

Report on the Examination

of

**ALTUS DENTAL INSURANCE COMPANY, INC**  
Providence, Rhode Island

as of

December 31, 2017



State of Rhode Island and Providence Plantations  
Department of Business Regulation  
Insurance Division



**State of Rhode Island and Providence Plantations**  
**OFFICE OF THE HEALTH INSURANCE COMMISSIONER**  
1511 Pontiac Avenue, Bldg. 69-1  
Cranston, Rhode Island 02920

**FINAL ORDER (OHIC)**

*The attached Report of Examination as of December 31, 2017, of the condition and affairs of ALTUS DENTAL INSURANCE COMPANY, INC., was recently completed by duly qualified examiners, pursuant to the provisions of the Rhode Island General Laws.*

*Due consideration has been given to the comments of the examiners regarding the operation of the Company and its financial condition, as reflected in the report.*

*It is therefore ORDERED that said Report be, and it is hereby, adopted and filed and made an official record of this Department as of this date.*

*DEPARTMENT OF BUSINESS REGULATION*

*Marie L. Ganim*

*Marie L. Ganim, PhD*

*Health Insurance Commissioner*

DATED: 11/1/2018

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August 10, 2018

Honorable Marie L. Ganim, PhD  
Health Insurance Commissioner  
State Of Rhode Island and Providence Plantations  
Office of the Health Insurance Commissioner  
1511 Pontiac Ave Bldg 69-1  
Cranston, RI 02920

Dear Commissioner Ganim:

In accordance with your instructions and pursuant to the provisions of Chapters 13, 13.1 and 35 of Title 27 of the General Laws of the State of Rhode Island, an examination has been made as of December 31, 2017 of the financial condition and affairs of

**ALTUS DENTAL INSURANCE COMPANY, INC.**

at its home office located at 10 Charles Street, Providence, Rhode Island. The report of such examination is herewith submitted.

Altus Dental Insurance Company, Inc., hereinafter referred to as “ADIC” or the “Company,” was previously examined as of December 31, 2012. Both the current and prior examinations have been conducted by the Insurance Division of the State of Rhode Island (“Insurance Division”).

## SCOPE OF EXAMINATION

The last examination of the Companies covered the four-year period from January 1, 2009 through December 31, 2012. The current examination covered the five-year period from January 1, 2013 through December 31, 2017 and was performed in compliance with the above-mentioned sections of the General Laws of the State of Rhode Island, as amended. The current examination was conducted as a full scope risk-focused examination in accordance with the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”),

The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

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. 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 following the Company’s financial statements.

This examination report includes significant findings of fact, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.) are not included within the examination report but separately communicated to other regulators and/or the Company.

A concurrent examination was also made of Delta Dental of Rhode Island (“Delta Dental”), the ultimate parent of the Company, and a report thereon is submitted under separate cover.

### **COMPANY HISTORY**

Altus Dental Insurance Company, Inc. derives its corporate existence and powers from the provisions of the Rhode Island General Laws §7-1.1 et seq. The Company came into existence on August 1, 2000, through the actions of its sole incorporator, James R. McGuirk and pursuant to the filing of its original Articles of Incorporation with the Secretary of State, as approved by the Commissioner of Insurance.

The Articles of Incorporation authorize the Company to write health, accident or sickness insurance. The Company’s Certificate of Authority was amended on August 22, 2001 authorizing the Company to write the business of dental insurance only.

The Articles of Incorporation stipulate that the authorized capital stock of the Company shall be one class of 30 common shares, each with a par value of \$100,000. On August 1, 2000, the Company issued all 30 common shares to its parent, The Altus Group, Inc., for \$3,000,000. In

June 2001 an additional \$2,069,861 of capitalization was transferred from the Altus Group, Inc. and recorded as contributed surplus on the Company's financial statements. In 2009, an additional \$1,250,000 was also received from The Altus Group, Inc., and was recorded as contributed surplus.

## **MANAGEMENT**

### **Stockholders**

The Bylaws, as amended, provide that the annual meeting of the stockholders shall be held on a day fixed by the Board of Directors and at such place as the Board of Directors shall designate.

Special meetings of the stockholders may be called at any time by the Chair and shall be called by the Chair on written request of a majority of Directors or one-third (1/3) of the stockholders of the Company.

At every meeting of the stockholders there shall be represented at least fifty-five percent (55%) of the voting stock of the Company to constitute a quorum, but a smaller number may adjourn.

