

REPORT ON EXAMINATION AS TO THE CONDITION OF

ATLANTIC SOUTHERN DENTAL FOUNDATION

PHILADELPHIA, PA 19106

AS OF DECEMBER 31, 2017

N.A.I.C. GROUP CODE 4917

N.A.I.C. COMPANY CODE 11217

FILED

June 26, 2019

Commissioner
Department of Banking & Insurance

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State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION
PO BOX 325
TRENTON, NJ 08625-0325

PHIL MURPHY
Governor

SHIELA OLIVER
Lt. Governor

MARLENE CARIDE
Commissioner

TEL (609) 292-5350
FAX (609) 292-6765

June 17, 2018

Honorable Marlene Caride
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

Atlantic Southern Dental Foundation
PHILADELPHIA, PA 19106
N.A.I.C. GROUP CODE 4917
N.A.I.C. COMPANY CODE 11217

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, Atlantic Southern Dental Foundation will be referred to in this report as the "Company" or "ASDF".

SCOPE OF EXAMINATION

This risk-focused examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by Section 17:23-22 of the New Jersey Revised Statutes.

The examination was made as of December 31, 2017, and addressed the five-year period from January 1, 2013 to December 31, 2017. During this five-year period under examination, the Company's assets decreased from \$4,641,033 to \$3,258,103. Liabilities decreased from \$1,238,965 to \$714,892 and its surplus as regards policyholders decreased from \$3,402,068 to \$2,543,211.

The New Jersey Department of Banking and Insurance ("NJDOBI") conducted the examination in accordance with the 2017 edition of the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook (the "NAIC Handbook"). The NAIC Handbook requires NJDOBI to plan and perform the examination in order to evaluate the financial condition and identify prospective risks of the Company. To meet these objectives NJDOBI obtained information regarding the Company's corporate governance environment, identified and assessed inherent risks to which it is exposed and evaluated the Company's system of internal controls and procedures used to mitigate identified risks. The examination also included assessing the principles used and significant estimates made by management, as well as, evaluating the overall Financial Statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

According to the NAIC Handbook, "One of the increased benefits of the enhanced risk focused approach is to include ... consideration of other than financial risks that could impact the insurer's future solvency. By utilizing the enhanced approach, the examiner reviewed the "financial" and "enterprise" risks that existed at the examination "as of" date and will be positioned to assess "financial" and "enterprise" risks that extend or commence during the time the examination was conducted and "prospective" risks which are anticipated to arise or extend past the point of examination completion. Under this approach, the examiner is positioned to make appropriate recommendations for future supervisory plans (i.e., earlier statutory exams, limited-scope exams, key areas for financial analysts to monitor, etc.) for each insurer."

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

Contingent Liabilities

2012 Examination Recommendation: It is recommended that the Company report all special deposits that are held by states under Common Interrogatories - Investment, Interrogatory Number 25.28 in future annual statements.

Company Response: Accepted

2017 Examination Finding: The Company has not complied with this recommendation. Refer to the Special Deposit section.

Policy on Conflict of Interest:

2012 Examination Recommendation: It is recommended that the Company create a conflict of interest questionnaire and that the Company require its officers, directors and key employees to execute the conflict of interest questionnaires on an annual basis in accordance with N.J.S.A. 17:23-22-3(a) and present the questionnaires to the Board of Trustees for evaluation and resolution of any potentially conflicting disclosures.

Company Response: Accepted

2017 Examination Finding: The Company has complied with this recommendation

Continuity of Operations

2012 Examination Recommendation: It is recommended that the Company amend its Joint Venture Agreement to include a vacancy clause under Section 3 Part 1 titled Management.

Company Response: Accepted

2017 Examination Finding: The Company has complied with this recommendation

Bonds

2012 Examination Recommendation: It is recommended by this examination that ASDF report Columns 18, 19 and 20 of Schedule D – Part 1 and report Asset Line 14 Investment Income Due and Accrued correctly in future annual statements.

