

REPORT ON EXAMINATION AS TO THE CONDITION OF

MANAGED DENTALGUARD, INC.

4 CAMPUS DRIVE

PARSIPPANY, NEW JERSEY 07054

AS OF DECEMBER 31, 2023

NAIC GROUP CODE 0429

NAIC COMPANY CODE 11199

FILED

JUN 18 2025

**COMMISSIONER
NJ DEPT OF BANKING & INSURANCE**

TABLE OF CONTENTS

Contents	<u>Pages</u>
SCOPE OF EXAMINATION	4
HISTORY AND KIND OF BUSINESS	5
STATUTORY DEPOSIT	5
TERRITORY AND PLAN OF OPERATIONS	5
CONFLICT OF INTEREST	5
CORPORATE RECORDS	6
MANAGEMENT AND CONTROL	6
Directors	6
Officers	6
REINSURANCE	6
REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS	6
AGREEMENT WITH AFFILIATES	7
ACCOUNTS AND RECORDS	8
TREATMENT OF POLICYHOLDERS AND CLAIMANTS	8
CONTINUITY OF OPERATIONS	8
FINANCIAL STATEMENTS AND OTHER EXHIBITS	9
Balance Sheet as of December 31, 2023 (Exhibit A)	10
Underwriting and Investment Exhibit for the five year period ending December 31, 2023 (Exhibit B)	11
Capital and Surplus Account for the five-year period ending December 31, 2023 (Exhibit C)	12
NOTES TO THE FINANCIAL STATEMENTS	13
SUBSEQUENT EVENTS	13
CONCLUSION	14
EXAMINER’S AFFIDAVIT	15



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF SOLVENCY REGULATION

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May 27, 2025

Honorable Justin Zimmerman
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625-0325

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:

MANAGED DENTALGUARD, INC.
4 CAMPUS DRIVE
PARSIPPANY, NEW JERSEY 07054
NAIC GROUP CODE 0429
NAIC COMPANY CODE 11199

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, the Managed DentalGuard, Inc. will be referred to in this report as the "Company".

SCOPE OF EXAMINATION

The New Jersey Department of Banking and Insurance (“NJDOBI”) conducted a risk-focused examination of the Company. The examination was made as of December 31, 2023, and addressed the five-year period from January 1, 2019, to December 31, 2023.

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 N.J.S.A. Section 17:23-22 of the New Jersey Revised Statutes.

The examination was performed as a coordinated group examination concurrently with the following companies:

<u>State</u>	<u>Insurer</u>	<u>NAIC</u>
New York	The Guardian Life Ins Co of America (Guardian)	64246
Arizona	Avesis Insurance Inc.	11163
California	Premier Access Insurance Company	60237
Delaware	Park Avenue Life Ins Co	60003
Delaware	Guardian Ins & Annuity Co Inc.	78778
Illinois	First Commonwealth Insurance Company	60239
Illinois	First Commonwealth Lid Health Service Corp	11221
Michigan	First Commonwealth Limited Health Services Corp.	12146
Missouri	First Commonwealth of Missouri, Inc.	47716
New Jersey	Managed DentalGuard, Inc.	11199
Nevada	Access Denial Plan of NV Inc.	15307
Ohio	Managed DentalGuard, Inc.	14142
Texas	Managed Dental Guard, Inc.	52556
Texas	Family Service Life Insurance Co	74004
Texas	Sentinel America Life Insurance Co	77119
Utah	Access Dental of UT Inc.	15494

NJDOBI conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (the “NAIC Handbook”). The NAIC Handbook requires that NJDOBI plan and performs the examination to evaluate the financial condition and identify prospective risks of the Company. In order 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 its system of internal controls and procedures used to mitigate those risks identified. 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.

The NJDOBI examiners were responsible for identifying significant deviations from New Jersey laws and regulations. Additional substantive procedures were performed where deemed necessary.

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.

The Company's Statutory Office is located at 4 Campus Drive Parsippany, New Jersey 07054. The Company's main administrative office is located at 10 Hudson Yard, New York, New York 10001.

HISTORY AND KIND OF BUSINESS

The Company was incorporated under the laws of the State of New Jersey on April 5, 2001, for the purposes of providing prepaid dental services for employer groups and unions in select areas throughout the state. The Company received its Certificate of Authority from the NJDOBI on December 5, 2001 to operate a Dental Plan Organization, as provided for under N.J.S.A. 17:48D-3.