The Articles of Incorporation require a majority vote of the stockholders for a sale or transfer of substantially all the assets of the Company as well as the approval or amendment of Bylaws.

### **Board of Directors**

The Bylaws stipulate that the Board of Directors shall have supervision and control of the business, property, affairs and management of the Company and shall elect the Chair of the

Board of Directors, the Vice-Chair of the Board of Directors, and the officers of the Company. The Board of Directors may delegate its powers to committees, officers, agents and representatives; and shall have such other powers as may be necessary or expedient to carry out the purposes of the Company.

Pursuant to the Bylaws, the Board of Directors shall consist of a number of persons equal to the number of persons duly comprising the Board of Directors of Delta Dental of Rhode Island. The members of the Board of Directors shall be the same individuals who comprise the Board of Directors of Delta Dental of Rhode Island.

The officers of the Board of Directors shall include such officers of the Board of Directors of Delta Dental of Rhode Island and said officers shall have such powers and perform such duties for the Company as correspond to their equivalent offices on the Board of Directors of Delta Dental of Rhode Island as provided pursuant to the Bylaws of Delta Dental of Rhode Island.

The Board of Directors shall hold an annual meeting following the annual meeting of the stockholders of the Company, or any special meeting of the stockholders held in lieu thereof. Regular meetings shall be held at such times and places as the Board of Directors shall determine. Special meetings may be called at any time by the Chair and shall be called by the Chair on written request of at least one-third (1/3) of the voting Directors, or on written request of the President and Chief Executive Officer.



A majority of the members of the Board of Directors shall constitute a quorum for a meeting of the Board of Directors. If at any meeting less than a quorum is present, a majority of those present may adjourn the meeting. The actions of a majority of the Directors present at any meeting at which there is a quorum shall constitute the actions of the Board of Directors.

The members of the Board of Directors serving at December 31, 2017 are as follows:

<b>Name</b>	<b>Business Affiliation</b>	<b>Term Expires</b>
John Ruggieri, Chairman	Senior Vice President and CFO, Gilbane	2021
Joseph MarcAurele, Vice Chairman	Chairman & CEO , The Washington Trust Company	2019
Dr. Thomas Enright	Dentist, DMD	2020
Julie Duffy	Exec. Vice President, Human Resources, Textron	2019
Francis J. Flynn	President, Rhode Island Federation of Teachers and Health Professionals	2020
Edwin Santos	Chairman, CharterCare Health Partners	2020
Edward Handy	President & COO, The Washington Trust Company	2021
William Foulkes	Faculty, Rhode Island School of Design	2020
Johnathan Hall	COO, FM Global	2019
Linda R. McGoldrick	Non Exec. Chairman, Financial Health Association International	2021
Mark Shaw	Chairman, AAA Northeast	2020
Cynthia S. Reed	President & CEO, LTR Holdings LLC	2018
Mark Paulhus	Exec. Vice President, Citizens Asset Finance, Inc.	2019
James Rosati	Retired Pres. & CEO, Beacon Mutual Insurance	2019
Vanessa Toledo-Vickers	Owner, Virtual Marketing Associates, Inc.	2018

### **Officers**

The Bylaws provide that the officers of the Company shall be elected annually by the Board of Directors and shall consist of a President, a Secretary, a Treasurer and such Assistant Treasurers and Secretaries as the Board of Directors deem appropriate. All officers shall hold their respective offices for one (1) year and thereafter until their successors are elected and qualified.

The Board of Directors may appoint such other officers and agents as it may deem necessary for the transaction of the business of the Company. Unless otherwise directed by majority vote of the stockholders, the persons elected by the Board of Directors to serve as officers shall be the same individuals who hold the corresponding office of the Company's ultimate parent, Delta Dental of Rhode Island.

The officers serving, and their respective titles for Delta Dental of Rhode Island and subsidiaries at December 31, 2017 are as follows:

Joseph A. Nagle	President and Chief Executive Officer CEO - First Circle, Inc.
Richard A. Fritz	Chief Financial Officer, Vice President and Treasurer
William Landry, Esq.	Secretary
George Bedard	Assistant Treasurer and Controller
Melissa Gennari	Assistant Secretary and Director of Compliance

The records of the meetings of the Board of Directors were reviewed as part of this examination. The meetings appeared to be held in accordance with the Company's Bylaws and did not contain evidence of any actions contrary to the Company's Bylaws, Articles of Incorporation or the Rhode Island General Laws.

