

Report
of the
Examination of
SeniorDent Dental Plan, Inc.
Shorewood, Illinois
As of December 31, 2016

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

August 11, 2017

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Honorable Theodore K. Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
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Commissioner:

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

SENIORDENT DENTAL PLAN, INC.
Shorewood, Illinois

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of SeniorDent Dental Plan, Inc. (SeniorDent or the company) was conducted in 2013 as of December 31, 2011. The current examination covered the intervening period ending December 31, 2016, and included a review of such 2017 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 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.

II. HISTORY AND PLAN OF OPERATION

SeniorDent Dental Plan, Inc., is described as a for-profit 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." The company provides dental care on a mobile basis directly to nursing home facilities.

The company was incorporated May 20, 2008, and commenced business June 30, 2008. The company is owned by Bradke Management, LLC (51%) and Aggeus Security and Insurance Holdings, LLC (49%). In October 2015 the assets of Aggeus Healthcare were frozen, and three of its executives (who are also on the board of SeniorDent Dental Plan, Inc.) were indicted on health care fraud charges. One director pled guilty to conspiracy and making false statements relating to health care, and two others pled guilty to conspiracy. SeniorDent had a substantial decrease in business volume due to reliance on Aggeus Security and Insurance Holdings, LLC, for marketing and other services and is currently attempting to repurchase shares from Aggeus Security and Insurance Holdings, LLC.

In 2016, the company wrote direct premium in the following states:

Missouri	\$113,258	65.8%
Wisconsin	58,844	34.2
Florida	<u>90</u>	<u>0.0</u>
Total	<u>\$172,192</u>	<u>100.0%</u>

The company was licensed in Florida, Missouri, and Wisconsin as of December 31, 2016; however, the company has decided to cease business in Florida.

The company has agreements with Mobile Dental Care of Illinois PC and James Chou, Inc., to provide dental services to eligible insureds within nursing home facilities. Providers are required by the agreements to provide General Dentistry, Periodontics, Oral Surgery, and related laboratory charges, but are not required to provide specialty care to the insureds. Providers are compensated based upon a portion of monthly premiums collected by the

company. The company does not contract with specific clinics. Agreements with providers stipulate that dental services are provided at the nursing home facilities.

The contracts include hold-harmless provisions for the protection of policyholders. The contracts have a one-year term and may be terminated by either party with 120 days' notice, insolvency, failure to maintain guidelines for dental practice, suspension or loss of licensure, certification or registration, breach, or legislative enactments.

According to its business plan, the company's service area is comprised of Wisconsin and Missouri. The company exited the Florida market.

The company markets directly to nursing homes. Final sales are made to individuals residing in the facility or those responsible for their care and making health care decisions for the individual. Marketing services are provided through an administrative agreement with SeniorDent Inc. (discussed further in the following section of this report). Agents are paid a 10% commission on new and renewal business.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of nine members. Officers for the board should be 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. The board members currently receive no compensation for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence*	Principal Occupation	Term Expires
Frank Charles Camarda, Jr. Orland Park, IL – Class A	President, SeniorDent Dental Plan, Inc.	2017
Garry Camarda Dix Hills, NY – Class A	President, G&C Crane, Inc.	2017
Brad Camarda Dix Hills, NY – Class A	Director of Operations, Universal Services Group, LTD	2017
Kenneth William Sandberg Orland Park, IL – Class A	Retired	2017
Kelly Ann Sawicz Chicago, IL – Class A	Secretary/Treasurer and Director, SeniorDent Dental Plan, Inc.	2017
James Sayadzad Chicago, IL – Class B	Entrepreneur/Unemployed	2017
Yev Gray, D.P.M. Chicago, IL – Class B	Podiatrist/Unemployed	2017
Natalie Gray Chicago, IL – Class B	Attorney/Unemployed	2017
Galina Goldberg Chicago, IL – Class B	Entrepreneur	2017

* Class A directors are appointed by Bradke Management, LLC, and Class B directors are appointed by Aggeus Security and Insurance Holdings, LLC.