The Company is a stock company and has the authority to issue 1,000 shares of stock having a par value of \$.01 per share. All of the stock shall be designated as common stock with each share having identical rights and privileges. All outstanding shares of the Company are owned by Guardian, an insurance holding company domiciled in the State of New York.

STATUTORY DEPOSIT

As of December 31, 2023, the Company maintained one security on deposit with the State of New Jersey, in trust for the benefit and security of the Company's policyholders. The security was a United States Treasury Note, 0.25% due August 1, 2025 with a par value of \$75,000.

TERRITORY AND PLAN OF OPERATIONS

The Company provides prepaid dental services for employer groups and unions in selected areas throughout the State of New Jersey. Business is marketed and generated by sales representatives who market products to employee benefit brokers. The brokers then sell the product to employers looking for group dental benefits.

CONFLICT OF INTEREST

The Company, as part of the Guardian Group has a formal code of conduct and ethics policy, which includes a conflicts of interest policy and procedure for the annual disclosure to its Board of Directors and Audit Committee of any material interest or affiliation on the part of its directors, officers or key employees which is in, or likely to, conflict with the official duties of such person. A review of senior management and the Board of Directors questionnaires for the examination period revealed no conflicts of interest.

CORPORATE RECORDS

The minutes of the Board of Directors, Stockholders and Audit Committee were reviewed during the period of examination and found to be in accordance with the By-laws. The review indicated corporate transactions were adequately presented and approved.

MANAGEMENT AND CONTROL

The business, property and affairs of the Company are managed by the President and his/her delegated officers under the guidance of the Board of Directors as follows:

Director	Principal Occupation
Jill Marie Purcell (Board Chair)	President Managed DentalGuard, Inc.
Sharri Lynn Norman	Head of Dental Claims Managed DentalGuard, Inc.
Thomas Scott Barnes	Controller Managed DentalGuard, Inc.

The Board also acts as the audit committee for the Company at December 31, 2023.

The officers of the Company shall be a President, Secretary and a Treasurer. The officers of the Company elected and serving at December 31, 2023 were as follows:

Officer	Principal Occupation
Jill Marie Purcell	President Managed DentalGuard, Inc.
Debra Anne Udicious	Treasurer Managed DentalGuard, Inc.
Thomas Scott Barnes	Controller Managed DentalGuard, Inc.
Rose Angela Burachio	Secretary Managed DentalGuard, Inc.

REINSURANCE

The Company does not assume or cede any of its business under reinsurance arrangements.

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The Company is a wholly owned subsidiary of the Guardian Life family of companies, which qualifies

as an insurance holding company system as defined by N.J.S.A. 17:27A-1(d) and is ultimately controlled by Guardian, who is among the largest mutual life insurers in the United States.

AGREEMENT WITH AFFILIATES

The Company relies heavily on agreements with its Guardian affiliates to provide the services and guarantees necessary to operate or otherwise support its business as a Dental Plan Organization in New Jersey; these agreements include those for management services, general and specialty provider network access, and a surplus guarantee, summarized as follows:

Management Services Agreement

Under this agreement, Guardian performs billing and accounting, claims administration, facilities and personnel, financial, information systems, marketing, member services, underwriting, actuarial and product design and development services on behalf of the Company. The fee for the services provided under this agreement is a percentage of the collected premium. Amendment No. 1, dated March 8, 2017, entered into by the parties reduces the monthly fee payable to Guardian from 17% to 13% of the collected premium.

Provider Access Agreement

Under this agreement, the Company's members have access to general practitioners in Guardian's network and Guardian's members have access to the Company's general practitioner network. Under this agreement, the Company is responsible for reimbursing Guardian for the costs of providing dental services to the Company's members, and Guardian is responsible for reimbursing the Company for the cost of providing dental services to Guardian's members.

Specialty Service Provider Agreement

Guardian has entered into provider contracts with specialists in the State of New Jersey and will compensate these specialists for services performed for the Company's members. The Company pays Guardian a fixed premium per member per month as compensation for providing these services.

