



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF SOLVENCY REGULATION

PO BOX 325

TRENTON, NJ 08625-0325

TEL (609) 292-7272

FAX (609) 292-6765

PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

MARLENE CARIDE
Commissioner

August 29, 2019

Re: 3rd Qtr. 2019 Dental Service Corporation (DSC) Report Filings

The purpose of this correspondence is to standardize financial reporting for Dental Service Corporations (DSCs) licensed in New Jersey, and to ensure that data is properly captured in order to be in compliance with statute and regulations. All filings are due no later than the indicated due date. If the due date falls on a Saturday, a Sunday, or a holiday, then the deadline is the Friday before. The filing shall be in accordance with Statutory Accounting Practices using the most current format for the NAIC Health blank, and in accordance with the NAIC quarter instructions for the Health blank. Contact the NAIC directly at (816) 842-3600 if you require copies of the instructions. These instructions implement the requirements of the Accounting Practices and Procedures effective January 1, 2019. The NAIC Health blank forms are available for purchase through several independent insurance service companies throughout the United States.

Please note that the Commissioner of Banking and Insurance has the regulatory authority (N.J.S.A. 17:48C-27) to impose enforcement remedies against a DSC for violations of any statutory requirements including the late filing of annual reports. The commissioner may, "... levy an administrative penalty in an amount not less than \$25.00 for each day's neglect, to be recovered in civil action; and upon notice by the commissioner to such effect, its authority to do new business in this State shall cease while such default continues.

This letter is reasonable notice and any DSC that files late will be fined \$25.00 per day.

Please note that any additional or revised annual filing requirements are outlined in bold.

- (1) The following manuals should be obtained and maintained current:
 - (a) ANNUAL STATEMENT INSTRUCTIONS HEALTH MANUAL

Visit us on the Web at dobi.nj.gov

New Jersey is an Equal Opportunity Employer • Printed on Recycled Paper and Recyclable

- (b) ACCOUNTING PRACTICES AND PROCEDURES MANUAL EFFECTIVE JANUARY 1, 2019 (AS OF MARCH 2019). THIS VALUABLE RESOURCE CONTAINS THE STATEMENT OF STATUTORY ACCOUNTING PRINCIPLES (SSAP), EXTRACTS FROM NAIC MODEL LAWS, INTERPRETATIONS OF SSAP, ISSUE PAPERS AND POLICY STATEMENTS OF THE NAIC
- (c) PURPOSES AND PROCEDURES MANUAL OF THE NAIC SECURITIES VALUATION OFFICE (SVO)

These may be obtained from:
National Association of Insurance Commissioners
Insurance Products & Services Division
2301 McGee Street
Suite 800
Kansas City, MO 64108-2604
Telephone (816) 783-8300
Facsimile (816) 460-7593
Web address is www.naic.org/insprod/

- (2) Original signatures are required on all filings. The President and Secretary, or in their absence two principal officers must sign the quarterly statement. All requests for exceptions from normal filings must be submitted at least 30 days prior to the due date.
- (3) All DSCs are required to complete the blanks and supplemental schedules in their entirety. This includes the General Interrogatories and the Notes to Financial Statements. If a specific schedule is not applicable to the DSC, that should be so indicated using “N/A” or “None”. Any deviations from the instructions in this announcement, without the permission of the Commissioner of Banking and Insurance will be considered a violation of filing requirements and cause the entire statement filing to be rejected.
- (4) Please note that if you have ASO/ASC business, footnote #18 must be completed in its entirety and included in the quarterly filing in the format prescribed by the NAIC Instructions.
- (5) The DSC shall segregate assets into categories of “Admitted Assets” and “Non-Admitted Assets”. The latter will be excluded by the Department in considering the DSC’s minimum statutory net worth, and and solvency deposit requirements.

See SSAP #4 “Assets and Non-admitted Assets” for further guidance. Assets not specifically identified as an admitted asset within the Accounting Practices and Procedures Manual shall be considered Non-admitted.

Guidance on allowable Goodwill can be found in SSAP #68. Goodwill carried by any merged entity related to a previous business combination shall be charged or credited to surplus immediately in the event that the investee that the goodwill relates to ceases to exist (e.g. by merger or dissolution).

- (6) All DSCs are required to comply with the requirements of N.J.S.A. 17:48C-25 and N.J.S.A.17B:20 regarding Investments.
- (7) The Annual financial information must also include the following supplements and schedules:
 - (a) A Management Discussion and Analysis letter. This letter is primarily a narrative document setting forth information, which enables the Department to enhance its understanding of the DSC's financial position, results of operations, changes in capital and surplus accounts and cash flow. (See Attached NAIC MD&A instructions for the specific format and detailed guidance). The comparison on the Balance Sheet accounts should be made between the current period and the prior year end (not PYTD) and discuss in detail any change that is greater than 20%.
 - (b) DSC Actuarial Opinion is required for 2018 Annual filing.
- (8) All items listed as "other" with a value of 10% or greater of total assets, total liabilities, total revenue, total expenses, etc. must be broken out as a "Detailed Write In" with an appropriate identification including:
 - (a) Aggregate write-ins for gains or (losses) in surplus, in Statement of Revenue and Expenses, Page 5, Line 47 and,
 - (b) Other cash provided (applied), in Cash Flow, Line 16.6.

Disclose these items in the MD&A, also in the Notes to Financial Statement when applicable.

- (9) All expenses paid to medical providers (including dentists) should be included on line #9 "Hospital/medical benefits" of the Statement of Revenue and Expenses. They should not be included on line #10 "Other Professional Services" or line #29 "Aggregate write-ins for other income or expenses".
- (10) Liabilities, Capital and Surplus page 3 line 2 "Accrued medical incentive pool and bonus amounts" shall

Include: Liability for arrangements with providers and other risk sharing arrangements whereby the reporting entity agrees to share savings with contracted providers.

Exclude: Percentage withholds from providers that are reported with claims unpaid.

Column 3 should equal the amount reported in Underwriting and Investment Exhibit, Part 2, Column 1, Line 5.

The company should refer to SSAP No. 55 Unpaid Claims, Losses and Loss Adjustment Expenses, for further accounting guidance.

(11) MAILING ADDRESS

Every DSC shall submit four (4) signed copies of the Annual Report to:
Kwame Asare
NJ Department of Banking and Insurance
Office of Solvency Regulation

BY US MAIL
PO Box 325
Trenton, NJ 08625-0325

BY OVER NIGHT MAIL
20 West State Street
Trenton, NJ 08608-1206

Contact me at (609) 940-7455 or e-mail me at mariam.awad@dobi.nj.gov if you have any questions concerning this correspondence.

Sincerely,

Mariam Awad
Insurance Examiner