

Report
of the
Examination of
SeniorDent Dental Plan, Inc.
Joliet, Illinois
As of December 31, 2021

TABLE OF CONTENTS

	Page
I. INTRODUCTION.....	1
II. HISTORY AND PLAN OF OPERATION.....	3
III. MANAGEMENT AND CONTROL.....	4
IV. AFFILIATED COMPANIES.....	6
V. FINANCIAL DATA.....	8
VI. SUMMARY OF EXAMINATION RESULTS.....	6
VII. CONCLUSION.....	9
VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS.....	20
IX. ACKNOWLEDGMENT.....	21



April 20, 2023

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:

SENIORDENT DENTAL PLAN, INC.
Shorewood, Illinois

and this report is respectfully submitted.

V. INTRODUCTION

The previous examination of SeniorDent Dental Plan, Inc. (SeniorDent 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 of the company was conducted concurrently with the examination of an affiliated company domiciled in Illinois, with Wisconsin acting in the capacity as the lead state for the coordinated examination. Representatives of Illinois participated in the examination, and their work was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an 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. 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 concerning the alternative or additional examination steps performed during 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.” LSHOs compete with traditional fee-for-service health care delivery. 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 two families: the Camarda group and the Sawicz group, each with a 50% stake in the ownership.

The company has agreements with LTC Dental LLC and James I. Chou DDS, PA 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 or for grounds such as insolvency, failure to maintain guidelines for dental practice, suspension or loss of licensure, certification or registration, breach, or legislative enactments.

The company markets directly to nursing homes in its service area of Wisconsin and Missouri. 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. Agents are paid a 10% commission on new and renewal business.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of four members. Four directors are elected annually to serve a one-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 and Residence	Principal Occupation	Term Expires
Frank Charles Camarda, Jr. Orland Park, IL – Class A	President & CEO, SeniorDent Dental Plan, Inc.	2024
Richard Sawicz Chicago, IL – Class A	CFO SeniorDent Dental Plan, Inc.	2024
Kenneth William Sandberg Orland Park, IL – Class A	President Mobile Services of Alabama	2024
Kelly Ann Sawicz Chicago, IL – Class A	Secretary / Treasurer SeniorDent Dental Plan, Inc.	2024

Officers of the Company

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

Name	Office
Frank Charles Camarda, Jr.	President
Suzanne Camarda	Vice President
Kelly Ann Sawicz	Secretary / Treasurer

