is also one of the providers contracting with MIPI). The contracted dental providers render both general and specialty dental services to policyholders of MIPI, dependent on their insurance plan. Covered services in this agreement include preventative and diagnostic procedures, basic/minor-restorative, major-restorative procedures, and services such as implants and orthodontic procedures if covered under a particular group's policy. Dental services provided to policyholders are

reimbursed based on the plan benefits and limited by fee schedules set by MIPI and agreed upon by the providers. The agreement includes hold harmless provisions for the protection of policyholders. Under the terms of the hold harmless provisions, the dentist agrees that an eligible patient is not liable for any amount payable by MIPI under the terms of applicable dental care contracts. Providers may not charge members for any difference between their fee and the contracted fee schedule for covered services. This agreement has a one-year renewable term and may be terminated upon giving a 190-day notice from either party. MIPI reserves the right to terminate a provider agreement immediately, in accordance with policies set forth in the provider contract, including material breach of contract, non-participation of dental management program, fraud, and other specified practice limitations or violations that result in loss of licensure, felony convictions, or violations of the Health Insurance Portability and Accountability Act.

The company has entered into a payor agreement with the Premier Dental Group, Inc. (PDG). This agreement allows MIPI to utilize PDG's dental providers in rendering services to policyholders for a monthly access fee. The access fee is based on the number of active MIPI enrollees with access to PDG dental providers for covered services. Dental services provided to the policyholders are reimbursed based on the plan benefits and limited by fee schedules set by PDG and agreed upon by the provider(s). The agreement refers all providers to the Premier Dental Group manual, which includes hold harmless provisions for the protection of policyholders. This agreement has a three-year term and may be terminated upon giving a 90-day notice from either party.

The company has an Administrative Service Agreement with DHA. This agreement compensates DHA for all administrative, managerial, and consultative services performed by DHA employees. Services provided by DHA include:

- Executive administration, including network development and maintenance
- Provider credentialing and quality assurance
- Member eligibility verification
- Benefit determination and coordination
- Claims processing
- Customer service
- Assistance with resolving grievances
- Utilization reporting
- Accounting
- Information technology and support
- Human resources, including hiring and maintaining staff

A fixed administrative fee is paid by MIPI on a quarterly basis. This agreement has a one-year term and may be terminated upon giving a 180-day notice from either party.

Group Insurance Coverage

The company currently markets group insurance throughout Wisconsin. The company offers a limited range of health care coverage which may be changed by riders to include deductibles and copayments. The following basic health care coverage is provided:

- Diagnostic and preventive services (dental exams, bitewing x-rays, teeth cleaning, space maintainers for dependents up to age 16, topical fluoride treatment for dependents up to age 16, topical application sealants up to age 16).
- Minor/basic restorative services (emergency treatment to relieve pain, simple extractions, fillings).
- Major restorative services (crowns, prosthetics, complete and partial dentures, fixed bridges, repairs and adjustments. Root canals/endodontics, gum disease/periodontics, and oral surgery may fall under basic/minor or major depending on the plan).

Deductibles range from \$0 to \$100 per person per benefit year. Dependent coverage is generally provided to age 26 for dependents and full-time students. Benefit maximums vary by plan type, usually ranging from \$300 to \$2,000 per person per policy year.

Individual Insurance Coverage

The company currently markets individual insurance throughout Wisconsin. The plans are available to single enrollees and their dependents. The company offers a limited range of health care coverage which may be changed by riders to include deductibles and copayments. The following basic health care coverage is provided:

- Diagnostic and preventive services (dental exams, bitewing x-rays, teeth cleaning, space maintainers for dependents age 16, topical fluoride treatment for dependents to age 19, topical application sealants to age 14).
- Basic restorative services (emergency treatment to relieve pain, simple extractions, fillings).
- Major restorative services (root canals/endodontics, gum disease treatment/periodontics, crowns, prosthetics, complete and partial dentures, fixed bridges, repairs and adjustments).

Oral surgery, implants, orthodontics, and cosmetic procedures are not covered by MIPI's individual policies.

