

Report
of the
Examination of
Wyssta Insurance Company, Inc.
Stevens Point, Wisconsin
As of December 31, 2016

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. HISTORY AND PLAN OF OPERATION	3
III. MANAGEMENT AND CONTROL	6
IV. AFFILIATED COMPANIES	8
V. FINANCIAL DATA	12
VI. SUMMARY OF EXAMINATION RESULTS	18
VII. CONCLUSION	19
VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS	20
IX. ACKNOWLEDGMENT	21



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

January 5, 2018

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ociinformation@wisconsin.gov
Web Address: oci.wi.gov

Honorable Theodore K. Nickel
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:

WYSSTA INSURANCE COMPANY, INC.
Stevens Point, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Wyssta Insurance Company, Inc. (hereinafter Wyssta or the company), was conducted in 2012 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.

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

Wyssta Insurance Company, Inc., is described as a for-profit, stock insurance corporation licensed under ch. 611, Wis. Stat., established to provide group vision insurance for employers based in Wisconsin.

The company was incorporated on June 6, 2005, and commenced business on November 11, 2005. The company is wholly owned by Wyssta, Inc., an intermediate holding company, which, in turn, is wholly owned by Delta Dental of Wisconsin, Inc. (DDWI). Delta Dental of Wisconsin, Inc., is a Wisconsin-domiciled insurer underwriting and administering dental benefit plans in Wisconsin.

Effective January 1, 2006, the company entered into a Vision Care Administrative Agreement with EyeMed Vision Care, LLC, a Delaware limited liability corporation, and First American Administrators, a Wisconsin third-party administrator corporation (collectively referred to as EyeMed). Under this agreement EyeMed agrees to provide the following services:

- Perform certain administrative and customer relation functions for group eye care insurance policies issued by Wyssta.
- Perform certain administrative and customer relations functions for self-insured plans with which Wyssta is contracted to provide certain Administrative Services Only (ASO) arrangements.
- Process eye care claims and perform related functions for those group eye care insurance policies issued by Wyssta that utilize the EyeMed Preferred Provider Organization (EyeMed PPO).
- Make the EyeMed PPO available to persons insured by Wyssta's group eye care policies or participating in the ASO arrangements, process resulting eye care claims and perform related customer services.

Under this agreement Wyssta is responsible for the performance of all applicable services and support services related to the sales and distribution of covered policies and covered Administrative Services Only arrangements, including marketing, sales support, issuance of policies and certificates, field servicing of in-force policies, underwriting, actuarial, and licensing and appointment of agents. Wyssta is also responsible for the billing and collection of the premiums and fees for the covered policies and ASO arrangements and also for making any commission payments, including incentives and overrides, to individuals who sell the covered policies and ASO arrangements. According to the terms of the agreement, all vision products and/or vision benefits sold by Wyssta must utilize the EyeMed PPO.

Wyssta made per member per month payments to EyeMed based on the agreed-upon rate schedule. Rates can be adjusted annually by EyeMed by providing Wyssta with written notice of new rates no less than 120 days prior to the end of the then-current agreement year for the rates to be effective for the next agreement year. Since 2010, Wyssta has been assuming the risk on the vision business through changes in the fee schedule. The agreement is for an initial four-year term, automatically renewing for additional one-year terms thereafter until terminated by either party by giving the other party 180 days' written notice.

In addition, the agreement contains the following hold-harmless provision: "EyeMed agrees that in no event, including insolvency or non-payment by Wyssta, will EyeMed or any participant provider in the EyeMed PPO charge, collect or deposit or seek compensation from a patient for any amounts other than applicable deductibles, co-payments, or services not covered by this Agreement; and further agrees that this provision is for the benefit of the patient, supersedes any oral or written agreement with the patient and shall survive the termination of this agreement. EyeMed agrees to maintain agreement by each participating provider in the EyeMed PPO to comply with the terms of this paragraph."

The company markets its plans throughout Wisconsin through its arrangement with EyeMed, and offers different vision plans which are marketed as DeltaVision product. DeltaVision offers 25 different plans with options for frames/lenses and contact lens allowances and three material-only options. The plans are provided with various co-pay options and frequency limits. All plans are available on insured and self-insured basis, at any level of employer contribution. The following basic vision care coverages are provided:

- Frequency limit of 12 month examination, 24 month frame and 12 month lenses or contact lenses.
- Frames priced up to \$150 retail, replacement allowed every 24 months
- Lenses (including single vision, bifocal, and trifocal), replacement allowed every 12 months
- Contact lens (including conventional, disposable and medically necessary) allowance up to \$150 with medically necessary paid in full, replacement allowed every 12 months

Co-pays can range from \$0 to \$75 per person per calendar year. Dependent coverage is generally provided to age 26.

