

Report of the Examination of  
Wisco Dental Insurance Plan, Inc.  
Menasha, Wisconsin  
As of December 31, 2018

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# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

*Tony Evers, Governor*  
*Mark V. Afable, Commissioner*

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January 9, 2020

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Honorable Mark V. Afable  
Commissioner of Insurance  
State of Wisconsin  
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Commissioner:

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

WISCO DENTAL INSURANCE PLAN, INC.  
Menasha, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

The current Wisco Dental Insurance Plan, Inc. (the company) examination covered the period intervening the company's inception on January 7, 2015, through December 31, 2018, and included a review of such 2019 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
- Affiliated Companies
- Growth of the Company
- Financial Statements
- Accounts and Records

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 exempt from being audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code, until further notice, due to its small size.

## II. HISTORY AND PLAN OF OPERATION

Wisco Dental Insurance Plan, Inc., is described as a for-profit network model limited service health organization (LSHO) insurer. A 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 June 12, 2014, and commenced business January 7, 2015. The company is owned by FVT, Inc., which was incorporated on December 9, 2012. FVT, Inc., acts as a holding company for its owners. FVT, Inc., is owned by Jeffrey R. Lang, Robert C. Lang, Jason J. Pohl, and Brandon J. Roth, who own the following share percentages of FVT, Inc.

Jeffrey R. Lang	45%
Robert C. Lang	40%
Jason J. Pohl	10%
Brandon J. Roth	5%

As of year-end 2018, the company provided individual discount dental plans for primary care through its 12 affiliated RLJ Dental, S.C., practices, and for specialty care through its affiliated Wisco Dental, S.C., and Oral Surgery Associates of Wisconsin practices, which provide orthodontic and oral surgery services, respectively. In 2019, the company began offering group discount dental plans. Members can utilize any provider in the company's network. The company has been marketing its discount dental plans as insurance even though discount plans are not insurance. During 2019, nine RLJ Dental, S.C. practices, and the Wisco Dental, S.C., and Oral Surgery Associates of Wisconsin practices were sold to unaffiliated parties, which continue to accept Wisco Dental plans.

The company has a Provider Agreement with its affiliate, RLJ Dental, S.C., effective December 1, 2014, in which RLJ Dental, S.C., affiliated practices are the providers for dental services, including routine examinations, recall and preventative therapy, and emergency treatment to alleviate

pain and suffering. Providers are required to be available for participants enrolled in dental care plans within 60 days of request for non-emergency dental care, and within a reasonable time under the circumstances, but not less than 48 hours of request for emergency dental care. In exchange for providing covered services as well as sales services under Quadent Management Corporation's direction, the company compensates the provider 2% of the membership fees collected by the company through sales of the company's dental care plans.

The company has a provider agreement with its former affiliate, Wisco Dental, S.C., effective December 1, 2014, in which Wisco Dental, S.C., is the provider of orthodontic services, including emergency treatment to alleviate pain and suffering. In 2019, the practice was sold to an unaffiliated party, and its name was changed to Engage Orthodontics. According to the agreement, the provider is required to be available for participants enrolled in dental care plans within 60 days of request for orthodontic care, and within a reasonable time under the circumstances, but not less than 72 hours of request, for emergency treatment. In exchange for providing covered services, the company shall compensate the provider 1.5% of the premium earned and collected by the company through sales of the company's dental care plans. Since the company's discount dental plans are not insurance, any compensation paid to this provider is from membership fees rather than premiums.

The company has a provider agreement with its former affiliate, Oral Surgery Associates of Wisconsin, S.C., in which Oral Surgery Associates of Wisconsin, S.C., is the provider of oral surgery services, including emergency treatment to alleviate pain and suffering. In 2019, the practice was sold to an unaffiliated party. According to the agreement, the provider is required to be available for participants enrolled in dental care plans within 60 days of request for oral surgery, and within a reasonable time under the circumstances, but not less than 48 hours of request, for emergency treatment. In exchange for providing covered services, the company shall compensate the provider 1.5% of the premium earned and collected by the company through sales of the company's dental care plans. Since the company's discount dental plans are not insurance, any compensation paid to this provider is from membership fees rather than premiums.