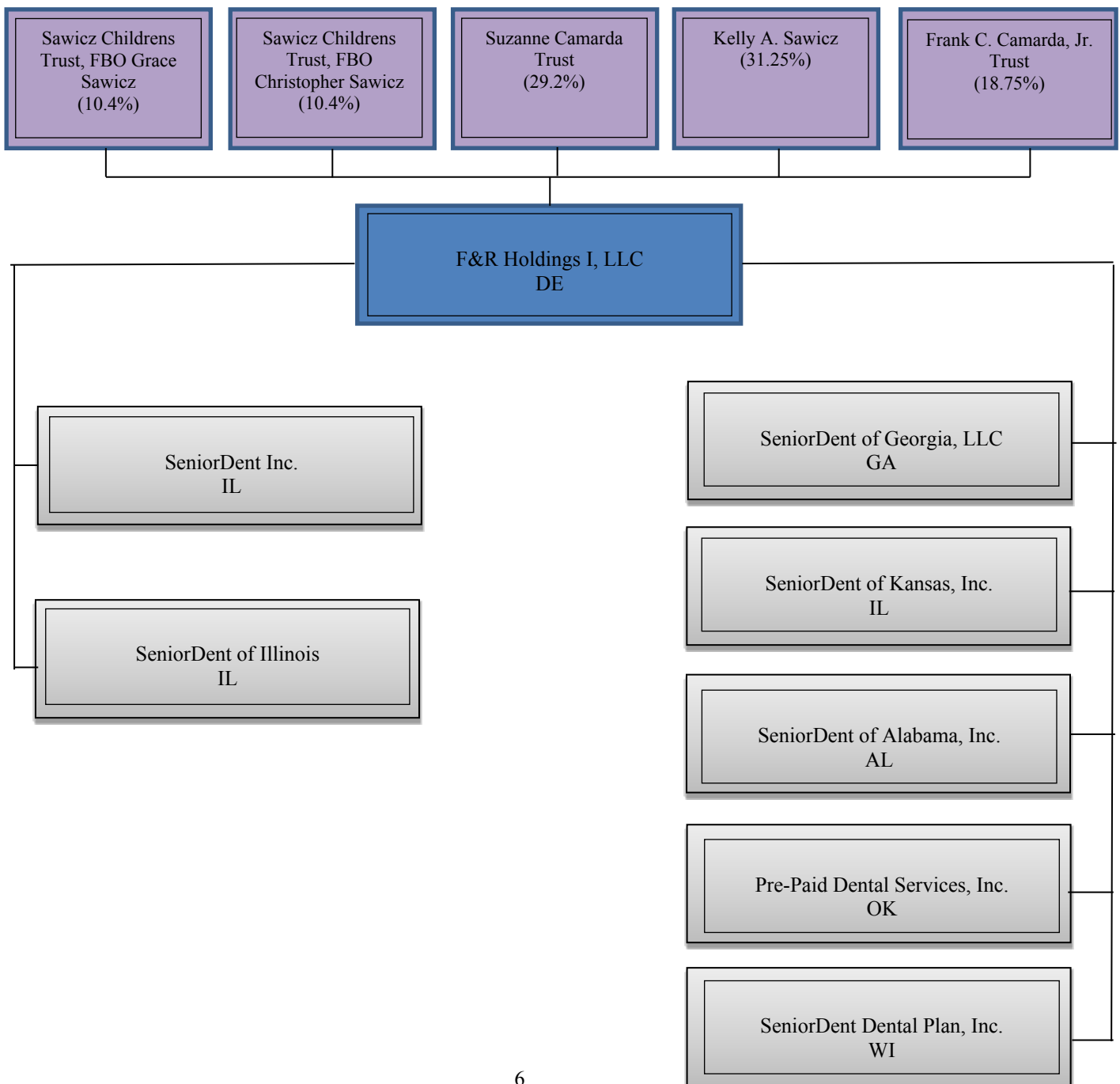
The company has no employees. Necessary staff is provided through a management agreement with SeniorDent Inc., for administrative services. Under the agreement, effective February 1, 2018, SeniorDent Inc. advises the board, maintains accounting and financial records, handles recruitment, marketing, utilization review, and claims processing personnel. SeniorDent Inc. also provides or contracts for claims processing and management information systems. SeniorDent Inc. receives 7.5% of the premiums received as compensation for services rendered for Wisconsin business. SeniorDent Inc. also provides sales and administrative services in Missouri and receives 16% 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 is used for billing services related to Missouri premiums. Under the agreement, effective February 1, 2018, SeniorDent of Illinois provides billing services and receives 15% 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 parent is F&R Holdings I, LLC. 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.

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



F&R Holdings I, LLC

F&R Holdings I, LLC is the ultimate parent. As of December 31, 2021, the company's unaudited financial statement reported assets of \$1,490,710, liabilities of \$205,448, and equity of \$1,285,262. Operations for 2021 produced a net loss of \$68,383 on revenues of \$9,780.

SeniorDent Inc.

SeniorDent Inc. provides administrative services to companies in the group. As of December 31, 2021, the company's unaudited financial statement reported assets of \$107,881, liabilities of \$65,517, and equity of \$42,363. Operations for 2021 produced a net loss of \$92,825 on revenues of \$1,499,468.

SeniorDent of Illinois

SeniorDent of Illinois provides administrative services to companies in the group. As of December 31, 2021, the company's unaudited financial statement reported assets of \$62,072, liabilities of \$881, and capital and surplus of \$61,191. Operations for 2021 produced net income of \$99,087 on revenues of \$760,601.

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, 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 for the period under examination.

SeniorDent Dental Plan, Inc.
Assets
As of December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$125,987	\$	\$125,987
Cash, cash equivalents and short-term investments	223,110		223,110
Investment income due and accrued	123		123
Uncollected premiums and agents' balances in the course of collection	17,341		17,341
Current federal and foreign income tax recoverable and interest thereon	<u>6,154</u>		<u>6,157</u>
Total Assets	<u>\$372,717</u>	<u>\$0</u>	<u>\$372,717</u>