### **TERRITORY AND PLAN OF OPERATION**

The Company offers a broad range of prepaid and administrative service only dental care coverage options on either a contributory or voluntary basis. These products and services are marketed to businesses and organizations that are headquartered in the State of Massachusetts. Currently the Company offers three main products known as the Altus Preferred, Altus Point of Service and the Altus Plus packages. The vast majority of the Company's book of business has

opted for either the Altus Preferred or Altus Plus options. The difference between the Altus Preferred and Altus Plus options is in the reimbursement for services rendered outside of ADIC's PPO network. The Altus Preferred product reimburses for services performed by an out of network provider at coverage levels that are roughly eighty percent ("80%") of the in network coverage level. The Altus Plus package provides similar levels of coverage whether or not the service is performed inside or outside the network. The "out of network" reimbursement through Altus Plus is made at the prevailing fee in the zip code area where the member's service has been rendered. Payments to participating or "in network" dentists are based on a contractually agreed upon allowance established by the corporation.

Benefits for each member are subject to a per calendar year maximum that typically ranges from \$500 to \$2,500 and may include a deductible depending on the program the group has purchased. ADIC provides coverage to more than 162,000 members with access to a network that includes more than 9,300 dental locations in Massachusetts, Rhode Island and New Hampshire with another 152,000 plus participating locations available nationwide through the Connection Dental network. ADIC's current book of accounts includes approximately 2,000 group clients.

Key market segments for ADIC are any group with a predominantly locally based demographic such as municipal, hospital, organized labor and higher education business. Existing client management and new business prospecting is managed through a sales force that operates out of its Providence Rhode Island headquarters.

### Administration

Administration is provided using the same systems and many of the same employees as the Company's ultimate parent company, Delta Dental of Rhode Island, utilizes.

### **INSURANCE HOLDING COMPANY SYSTEM**

Delta Dental of Rhode Island, the ultimate parent company, filed registration statements "Form B", "Form C" and "Form F" with the Rhode Island Insurance Division, for all years under examination, as required under Title 27, Chapter 35 of the Rhode Island General Laws entitled "Insurance Holding Company Systems."

### **Organizational Structure**

At December 31, 2017, Delta Dental of Rhode Island is the ultimate parent in the holding company system. Delta Dental owns 100% of the issued and outstanding common capital stock of The Altus Group, Inc. ("Altus Group"). Altus Group, in turn, owns 100% of the issued and outstanding common capital stock of Altus Dental Insurance Company, Inc. ("ADIC"), Altus Systems, Inc. ("Altus Systems"), Altus Dental, Inc. ("AD"), Altus Ventures Inc. and First Circle, Inc. Delta Dental is also the sole member of Altus Realty Company, Inc., a non-profit real estate holding company. A summary of the history and purpose of each entity in the Delta Dental holding company system follows:

The Altus Group, Inc. was established in 1999 as a for-profit entity for the purpose of expanding the Company's offering of prepaid dental care coverage to organizations based outside of Rhode Island. The Altus Group, Inc. (the "Altus Group") includes the operations of its five wholly-

owned subsidiaries; including Altus Systems, Inc., Altus Dental, Inc., and Altus Dental Insurance Company, Inc. which were incorporated with The Altus Group. Additionally, Altus Ventures, Inc. and First Circle, Inc. were subsequently formed. The description of each entity's operations follows:

Altus Systems, Inc. employs the operations staff that processes claims and performs customer service for both Delta Dental of Rhode Island and Altus Dental Insurance Company, Inc. Altus Systems' costs are allocated proportionately to Delta Dental of Rhode Island and Altus Dental Insurance Company, Inc.

Altus Dental, Inc. is the entity chartered with establishing and maintaining a dental network. This entity is also responsible for promoting the Altus Dental brand name through advertising and promotion, and for providing the direct sales function for Altus Dental Insurance Company, Inc. Altus Dental, Inc. charges Altus Dental Insurance Company, Inc. for the use of its network and other services through intercompany allocations.

Altus Dental Insurance Company, Inc. is a licensed insurance company selling dental insurance primarily in Massachusetts.