The company currently markets to groups with at least two enrolled employees. The company uses outside agencies and pays an 8% standard commission on new and renewal business, though the commission rate is allowed to fluctuate.

III. MANAGEMENT AND CONTROL

Board of Directors

The corporate bylaws provide that the board of directors consists of no fewer than three and no more than five members, with each director holding office for a term of one year. Directors are elected each year at the board's annual meeting. Principal officers for the board are also 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.

As of the exam date, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Eugene R. "Pepi" Randolph Milwaukee, WI	Senior VP of Business Development Plunkett Raysich Architects, LLP	2018
Douglas Ballweg Stevens Point, WI	Chief Financial Officer Delta Dental of Wisconsin, Inc.	N/A
Pamela J. Gartmann Stevens Point, WI	VP-Administration Delta Dental of Wisconsin, Inc.	N/A
Dennis L. Peterson Stevens Point, WI	President and CEO Delta Dental of Wisconsin, Inc.	N/A

Officers of the Company

The officers appointed by the board of directors and serving at the time of this examination are as follows:

Name	Office	2016 Compensation*
Dennis L. Peterson	President	\$974,471
Pamela J. Gartmann	Secretary	474,050
Douglas Ballweg	Treasurer	641,111

* Total compensation from the DDWI Group.

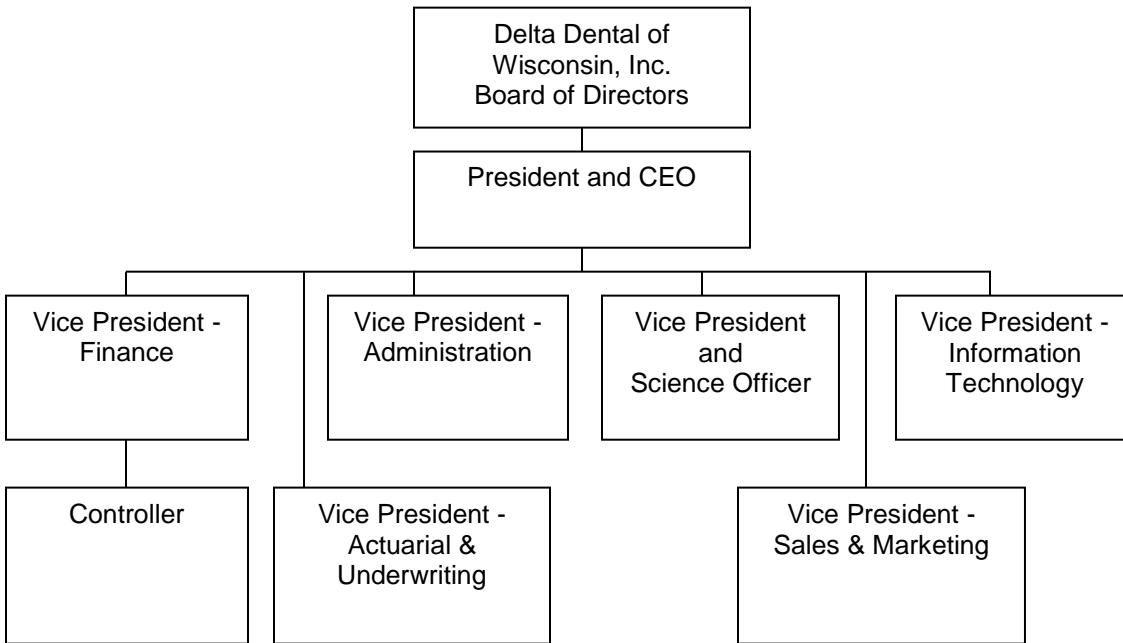
Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The company has no committees.

The company does not have any employees. Administrative, managerial, and professional services are provided through a service contract with Delta Dental of Wisconsin, Inc., the

company's ultimate parent. The organizational and principal officers of DDWI are reflected in the chart below.