The company currently contracts with the following clinics:

RLJ Dental – Waupaca, Manitowoc, Janesville  
RLJ Dental (Heartland) – Menasha, Neenah, Oshkosh, Green Bay, Appleton, West Allis  
Otter Creek Dental – Hortonville  
O’Brien Family Dental – Plymouth  
Hartford Family Dental Care – Hartford  
Engage Orthodontics – Appleton  
Oral Surgery of Wisconsin - Menasha

The agreements each include hold-harmless provisions for the protection of policyholders.

The provider is required to provide covered services to participants and agrees to hold participants harmless for any charge related to a covered service, except for applicable copayments, coinsurance, and deductibles. The agreements have one-year terms, which automatically renew for successive one-year terms thereafter and may be terminated with or without cause by giving the other party at least 90 days’ written notice prior to the end of the then current term. Notwithstanding the foregoing, each party to the agreements may terminate the agreements immediately, upon written notice, if the other party fails to comply with any of the terms or provisions of the agreements.

According to its business plan, the company’s service area is comprised of the following counties: Brown, Manitowoc, Milwaukee, Outagamie, Rock, Sheboygan, Washington, and Winnebago.

The company offers a limited range of health care coverage which may be changed by riders to include deductibles and copayments. The following basic dental care services are provided:

- Oral Exams
- X-rays
- Routine Teeth Cleaning
- Fluoride Treatment (children only)
- Space Maintainers
- Emergency Treatment (to relieve pain)
- Restorative Fillings
- Crowns
- Bridgework
- Prosthodontics and limited Oral Surgery
- Endodontics
- Periodontics
- Non-Surgical Extractions

The following oral surgery services are provided by Oral Surgery Associates of Wisconsin, S.C., in Menasha, Wisconsin:

- Surgical Periodontics Treatment
- Oral Surgery
- Surgical Extractions

Orthodontic services are provided by Engage Orthodontics in Appleton, Wisconsin.

The company currently markets to groups and individuals. Quadent Management Corporation provides administrative, managerial, and promotional services for the company in exchange for an administrator fee of 95% of membership fees in the prior year, which is limited to the extent that the company has positive income before the administrator fee. The company utilizes NOVO Health to provide and/or to arrange for the provision of certain management services to assist the company in developing, marketing, and administering the Clinic Program in exchange for a fixed monthly fee of \$2,000 on new and renewal business. NOVO Health is not authorized to accept applicants on behalf of the company.



### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors consists of five members. Five directors are elected annually to serve a one-year term. Officers for the board are elected at the board's annual meeting. The board members currently do not receive compensation for serving on the board.

Currently the board of directors consists of the following persons:

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Robert C. Lang Neenah, Wisconsin	Retired Dentist	Term Expired*
Jeffrey R. Lang Appleton, Wisconsin	Dentist at RLJ Dental, S.C.	Term Expired*
Jason J. Pohl Appleton, Wisconsin	Dentist at RLJ Dental, S.C.	Term Expired*
Brandon J. Roth Neenah, Wisconsin	Dentist at RLJ Dental, S.C.	Term Expired*
John McDermott Oshkosh, Wisconsin	Chief Financial Officer of RLJ Dental Group	Term Expired*

\*Existing board members are in place awaiting a convenient time to vote on extending their tenure.

#### Officers of the company

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

<b>Name</b>	<b>Office</b>	<b>2018 Compensation</b>
Jeffrey R. Lang	President	\$0
Jason J. Pohl	Vice President	0
Robert C. Lang	Treasurer	0
Brandon J. Roth	Secretary	0

\*Jeffrey Lang, Robert Lang, Brandon Roth, and Jason Pohl are owners of FVT, Inc. Jeffrey Lang received \$60,000 compensation from Quadent Management Corporation for services performed for the company during 2018, which is further discussed below.