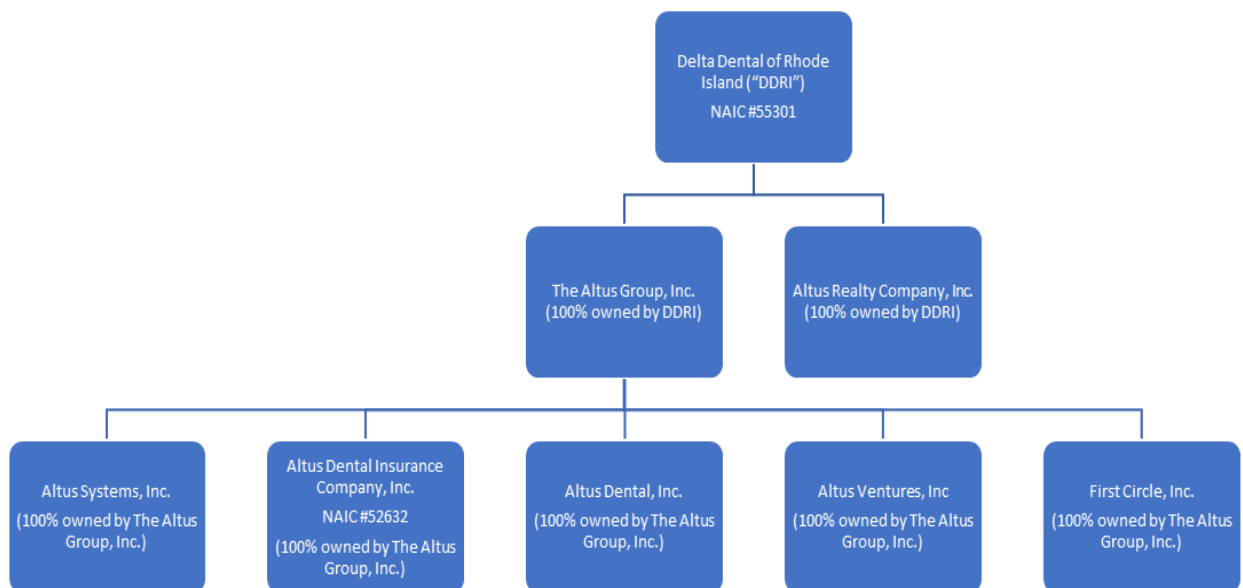
Altus Ventures, Inc. was formed in 2014 to identify and assess strategic investment opportunities and to manage investments in other entities that are ancillary to the Company's core business.

First Circle, Inc. was established in the fourth quarter of 2016 as a for-profit entity that is currently in the development stage. First Circle, Inc. is a services company that is developing a platform to connect consumers with dentists for services not payable by insurance. Its proprietary Chewsi technological, transactional, payment processing and marketing services platform assists dental offices in promoting and increasing the efficiency of their offerings of such services.

Altus Realty Company, Inc. - In 2002, the ultimate parent company formed Altus Realty Company, Inc., a non-profit real estate holding company, pursuant to Section 501(c)(2) of the internal revenue code, for the sole purpose of acquiring, holding title to, and managing the home office building located at 10 Charles Street, Providence, Rhode Island. This building, which the Company has leased space in since 1997, is the principal office facility of the Company. Delta Dental and subsidiaries presently rent approximately one half (1/2) of the existing space within the building.

All members of Delta Dental's Board of Directors represent the Board of Directors of all subsidiary entities.

The following presentation of the holding company system as of December 31, 2017 reflects the identities and interrelationships between the Company and its affiliates:



### **Inter-Company Agreements**

The following represents a summary of the intercompany agreements in-force between the Company and its affiliates as of December 31, 2017:

#### **Cost Sharing Agreement with Delta Dental of Rhode Island**

Effective July 23, 2004, the ultimate parent company entered into a Cost Sharing Agreement with Altus Dental Insurance Company, Inc. (“ADIC”) whereby Delta Dental will provide ADIC with certain executive and managerial services and will provide access to contractual arrangements, vendors, facilities and equipment. Under the terms of the Cost Sharing Agreement, ADIC shall be responsible for all costs reasonably identified as being directly and solely attributable to ADIC. ADIC shall also be responsible for all indirect costs which are fairly allocable for the

services, facilities and equipment provided, by the application of generally accepted cost accounting principles and consultation with the Companies' auditors and legal counsel. The fees charged to ADIC by Delta Dental are accrued monthly and shall be payable on a quarterly basis. The Cost Sharing Agreement also stipulates that either party may have its excess cash invested in the investment portfolio of the other party in order to maximize investment returns. Interest earned with respect to such funds shall be credited to the party advancing such funds.