Company Response: Accepted

2017 Examination Finding: The Company has complied with this recommendation

Cash

2012 Examination Recommendation: It is recommended by this examination that the Company report the Maryland Special Deposit six month Treasury Note on the balance sheet under Asset Line 5 Cash subheading Short-term Investments and on Schedule DA - Part 1 and value this short-term investment in accordance with SSAP Number 2 - Cash, Drafts, and Short-Term Investments - Paragraphs 10 and 11 - Short-Term Investments in future annual statements.

Company Response: Accepted

2017 Examination Finding: The Company has complied with this recommendation

Cash

2012 Examination Recommendation: It is recommended that the Company file the necessary escheatable funds report as required by N.J.S.A. 46:30B-1.

Company Response: Accepted

2017 Examination Finding: The Company has complied with this recommendation

Claims Unpaid

2012 Examination Recommendation: It is recommended that the Company report an IBNR estimate reserve for Claims Unpaid in future annual statements.

Company Response: Accepted

2017 Examination Finding: The Company has complied with this recommendation.

General Expenses Due and Accrued

2012 Examination Recommendation: It is recommended that the Company set up an accrual for State Examination Audit Fees for a period of five years in future annual statements

Company Response: Accepted

2017 Examination Finding: The Company has complied with this recommendation

HISTORY AND KIND OF BUSINESS

The Atlantic Southern Dental Foundation (ASDF) is a Partnership formed under a joint venture agreement dated December 23, 1983, between three equal partners Atlantic Dental Foundation, Inc., Southern Dental Foundation, Inc. and Dental Benefit Management, Inc. (d/b/a BeneCare). The Atlantic Southern Dental Foundation (Partnership) was incorporated on March 21, 1984 as a dental plan organization pursuant to N.J.S.A. 17:48D-1. The Atlantic Southern Dental Foundation contracts with organizations (sponsors) to provide dental services to the sponsor's eligible employees. The Foundation will receive monthly premiums based on a contractual fixed price with its sponsors.

The Atlantic Dental Foundation, Southern Dental Foundation and the Dental Benefit Management, Inc. each maintain separate Board of Directors and two representatives of all three entities comprise the six members Management Committee which manages the affairs of the Atlantic Southern Dental Foundation.

On September 10, 2003, a resolution was passed by the Management Committee approving the formation and funding of a dental service corporation pursuant to N.J.S.A. 17:48C-1. The Management Committee further resolved to authorize the officers of Atlantic Southern Dental Foundation to take all steps to create and form the organization and to invest \$25,000 in this endeavor. In 2004, Dental Benefit Management, Inc. agreed to advance funds to Dental Practice Association of New Jersey, Inc. in the amount of \$25,000 in the form of a surplus note to help the entity meet its minimum capital requirements. At the same time a Joint Cooperation Agreement was executed that agreed to provide an additional \$100,000 to fund the Dental Practice Association of New Jersey, Inc. as required by N.J.S.A. 17:48C-25 and during 2005 the Partnership advanced funds to the Dental Practice Association of New Jersey, Inc. in the form of a \$100,000 surplus note. The notes bear interest at 1% above prime (effective rate of 5.50% as of December 31, 2017). The repayment of the notes and or accrued interest shall be paid only if approved by the NJDOBI. The Notes were endorsed by the owner of Dental Benefit Management, Inc. and by the Management Committee of Atlantic Southern Dental Foundation.

As of December 31, 2017, ASDF is licensed to write business in New Jersey, Maryland, Delaware and Pennsylvania. In 2017, ASDF received approval to operate in Delaware and Pennsylvania. ASDF began writing business in Maryland with the purchase of the assets and assumption of the liabilities of the Dental Practice Association of Maryland under a January 1, 2004 transfer agreement. Under the Agreement if the Foundation elects to cease writing business in Maryland, it is required to donate one-half of any remaining surplus to a charity associated with Maryland dentistry chosen by the Maryland dentists participating in the BeneCare (Dental Benefit Management, Inc.) program.