Deductibles usually range from \$0 to \$50 per person per benefit year. (The benefit year is 12 months from the start of the policy.) A dependent is usually a spouse or child of the policyholder who is eligible for dependent coverage under these benefits. Dependent coverage is generally provided until a

child reaches the age of 26. Benefit maximums vary by plan type, usually ranging from \$300 to \$1,200 per person per benefit accumulation period.

The company uses an actuarially determined base as a beginning point in premium determination. This rate is adjusted to reflect the age, sex, occupation, and coverage characteristics of new groups. Prior utilization is reviewed for renewal groups and based on the review, a recommendation is made regarding adjusting the rate or cancelling the group. The base rate is adjusted annually for inflation and other trending factors.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of nine members. Directors are elected annually to serve a three-year term. Officers for the board are elected 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.

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

Name	Principal Occupation	Term Expires
David Allen	Orthodontist	2025
Jacob Bjork	General Dentist	2026
Patrick Elliott	General Dentist	2027
Nathan Kroll	General Dentist	2025
Matthew Lorson	Periodontist	2026
Daniel O'Brien	General Dentist	2025
Lindsay Rozendaal	General Dentist	2027
Chadwick Schwitters	General Dentist	2026
Brian Sweeney	General Dentist	2027

Officers of the Company

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

Name	Office
Daniel O'Brien	President
Chadwick Schwitters	Vice President
Patrick Elliott	Secretary
Lindsay Rozendaal	Treasurer

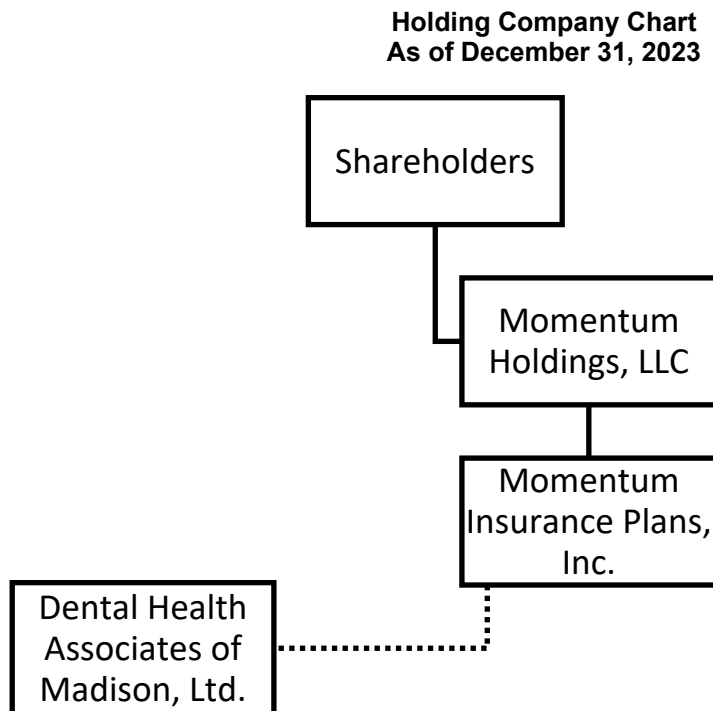
Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. There are no committees at the time of the examination.

The company has no employees. Necessary staff is provided through an administrative agreement with Dental Health Associates of Madison, Ltd. (DHA). Under the agreement, effective March 1, 2010, and amended June 22, 2017, DHA agrees to negotiate employer, provider, subscriber, and other contracts; advises the board; maintains the accounting and financial records; recruits marketing, utilization review, and claims processing personnel; provides or contracts for claims processing, and management information systems (MIS). DHA receives a fixed administrative fee for services rendered. The term of the agreement is 46 months from the effective date of the agreement and automatically renews for additional 12-month terms. The company may terminate the agreement upon 10 days' written notice if default of standards of performance continues 10 days after notice of such default.