Consolidated Tax Agreement

The Company participates in a tax sharing agreement with Guardian and is included in the consolidated federal income tax return filed by Guardian. The provision for income taxes is computed as if the Company files returns on a separate-company basis. Current federal income taxes so computed are receivable or are payable by the Company to Guardian.

Provision of Services Upon Discontinuance or Insolvency

Guardian agrees that in consideration of the fee it is entitled to pursuant to the Management Services Agreement between Guardian and the Company, Guardian shall continue coverage of dental services for the Company's members for the lesser of (i) the duration of the respective policy periods or (ii) 12 months in the event of termination of a Company dental plan as a result of the insolvency or dissolution

of the Company. Such continuation of coverage shall be in accordance with the terms of the Company plan, including requirements concerning payment of premium (which Guardian may retain), or a comparable plan of Guardian's.

Excess Surplus Affiliate Certification

The Company has an agreement with First Commonwealth, Inc., a subsidiary of Guardian, which includes an Excess Surplus Affiliate Certification (certification) issued to the Company. Under this agreement First Commonwealth, Inc. certifies that it will guarantee the Company's surplus and if it is not maintaining 125% of the surplus accounts in accordance with the certification, First Commonwealth will, within fifteen business days, provide funds or assets to the Company sufficient to bring the Company into compliance with their certification.

ACCOUNTS AND RECORDS

During the examination period, the Company's accounting books and records were maintained at its main administrative office, located at 10 Hudson Yards, New York, New York 10001. Financial information needed in conjunction with the verification of assets and the determination of liabilities was made available in detail and summary form. The general ledger system was tested and reconciled to the annual statement.

The Company records premiums and losses through the use of in-house computerized systems. Premiums are derived from direct billing. Various reports are derived from the systems for annual statement and financial report preparation and were used in conjunction with this examination.

TREATMENT OF POLICYHOLDERS AND CLAIMANTS

The Company's complaint handling procedures as well as its complaint logs were reviewed for the years 2019 through 2023. The review of these complaint logs determined that the Company was in compliance with N.J.S.A. 17:29B-4(10) which states: "This record shall indicate the total number of complaints, their classification by line of business, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint."

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 was reviewed as part of the coordinated examination. There were no exceptions noted or recommendations made.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A Balance Sheet as of December 31, 2023

Exhibit B Underwriting and Investment Exhibit for the Five-Year Period Ending December 31, 2023

Exhibit C Capital and Surplus Account for the Five-Year Period Ending December 31, 2023.

Balance Sheet
as of December 31, 2023
Exhibit A

			Balance per <u>Examination</u>	Balance per <u>Company</u>	Examination <u>Change</u>	Note <u>Number</u>
<u>Assets</u>						
Bonds			\$ 574,042	\$574,042	0	1
Cash and cash equivalents			579,723	579,723	0	
Investment income due and accrued			2,779	2,779	0	
Premiums and considerations						
Uncollected premiums and agents balances in course of collection			19,304	19,304	0	
Receivables from parent, subsidiaries and affiliates			2,226	2,226	0	
Aggregate write-ins			143,566	143,566	0	
Total Admitted Assets			\$ 1,321,640	\$ 1,321,640	0	
<u>Liabilities, surplus and other funds</u>						
Claims unpaid			\$ 973	\$ 973	0	2
Accrued medical incentive pool and bonus amounts			102,845	102,845	0	
Unpaid claims adjustment expenses			35	35	0	2
Aggregate health policy reserves			261	261	0	
Premiums received in advance			32,712	32,712	0	
General expenses due or accrued			40,291	40,291	0	
Current federal and foreign income tax payable			11,470	11,470	0	
Amounts withheld			6,527	6,527	0	
Total Liabilities			\$ 195,114	\$ 195,114	0	
<u>Liabilities, surplus and other funds</u>						
Gross paid-in and contributed surplus			\$200,000	\$200,000	0	
Aggregate write-ins for other than special surplus funds			100,000	100,000	0	
Unassigned funds			<u>826,526</u>	<u>826,526</u>	0	
Total capital and surplus			<u>\$1,126,526</u>	<u>\$ 1,126,526</u>	0	3
Total liabilities, capital and surplus			\$1,321,640	\$ 1,321,640	0	