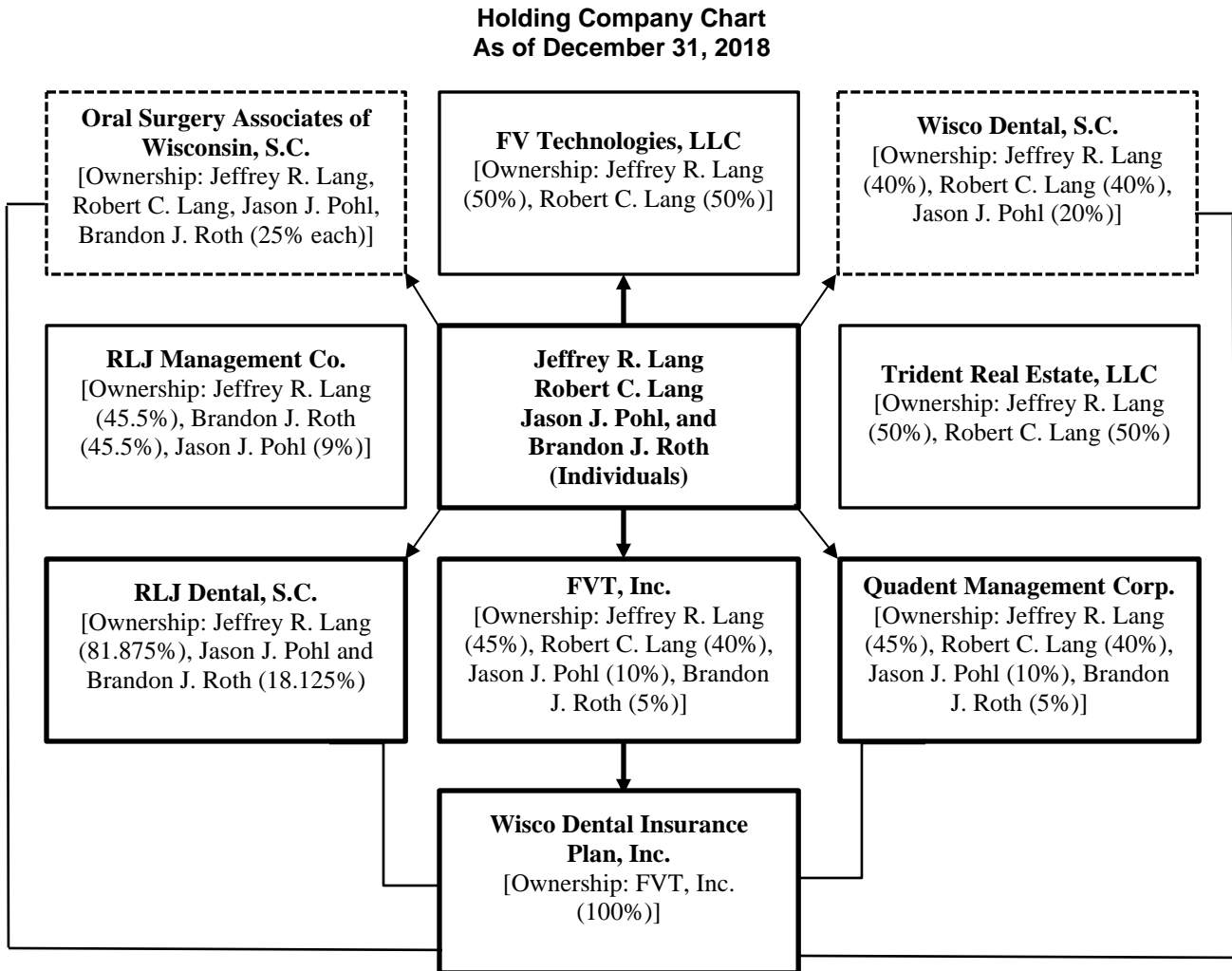
#### Committees of the Board

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

The company has no employees. Necessary staff is provided through a management agreement with Quadent Management Corporation (Quadent). Under the agreement, effective June 12, 2014, Quadent agrees to provide billing and collection, recordkeeping, enrollment and termination, regulatory compliance, sales and marketing, equipment, personnel and central systems, participant, utilization management, benefit administration, and underwriting and pricing services. In exchange, Quadent receives 95% of premium earned and collected through sales of the company's dental care plans and calculated using the company's financial statements. The company agrees to pay the administrator fee by May 10 of each year for prior year's services, limited to the extent that the company has positive income before the administrator fee. The term of the agreement is one year and is automatically renewed for consecutive one-year terms. The company may terminate the agreement with or without cause upon 90 days' written notice prior to the end of the then current term. Notwithstanding the foregoing, the company may also terminate the agreement immediately, upon written notice, if the administrator fails to comply with any of the terms or provisions.