IV. AFFILIATED COMPANIES

Momentum Insurance Plans, Inc. is a member of a holding company system. Its ultimate parent is Momentum Holdings, LLC. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of Momentum Insurance Plans, Inc. follows the organizational chart.



****Dotted line represents Administrative Service Agreement between the companies**

Momentum Holdings, LLC

Momentum Holdings, LLC was formed on April 19, 2010, as a Chapter 183, Wis. Stat., limited liability company to hold the direct ownership of MIPI. All the initial issued and outstanding membership interests were purchased by 24 owners of Dental Health Associates of Madison, Ltd. on August 25, 2010. As of December 31, 2024, there were 24 member unitholders in Momentum Holdings, LLC, which all own equal membership interests in the company. The unaudited financial statements of December 31, 2023, the latest available, reported assets of \$740,149, liabilities of \$0, and equity of \$740,149. The net income for 2023 was \$71,691.

V. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the commissioner of insurance in the December 31, 2023, 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 for the period under examination.

Momentum Insurance Plans, Inc.
Assets
As of December 31, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$75,000	\$	\$75,000
Cash, cash equivalents and short-term investments	1,340,921		1,340,921
Investment income due and accrued	93		93
Uncollected premiums and agents' balances in the course of collection	9,535		9,535
Receivables from parent, subsidiaries and affiliates	<u>21,345</u>	<u> </u>	<u>21,345</u>
Total Assets	<u><u>\$1,446,894</u></u>	<u><u>\$ </u></u>	<u><u>\$1,446,894</u></u>

Momentum Insurance Plans, Inc.
Liabilities and Net Worth
As of December 31, 2023

Claims unpaid	\$172,000
Premiums received in advance	142,055
General expenses due or accrued	63,397
Current federal and foreign income tax payable and interest thereon	<u>8,561</u>
Total Liabilities	386,013
Gross paid in and contributed surplus	350,000
Unassigned funds (surplus)	710,881
Total Capital and Surplus	<u>1,060,881</u>
 Total Liabilities, Capital and Surplus	 <u>\$1,446,894</u>

Momentum Insurance Plans, Inc.
Statement of Revenue and Expenses
For the Year 2023

Net premium income		\$1,569,887
Risk revenue		2,048,042
Administrative services revenue		<u>21,889</u>
Total revenues		3,639,828
Hospital and Medical:		
Hospital/medical benefits	\$2,674,779	
Claims adjustment expenses	230,742	
General administrative expenses	<u>522,550</u>	
Total underwriting deductions		<u>3,428,071</u>
Net underwriting gain or (loss)		211,757
Net investment income earned	<u>29,797</u>	
Net investment gains or (losses)		<u>29,797</u>
Net income or (loss) before federal income taxes		241,554
Federal and foreign income taxes incurred		<u>50,761</u>
Net Income (Loss)		<u>\$ 190,793</u>

Momentum Insurance Plans, Inc.
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2023

	2023	2022	2021	2020	2019
Capital and surplus, beginning of year	\$955,088	\$969,579	\$931,808	\$786,929	\$771,929
Net income (loss)	190,793	71,909	122,771	144,879	14,872
Change in non-admitted assets					128
Dividends to stockholders	<u>(85,000)</u>	<u>(86,400)</u>	<u>(85,000)</u>	<u> </u>	<u> </u>
Capital and Surplus, End of Year	<u>\$1,060,881</u>	<u>\$955,088</u>	<u>\$969,579</u>	<u>\$931,808</u>	<u>\$786,929</u>

Momentum Insurance Plans, Inc.
Statement of Cash Flows
As of December 31, 2023

Premiums collected net of reinsurance		\$1,567,540
Net investment income		30,079
Miscellaneous income		<u>2,069,941</u>
Total		<u>3,667,560</u>
Less:		
Benefit- and loss-related payments	\$2,666,779	
Commissions, expenses paid and aggregate write-ins for deductions	754,814	
Federal and foreign income taxes paid (recovered)	<u>28,675</u>	
Total		<u>3,450,268</u>
Net cash from operations		217,292
Proceeds from Investments Sold, Matured or Repaid:		
Bonds	<u>\$75,000</u>	
Total investment proceeds		75,000
Cost of Investments Acquired—Long-Term Only:		
Bonds	<u>75,000</u>	
Total investments acquired		<u>75,000</u>
Net cash from investments		-
Dividends to stockholders	85,000	
Other cash provided (applied)	<u>9,060</u>	
Net cash from financing and miscellaneous sources		<u>(75,940)</u>
Net Change in Cash, Cash Equivalents, and Short-Term Investments		141,352
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>1,199,569</u>
End of Year		<u>\$1,340,921</u>