The registered office of the Company is located at 3430 Atlantic Avenue, Atlantic City, New Jersey 08401. The mail address and primary location of books and records is 615 Chestnut Street, Suite 1001, Philadelphia, PA 19106. The registered agent for whom due process may be served is Robert P. Lang, Esquire.

TERRITORY AND PLAN OF OPERATION

ASDF is licensed to write business within the confines of New Jersey, Maryland, and Delaware. Please find below the membership summary of operations for the examination period:

Membership Summary of Operations

Membership	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Group Dental Plans	<u>25,370</u>	<u>24,696</u>	<u>25,163</u>	<u>43,596</u>	<u>48,853</u>

On January 1, 2004, pursuant to a Transfer Agreement, Atlantic Southern Dental Foundation received the assets and assumed the liabilities of the Dental Practice Association of Maryland. Atlantic Southern Dental Foundation commenced business in Maryland effective January 1, 2004. The Transfer Agreement was approved by both the New Jersey Department of Insurance and the Maryland Insurance Administration. Should Atlantic Southern Dental Foundation cease doing

business in Maryland, it is required under the Transfer Agreement to donate one-half of any remaining surplus, to a charity associated with Maryland dentistry chosen by the Maryland dentists participating in the BeneCare program.

ASDF does not utilize capitation based payments for participating dentists. Rather the Company operates within a network of participating dentists under a payment methodology per N.J.S.A. 17:48D-2 which was agreed upon by NJDOBI on December 26, 2006. This allows the Company to implement payment withholds based upon the methodology utilized.

All claims for ASDF are processed by their Administrative Agent, Dental Benefit Management, Inc. in accordance with the Joint Venture Agreement with ASDF. Dental Benefit Management Inc.'s claims processing and payment procedures are HIPPA compliant.

ASDF does not maintain any employees.

CORPORATE RECORDS

Atlantic Southern Dental Foundation's corporate records are held in their main administrative office at 615 Chestnut Street, Suite 1001, Philadelphia, PA 19106.

The Audit Committee and Management Committee meetings for ASDF are held jointly. A review of the minutes of the Audit Committee and Management Committee meetings noted that they were well attended by the Company's Management Committee. The Management Committee minutes also indicated that the Company's overall business transactions were adequately supported and approved.

MANAGEMENT AND CONTROL

ASDF is governed by the "Joint Venture Agreement" which is between the following entities: Atlantic Dental Foundation, Southern Dental Foundation and Dental Benefit Management, Inc. (DBMI). These entities created a Joint Venture operating under the name "Atlantic Southern Dental Foundation" (ASDF). ASDF is a partnership of these three (3) entities, and has no employees. The Joint Venture is managed by the "Management Committee" which consists of two (2) representatives from each entity in the Joint Venture.

The Management Committee consists of the following individuals:

<u>NAME</u>	<u>REPRESENTATION</u>	<u>ADDRESS</u>
Lee Serota	Dental Benefit Management, Inc.	BeneCare Dental Plans 615 Chestnut St., Suite 1001 Philadelphia, Pa. 19106
Phyllis Serota	Dental Benefit Management, Inc.	BeneCare Dental Plans 615 Chestnut St., Suite 1001 Philadelphia, Pa. 19106
Murray Borman	Atlantic Dental Foundation	4123 Atlantic Avenue Atlantic City, NJ 08401
Stanley Cohen	Atlantic Dental Foundation	2198 New Road Linwood, NJ 08221
Dr. Stanton Deitch	Southern Dental Foundation	1756 Larkspur Lane Cherry Hill, NJ 08003
Dr. Harris Colton	Southern Dental Foundation	1840 Lark Lane Cherry Hill, NJ 08003

Members of the Management Committee remain members indefinitely until they are unable or unwilling to continue in their capacity as members. Any vacancy will be filled by the representation of the departing member. Any transaction of business must be unanimously approved and all members must vote on any transaction of business.

Under the Joint Venture Agreement, the policies and procedures agreed upon by the Management Committee shall be carried out by the Dental Benefit Management, Inc. as administrator of the ASDF.

ASDF is not required to comply with the provisions of N.J.S.A. 17:27A-4d(3).