**Underwriting and Investment Exhibit For the Five-Year Period Ended
December 31, 2023
Exhibit B**

			<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net premium income			1,599,657	2,003,748	2,389,329	2,675,587	3,040,799
Change in unearned premium reserves			1,157	241	(89)	(146)	298
Total revenues			\$1,600,814	\$2,003,989	2,389,239	2,675,441	3,041,097
<u>Hospital and Medical</u>							
Hospital/medical benefits			1,180,736	1,485,318	1,851,706	2,187,990	2,333,248
Incentive pool, withhold adjustments and bonus amounts			99,915	117,873	59,690	0	99,630
Subtotal hospital and medical			1,280,651	1,603,191	1,911,396	2,187,990	2,432,878
Claim adjustment expenses			15,541	5,189	20,535	5,878	34,831
General administrative expenses			181,133	361,198	467,649	489,127	442,868
Total underwriting deductions			1,477,325	1,969,578	2,399,580	2,682,995	2,910,576
Net underwriting gain or (loss)			123,488	34,411	(10,341)	(7,554)	130,521
Net investment income earned			11,742	9,406	9,339	10,106	15,015
Net realized capital gains			0	0	0	0	12,164
Net income or (loss) after capital gains tax and before federal income taxes			135,231	43,816	(1,002)	2,461	157,699
Federal and foreign income taxes incurred			28,472	8,896	(769)	12,867	30,764
Net income			106,759	34,920	(233)	(10,406)	126,935

**Capital and Surplus Account
For the Five-Year Period
Ended December 31, 2023
Exhibit C**

					<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital and surplus, prior year					998,848	973,036	937,372	977,302	869,288
Net income					106,759	34,920	(233)	(10,406)	126,935
Change in net deferred income tax					(4,321)	1,607	(8,097)	10,644	201
Change in non-admitted assets					25,240	(10,715)	43,994	(40,169)	(19,122)
Net change in capital and surplus					127,678	25,812	35,664	(39,930)	108,014
Capital and surplus, current year					1,126,526	998,848	973,036	937,372	977,302

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BONDS

The Company reported an admitted asset for bonds of \$1,321,640 at December 31, 2023. The Company did not have any investment in preferred or common stock at December 31, 2023. These amounts will be accepted as stated by this examination.

NOTE 2: LOSS AND LOSS ADJUSTMENT EXPENSES

At December 31, 2023, the Company reported a net liability for claims unpaid and unpaid claims adjustment expenses of \$973 and \$35, respectively. The actuarial review of the Loss and Loss Adjustment Expenses Reserves was performed in conjunction with the coordinated exam. The Life and Health Actuarial Division of the NJDOBI reviewed the analysis prepared by Lewis & Ellis, LLC and concurred with their findings.

NOTE 3: CAPITAL AND SURPLUS

The Company reported capital and surplus as regards to policyholders at December 31, 2023 of \$1,126,526 which consisted of gross paid in and contributed surplus of \$200,000, aggregate write-in for other than special surplus funds of \$100,000 and unassigned funds of \$826,526.

SUBSEQUENT EVENTS

Subsequent to the examination date, no significant subsequent events occurred.

CONCLUSION

The undersigned hereby certifies that an examination has been made of the Company and the foregoing report is true to the best of my knowledge and belief. The courteous assistance and cooperation of the Company's officers and employees is acknowledged.

Respectfully Submitted,

Lori Ruggiero

Lori Ruggiero, CFE
Examiner-In-Charge
The NOVO Consulting Group, LLC
Representing the State of New Jersey
Department of Banking and Insurance

Nancy Lee Chice

Nancy Lee Chice, CFE
CFE Reviewer-Supervising Examination
New Jersey Department of Banking and Insurance

EXAMINER'S AFFIDAVIT

Managed DentalGuard, Inc.

I, Lori Ruggiero, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2023, to the best of my knowledge and belief.

Respectfully submitted,

Lori Ruggiero

Lori Ruggiero, CFE
Examiner-In-Charge
The NOVO Consulting Group, LLC
Representing the State of New Jersey
Department of Banking and Insurance

Under the supervision of:

Nancy Lee Chice

Nancy Lee Chice, CFE
CFE Reviewer – Supervising Examination
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, Sheila M. Tkacs on this 28th day of May, 2025.

Sheila M. Tkacs

Notary Public of New Jersey

My commission expires: July 2025