#### IV. AFFILIATED COMPANIES

Wisco Dental Insurance Plan, Inc., is a member of a holding company system. Its ultimate parent is FVT, Inc. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of Wisco Dental Insurance Plan, Inc., follows the organizational chart.



Note: Nine RLJ Dental, S.C., practices, as well as affiliated providers in the dashed boxes above, were sold to unaffiliated parties during 2019. The unaffiliated providers will continue to accept the company's discount dental plans; however, negotiations are awaiting settlement. Affiliated entities in the thin-lined boxes above are affiliated via common ownership with FVT, Inc., the company's owner and holding company exists for tax purposes only.

**FVT, Inc.**

FVT, Inc., serves as the holding company of Wisco Dental Insurance Plan, Inc. It exists for tax purposes and does not maintain any separate books.

**Quadent Management Corporation**

Quadent Management Corporation provides administrative, managerial, and promotional services for the company that are reasonably necessary for the administration and operation of administered business. As of December 31, 2018, the company's unaudited financial statement reported assets of \$172,757, liabilities of \$144,970, and equity of \$27,787. Operations for 2018 produced a net loss of \$11,591 on revenues of \$186,370.

**RLJ Dental, S.C.**

RLJ Dental, S.C., provides dental services to Wisco Dental Insurance Plan, Inc., members and nonmembers, and shares some of the same individual owners as Wisco Dental Insurance Plan, Inc. As of December 31, 2018, RLJ Dental, S.C.'s unaudited financial statement reported assets of \$5,975,430, liabilities of \$5,011,391, and owners' equity of \$964,039. Operations for 2018 produced net income of \$72,870 on revenues of \$11,428,801.

**FV Technologies, LLC**

FV Technologies, LLC provides IT support and services to the various offices of RLJ Dental, S.C., in the State of Wisconsin. FV Technologies, LLC also provides business-to-business IT support and services to unrelated third parties and shares some of the same individual owners as Wisco Dental Insurance Plan, Inc. As of December 31, 2018, FV Technologies, LLC's unaudited financial statement reported assets of \$8,547, liabilities of \$72,652, and owners' equity of \$(64,105). Operations for 2018 produced net loss of \$40,207 on revenues of \$156,000.

**RLJ Management Company**

RLJ Management Company provided administration, management, and other support services to RLJ Dental, S.C., and shares some of the same individual owners as Wisco Dental Insurance Plan, Inc. RLJ Management Company became dormant as of December 31, 2018, and was replaced with Smile Advantage, which is a new unaffiliated corporate entity offering membership-based dental discount plans. Former RLJ Management Company employees are currently employed

with Smile Advantage. As of December 31, 2018, RLJ Management Company's unaudited financial statement reported assets of \$621,125, liabilities of \$1,367,850, and capital and surplus owners' equity of \$(746,725). Operations for 2018 produced net loss of \$114,819 on revenues of \$1,265,054.

**Trident Real Estate, LLC**

Trident Real Estate, LLC owns and holds the real estate and improvements upon which select RLJ Dental clinics are or were located. As of December 31, 2018, Trident Real Estate, LLC's unaudited financial statement reported assets of \$6,200,954, liabilities of \$5,023,474, and owners' equity of \$1,177,480. Operations for 2018 produced net income of \$396,088 on revenues of \$852,197.

## **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, 2018, 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.

**Wisco Dental Insurance Plan, Inc.  
Assets  
As of December 31, 2018**

	Assets	Nonadmitted Assets	Net Admitted Assets
Cash, cash equivalents and short-term investments	\$ 75,048	\$0	\$ 75,048
Receivables from parent, subsidiaries, and affiliates	<u>160,952</u>	<u>—</u>	<u>160,952</u>
Total Assets	<u>\$236,000</u>	<u>\$0</u>	<u>\$236,000</u>

**Wisco Dental Insurance Plan, Inc.  
Liabilities and Net Worth  
As of December 31, 2018**

Aggregate health policy reserves	\$236,000
Total Liabilities, Capital, and Surplus	<u>\$236,000</u>