Growth of the Company

The following schedules reflect the growth of the company during the examination period:

Year	Assets	Liabilities	Capital and Surplus	Premium & Revenue Earned	Medical Expenses Incurred	Net Income
2023	\$1,446,894	\$386,013	\$1,060,881	\$3,639,828	\$2,674,779	\$190,793
2022	1,326,111	371,023	955,088	3,589,929	2,713,032	71,909
2021	1,324,193	354,614	969,579	3,586,499	2,815,521	122,771
2020	1,242,512	310,704	931,808	2,994,087	1,919,132	144,879
2019	1,116,210	329,281	786,929	3,016,011	2,415,412	14,872
2018	1,035,052	263,123	771,929	2,326,505	2,000,980	4,843

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Enrollment	Change in Enrollment
2023	5.2%	73.9%	20.7%	9,956	-0.7%
2022	2.0	76.1	22.0	10,028	-2.7
2021	3.4	79.1	17.2	10,302	19.0
2020	4.8	64.6	29.9	8,656	13.4
2019	0.5	80.1	19.7	7,632	29.9
2018	0.2	86.0	10.9	5,874	-1.8

Per Member Per Month Information

	2023	2022	Percentage Change
Premium and Risk Revenue	\$30.04	\$29.18	2.9%
Expenses:			
Hospital/medical benefits	22.08	22.05	0.1
Claims adjustment expenses	1.91	1.68	13.6
General administrative expenses	4.31	4.75	-9.1
Total underwriting deductions	<u>\$28.30</u>	<u>\$28.48</u>	0.6%

Momentum has experienced fluctuating yet generally improving financial results since the beginning of the examination period. Capital and surplus, premium earned, and net income increased over the exam period, though performance was uneven during that time. Enrollment has also increased over 2018 but has been declining since reaching a high point in 2021. Administrative expenses are higher than average, largely due to its small size. The company is in a stable financial position and has sufficient capital and surplus to support operations.

Financial Requirements

The financial requirements for an LSHO under s. Ins 9.04, Wis. Adm. Code, are as follows:

Amount Required	
1. Minimum capital or permanent surplus	Not less than \$75,000
2. Security deposit	Each LSHO is required to maintain a deposit of securities with the state treasurer or an acceptable letter of credit on file with the commissioner's office. The amount of the deposit or letter of credit shall not be less than \$75,000. The letter of credit must be payable to the commissioner whenever liquidation or rehabilitation proceedings are initiated against the company.
3. Compulsory surplus	Not less than the greater of: 3% of the premiums earned by the company in the previous 12 months or \$75,000 The commissioner may accept the deposit or letter of credit under par. 2 to satisfy the compulsory surplus requirement if the company demonstrates to the satisfaction of the commissioner that all risk for loss has been transferred to the providers.
4. Security surplus	The company should maintain a security surplus to provide an ample margin of safety and clearly ensure a sound operation. The security surplus should not be less than 110% of the compulsory surplus.