SPECIAL DEPOSIT

It was noted that ASDF did not report special deposits that are held by states on the 2017 Annual Statement General Interrogatory 25.28, securities that are not controlled by the reporting entity. This was also a finding on the prior 2012 examination.

It is recommended that the Company report all special deposits that are held by states under Common Interrogatories - Investment, Interrogatory Number 25.28 in future annual statements.

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

As of December 31, 2017, Atlantic Southern Dental Foundation (ASDF) was not required to file a holding company system filing due to their status as a Dental Plan Organization (DPO) in New Jersey. However, effective in 2018, the ASDF has agreed to file their holding company system filings.

INTER-COMPANY AGREEMENTS

Joint Venture Agreement:

ASDF entered into a Joint Venture Agreement on December 23, 1983. The agreement is between three equal partners Atlantic Dental Foundation, Inc., Southern Dental Foundation, Inc. and Dental Benefit Management, Inc. The Partnership is owned by the participating dentists in both Foundations and Dental Benefit Management, Inc. (DBMI). Under the Joint Venture Agreement, the policies and procedures agreed upon by the Management Committee shall be carried out by DBMI as administrator of ASDF. Under the Agreement, DBMI is to provide servicing of ASDF's operations including:

- Marketing and Sales
- Client Contract Negotiation and execution
- Administration
- Bookkeeping and Accounting Services
- Data Summarization
- Client Servicing
- Managing Investments
- Claims Processing

Compensation for the services provided is based upon the fee indicated at the execution of each group plan contract. The fee paid for services rendered is based upon the expected cost to provide such services to the Sponsor's Group. The maximum amount of fees paid is limited as indicated below:

- Fee shall not exceed 30% of the premium paid by each employee under each group in the first year under the plan.
- Fee shall not exceed 25% of the premium paid by each employee under each group in the second year under the plan.
- Fee shall not exceed 20% of the premium paid by each employee under each group for each subsequent year.

As part of its administrative functions, DBMI processes dental claims for ASDF. When claims are to be paid to the dentists in Atlantic Dental Foundation (ADF) and Southern Dental Foundation (SDF), DBMI notifies ASDF of the amount of the claims to be paid. ASDF transfers the requested funds from its operating account to DBMI's account. The checks to the dentists are paid out of the claims account and are mailed to the dentists. The total claims paid to the dentists for twelve (12) months ended December 31, 2017 was \$4,884,663 and the management fees paid to DBMI were \$625,706.

Joint Cooperation Agreement:

The Joint Cooperation Agreement was executed on September 10, 2003 by Atlantic Southern Dental Foundation (Partnership). The Joint Cooperation Agreement agreed to have the Partnership provide an additional \$100,000 to fund the Dental Practice Association of New Jersey, Inc. as required by N.J.S.A. 17:48C-25. During 2005 the Partnership advanced funds to the Dental Practice Association of New Jersey, Inc. in the form of a \$100,000 surplus note. The funds are in the form of a surplus note that earns interest at 1% plus prime. The effective interest rate at December 31, 2017 was 5.50%. DPANJ will repay the surplus note, and accrued interest of \$67,782 to ASDF as of 12/31/17 from excess available funds and upon the approval of the NJDOBI.

POLICY ON CONFLICT OF INTEREST

ASDF, its governing body, its agents and the dentists and patients it serves, has a fiduciary duty to administer its affairs honestly and prudently and of exercising their best care, skill and judgment for the sole benefit of ASDF. ASDF maintains a conflict of interest policy directed to the Management Committee and all individuals who can influence the actions of ASDF, but does not require its officers, directors or key employees to complete a conflict of interest statement. In line with the prior recommendations of the NJDOBI, Conflict of Interest Questionnaires are completed by the Company's officers and reported to the Management Committee. If there are any suspected conflicts, these are disclosed to the entire ASDF Management Committee. The Management Committee shall determine whether a conflict exists and any applicable action that needs to be taken.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

ASDF maintains fidelity bond coverage of \$500,000 for protection against theft, forgery and fraud in compliance with N.J.A.C. 11:10-1.11. ASDF also maintains \$2,000,000 of professional liability and \$1,000,000 of directors and officers liability coverage.