**Wisco Dental Insurance Plan, Inc.  
Statement of Revenue and Expenses  
For the Year 2018**

Net premium income		\$177,162
Change in unearned premium reserves and reserve for rate credits		<u>19,016</u>
Total revenues		196,178
Medical and Hospital:		
Hospital/medical benefits	9,809	
General administrative expenses	<u>186,369</u>	
Total underwriting deductions		<u>196,178</u>
Net Income		<u>\$ 0</u>

**Wisco Dental Insurance Plan, Inc.  
Capital and Surplus Account  
For the Five-Year Period Ending December 31, 2018**

	2018	2017	2016	2015
Capital and surplus, beginning of year	\$0	\$0	\$(826)	\$ 0
Surplus adjustments:				
Paid in			<u>826</u>	<u>(826)</u>
Surplus, End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$ 0</u>	<u>\$(826)</u>

**Wisco Dental Insurance Plan, Inc.**  
**Statement of Cash Flows**  
**As of December 31, 2018**

Premiums collected net of reinsurance	\$ 267,134
Total	<u>267,134</u>
Less:	
Benefit- and loss-related payments	\$ 9,809
Commissions, expenses paid and aggregate write-ins for deductions	<u>186,369</u>
Total	<u>196,178</u>
Net cash from operations	70,956
Cash Provided/Applied:	
Net cash from financing and miscellaneous sources	<u>99</u>
Net Change in Cash, Cash Equivalents, and Short-Term Investments	71,055
Cash, cash equivalents, and short-term investments:	
Beginning of year	<u>3,993</u>
End of Year	<u>\$ 75,048</u>



## Growth of the Company

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

Year	Assets	Liabilities	Capital and Surplus	Revenue Earned	Medical Expenses Incurred	Net Income
2018	\$236,000	\$236,000	\$ 0	\$177,162	\$9,809	\$0
2017	165,044	165,044	0	269,883	14,701	0
2016	152,757	152,757	0	265,329	0	0
2015	37,999	37,999	(826)	242,375	0	0

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Enrollment	Change in Enrollment
2018	0.0%	5.5%	105.2%	2,906	-25.7%
2017	0.0	5.4	103.4	3,911	0.4
2016	0.0	0.0	89.0	3,896	305.8
2015	0.0	0.0	100.0	960	100.0

### Per Member Per Month Information

	2018	2017	Percentage Change
Revenue	\$11.72	\$ 9.93	18.0%
Expenses:			
Hospital/medical benefits	<u>0.65</u>	<u>0.14</u>	3.6
Total medical and hospital	0.65	0.14	3.6
General administrative expenses	<u>12.33</u>	<u>10.27</u>	20.1
Total underwriting deductions	<u>\$12.98</u>	<u>\$10.41</u>	24.7%

## Financial Requirements

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

	<b>Amount Required</b>
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 a deposit or irrevocable letter of credit 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, 2018, as modified for examination adjustments is as follows:

Assets	\$ 236,000	
Irrevocable letter of credit	<u>75,000</u>	
Amount available to satisfy surplus requirements	311,000	
Less:		
Liabilities	<u>236,000</u>	
Net amount available to satisfy surplus requirements		\$ 75,000
Net premium earned	177,162	
Compulsory factor	<u>3%</u>	
	5,314	
Compulsory surplus		<u>75,000</u>
Compulsory Excess (Deficit)		<u>\$ 0</u>
Net amount available to satisfy surplus requirements		\$ 75,000
Compulsory surplus		
Security surplus factor	<u>140%</u>	
Security surplus		<u>105,000</u>
Security Excess (Deficit)		<u>\$ (30,000)</u>

**Reconciliation of Capital and Surplus per Examination**

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2018, is accepted

## **VI. SUMMARY OF EXAMINATION RESULTS**

### **Compliance with Prior Examination Report Recommendations**

There has been no previous examination of the company since the company's inception on January 7, 2015.

## **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.

## **Biographical Affidavits**

The review of the company's biographical affidavits noted that biographical affidavits for two directors were not received by this office. Pursuant to s. 611.54 (1) (a), Wis. Stat., the name of any person selected as a director or principal officer of the corporation, together with such pertinent biographical and other data as the commissioner requires by rule, shall be reported to the commissioner immediately after the selection. It is recommended that the company submit a biographical affidavit for every new officer or director of the company in compliance with s. 611.54 (1) (a), Wis. Stat.