Officers of the company

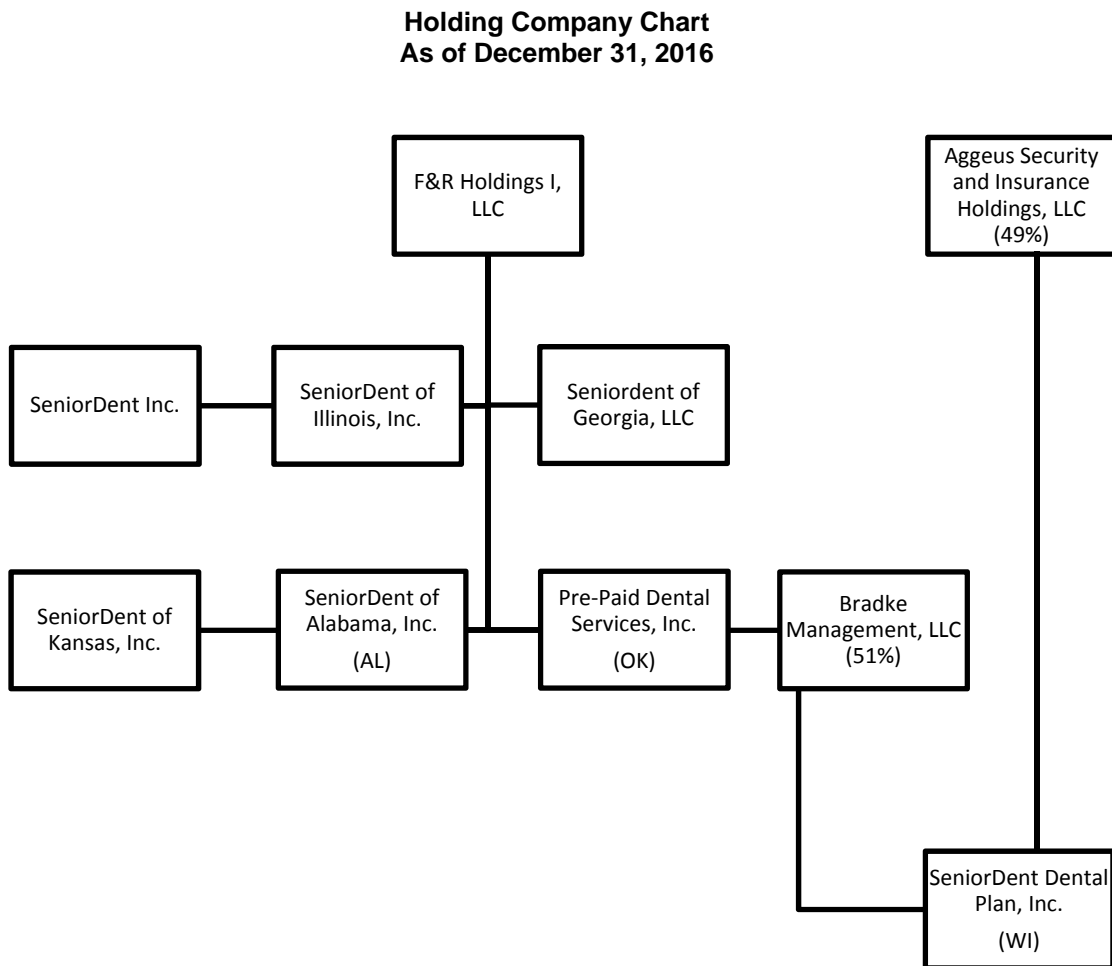
The officers serving at the time of this examination are as follows:

Name	Office	2016 Compensation
Frank Charles Camarda, Jr.	President	\$6,000
Suzanne Camarda	Vice President	0
Kelly Ann Sawicz	Secretary-Treasurer	6,000