*Cost Sharing Agreement with Altus Systems, Inc.*

Effective July 23, 2004, the Company entered into a Cost Sharing Agreement with Altus Systems, Inc. ("Altus Systems") whereby Altus Systems will provide the Company with certain operational and administrative services. Altus Systems Inc. costs are allocated proportionately to Delta Dental of Rhode Island and Altus Dental Insurance Company, Inc. based on each Company's share of monthly consolidated dental member enrollment. Under the terms of the Cost Sharing Agreement, the Company shall be responsible for all costs reasonably identified as being directly and solely attributable to the Company. The Company shall also be responsible for all indirect costs which are fairly allocable for the services provided, by the application of generally accepted cost accounting principles and consultation with the Companies' auditors and legal counsel. The fees charged to the Company by Altus Systems are accrued monthly and shall be payable on a quarterly basis. The Cost Sharing Agreement also stipulates that either party may have its excess cash invested in the investment portfolio of the other party in order to maximize investment returns. Interest earned with respect to such funds shall be credited to the party advancing such funds.



*Amended and Restated Agreement with Altus Dental, Inc.*

Effective July 23, 2004, the Company entered into an Amended and Restated Agreement (“Agreement”) with Altus Dental, Inc. (“AD”). During the term of the Agreement, the Company shall have the use and benefit of AD’s network of participating dentists and the services provided by participating dentists through Participating Dentist Agreements maintained by AD. AD’s duties and responsibilities under the Agreement shall include recruiting, maintaining and credentialing dentists as part of its network of participating dentists; attending to matters of professional relations ancillary thereto; providing sales and marketing services and promoting the “Altus” trade name and service marks; and performing such other and further ancillary services. The Company shall be responsible for entering into contracts with qualified groups maintaining such licensure and other regulatory approvals as may be necessary, making appropriate arrangements for the enrollment of subscribers, collection of premiums, and payment of claims; and performing such other ancillary services as AD and the Company may agree. The Company shall pay to AD an administrative fee on a per contract (subscriber not member) basis. Administrative fees are accrued by the Company monthly and are payable on a quarterly basis. The Agreement also stipulates that either party may have its excess cash invested in the investment portfolio of the other party in order to maximize investment returns. Interest earned with respect to such funds shall be credited to the party advancing such funds.

*Unlimited Parental Guaranty*

On September 15, 2000, the parent company issued an unlimited parental guaranty on behalf of Altus Dental Insurance Company, Inc. whereby all claims and obligations of Altus Dental to its subscribers and policyholders will be fully funded and satisfied by Delta Dental in the event of

any inability of Altus Dental Insurance Company to satisfy such claims and obligations. The unlimited parental guaranty became effective in September 2002 when Altus Dental Insurance Company began underwriting dental insurance in Massachusetts.

*Intercompany Tax Allocation Agreement*

The original Tax Allocation Agreement effective July 16, 2010, was between The Altus Group, Inc., and its original three operating subsidiaries, Altus Dental Insurance Company, Inc., Altus Systems, Inc., and Altus Dental Inc. This agreement was amended in 2017. The only modification to this agreement was to include all operating subsidiaries of the Altus Group, as Altus Ventures, Inc. and First Circle, Inc. had been subsequently incorporated and established as subsidiaries under the Altus Group. This agreement now states it is between The Altus Group, Inc., and each and all of its current operating subsidiaries in any given tax year.

Consistent with the original tax allocation agreement, in each tax year ending on or after the effective date of these agreements, the tax liability of each of the companies shall be determined to be an amount equal to the tax liability of each Company determined as if each entity had filed a separate federal income tax return for such period. Similarly, each time that The Altus Group, Inc. makes a payment to the Internal Revenue Service of any taxes due with respect to a consolidated return of the Companies, including estimated payments, each of the respective Companies shall pay or accrue to The Altus Group, Inc. an amount equal to its share of such tax liability as determined in this paragraph. Such funds are payable upon written demand within ninety (90) days to the party holding such funds.