ACCOUNTS AND RECORDS

Dental Benefit Management, Inc. (DBMI) maintains ASDF's accounts and records and provides all processing of revenue and expenses.

ASDF's books of account are maintained on the Innovation Software Solutions, Inc. (ISSI) accounting System. Financial information needed in conjunction with the verification of assets and the determination of liabilities was made available in detail and summary form and was tested and reconciled to the general ledger and the annual statement. All of the Company's books and records are maintained at the Company's administrative office in Philadelphia, Pennsylvania.

Claim reserves and payments are recorded utilizing the Plan Administration, Claims Adjudication, Payment Processing and Enrollment Eligibility (PACE) management system. The PACE system was designed by ISSI and allows Dental Benefit Management, Inc. to use the same platform to

manage indemnity, PPO and specific co-payment programs. Claims are entered into PACE directly through batch processing by dentists and claims processing clearinghouses with the utilization of practice management software. Paper claims are outsourced to Data Dimensions Corporation which digitalize paper claims prior to entry into the PACE system. Claims received are reviewed to ensure information on the claim is accurate such as subscriber; dependent, dentist and procedure performed. The claims are then uploaded into the PACE system on an individual, claim basis. The claim database will also provide a check to ensure all claim information is accurate. Once a claim is processed, the system will generate checks and the signature of Phyllis Serota is stamped on the checks. There are no manual signatures needed for claim checks. The checks paid by the system are then entered into a check register which feeds the general ledger system and posts the checks paid.

Premium receipts are actually premiums received from the Company Sponsors. Invoices are developed based upon each Sponsor's contract (which is based upon the number of enrolled members and rate charged per member). Once a payment is received, via a post office, it is recorded on Excel spreadsheet and the amount is posted to the Company's cash receipts system. The cash receipt system directly feeds the general ledger system. Premium income for out of network dental services provided to ASDF enrollees is paid by ASDF to Dental Plan Association of New Jersey (DPANJ) based upon four different rates. Premium rates charged to ASDF Sponsors for out of network dental services are based upon the Sponsor's historical utilization of out of network services. Any premium received from Sponsors for out of network services is recorded by ASDF and paid to its affiliate DPANJ who provide for such services. Applicable commission payments are generated based upon each Sponsor's contract. There is only one Sponsor for which broker commission payments are due as of this examination report date. Commissions are not paid until the monthly premium income is received from the Sponsor.

Interest receipts on any income are posted per journal entry based upon monthly investment statements.

ADVERTISING AND SALES MATERIAL

A review of Atlantic Southern Dental Foundation advertising and sales materials disclosed that the Company is in compliance with N.J.S.A. 17:18-10 and that there were no material inconsistencies between the Company's sales material and their policies.

CONTINUITY OF OPERATIONS

A business continuity plan is necessary to help ensure the Company can adequately recover from a system failure or business interruption in a timely fashion and without the loss of significant data. Management should assess how the Company's reputation and financial status would be impacted in the event of a major processing disruption and, based on this assessment, develop an appropriate continuity plan that would help to ensure the Company can adequately recover from a system failure or business disruption in a timely fashion. The Company's comprehensive Business Continuity Plan, which includes a Disaster Recovery Plan, was reviewed by the Examiners during the examination and determined to be sufficient based on the size of the Company.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

- Exhibit A** Statement of Assets, Liability and Unassigned Funds as of
December 31, 2017.....pg. 12
- Exhibit B** Summary of Revenue and Expenses for the Five-Year Period Ending
December 31, 2017.....pg. 13
- Exhibit C** Capital and Surplus Account for the Five-Year Period Ending
December 31, 2017.....pg. 14