The company has no employees. Necessary staff is provided through a management agreement with SeniorDent Inc. for administrative services. Under the agreement, effective July 1, 2013, SeniorDent Inc. advises the board; maintains accounting and financial records; recruits marketing, utilization review, and claims processing personnel; provides or contracts for claims processing and management information systems. SeniorDent Inc. receives 5.5% of the premiums received as compensation for services rendered for Wisconsin business. SeniorDent Inc. provides sales services for the Missouri business for 10% of the related premiums. SeniorDent Inc. also provides sales and administrative services in Missouri and receives 12% of the related premiums for these services. The agreement runs indefinitely until terminated by either party. The company may terminate the agreement upon 90 days' written notice. Another management agreement with SeniorDent of Illinois, Inc., is used for billing services related to Missouri premiums. Under the agreement, effective July 1, 2010, SeniorDent of Illinois, Inc., provides billing services and receives 11% of the premiums received as compensation. This agreement also runs indefinitely until terminated by either party. The company may terminate the agreement upon 90 days' written notice.

IV. AFFILIATED COMPANIES

SeniorDent Dental Plan, Inc., is a member of a holding company system. Its ultimate parents are F&R Holdings I, LLC (51%) and Aggeus Security and Insurance Holdings, LLC (49%). The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of SeniorDent Dental Plan, Inc., follows the organizational chart.



The companies in the holding company group offer prepaid dental services to individuals in nursing homes. There are three insurance companies in the group: SeniorDent of Alabama, Inc., Pre-Paid Dental Services, Inc., and SeniorDent Dental Plan, Inc. Not all states require a prepaid dental provider to be an insurance company.

F&R Holdings I, LLC

F&R Holdings I, LLC, is the ultimate parent of the 51% Class A shareholder, Bradke Management, LLC, and owned by the Camarda family and the Sawicz family. As of December 31, 2016, the company's unaudited financial statement reported assets of \$1,178,775 liabilities of \$1,202, and equity of \$1,178,775. Operations for 2016 produced net income of \$429,608.

Aggeus Security and Insurance Holdings, LLC

Aggeus Security and Insurance Holdings, LLC, is a Class B shareholder which owns 49% of the company. In October 2015 the assets of Aggeus Healthcare were frozen and three executives who are also on the board of SeniorDent Dental Plan, Inc., were indicted on health care fraud charges.

Bradke Management, LLC

Bradke Management, LLC, is a Class A shareholder which owns 51% of the company. As of December 31, 2016, the company's unaudited financial statement reported assets of \$205,855, liabilities of \$0, and equity of \$205,855. Operations for 2016 produced a net loss of \$9,541.

SeniorDent Inc.

SeniorDent Inc. provides administrative services to companies in the group. As of December 31, 2016, the company's unaudited financial statement reported assets of \$136,666, liabilities of \$109,184, and equity of \$27,482. Operations for 2016 produced net income of \$23,567 on revenues of \$1,746,492.

SeniorDent of Illinois, Inc.

SeniorDent of Illinois, Inc., provides administrative services to companies in the group. As of December 31, 2016, the company's unaudited financial statement reported assets of \$83,177, liabilities of \$16, and equity of \$83,162. Operations for 2016 produced net income of \$232,023 on revenues of \$930,504.

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, 2016, 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 which reflect the growth of the company for the period under examination.

**SeniorDent Dental Plan, Inc.
Assets
As of December 31, 2016**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 51,030	\$	\$ 51,030
Cash, cash equivalents and short-term investments	349,605		349,605
Investment income due and accrued	486		486
Uncollected premiums and agents' balances in the course of collection	2,401		2,401
Current federal and foreign income tax recoverable and interest thereon	<u>8,965</u>	<u>—</u>	<u>8,965</u>
Total Assets	<u>\$412,487</u>	<u>\$ 0</u>	<u>\$412,487</u>