## **FINANCIAL STATEMENTS**

The results of the examination are set forth in the following exhibits and schedules:

Comparative Statement of Assets  
December 31, 2017 and December 31, 2012

Comparative Statement of Liabilities, Capital and Surplus  
December 31, 2017 and December 31, 2012

Statement of Revenue  
Year ended December 31, 2017

Capital and Surplus Account  
December 31, 2016 to December 31, 2017

Reconciliation of Surplus  
December 31, 2012 to December 31, 2017

Analysis of Examination Adjustments  
December 31, 2017

**ALTUS DENTAL INSURANCE COMPANY, INC.**  
**Comparative Statement of Assets**  
**December 31, 2017 and 2012**

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2012</u>	<u>Increase</u> <u>(Decrease)</u>
Bonds	\$30,196,771	\$12,939,352	\$17,257,419
Cash and Cash Equivalents	2,025,143	73,842	1,951,301
Short-term Investments	0	6,447,566	(6,447,566)
Other Invested Assets	1,752,084	0	1,752,084
Investment Income Due or Accrued	279,901	146,753	133,148
Uncollected Premiums and Agents' Balances in the Course of Collection	432,397	367,732	64,665
Amounts Receivable Related to Uninsured Plans	461,438	204,643	256,795
Net Deferred Tax Asset	<u>94,132</u>	<u>115,787</u>	<u>(21,655)</u>
 Total Assets	 <u><u>\$35,241,866</u></u>	 <u><u>\$20,295,675</u></u>	 <u><u>\$14,946,191</u></u>

**ALTUS DENTAL INSURANCE COMPANY, INC.**  
**Comparative Statement of Liabilities, Capital and Surplus**  
**December 31, 2017 and 2012**

	<b>December 31, 2017</b>	<b>December 31, 2012</b>	<b>Increase (Decrease)</b>
Claims Unpaid	\$1,795,930	\$1,312,690	\$483,240
Unpaid Claims Adjustment Expenses	95,835	57,430	38,405
Premiums Received in Advance	846,801	351,588	495,213
General Expenses Due or Accrued	2,242,428	501,036	1,741,392
Amounts Due to Parent, Subsidiaries & Affiliates	1,678,795	5,650,836	(3,972,041)
Advance Deposits	484,100	223,100	261,000
<b>Total Liabilities</b>	<b>7,143,889</b>	<b>8,096,680</b>	<b>(952,791)</b>
Restricted Reserves for ACA Assessment	1,055,531	0	1,055,531
Common Capital Stock	3,000,000	3,000,000	0
Gross Paid in and Contributed Surplus	3,319,861	3,319,861	0
Unassigned Funds (Surplus)	20,722,585	5,879,134	14,843,451
<b>Total Capital and Surplus</b>	<b>28,097,977</b>	<b>12,198,995</b>	<b>15,898,982</b>
<b>Total Liabilities, Capital and Surplus</b>	<b>\$35,241,866</b>	<b>\$20,295,675</b>	<b>\$14,946,191</b>

**ALTUS DENTAL INSURANCE COMPANY, INC.**  
Statement of Revenue  
**Year Ended December 31, 2017**

**REVENUES**

Net Premium Income	\$61,130,887	
Total Revenues		\$61,130,887

**HOSPITAL AND MEDICAL**

Other Professional Services	<u>45,182,763</u>	
Total Hospital and Medical		45,182,763

Less:

Claims Adjustment Expenses	2,224,560	
General Administrative Expenses	<u>7,365,903</u>	
Total Underwriting Deductions		<u>9,590,463</u>

Net Underwriting Gain		6,357,661
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**INVESTMENT INCOME**

Net Investment Income Earned	657,257	
Net Realized Capital Gains or (Losses)	<u>24,415</u>	
Net Investment Gain or (Loss)		681,672

**OTHER INCOME**

Aggregate Write-ins for Other Income or Expenses		<u>111,503</u>
Net Income Before Federal Income Taxes		7,150,836
Federal Income Taxes Incurred		<u>2,304,842</u>
Net Income		<u><u>\$4,845,994</u></u>

**ALTUS DENTAL INSURANCE COMPANY, INC.**  
**Capital and Surplus Account**  
**December 31, 2016 to December 31, 2017**

Capital and Surplus, December 31, 2016			\$23,384,112
	<u>Increase in Surplus</u>	<u>Decrease in Surplus</u>	
Net Income	\$4,845,994		
Change in Net Unrealized Capital Gains	6,455		
Change in Net Deferred Income Tax		\$126,442	
Change in Non-Admitted Assets	106,020		
Aggregate Write-ins for Gains or (Losses) in Surplus		<u>118,162</u>	
	<u>4,958,469</u>	<u>244,604</u>	
Net Change in Capital and Surplus			<u>4,713,865</u>
Capital and Surplus, December 31, 2017			<u><u>\$28,097,977</u></u>