## **Conflict of Interest Statements**

A directive issued by the Commissioner of Insurance requires companies to implement and enforce a procedure under which all directors and key officers complete a conflict of interest statement annually to disclose any material interest or affiliation which is likely to conflict with their official duties. The company does not have a formal conflict of interest procedure that requires periodic declarations by officers, directors, and key employees. It is recommended that the company implement a conflict of interest procedure under which all directors and key officers complete a conflict of interest statement annually to disclose any material interest or affiliation which is likely to conflict with their official duties in compliance with the directive issued by the Commissioner of Insurance.

## **Corporate Governance**

The review of the shareholders and board of directors meeting minutes and consent resolutions noted that neither minutes nor consent resolutions were provided for the purpose of electing directors and officers in 2018 or 2019. According to the company, one of the directors was retired and unavailable to perform any board responsibilities. However, pursuant to s. 180.0701 (1), Wis. Stat., a corporation is required to hold a meeting of shareholders annually at a time stated or fixed in accordance with the bylaws. Pursuant to s 180.0701 (2) (b), Wis. Stat., a corporation's bylaws may

authorize the board of directors, in its sole discretion, to determine that the annual shareholders' meeting shall not be held at any place but may be held solely by means of remote communication. According to the company's bylaws, the annual meeting is to be held within six months after the close of the fiscal year. It is recommended that the company revise the organization of its board of directors in order to be able to execute the documents required by this office in compliance with s. 180.0701 (1), Wis. Stat., and s. 180.0701 (2) (b), Wis. Stat. It is recommended the company hold annual meetings as required by its bylaws.

### **Unclaimed Property**

During review of the company's unclaimed funds, it was noted that the company does not have a formal board-approved procedure to perform a due diligence search for the owners of unclaimed checks, to maintain an escheat liability account, and to remit all unclaimed funds over five years old to the Wisconsin Department of Revenue in accordance with ch. 177, Wis. Stat. It is recommended that the company develop, and the board adopt, a written escheat policy that addresses: (1) the company's procedures relating to stale-dated checks (sufficient to ensure compliance with the requirements of ch. 177, Wis. Stat.) and (2) the establishment and maintenance of an escheat liability account to hold stale-dated checks outstanding for over one year. It is also recommended that the company perform a due diligence search for the owner of unclaimed checks before remitting the funds to the Wisconsin Department of Revenue in accordance with s. 177.17 (5), Wis. Stat., and remit all unclaimed funds over five years old to the Wisconsin Department of Revenue.

### **Administrative Service Agreement**

According to the company's Administrative Services Agreement with Quadent Management Corporation, the company is to pay Quadent Management Corporation 95% of premium earned and collected by May 10 of each year for the prior year's services, limited to the extent that the company has positive income before the administrator fee. However, the review of expenses paid per the company's BMO Harris bank statement noted that payments were made to Quadent Management Corporation on an as needed basis. It is recommended that the company make administrative payments on a regular basis, but not less than quarterly, and change the Administrative Services

Agreement with Quadent Management Corporation to reflect actual settlement practices in compliance with s. Ins 40.04 (2) (d), Wis. Adm. Code.

### **Provider Agreements**

The review of the company's affiliated provider agreements disclosed the provider agreements did not specify any payment settlement terms. However, Statement of Statutory Accounting Principles (SSAP) No. 25 (7) of the NAIC *Accounting Practices and Procedures Manual* requires timely settlement of amounts owed, with a specified due date. It is recommended that the company include payment settlement terms in its provider contracts which are not less than on a quarterly basis, in compliance with SSAP No. 25 (7) of the NAIC *Accounting Practices and Procedures Manual*.

### **Form D Filings**

Per s. Ins 40.04 (2), Wis. Adm. Code, a domestic insurer which is directly or indirectly involved in a transaction shall report all management agreement and service contract transactions, including amendments of transactions previously filed. The company's 2015 Audited Financial Statements indicated different compensation percentages than were originally filed with this office for Quadent Management Corporation, RLJ Dental, SC., Wisco Dental, S.C., and Oral Surgery Associates of Wisconsin, S.C. The amended agreements were received subsequently; however, the company has not submitted transactions 30 days prior to the proposed effective date as required by s. Ins 40.04 (2), Wis. Adm. Code. It is recommended that the company submit affiliated transactions, whether new or amended, for non-disapproval by this office in accordance with s. Ins 40.04 (2), Wis. Adm. Code.