**SeniorDent Dental Plan, Inc.
Liabilities and Net Worth
As of December 31, 2016**

Claims unpaid		\$ 1,310
Premiums received in advance		1,185
General expenses due or accrued		210
Net deferred tax liability		228
Amounts due to parent, subsidiaries and affiliates		<u>697</u>
Total liabilities		3,630
Aggregate write-ins for special surplus funds	\$129,728	
Gross paid in and contributed surplus	181,500	
Unassigned funds (surplus)	<u>97,629</u>	
Total capital and surplus		<u>408,857</u>
Total Liabilities, Capital and Surplus		<u>\$412,487</u>

**SeniorDent Dental Plan, Inc.
Statement of Revenue and Expenses
For the Year 2016**

Net premium income		\$172,192
Medical and hospital:		
Other professional services	\$ 80,245	
General administrative expenses	<u>111,461</u>	
Total underwriting deductions		<u>191,706</u>
Net underwriting gain or (loss)		(19,513)
Net investment income earned		(964)
Aggregate write-ins for other income or expenses		<u>(31)</u>
Net income or (loss) before federal income taxes		(20,508)
Federal and foreign income taxes incurred		<u>(2,126)</u>
Net Income (Loss)		<u>\$ (18,383)</u>

**SeniorDent Dental Plan, Inc.
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2016**

	2016	2015	2014	2013	2012
Capital and surplus, beginning of year	\$425,068	\$455,506	\$420,205	\$371,475	\$313,652
Net income (loss)	(18,383)	14,612	60,931	92,783	94,881
Change in net deferred income tax	2,172	(830)	1,130	811	(6,784)
Change in nonadmitted assets					926
Surplus adjustments:					
Paid in		1,500			
Dividends to stockholders		(45,720)	(26,760)	(33,840)	(31,201)
Write-ins for gains and (losses) in surplus:					
Correction of error	_____	_____	_____	(11,025)	_____
Surplus, End of Year	<u>\$408,857</u>	<u>\$425,068</u>	<u>\$455,506</u>	<u>\$420,205</u>	<u>\$371,475</u>

**SeniorDent Dental Plan, Inc.
Statement of Cash Flows
As of December 31, 2016**

Premiums collected net of reinsurance		\$ 94,096
Net investment income		<u>(147)</u>
Total		<u>193,949</u>
Less:		
Benefit- and loss-related payments	\$ 91,807	
Commissions, expenses paid and aggregate write-ins for deductions	116,005	
Federal and foreign income taxes paid (recovered)	<u>(9)</u>	
Total		<u>207,802</u>
Net cash from operations		(13,853)
Proceeds from investments sold, matured or repaid:		
Bonds	125,000	
Cost of investments acquired—long-term only:		
Bonds	<u>51,038</u>	
Net cash from investments		<u>73,962</u>
Net change in cash, cash equivalents, and short-term investments		60,110
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>289,495</u>
End of Year		<u>\$349,605</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 Earned	Medical Expenses Incurred	Net Income
2016	\$412,487	\$ 3,630	\$408,857	\$ 172,192	\$ 80,245	\$(13,853)
2015	447,230	22,163	425,068	934,690	609,595	14,612
2014	493,047	37,541	455,506	1,337,882	897,001	60,931
2013	474,015	53,810	420,205	1,339,729	886,251	92,783
2012	424,786	53,311	371,475	1,138,298	763,215	94,881
2011	343,236	29,584	313,652	904,503	585,311	87,766

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Enrollment	Change in Enrollment
2016	(10.7)%	46.6%	64.7%	206	(77.5)%
2015	1.6	65.2	32.2	915	(39.0)
2014	4.6	67.0	26.1	1,499	(22.9)
2013	6.9	66.2	26.4	1,944	5.1
2012	8.4	67.0	21.7	1,850	17.0
2011	12.9	64.7	22.4	1,581	15.2

Per Member Per Month Information

	2016	2015	Percentage Change
Premium	\$52.43	\$62.19	(15.7)%
Expenses:			
Other professional services	24.44	40.56	(39.8)
General administrative expenses	<u>33.94</u>	<u>20.03</u>	69.5
Total Underwriting Deductions	<u>\$58.38</u>	<u>\$60.59</u>	(3.6)%