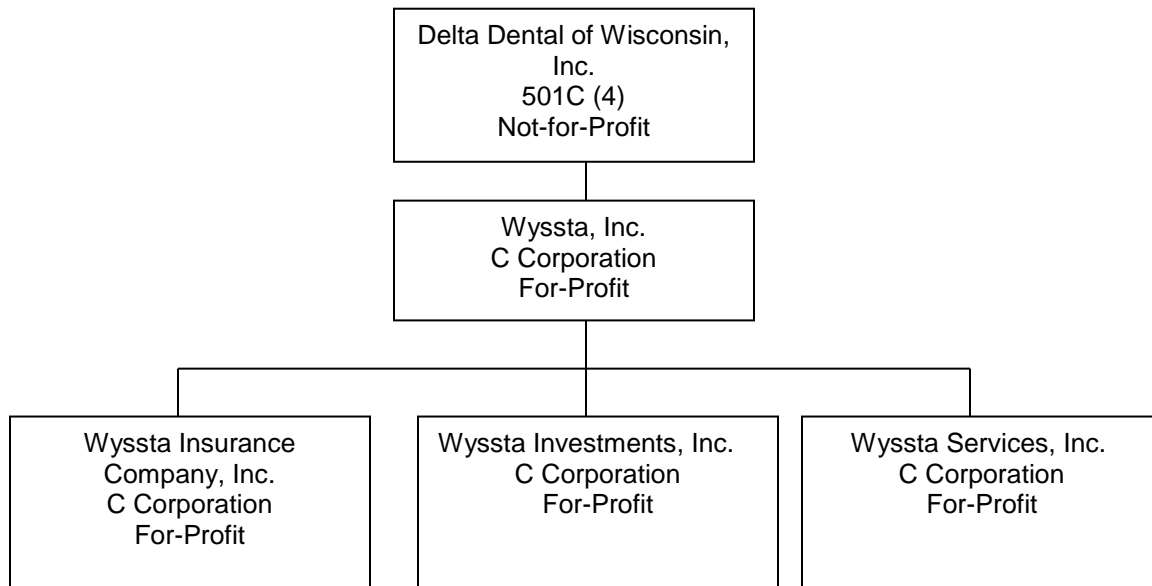
**Delta Dental of Wisconsin, Inc.
Organizational Chart**



IV. AFFILIATED COMPANIES

Wyssta Insurance Company, Inc., 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 Wyssta Insurance Company, Inc., follows the organizational chart.

Holding Company Chart As of December 31, 2016



Delta Dental of Wisconsin, Inc.

Delta Dental of Wisconsin, Inc. (hereinafter DDWI), is the ultimate parent of Wyssta Insurance Company, Inc. DDWI was incorporated on May 17, 1962, and commenced business on January 1, 1967. DDWI offers various dental insurance products in the state of Wisconsin. The company is part of the nationwide Delta Dental Plan Association (DDPA). DDPA establishes membership standards for the member plans. As of December 31, 2016, the statutory basis audited financial statements of DDWI reported total admitted assets of \$218,459,695, total liabilities of \$43,551,279, and capital and surplus of \$174,908,416. DDWI operations for 2016 resulted in net

income of \$9,964,727. DDWI is the subject of a separate examination report concurrent with that of Wyssta.

Wyssta Insurance Company, Inc. has a service agreement with DDWI dated January 1, 2008, in which DDWI provides administrative, managerial, and professional services to Wyssta Insurance Company, Inc. In addition, DDWI maintains premises and employees sufficient to provide Wyssta Insurance Company, Inc. with space and services necessary for the company to carry out its operations. The company 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, 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 16,270 shares issued and outstanding. As of December 31, 2016, the Wyssta, Inc., and Subsidiaries consolidated audited financial statements reported total assets of \$13,014,607, total liabilities of \$1,753,291, and total stockholder's equity of \$11,261,316. Operations for 2016 produced a net income of \$806,491 on total revenues of \$10,429,763.

Wyssta, Inc., has a service agreement with DDWI, dated January 1, 2008, 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 Services, Inc.

Wyssta Services, Inc. (fka Advantech Dental Administration, Inc.) provides various dental-administrative services and has 9,000 shares of \$1.00 par value common stock authorized and 3,500 shares issued and outstanding which are owned by Wyssta, Inc. As of December 31, 2016, the

Wyssta Services, Inc., audited financial statement reported total assets of \$504,358, total liabilities of \$4,571, and total stockholder's equity of \$499,787. Operations for 2016 produced net loss of \$7,959 on total revenues of \$74,688.

DDWI has a service agreement with Wyssta Services, Inc., dated January 1, 2008, 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). Since this time the company has added investments in Healthentic, Inc. (Healthentic) and Encara Corporation (Encara).