### **Other Expenses**

Bank servicing fees and other merchant charges were directly charged to the company's bank account. However, the charges were not reported in the company's 2018 Annual Statement, as they were transferred to the accounts payable with Quadent Management Corporation and reported on Quadent's financial statements. It was also determined that amounts allocated to RLJ Dental, S.C., Wisco Dental S.C., and Oral Surgery Associates of Wisconsin, S.C. (providers) are not reported correctly on the Statement of Revenue and Expenses. It is recommended that the company maintain a general ledger for general expenses paid by the company's bank account and appropriately report



these expenses as "General Administrative Expenses" or "other expenses" write-in items on the company's Statement of Revenue and Expenses Annual Statement page.

### **Annual Statement Amounts and Classifications**

The review of the 2018 Annual Statement balances noted that revenue collected, as reported on the Cash Flow statement of \$267,134, was in excess of revenue on the Statement of Revenue and Expenses of \$177,162, due to the Cash Flow statement being incorrectly reported on an accrual basis.

It was also noted that the amount of \$236,000 reported on the Liabilities, Capital, and Surplus Statement as aggregate health policy reserves are related to unearned premium and amounts allocated to its administrator, Quadent Management Corporation, as well as its providers RLJ Dental, S.C., Wisco Dental, S.C., and Oral Surgery Associates of Wisconsin, S.C., under the terms of the company's agreements with these entities rather than claim liabilities. Therefore, these amounts should be reported as "other liabilities" write-in items rather than "aggregate health policy reserves."

Furthermore, the amount of \$9,809 reported on the Statement of Revenue and Expenses as hospital/medical benefits was reported on the Cash Flow statement as benefit and loss related payments, as well as included in the \$236,000 aggregate health policy reserves reported on the Liabilities, Capital, and Surplus statement and the Underwriting and Investment Exhibit Part 2D. Again, this amount is related to payments allocated to the providers under the provider agreements rather than claim liabilities. As such, the amount should be classified as write-in items rather than hospital/medical benefits and benefit and loss related payments. Additionally, amounts due from the company should be reported appropriately as liabilities on the Liabilities, Capital, and Surplus statement, while amounts paid by the company should be reported on its Cash Flow statement. It is recommended that the company obtain the appropriate insurance accounting expertise to appropriately report amounts and classifications of Annual Statement line items.

### **Accounts and Records**

Records supporting the company's 2018 annual statement were such that no clear audit trail was available to support line item totals. It is recommended that the company maintain an audit trail to support all annual statement line item totals.

## **Dental Discount Plans**

The review of the company's business transactions as of December 31, 2018, and subsequent noted that the company has not sold insurance policies since its inception on January 7, 2015. The company's dental plans are discount plans and not insurance policies, since the only benefits to purchasers are discounts off provider charges; there is no transfer of risk as in an insurance policy. A letter was sent to the company by the Bureau of Market Regulation on January 8, 2020, requesting the company revise the terms used on its marketing materials to avoid giving consumers the impression that its discount dental products are insurance. Pursuant to s. 645.41 (5), Wis. Stat., an insurer that has not transacted the business of insurance during the previous 12 months, although authorized to do so throughout that period, is grounds for the commissioner to seek a court order directing the commissioner to liquidate the insurer. It is recommended that the company devise a new business plan that offers dental insurance plans that involve the appropriate risk transfer, or withdraw its insurance license and refrain from marketing dental discount plans as insurance policies to avoid liquidation proceedings in accordance with s. 645.41 (5), Wis. Stat.