Exhibit A

ATLANTIC SOUTHERN DENTAL FOUNDATION
STATEMENT OF ASSETS, LIABILITY AND UNASSIGNED FUNDS
AT DECEMBER 31, 2017

	Current Examination at <u>12/31/17</u>	Balance per Company at <u>12/31/17</u>	Examination Change	Note Number
<u>Assets</u>				
Cash and Short Term Investments	3,090,178	3,090,178	\$0	1
Other Invested Assets	100,000	100,000	0	
Premiums In the Course of Collection	67,925	67,925	0	
Total Admitted Assets	<u>\$3,258,103</u>	<u>\$3,258,103</u>	<u>\$0</u>	
<u>Liabilities</u>				
Claims Unpaid	\$479,182	\$479,182	\$0	2
Unpaid Claims Adjustment Expense	\$15,419	\$15,419	0	
General Expenses Due or Accrued	\$141,604	\$141,604		
Aggregate Write-in for Other Liabilities	<u>78,687</u>	<u>78,687</u>	<u>0</u>	
Total Liabilities	<u>\$714,892</u>	<u>\$714,892</u>	<u>\$0</u>	
<u>Surplus and Other Funds</u>				
Aggregate Write-In For Other-Than-Special Surplus	\$100,000	\$100,000	\$0	
Unassigned Funds (Surplus)	<u>2,443,211</u>	<u>2,443,211</u>	<u>0</u>	
Surplus as Regards Policyholders	<u>\$2,543,211</u>	<u>\$2,543,211</u>	<u>0</u>	
Total Liabilities, Surplus and Other Funds	<u>\$3,258,103</u>	<u>\$3,258,103</u>	<u>\$0</u>	

Exhibit B

ATLANTIC SOUTHERN DENTAL FOUNDATION SUMMARY OF REVENUE AND EXPENSES FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Revenues:</u>					
Net Premium Income	6,060,561	5,793,347	6,072,437	10,102,598	10,536,080
Total revenues	<u>6,060,561</u>	<u>5,793,347</u>	<u>6,072,437</u>	<u>10,102,598</u>	<u>10,536,080</u>
<u>Hospital and Medical:</u>					
Other Professional Services	<u>4,823,045</u>	<u>5,032,662</u>	<u>5,696,090</u>	<u>9,256,365</u>	<u>9,626,812</u>
Total Hospital and Medical	<u>4,823,045</u>	<u>5,032,662</u>	<u>5,696,090</u>	<u>9,256,365</u>	<u>9,626,812</u>
Claims Adjustment Expenses	139,891	149,070	163,883	277,755	287,809
General Administrative Expenses	<u>681,507</u>	<u>686,960</u>	<u>614,573</u>	<u>958,269</u>	<u>1,082,117</u>
Total Underwriting Deductions	<u>5,644,443</u>	<u>5,868,692</u>	<u>6,474,546</u>	<u>10,492,389</u>	<u>10,996,738</u>
Net Underwriting Gain or (Loss)	<u>416,118</u>	<u>(75,345)</u>	<u>(402,109)</u>	<u>(389,791)</u>	<u>(460,658)</u>
<u>Investment Income:</u>					
Net Investment Income Earned	10,009	1,688	10,942	18,988	24,118
Net Realized Capital Gains or (Losses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Investment Gain or (Loss)	<u>10,009</u>	<u>1,688</u>	<u>10,942</u>	<u>18,988</u>	<u>24,118</u>
Net Income Before Federal Income Taxes	426,127	(73,657)	(391,167)	(370,803)	(436,540)
Federal and Foreign Income Taxes Incurred	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Income (Loss)	<u>\$426,127</u>	<u>(\$73,657)</u>	<u>(\$391,167)</u>	<u>(\$370,803)</u>	<u>(\$436,540)</u>