- C3 Jian—A biotech firm out of Marina Del Rey, California, which conducts research projects related to dental cavity treatments. In prior years Wyssta Investments, Inc., has invested \$20,000,000 in C3 Jian, resulting in a 9% ownership as of December 31, 2016. An employee of DDWI holds one of the nine board positions of C3 Jian as of December 31, 2016. Under the equity method of accounting the Wyssta Investments, Inc., share of the equity in C3 Jian was \$0 as of December 31, 2016.
- 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, 2016. The total investment as of December 31, 2016, is \$5,150,000. Under the equity method of accounting the Wyssta Investments, Inc.'s share of the equity in Healthentic was \$706,235, as of December 31, 2016.
- 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 health exchanges to be created under the Affordable Care Act. The total investment as of December 31, 2016, is \$2,100,000. Wyssta Investments, Inc., held a 25% ownership interest and held one of four board seats as of December 31, 2016. Under the equity method of accounting the Wyssta Investments, Inc., share of the equity in Encara was \$285,817, as of December 31, 2016.

As of December 31, 2016, Wyssta, Inc., and Subsidiaries audited financial statements reported total assets of \$2,028,997, total liabilities of \$750,000, and total stockholder's equity of \$1,278,997, for Wyssta Investments, Inc. Operations for 2016 produced a net loss of \$248,218.

DDWI has a service agreement with Wyssta Investments, Inc., dated January 1, 2008, according to which DDWI provides administrative and managerial services necessary for Wyssta

Investments, Inc., to conduct its normal business operations. Wyssta Investments, Inc., reimburses DDWI for the actual cost of these services.

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.

Wyssta Insurance Company, Inc.
Assets
As of December 31, 2016

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 7,723,507	\$	\$ 7,723,507
Cash, cash equivalents and short-term investments	1,824,996		1,824,996
Investment income due and accrued	52,521		52,521
Uncollected premiums and agents' balances in the course of collection	41,913	769	41,144
Current federal and foreign income tax recoverable and interest thereon	35,021		35,021
Net deferred tax asset	34,913	34,913	
Receivables from parent, subsidiaries, and affiliates	<u>683,927</u>	<u> </u>	<u>683,927</u>
Total Assets	<u>\$10,396,797</u>	<u>\$35,682</u>	<u>\$10,361,115</u>

Wyssta Insurance Company, Inc.
Liabilities and Surplus
As of December 31, 2016

Claims unpaid		\$ 390,000
Unpaid claims adjustment expenses		22,295
Premiums received in advance		313,616
General expenses due or accrued		263,911
Liability for amounts held under uninsured plans		<u>7,971</u>
Total liabilities		997,793
Common capital stock	\$1,250,000	
Gross paid in and contributed surplus	4,750,000	
Unassigned funds (surplus)	<u>3,363,322</u>	
Total capital and surplus		<u>9,363,322</u>
Total Liabilities, Capital and Surplus		<u>\$10,361,115</u>

Wyssta Insurance Company, Inc.
Statement of Revenue and Expenses
For the Year 2016

Net premium income		\$10,349,287
Medical and hospital:		
Other professional services	\$7,041,335	
Claims adjustment expenses	531,435	
General administrative expenses	<u>1,164,616</u>	
Total underwriting deductions		<u>8,737,386</u>
Net underwriting gain or (loss)		1,611,901
Net investment income earned	125,951	
Net realized capital gains or (losses)	<u>7,793</u>	
Net investment gains or (losses)		<u>133,744</u>
Net income or (loss), after capital gains tax and before all other federal income taxes		1,745,645
Federal and foreign income taxes incurred		<u>664,979</u>
Net Income (Loss)		<u>\$ 1,080,666</u>

Wyssta Insurance Company, 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	\$8,283,381	\$7,584,010	\$6,885,330	\$6,323,225	\$5,827,934
Net income (loss)	1,080,666	699,382	698,713	562,105	495,291
Change in net deferred income tax	(2,898)	1,056	(5,106)	(4,307)	(20,089)
Change in non-admitted assets	<u>2,173</u>	<u>(1,067)</u>	<u>5,073</u>	<u>4,307</u>	<u>20,089</u>
Surplus, End of Year	<u>\$9,363,322</u>	<u>\$8,283,381</u>	<u>\$7,584,010</u>	<u>\$6,885,330</u>	<u>\$6,323,225</u>