The company produced net income in four of the past five years. Although the provider expense and affiliated administrative services expenses are based on a percent of premium, there are certain expenses which are paid directly by the company, such as for CPA services, consulting, taxes and fees, and legal expenses. The company had a net loss for the first time in 2016 due to the expenses paid by the company being greater than anticipated. Membership has declined significantly from its peak in 2013 with sharp declines in 2015 and 2016, by nearly 90%, due in large part to legal issues with the Class B shareholder. The per

member per month expense for general administrative expenses increased because, although premium continued to decline, certain fixed expenses did not decrease. The per member per month dental provider expense decreased since most of the business loss was from Wisconsin which had a higher contracted provider rate. Additionally, the company lost the contracted provider for Wisconsin (Aggeus Insurance Management, LLC) in November 2015 and a new provider was not paid between January 2016 and March 2016, but is entitled to receive any back payments which would have otherwise gone to the old provider. The company continues to have sufficient capital and surplus to support the business.

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 assure a sound operation. The security surplus should not be less than 110% of compulsory surplus.

The company's calculation as of December 31, 2016, as modified for examination adjustments is as follows:

Assets	\$412,487	
Less:		
Liabilities	<u>3,630</u>	
Net amount available to satisfy surplus requirements		\$408,857
Net premium earned	172,192	
Compulsory factor	<u>3%</u>	
Compulsory surplus		<u>75,000</u>
Compulsory Excess (Deficit)		<u>\$333,857</u>
Net amount available to satisfy surplus requirements		\$408,857
Compulsory surplus	\$ 75,000	
Security surplus factor	<u>140%</u>	
Security surplus		<u>105,000</u>
Security Excess (Deficit)		<u>\$303,857</u>

Reconciliation of Capital and Surplus per Examination

The current examination resulted in no adjustments to surplus or reclassification of balance sheet accounts.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were seven 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. General Administrative Expenses—It is recommended the company amend its administrative service agreements to reflect actual practice and file the amended agreements as required by s. Ins 40.04 (2), Wis. Adm. Code.
Action—Noncompliance; see comments in the “Summary of Current Examination Results.”
2. General Administrative Expenses—It is recommended the company expand language within the administrative agreements to include allocation methodologies of expenses within the contract.
Action—The company is in compliance with this office’s general standards even if not in compliance with the recommendation made at the time.
3. Cash Disbursements—It is recommended the company follow their written cash disbursement procedures in regard to required signatures.
Action—Noncompliance; see comments in the “Summary of Current Examination Results.”
4. Management and Control—It is recommended members of the board of directors receive a copy of the company’s financial statements at least annually to provide evidence of adequate oversight by the board.
Action—Compliance.
5. Business Continuity Plan—It is recommended the company develop a business continuity plan and validate the business continuity plan through periodic testing.
Action—Compliance.
6. Information System Controls—It is recommended that the company establish procedures and controls to ensure that passwords are required to be changed at least every 60 days.
Action—The company is in compliance with this office’s general standards even if not in compliance with the recommendation made at the time.
7. Information Technology Services Agreement—It is recommended that a formal agreement covering hosting services be developed and signed by both companies.
Action—Noncompliance; see comments in the “Summary of Current Examination Results.”

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.

Information Technology Services Agreement

The company has no IT staff and does not have any agreements with O&O Holding LLC which is the successor to Orawin Technology, Inc. O&O Holding LLC owns the hardware and some key software that operates the company's policy system. This hardware is hosted in a Rackspace hosting center in San Antonio, Texas. The company does not have any standards for change management, SDLC changes, developer access control, segregation of duties, or other activities that its third party provides for them. It is again recommended that a formal agreement covering hosting services be developed and signed by both companies. It is recommended that the company define the standards for performance expected from the IT service provider in the formal agreement that can be tested and confirmed through audit by the company or a third party.