**ALTUS DENTAL INSURANCE COMPANY, INC.**  
Reconciliation of Surplus  
**December 31, 2012 to December 31, 2017**

Surplus as Regards Policyholders, December 31, 2012			\$12,198,995
	Increase in Surplus	Decrease in Surplus	
Net Income	\$15,831,534		
Change in Net Unrealized Capital Gains		\$8,297	
Change in Net Deferred Income Tax		21,655	
Change in Non-Admitted Assets	72,439		
Aggregate Write-ins for Gains and Losses in Surplus	24,961		
	15,928,934	29,952	
Increase in Surplus as Regards Policyholders, for the Years 2013 through 2017			15,898,982
Surplus as Regards Policyholders, December 31, 2017			\$28,097,977



**ALTUS DENTAL INSURANCE COMPANY, INC.**  
Analysis of Examination Adjustments  
**December 31, 2017**

The examination of the Company, performed as of December 31, 2017, did not disclose any material misstatements to the financial statements contained in its 2017 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.

## COMMENTS ON FINANCIAL STATEMENTS

### ASSETS

#### Bonds

\$30,196,771

The above amount is the net admitted value of bonds held by the Company at December 31, 2017 and is the same as that reported in its 2017 Annual Statement. Approximately 95.8% of the bonds are held by a third party financial institution under the terms of a custodial agreement. The remaining 4.2% are on deposit with the State of Massachusetts.

The quality ratings of all securities included in the Company's bond portfolio were reviewed based upon criteria established by the National Association of Insurance Commissioners ("NAIC"). It was noted that 98.4% of the bond portfolio represents either class 1 or class 2 securities which are bonds of the "highest" and "high" quality respectively, according to the NAIC rating system.

The book value, par value, fair value, and actual cost of the bond portfolio as of December 31, 2017, are as follows:

<u>Book/Adjusted</u> <u>Carrying</u> <u>Value</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Actual Cost</u>
<u>\$30,196,771</u>	<u>\$29,187,000</u>	<u>\$30,323,828</u>	<u>\$31,496,998</u>

**LIABILITIES**

**Accrued Claims and Loss Adjustment Expenses** **\$1,891,765**

Claims Unpaid	\$1,795,930
Unpaid Claims Adjustment Expenses	<u>95,835</u>
Total	<u>\$1,891,765</u>

The reserves for losses and loss adjustment expenses reflected above are the same as those reported by the Company in its 2017 Annual Statement. The reserve calculation prepared by the Company was reviewed by INS Consultants, Inc. (INS), consulting actuaries for the Rhode Island Insurance Division. INS relied upon the underlying data reported by the Company, and their analyses included a review of the actuarial assumptions and methods used by the Company in determining the reserves, and such tests of actuarial calculations as deemed necessary.

In assisting INS with the reserve analysis, the examiners either independently performed or relied upon the procedures performed by the Company's independent accounting firm and internal audit department to verify the integrity of the underlying claims data, including completeness testing. A combination of subjective and statistical sampling techniques was utilized in testing the claims data, as deemed appropriate.

**CAPITAL AND SURPLUS**

**Capital and Surplus**

**\$28,097,977**

The above amount is the same as that reported by the Company in its 2017 Annual Statement,

and consists of the following:

Restricted Reserves for ACA Assessment	\$1,055,531
Common capital stock	3,000,000
Gross Paid in and Contributed Surplus	3,319,861
Unassigned Funds (Surplus)	<u>20,722,585</u>
Surplus as Regards Policyholders	<u>\$28,097,977</u>

## CONCLUSION

We have applied verification procedures to the data and information contained in this report using sampling techniques and other examination procedures as deemed appropriate. While sampling and other examination procedures do not give complete assurance that all errors and irregularities will be detected, had any been detected during the course of this examination, such errors and/or irregularities would have been disclosed in this report. Other than what has been noted in the body of this report, we were not informed of, and did not become aware of any errors or irregularities that could have a material effect on the financial condition of the Companies as presented in this report.

Participating in the examination with the undersigned were various staff insurance examiners from the Rhode Island Insurance Division. In addition, acknowledgment is made of The INS Companies for the services rendered to assist with the examination by providing consulting financial examiners, actuaries and information technology specialists.

Respectfully submitted,



Louis A. Gabriele, CPA, CFE  
Insurance Examiner-In-Charge  
State of Rhode Island