Wyssta Insurance Company, Inc.
Statement of Cash Flows
As of December 31, 2016

Premiums collected net of reinsurance	\$10,344,411
Net investment income	<u>166,567</u>
Total	10,510,978
Less:	
Benefit- and loss-related payments	\$6,950,335
Commissions, expenses paid and aggregate write-ins for deductions	1,944,321
Federal and foreign income taxes paid (recovered)	<u>760,338</u>
Total	<u>9,654,994</u>
Net cash from operations	855,984
Proceeds from investments sold, matured or repaid:	
Bonds	1,910,403
Cost of investments acquired—long-term only:	
Bonds	<u>2,381,782</u>
Net cash from investments	(471,380)
Cash provided/applied:	
Other cash provided (applied)	<u>(72,459)</u>
Net cash from financina nd miscellaneous sources	<u>(72,459)</u>
Net change in cash, cash equivalents, and short-term investments	312,145
Cash, cash equivalents, and short-term investments:	
Beginning of year	<u>1,512,852</u>
End of Year	<u>\$ 1,824,998</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	\$10,361,115	\$ 997,793	\$9,363,322	\$10,349,287	\$7,041,335	\$1,080,666
2015	9,480,363	1,196,982	8,282,381	8,282,078	5,923,119	699,382
2014	8,571,695	987,685	7,584,010	6,698,141	4,505,623	698,713
2013	8,367,586	1,482,256	6,885,330	6,331,098	4,549,353	562,105
2012	7,504,825	1,181,599	6,323,226	5,385,872	3,929,665	495,291
2011	6,603,682	775,748	5,827,934	4,423,809	3,195,646	606,071

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Enrollment	Change in Enrollment
2016	10.3%	68.0%	16.4%	154,373	26.5%
2015	8.3	71.5	16.5	122,062	29.2
2014	10.3	67.3	17.9	94,458	6.3
2013	8.7	71.9	15.8	88,875	17.4
2012	9.0	73.0	16.2	75,723	21.9
2011	13.3	72.2	17.3	62,124	17.9

Per Member Per Month Information

	2016	2015	Percentage Change
Premium	\$5.85	\$5.95	(1.6)%
Expenses:			
Medical expenses	3.98	4.26	(6.5)
Claims adjustment expenses	0.30	0.32	(6.3)
General administrative expenses	<u>0.66</u>	<u>0.66</u>	<u>0.0</u>
Total Underwriting Deductions	<u>\$4.94</u>	<u>\$5.24</u>	<u>(5.7)%</u>

The company has generated net operating income each year for the period under examination, indicating that the operations of this company have stabilized. Premium earned grew steadily during the examination period from \$4.4 million in 2011 to \$10.3 million in 2016. Enrollment growth has also been strong over the past five years ending December 31, 2016. Wyssta has increased enrollment as a result of marketing initiatives, including a review of pricing and agent incentives. Assets increased 57% and liabilities increased 29% over the same period. The company

maintains a strong capital position, and underwriting and investment activities have contributed to surplus increasing by 61% during the examination period.

Financial Requirements

The company's calculation of compulsory and security surplus under s. Ins 51.80, Wis. Adm. Code, as of December 31, 2016, is as follows:

Total assets		\$10,361,115
Liabilities		<u>997,793</u>
Subtotal – Surplus adjusted for compulsory/security surplus		<u>\$ 9,363,322</u>
Net amount available to satisfy surplus requirements		\$ 9,363,322
Net premium earned	\$10,349,287	
Compulsory factor	<u>20%</u>	
Compulsory surplus (not less than \$2,000,000)		<u>2,069,857</u>
Compulsory Excess/(Deficit)		<u>\$ 7,293,465</u>
Net amount available to satisfy surplus requirements		\$ 9,363,322
Compulsory surplus	\$ 2,069,857	
Security surplus factor	<u>140%</u>	
Security surplus		<u>2,897,800</u>
Security Excess/(Deficit)		<u>\$ 6,465,522</u>

VI. 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

The current examination resulted in no exam recommendations, reclassifications, or surplus adjustments.

VII. CONCLUSION

Wyssta Insurance Company, Inc., is described as a for-profit, stock insurance corporation established to provide group vision insurance for employers based in Wisconsin. Currently, the company issues group vision insurance policies only. The company was incorporated on June 6, 2005. The company commenced business on November 5, 2005.

The company generated net operating income in each of the five-years for the period under examination. Net income was relatively stable for the first four years, ranging from \$495,291 in 2012 to \$699,382 in 2015. Net income peaked in 2016 at \$1,080,666, and premium earned grew steadily during the examination period, from \$4.5 million in 2012 to \$10.3 million in 2016. Enrollment growth has also been strong with surplus growing 61% over the period. Assets increased 57% and liabilities increased 29% during the examination period. The company has increased its investment base substantially in recent years.

The prior examination resulted in no recommendations. The current examination resulted in no recommendations, reclassifications, or surplus adjustments.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The current examination resulted in no exam recommendations, reclassifications, or surplus adjustments.

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
Mike Miller	Insurance Financial Examiner
John Pollock	Insurance Financial Examiner
David Jensen	IT Specialist
Jerry DeArmond	Reserve Specialist

Respectfully submitted,

James Lindell
Examiner-in-Charge