SeniorDent Dental Plan, Inc.
Liabilities and Net Worth
As of December 31, 2021

Claims unpaid			\$ 11,726
Premiums received in advance			129
Net deferred tax liability			1,178
Amounts due to parent, subsidiaries, and affiliates			<u>2,579</u>
Total Liabilities			15,612
Aggregate write-ins for special surplus funds	\$ 60,430		
Common capital stock	61,200		
Gross paid in and contributed surplus	32,100		
Unassigned funds (surplus)	<u>203,374</u>		
Total Capital and Surplus			<u>357,104</u>
Total Liabilities, Capital and Surplus			<u>\$372,717</u>

**SeniorDent Dental Plan, Inc.
Statement of Revenue and Expenses
For the Year 2021**

Net premium income		\$ 466,328
Medical and Hospital:		
Other professional services	\$ 321,379	
General administrative expenses	<u>143,652</u>	
Total underwriting deductions		<u>465,031</u>
Net underwriting gain or (loss)		1,298
Net investment income earned		<u>1,252</u>
Net income or (loss) before federal income taxes		2,549
Federal and foreign income taxes incurred		<u>959</u>
Net Income (Loss)		<u>\$ 1,591</u>

**SeniorDent Dental Plan, 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	\$355,126	\$310,815	\$375,538	\$390,806	\$408,857
Net income (loss)	1,591	47,554	36,743	(14,948)	(26,542)
Change in net deferred income tax	388	(3,243)	(6,266)	(320)	8,491
Capital changes:					
Paid in			61,200		
Surplus adjustments:					
Paid in			(149,400) ¹		
Write-ins for gains and (losses) in surplus:					
Additional Payout to U.S. Marshals Service			<u>(7,000)¹</u>		
Capital and Surplus, End of Year	<u>\$357,104</u>	<u>\$355,126</u>	<u>\$310,815</u>	<u>\$375,538</u>	<u>\$390,806</u>

¹ The surplus adjustments paid totaling \$(149,400) and \$(7,000) are comprised entirely of payments to the U.S. Marshals Service to finalize the buyout of the company which occurred during the prior examination time period.

SeniorDent Dental Plan, Inc.
Statement of Cash Flows
As of December 31, 2021

Premiums collected net of reinsurance		\$468,306
Net investment income		1,419
Miscellaneous income		<u>0</u>
Total		<u>469,725</u>
Less:		
Benefit- and loss-related payments	\$321,518	
Commissions, expenses paid and aggregate write-ins for deductions	144,149	
Federal and foreign income taxes paid (recovered)	<u>9,898</u>	
Total		<u>475,566</u>
Net cash from operations		(5,841)
Net cash from financing and miscellaneous sources		<u>(2,014)</u>
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(7,854)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>230,964</u>
End of Year		<u>\$ 223,110</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
2021	\$372,717	\$15,612	\$357,104	\$466,328	\$321,379	\$ 1,591
2020	376,241	21,115	355,126	453,323	237,142	47,554
2019	331,500	20,685	310,815	291,600	141,169	36,743
2018	377,491	1,954	375,538	168,309	83,942	(14,948)
2017	393,012	2,205	390,806	165,194	87,400	(26,542)
2016	412,487	3,630	408,857	172,192	80,245	(18,383)

Year	Profit Margin	Medical Loss Ratio	Administrative Expense Ratio	Enrollment	Change in Enrollment
2021	0.3%	68.9%	30.8%	320	-2.7%
2020	10.4	52.3%	37.3%	329	-21.9
2019	12.5	48.4%	42.3%	421	95.8
2018	-8.8	49.9%	59.0%	215	1.9
2017	-16.0	52.9%	62.5%	211	2.4
2016	-10.7	46.6%	64.7%	206	-77.5

Per Member Per Month Information

	2021	2020	Percentage Change
Premium	\$119.9	\$ 99.8	20.1%
Expenses:			
Other professional services	82.6	52.2	58.2
General administrative expenses	<u>36.9</u>	<u>37.2</u>	0.1
Total underwriting deductions	<u>\$119.5</u>	<u>\$89.4</u>	33.7

The company produced net income in three 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 CPA services, consulting, taxes and fees, and legal expenses. Membership has declined from its peak in 2019. The company asserts that the COVID-19 pandemic had significantly impacted the mortality of their member base (being elderly individuals in nursing homes). General administrative expenses have been continuing a favorable trend. Though the medical expense ratio has been steadily increasing, this has been slightly mitigated through consistent rate increases. 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 the compulsory surplus. |