Exhibit C**ATLANTIC SOUTHERN DENTAL FOUNDATION
CAPITAL AND SURPLUS ACCOUNT FOR THE
FIVE-YEAR PERIOD ENDING DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Surplus as regards policyholders December 31, Previous Year	<u>2,115,314</u>	<u>2,191,686</u>	<u>2,589,756</u>	<u>2,966,954</u>	<u>3,402,068</u>
Net income	426,127	(73,657)	(391,167)	(370,803)	(436,540)
Change in net unrealized capital gains (losses)					
Change in nonadmitted assets	1,770	(2,715)	(6,903)	(6,395)	1,426
Paid in surplus adjustments					
Change in treasury stock					
Change in surplus as regards policyholders for the year	<u>427,897</u>	<u>(76,372)</u>	<u>(398,070)</u>	<u>(377,198)</u>	<u>(435,114)</u>
Surplus as regards policyholders December 31, Current Year	<u>\$2,543,211</u>	<u>\$2,115,314</u>	<u>\$2,191,686</u>	<u>\$2,589,756</u>	<u>\$2,966,954</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Special Deposits:

The following securities were held on deposit by states and territories on behalf of the Company as of December 31, 2017

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
New Jersey	52,644	52,644
Maryland	99,159	99,159

NOTE 2: Claims Unpaid Liability

The Company reported an unpaid claims liability of \$479,182 as of December 31, 2017. Of that \$479,182 was an incurred but not reported (IBNR) provision of \$163,279. The examiners reviewed the balances reported as IBNR via a comparative analytics of historical IBNR trends as well as validating reasonableness through events subsequent to the balance sheet date.

SUMMARY OF EXAMINATION RECOMMENDATIONS

Contingent Liabilities – pg. 7

It is recommended that the Company report all special deposits that are held by states under Common Interrogatories - Investment, Interrogatory Number 25.28 in future annual statements.

SUBSEQUENT EVENTS

Subsequent to the date of examination, the Company's affiliate, Dental Practice Association of New Jersey (DPANJ), has filed required forms with the NJDOBI to cease operations of the affiliate.

As stated in the Regulation of Insurance Holding Companies section as of December 31, 2017, Atlantic Southern Dental Foundation (ASDF) was not required to file Holding Company System filings. However, it is noted that ASDF agreed to submit the Holding Company System filings as of November 2018.

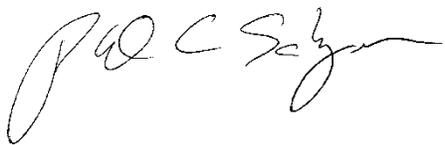
Additionally, the NJDOBI requested and the Company has agreed to provide a Statement of Actuarial Opinion (SAO) to the NJDOBI beginning with the period ending December 31, 2018.

CONCLUSION

A regular statutory financial condition examination was conducted by the undersigned with the assistance of examiners of the New Jersey Department of Banking and Insurance examination staff and Baker Tilly Virchow Krause LLP.

The examination was conducted at the Atlantic Southern Dental Foundation office in Philadelphia, PA. The courteous assistance and cooperation of the Company's officers and employees is acknowledged.

Respectfully Submitted,



Phil Schmoyer, CFE, AES, CISA, CSM
Examiner-In-Charge
Representing the State of New Jersey

Under the supervision of,

A handwritten signature in black ink, appearing to read 'R. Pietras', is centered on a light gray rectangular background.

Robert Pietras, CFE
CFE Reviewer
New Jersey Department of Banking and Insurance
Office of Solvency Regulation
Field Examination Unit

ATLANTIC SOUTHERN DENTAL FOUNDATION

The undersigned hereby certifies that an examination has been made of Atlantic Southern Dental Foundation and the foregoing report is true to the best of my knowledge and belief.

Respectfully Submitted,



Phil Schmoyer, CFE
Examiner-In-Charge
Representing the State of New Jersey

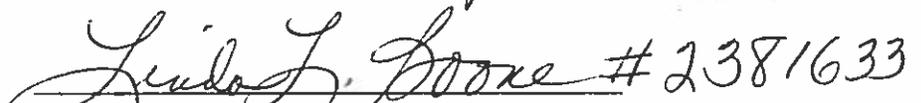
Under the supervision of,



Robert Pietras, CFE
CFE Reviewer
New Jersey Department of Banking and Insurance
Office of Solvency Regulation
Field Examination Unit

State of New Jersey
County of Mercer

Subscribed and sworn to before me, on this 19th day of June 2019.


Notary Public of New Jersey # 2381633

My commission expires: March 26, 2024