The company's calculation as of December 31, 2023, as modified for examination

adjustments is as follows:

Assets		\$1,446,894
Less:		
Liabilities		<u>386,013</u>
Net amount available to satisfy surplus requirements		\$1,060,881
Net premium earned	\$1,569,887	
Compulsory surplus factor	<u>3%</u>	
Compulsory surplus – greater of 3% of premium or \$75,000		<u>75,000</u>
Compulsory Surplus Excess (Deficit)		<u>\$985,881</u>
Net amount available to satisfy surplus requirements		\$1,060,881
Compulsory surplus	\$75,000	
Security surplus factor	<u>140%</u>	
Security surplus		<u>105,000</u>
Security Excess (Deficit)		<u>\$955,881</u>

Reconciliation of Capital and Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount reported by the company as of December 31, 2023, is accepted.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were four specific recommendations in the previous examination report. The actions taken by the company as a result of the recommendations were as follows:

1. Corporate Governance — It is recommended that the company's directors, officers, and management employees properly complete and disclose potential conflicts on an annual basis in accordance with the company's Conflict of Interest Policy and a directive of the Wisconsin Office of the Commissioner of Insurance.

Action—Noncompliance

2. Unclaimed Property — It is recommended that the company comply with ch. 177, Wis. Stat., as regards unclaimed funds, and that a liability for unclaimed funds be established in future statutory annual statements to account for all checks outstanding for over one year.

Action—Compliance.

3. Unclaimed Property — It is recommended that the company develop formal written escheat policies and procedures.

Action—Compliance.

4. Amended Agreements — It is recommended that the company file agreements with affiliates and amendments thereof with the commissioner at least 30 days prior to the proposed effective date in accordance with ch. 617.21 (2), Wis. Stat. and s. Ins 40.04 (2) (d), Wis. Adm. Code.

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.

Corporate Governance

In accordance with a directive of the Wisconsin Office of the Commissioner of Insurance dated March 9, 1989, each insurer is required to establish a procedure for the disclosure to its board of directors of any material interest or affiliation on the part of its officers, directors, or key employees which conflicts or is likely to conflict with the official duties of such person. A part of this procedure is the annual completion of conflict of interest statements by the appropriate persons. A review of the conflict of interest statements disclosed that the company was unable to locate all conflict-of-interest statements for 2020 and 2023.

It is again recommended that the company properly complete and maintain its conflict of interest statements in accordance with the directive issued by the Wisconsin Office of the Commissioner of Insurance regarding the disclosure of conflicts of interest.

A review of the company's biographical affidavits disclosed that the company is filing all biographical affidavits for directors or officers once annually along with their annual financial statements. This is not in accordance with Ins 6.52 (5), Wis. Adm. Code, which states that the company must file biographical affidavits within 15 days of appointment.

It is recommended that the company file biographical affidavits for directors or officers within 15 days of appointment in accordance with Ins 6.52 (5), Wis. Adm. Code.

VII. CONCLUSION

Momentum Insurance Plans, Inc. was incorporated on June 21, 2010, as a for-profit corporation. The company markets dental insurance business through small group employers, individuals, and HMO insurers. The company operates in Wisconsin's 72 counties through contracts with dental providers.

Momentum Insurance Plans, Inc.'s financial statements reported assets of \$1,446,894, liabilities of \$386,013, and surplus of \$1,060,881. Operations for 2023 produced a net income of \$190,793. Total assets increased 39.8%, liabilities increased 46.7%, and surplus increased 37.4% during the examination period. The company had 9,956 members as of 2023, which was nearly double the membership the company had in 2018, though membership has declined slightly since 2021. Premiums earned increased by 56.5% during the examination period.

There were no adjustments made to the surplus as a result of this examination. The current examination resulted in two recommendations to complete and maintain conflict of interest statements and file biographical affidavits within 15 days of an officer or director being appointed.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 20 - Corporate Governance— It is again recommended that the company properly maintain its conflict-of-interest statements in accordance with the directive issued by the Wisconsin Office of the Commissioner of Insurance regarding the disclosure of conflicts of interest.
2. Page 20 - Corporate Governance— It is recommended that the company file biographical affidavits for directors or officers within 15 days of appointment in accordance with Ins 6.52 (5), Wis. Adm. Code.

IX. 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
Jacob Burkett, CFE	Insurance Financial Examiner
Eleanor Lu, CISA	IT Specialist
Kongmeng Yang, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ian Anderson".

Ian Anderson
Examiner-in-Charge