The company's calculation as of December 31, 2021, as modified for examination

adjustments is as follows:

Assets	\$372,717	
Less:		
Liabilities	<u>15,612</u>	
Net amount available to satisfy surplus requirements		\$357,104
Net premium earned	\$466,328	
Compulsory surplus factor	<u>3%</u>	
Compulsory surplus		<u>75,000</u>
Compulsory Surplus Excess (Deficit)		<u>\$282,104</u>
Net amount available to satisfy surplus requirements		\$357,104
Compulsory surplus	\$75,000	
Security surplus factor	<u>140%</u>	
Security surplus		<u>105,000</u>
Security Excess (Deficit)		<u>\$252,104</u>

Reconciliation of Capital and Surplus per Examination

The current examination resulted in no adjustments to surplus.

Examination Reclassifications

The current examination resulted in no reclassification of balance sheet accounts.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were 11 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. Information Technology Services Agreement—It is again recommended that a formal agreement covering hosting services be developed and signed by both companies.

Action – Compliance.
2. 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.

Action – Compliance.
3. Corporate Governance—It is recommended that the company hold annual shareholder and board meetings in accordance with the bylaws and Wisconsin Statutes.

Action – Compliance.
4. Corporate Governance—It is recommended that the company annually elect officers in accordance with the bylaws and that those officers be displayed on the jurat page of the annual statement.

Action – Compliance.
5. 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.

Action – Compliance.
6. 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.

Action – Compliance.
7. 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.

Action – Compliance.
8. 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.

Action – Compliance.

9. Earned Premium—It is recommended that the company establish procedures for the accurate presentation of earned premium.

Action – Compliance.

10. Cash Disbursements—It is again recommended the company follow its written cash disbursement procedures in regard to required signatures.

Action – Compliance.

11. Fidelity Bond—It is recommended that the company ensure sufficient fidelity insurance coverage in accordance with the *Financial Condition Examiners Handbook*.

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. Comments on the remaining areas of the company's operations are contained in the examination work papers.

Business Continuity Plan

The company has a business continuity plan (BCP) in place that is tested. However, the document was created June 1, 2013 and, based on the document control section, the BCP has not been updated in the past 10 years. It was confirmed with the company that their BCP has no recent updates and is only reviewed every five years. It is recommended that the company review and update their business continuity plan, including their reliance upon third-party service providers, to ensure that the company can continue the organization's business activities and processes should an interruption occur. It is also recommended the company review and test this plan on an annual basis.

Investment Policy

The company was unable to provide an investment policy and could not produce evidence that the board of directors is properly implementing and enforcing an investment policy. While the company may have minimal investments consisting of a U.S. Treasury Note and US Bank CD at the current time, it is still considered by the NAIC to be best practice to have a formal written policy that outlines the insurer's investment plans and its limitations. It is recommended that the company create an investment policy that is reviewed and approved by the board of directors on an annual basis.

Information Technology

During the course of the examination, a review was made of the company's general controls over its information systems. The review resulted in certain findings that were presented in a management comment letter. It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the management comment letter.

VII. CONCLUSION

The company experienced a notable increase in enrollment up through 2019, followed by a modest decline in enrollment, though has managed to maintain their profitability through rate increases and lowering their overall administrative expenses. The company continues to maintain a healthy capital and surplus that can support the ongoing and future business needs of the company.

The examination resulted in three recommendations and no adjustments to surplus. The recommendations related to the areas of information technology and investments. The information technology recommendation was provided to the company in a management comment letter. None of the recommendations were repeat recommendations from the prior exam and all prior exam recommendations were complied with.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 17 - Business Continuity Plan — It is recommended that the company review and update their business continuity plan, including their reliance upon third-party service providers, to ensure that the company can continue the organization's business activities and processes should an interruption occur. It is also recommended that the company review and test this plan on an annual basis.
2. Page 17 - Investment Policy — It is recommended that the company create an investment policy that is reviewed and approved by the board of directors on an annual basis.
3. Page 17 - Information Technology — It is recommended that the company strengthen its information system controls in accordance with the management comment letter pertaining to their IT infrastructure and security.

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
Ana Careaga	Insurance Financial Examiner – Principal
Nicholas Hartwig, AFE	Quality Control Specialist
Adam Donovan, CISSP	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

Nicholas Siskoff

Nicholas Siskoff
Examiner-in-Charge