## VII. CONCLUSION

Wisco Dental Insurance Plan, Inc., is a for-profit network model limited service health organization (LSHO) insurer. The company was incorporated June 12, 2014 and commenced business January 7, 2015. The company currently sells primary and supplementary discount dental plans to individuals and groups, which it has been marketing as insurance policies. Pursuant to s. 645.41 (5), Wis. Stat., that an insurer has not transacted the business of insurance during the previous 12 months, although authorized to do so throughout that period, is grounds for the commissioner to seek a court order directing the commissioner to liquidate the insurer. A letter was sent to the company on January 8, 2020, requesting the company revise the terms used on its marketing materials to avoid giving consumers the impression that its discount dental products are insurance. The company's membership increased to 3,896 in its first two years of operations at year-end 2016 and decreased 25.4% to 2,906 at year-end 2018. The company's 2018 annual statements include misclassifications and misstatements of records, such that no clear audit trail was available to support line item totals.

The company has a board of directors; however, the board of directors has not developed the organization's policies or provided the appropriate management and oversight of the organization. Additionally, the company has not filed the appropriate documents in compliance with directives, statutes, and administrative codes administered by this office or in compliance with its own articles and bylaws.

The current examination has resulted in 12 recommendations related to compliance and reporting issues.

## VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 20 - Biographical Affidavits—It is recommended that the company submit a biographical affidavit for every new officer or director of the company in compliance with s. 611.54 (1) (a), Wis. Stat.
2. Page 20 - Conflict of Interest Statements—It is recommended that the company implement a conflict of interest procedure under which all directors and key officers complete a conflict of interest statement annually to disclose any material interest or affiliation which is likely to conflict with their official duties in compliance with the directive issued by the Commissioner of Insurance.
3. Page 20 - Corporate Governance—It is recommended that the company revise the organization of its board of directors in order to be able to execute the documents required by this office in compliance with s. 180.0701 (1), Wis. Stat., and s. 180.0701 (2) (b), Wis. Stat.
4. Page 21 - Corporate Governance—It is recommended the company hold annual meetings as required by its bylaws.
5. Page 21 - Unclaimed Property—It is recommended that the company develop, and the board adopt, a written escheat policy that addresses: (1) the company's procedures relating to stale-dated checks (sufficient to ensure compliance with the requirements of ch. 177, Wis. Stat.) and (2) the establishment and maintenance of an escheat liability account to hold stale-dated checks outstanding for over one year. It is also recommended that the company perform a due diligence search for the owner of unclaimed checks before remitting the funds to the Wisconsin Department of Revenue in accordance with s. 177.17 (5), Wis. Stat., and remit all unclaimed funds over five years old to the Wisconsin Department of Revenue.
6. Page 21 - Administrative Services Agreement—It is recommended that the company make administrative payments on a regular basis, but not less than quarterly, and change the Administrative Services Agreement with Quadent Management Corporation to reflect actual settlement practices in compliance with s. Ins 40.04 (2) (d), Wis. Adm. Code.
7. Page 22 - Provider Agreements—It is recommended that the company include payment settlement terms in its provider contracts which are not less than on a quarterly basis, in compliance with SSAP No. 25 (7) of the NAIC *Accounting Practices and Procedures Manual*.
8. Page 22 - Form D Filings—It is recommended that the company revise the organization of its board of directors in order to be able to execute the documents required by this office in compliance with s. 180.0701 (1), Wis. Stat., and s. 180.0701 (2) (b), Wis. Stat. It is recommended the company hold annual meetings as required by its bylaws.
9. Page 22 - Other Expenses—It is recommended that the company maintain a general ledger for general expenses paid by the company's bank account and appropriately report these expenses as "General Administrative Expenses" or "other expenses" write-in items on the company's Statement of Revenue and Expenses Annual Statement page.
10. Page 23 - Annual Statement Amounts and Classifications—It is recommended that the company obtain the appropriate insurance accounting expertise to appropriately report amounts and classifications of Annual Statement line items.

11. Page 23 - Accounts and Records—It is recommended that the company maintain an audit trail to support all annual statement line item totals.
12. Page 24 - Dental Discount Plans—It is recommended that the company devise a new business plan that offers dental insurance plans that involve the appropriate risk transfer, or withdraw its insurance license and refrain from marketing dental discount plans as insurance policies to avoid liquidation proceedings in accordance with s. 645.41 (5), Wis. Stat.

**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:

<b>Name</b>	<b>Title</b>
John Coyle	Insurance Financial Examiner

Respectfully submitted,



Shelly Bueno  
Examiner-in-Charge