Corporate Governance

Due to recent events regarding the Class B shareholder and their appointed directors as noted earlier in the report, the Class B representatives have stopped attending meetings and the company is unable to have a quorum to take any actions because at least two Class B directors must be in attendance. The last meeting of the board was June 15, 2015, and the last time the board had a quorum was May 1, 2013. The last annual shareholder meeting was November 1, 2012. Although notices of the annual shareholder meeting were sent out, no one attended and no minutes were taken. The shareholders should have an annual meeting in accordance with the bylaws. The board should also hold regular meetings in accordance with the bylaws. Even if a quorum cannot be obtained for reasons beyond the company's control, meetings need to be held to discuss relevant matters. The following deficiencies were noted.

- It was noted that the company sends out a copy of the financial statements annually with the annual meeting notices; however, the board failed to meet to review them.
- The company's audit committee does not keep meeting minutes and has not met during the past year to review the audited financial statements.

- The company had purchased a treasury note to hold on deposit with the state of Missouri; however, the board did not review this transaction. The board is required to review investment transactions pursuant to s. 613.51 (4), Wis. Stat.
- The company made changes to the compensation paid to officers that were not discussed in any meeting minutes. Changes to the compensation of officers should be approved by the board.
- The officers elected in the meeting minutes do not match those presented on the jurat page of the financial statements filed with this office, and the company has failed to elect officers annually in accordance with the bylaws.

It is recommended that the company hold annual shareholder and board meetings in accordance with the bylaws and Wisconsin Statutes. It is recommended that the company annually elect officers in accordance to the bylaws and that those officers be displayed on the jurat page of the annual statement.

Engagement Letter

Section Ins 50.01 (4m), Wis. Adm. Code, defines indemnification as an agreement of indemnity or a release from liability where the intent or effect is to shift or limit in any manner the potential liability of the person or firm for failure to adhere to applicable auditing or professional standards, whether or not resulting in part from knowing or other misrepresentations made by the insurer or its representatives. The examination review of the CPA's engagement letter disclosed that the letter contains certain indemnification language that meets this definition. Pursuant to s. Ins 50.08 (1), Wis. Adm. Code, the Commissioner can prohibit insurers from retaining accountants or an accounting firm if indemnification language is included in the engagement letter. It is recommended that the company engage an external audit firm that does not include any indemnification language in the engagement letter as defined in s. Ins 50.01 (4m), Wis. Adm. Code.

Affiliated Agreements

The examination determined that the company has been regularly creating amendments or addendums to the affiliated administrative service agreements with SeniorDent of Illinois, Inc., and SeniorDent Inc.; however, the company has not been filing the contract changes for review and nondisapproval with this office. Section Ins 40.04 (2) (d), Wis. Adm. Code, requires the company to report new or amended affiliated agreements in writing to this office for

review and nondisapproval at least 30 days before entering into those transactions. The examination disclosed that the contract was vague regarding the terms for settlement of balances under the contract, and multiple addendums created a payment range without specifying how the final reimbursement percentage is determined. Statement of Statutory Accounting Principles (SSAP) No. 25, paragraph 7, states that affiliated agreements must in writing provide for the timely settlement of amounts owed and have a specified due date. Section 617.21 (1) (a), Wis. Stat. requires agreements with affiliates to be fair and reasonable to the interests of the insurer, in other words be at “arms-length.” The company should establish procedures as part of the contract explaining how the final payment rate is determined. In addition, the company should be able to explain how the reimbursement rate is considered fair and reasonable to the interests of the insurer. It is again recommended that the company report any amendments or addendums to the affiliated administrative service agreements in writing to this office at least 30 days before entering into the transaction in compliance with s. Ins 40.04 (2), Wis. Adm. Code. It is recommended that the affiliated administrative service agreement be amended to add clear terms for the settlement of balances under the contract as required under SSAP No. 25, paragraph 7. It is recommended that the company establish a methodology for the development of the final rate used in affiliated service agreements and ensure rates are fair and reasonable in accordance with s. 617.21 (1) (a), Wis. Stat.

