

Cigna Dental Health of North Carolina, Inc.

Sunrise, Florida

Report on Examination

As of December 31, 2014

Cigna Dental Health of North Carolina, Inc.

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Cigna Dental Health of North Carolina, Inc.
Report on Examination

Honorable Wayne Goodwin
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

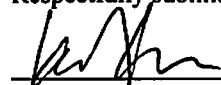
Pursuant to your instructions and in accordance with Section (“§”) 58-67-100 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of **Cigna Dental Health of North Carolina, Inc.** (“Company”) as of December 31, 2014. The Department’s last examination was as of December 31, 2010. In determining the nature and scope of the examination, the Department considered the financial statement review and analysis of the Company.

The examination was a coordinated examination and was conducted concurrently with examinations of the affiliates of the Company (collectively “Subgroup”), and included participation from the States of Arizona, Delaware, Maryland, Missouri, North Carolina, New Jersey, Ohio, Pennsylvania, and Texas. Connecticut served as lead state and Ohio served as the facilitating state in the coordinated examination.

The coordinated examination was conducted in accordance with auditing standards established by each participating state and procedures established by the National Association of Insurance Commissioners (“NAIC”). The coordinated examination was risk-focused and consisted of a seven-phase process used to identify and assess risk, assess the adequacy and effectiveness of strategies and controls used to mitigate risk and assist in determining the extent and nature of testing procedures to review the Subgroup’s key activities. This process included a determination of the quality and reliability of the Subgroup’s corporate governance structure and risk management programs, as well as, verification of specific portions of the financial statements.

As a participating state of the coordinated examination, the Department focused on high risk areas of the Company and performed additional procedures to address North Carolina specific risk areas identified based on the Department’s review and analysis of the Company’s financial statement. The specific aspects of the Company’s 2014 Annual Statement are specified in the Scope of the Examination on page 4. The scope of this examination was not comprehensive, but included a risk focused review of the Company’s practices and procedures, its corporate and accounting records, details of certain transactions, and an evaluation of certain assets and liabilities reported as of December 31, 2014. This report is not intended to communicate all matters of importance but only the concerns on the specific risk areas for an understanding of the Company’s financial condition as of December 31, 2014. Therefore, the findings and conclusions contained within this report are based solely on the work performed on the specific risk areas of concern identified and are provided in the Summary of Examination Objectives and Findings on page 5.

Respectfully submitted,



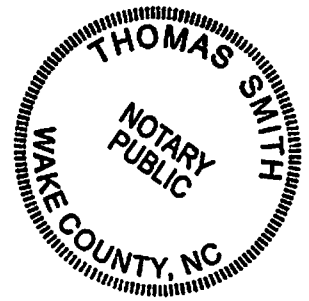
Ke Xu, CPA, CFE
Chief Financial Examiner
Agile Enterprise Section
Financial Evaluation Division
North Carolina Department of Insurance

12/31/2015

STATE OF NORTH CAROLINA
COUNTY OF WAKE

Venus Ang, Supervising Examiner, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by her, is true and correct to the best of her knowledge and belief.

Signature: Venus Ang Date: 2/16/2016
Venus Ang



Sworn and subscribed before me this 16 day of February, 2016.

Notary Public Signature: [Signature] Notary Public Seal:

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1. Company Background

The Company was incorporated on December 21, 1992, under the laws of the state of North Carolina as a health maintenance organization ("HMO"). Effective December 30, 1992, the Company was authorized to provide single health care service of dental care in North Carolina. Cigna Corporation has the ultimate control of the Company through its holding company system.

2. Appointed Actuary

All HMOs are required to file annual statements in accordance with the appropriate Annual Statement Instructions Handbook of National Association of Insurance Commissioners, pursuant to GS § 58-67-55 and § 58-2-165(c). The Annual Statement Instructions require the statement of the appointed actuary setting forth an opinion relating to claim reserves and any other actuarial items included in or attached to the annual statement. Actuarial opinions regarding the Company's reserves for unpaid claims and unpaid claims adjustment expenses were issued by an appointed actuary for the examination period. The appointed actuary evaluated the data of the unpaid claims and unpaid claims adjustment expense reserves provided by the Company for reasonableness and consistency. According to the actuarial opinion, the Company's reserves for unpaid claims and unpaid claims adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid claims and unpaid claims adjustment expenses obligations of the Company.

3. Scope of the Examination

The scope of this examination was limited to the following areas relative to the 2014 Annual Statement:

- a) Investments
- b) Premiums
- c) Claims and Reserves
- d) Operations

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4. Examination Procedures

The examination procedures performed during this examination included the following:

- 1) Review and verification of supporting documentation for reported balances;
- 2) Substantive testing of underlying data and transactions;
- 3) Analytical procedures and recalculation of account balances;
- 4) Actuarial review of the Company's unpaid claims and premium deficiency reserve by the Department's Actuarial Services Division;
- 5) Other examination procedures deemed necessary to meet the established objectives.

5. Summary of Examination Objectives and Findings

a) Investments

- 1) Examination Objective: To verify the existence of bonds totaling \$662,572 and short-term investments totaling \$953,896 reported in the Company's 2014 Annual Statement.

Findings: No adverse findings were noted.

- 2) Examination Objective: To determine whether the Board of Directors properly reviewed and approved the Company's investment transactions.

Findings: The Department was unable to obtain evidence of the authorization or approval of investments. The Company is directed to comply with the GS § 58-7-168 and provide evidence of proper approval of its investment transactions.

b) Premiums

- 1) Examination Objective: To verify that premium written totaling \$5,194,964 was fairly stated in the Company's 2014 Annual Statement.

Findings: No adverse findings were noted.

- 2) Examination Objective: To verify that premiums receivable totaling \$441,386 reported in the Company's 2014 Annual Statement is being collected on a timely basis.

Findings: No adverse findings were noted.

c) Claims and Reserves

- 1) Examination Objective: To verify the accuracy and completeness of paid claims totaling \$4,545,437 reported in the Company's 2014 Annual Statement.

Findings: No adverse findings were noted.

- 2) Examination Objective: To review the reasonableness and adequacy of unpaid claims totaling \$261,381 reported in the Company's 2014 Annual Statement.

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Findings: No adverse findings were noted.

- 3) Examination Objective: To review the adequacy of the premium deficiency reserve totaling \$222,432 reported in the Company's 2014 Annual Statement.

Findings: No adverse findings were noted.

d) Operations

- 1) Examination Objective: To verify that uncovered expenses totaling \$599,868 were properly reported in the Company's 2014 Annual Statement.

Findings: No adverse findings were noted.

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Appendix A – Report Distribution

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