Earned Premium

The company hires an outside consulting firm to prepare the annual statement for the company. The consultant developed the premium earned data using data from banking records for premium. The company reconciles its administrative system to the bank records when checks are scanned into the bank account. This process does not adjust for other amounts deposited into the account. As a result, premium earned was overstated by \$4,165, which included \$2,298 of money that was transferred from another account after it was closed and \$1,257 which was transferred from an operating account to the premium account. At the time of the report \$437 was still unaccounted for. The financial statements were not adjusted for the purposes of this

report since the amount was immaterial. It is recommended that the company establish procedures for the accurate presentation of earned premium.

Cash Disbursements

The examination found that the company is not complying with its cash disbursement procedures. The cash disbursement procedures state "Print checks for signature by the President," but none of the checks were signed by the President. It is again recommended the company follow its written cash disbursement procedures in regard to required signatures.

Fidelity Bond

The examination conducted a review of the company's corporate insurance and fidelity coverage. Fidelity bonds are used to provide coverage to the company for loss due to dishonest acts of bonded employees. It was determined by the examination that the company does not have fidelity coverage; the company had failed to renew the policy. It is recommended that the company ensure sufficient fidelity insurance coverage in accordance with the Financial Condition Examiners Handbook.

VII. CONCLUSION

The company had a significant decline in enrollment and premium earned due to legal issues surrounding the Class B shareholder, Aggeus Security and Insurance Holdings, LLC. SeniorDent Dental Plan, Inc., is currently in negotiations to buy back its shares from Aggeus Security and Insurance Holdings, LLC. Enrollment declined from 1,581 enrollees as of December 31, 2011, to 206 enrollees as of December 31, 2016. The company has historically been profitable and experienced its first net loss in 2016 of \$13,853.

The examination resulted in eleven recommendations and no adjustments to surplus. The recommendations related to the areas of information technology, corporate governance, engagement letter, affiliated agreements, earned premium, cash disbursements, and fidelity bond. Three of the findings were repeat recommendations from the prior examination.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 17 - Information Technology Services Agreement—It is again recommended that a formal agreement covering hosting services be developed and signed by both companies.
2. Page 17 - Information Technology Services Agreement—It is recommended that the company define the standards for performance expected from the IT service provider in the formal agreement that can be tested and confirmed through audit by the company or a third party.
3. Page 18 - Corporate Governance—It is recommended that the company hold annual shareholder and board meetings in accordance with the bylaws and Wisconsin Statutes.
4. Page 18 - Corporate Governance—It is recommended that the company annually elect officers in accordance to the bylaws and that those officers be displayed on the jurat page of the annual statement.
5. Page 18 - Engagement Letter—It is recommended that the company engage an external audit firm that does not include any indemnification language in the engagement letter as defined in s. Ins 50.01 (4m), Wis. Adm. Code.
6. Page 19 - Affiliated Agreements—It is again recommended that the company report any amendments or addendums to the affiliated administrative service agreements in writing to this office at least 30 days before entering into the transaction in compliance with s. Ins 40.04 (2), Wis. Adm. Code.
7. Page 19 - Affiliated Agreements—It is recommended that the affiliated administrative service agreement be amended to add clear terms for the settlement of balances under the contract as required under SSAP No. 25, paragraph 7.
8. Page 19 - Affiliated Agreements—It is recommended that the company establish a methodology for the development of the final rate used in affiliated service agreements and ensure rates are fair and reasonable in accordance with s. 617.21 (1) (a), Wis. Stat.
9. Page 20 - Earned Premium—It is recommended that the company establish procedures for the accurate presentation of earned premium.
10. Page 20 - Cash Disbursements—It is again recommended the company follow its written cash disbursement procedures in regard to required signatures.
11. Page 20 - Fidelity Bond—It is recommended that the company ensure sufficient fidelity insurance coverage in accordance with the Financial Condition Examiners Handbook.

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
Junji Nartatez	Insurance Financial Examiner
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Respectfully submitted,

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