

REPORT ON EXAMINATION
OF
SURENCY LIFE & HEALTH INSURANCE COMPANY
1619 N. WATERFRONT PARKWAY
WICHITA, KANSAS 67206
AS OF
DECEMBER 31, 2023

FILED

January 16, 2025

VICKI SCHMIDT
Commissioner of Insurance

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Topeka, Kansas
January 6, 2025

Honorable Vicki Schmidt
Commissioner of Insurance
Kansas Department of Insurance
1300 SW Arrowhead Rd
Topeka, Kansas 66604-4019

Dear Commissioner:

In accordance with your authorization and pursuant to K.S.A. 40-222, an examination has been conducted of the financial condition and business affairs of:

SURENCY LIFE & HEALTH INSURANCE COMPANY

with its statutory home and main administrative office at:

**1619 N. WATERFRONT PARKWAY
WICHITA, KANSAS 67206**

hereinafter referred to as the “Company”, or “SLHIC”. The following report on such examination is respectfully submitted.

SCOPE OF EXAMINATION

The examiners have performed a multi-state financial examination of the Company, a Kansas-domiciled life insurance company. The last examination covered the four-year period from January 1, 2016, through December 31, 2019. This examination covers the four-year period from January 1, 2020, through December 31, 2023. An examination of the Company’s parent, Delta Dental of Kansas, Inc. (“DDKS”), was conducted concurrently with this examination.

The examination was conducted in accordance with the rules, regulations, and directives of the Kansas Department of Insurance (“Department”) and the observed guidelines and procedures contained in the National Association of Insurance

Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that the examiners 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.

Those activities considered in the examination as key or critical to SLHIC included Investments, Premium and Underwriting, Claims and Reserving, Related Party, and Capital and Surplus. The examination also included a review and evaluation of information technology general controls.

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 is documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in K.S.A. 40-222, 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.

Independent Audit Reports

Financial statements of the Company were audited by Eide Bailly, LLP of Fargo, North Dakota for the year ending December 31, 2020, and Eide Bailly, LLP of Oklahoma City, Oklahoma for the years ending December 31, 2021 through December 31, 2023. In each of the years under examination, the auditors concluded that the financial statements of the Company present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company, the results of its operations and its cash flows in accordance with the statutory accounting practices prescribed or permitted by the Department.

The independent auditor's workpapers were reviewed and analyzed by the examiners. Significant reliance was placed on select workpapers during this examination.

Actuarial Review

Anne L. Treankler, FSA, MAAA, employee of Delta Dental of Wisconsin, was appointed to perform a review of the Company's actuarial practices and reserves as of December 31, 2023. The appointed actuary's review consisted of evaluating assumptions, methodologies and calculations utilized by the Company in its reserve setting process.

SUMMARY OF SIGNIFICANT FINDINGS

No significant findings were noted during the examination.

COMPANY HISTORY

General

Pursuant to K.S.A. 40-401, the Company was incorporated in the State of Kansas on February 7, 2008, as a stock life insurance company, and commenced writing

business on July 1, 2008 as Surency Life & Health Insurance Company. The Company was organized for profit as set forth in its articles of incorporation, with the nature of its business being to conduct the business of insurance, including specifically the issuance and the sale of accident and health insurance, life insurance, and short and long-term disability insurance, as well as the administration of flexible spending accounts. The Company's articles of incorporation provide for a perpetual existence.

Capital Stock

As of December 31, 2023, the Company had 1,300,000 shares of common stock authorized at \$1.00 per share and 1,300,000 shares issued and outstanding at \$1.00 per share, resulting in total paid-in common capital stock of \$1,300,000.

Dividends and Capital Contributions

During the period under examination, the Company received \$3,045,600 in capital contributions from its parent, DDKS, in 2021. No dividends were paid during the examination period.

CORPORATE RECORDS

The Company's articles of incorporation and bylaws were reviewed. There were no amendments to the articles of incorporation or the bylaws during the examination

period.

MANAGEMENT AND CONTROL

Ownership

As of December 31, 2023, DDKS, a not-for-profit dental service corporation domiciled in the State of Kansas, owns 100% of the Company's outstanding capital stock.

Board of Directors

The Company's bylaws consist of ten (10) articles that provide the framework for the operation, management, and control of the Company. The Company is managed under the direction of its board of directors ("Board"), who are elected by its stockholders.

Pursuant to the Company's bylaws, the Board shall consist of not less than five (5) and not more than eleven (11) members. The stockholders shall elect or re-elect members of the Board who are presented by the President. Directors are elected to three (3) terms and will hold office until the expiration of the term or until a successor is elected and qualified or until his or her earlier death, resignation or removal. Independent directors are limited to two (2) three-year (3) terms, subsequently they are ineligible for re-election to the SLHIC Board. Terms shall be staggered so that one (1) such director term expires at the end of each year. The Board shall be comprised of members of the management team, specifically the Chief Executive Officer, the Chief Financial Officer, Chief Operating Officer, and Chief Marketing Officers; the Chair and Vice-Chair of the stockholder; and external community members.

The directors elected and serving as of December 31, 2023 were as follows:

<u>Name</u>	<u>Principal Occupation and Business Affiliation</u>
Dean A. Newton	President & Chief Executive Officer Delta Dental of Kansas, Inc.

Jonathan B. Dougherty	Treasurer & Chief Financial Officer Delta Dental of Kansas, Inc.
Natalie L. Daney	Chief Sales Officer Delta Dental of Kansas, Inc.
Sarah E. Patterson	Chief Innovation and Marketing Officer Delta Dental of Kansas, Inc.
Gary E. Yager	President & Chief Executive Officer (Retired) Vision Bank
Dr. Lucynda J. Raben D.D.S.	Owner Raben Dentistry
Shelly K. Prichard	President & Chief Executive Officer Wichita Foundation
Collin G. Stieben	President Encore Pavement
Mark B. West	Regional Associate Director of Inspections (Retired) Public Company Accounting Oversight Board

* In February 2024, subsequent to the examination date, Kristen L. Hoffman, Chief Operating & Experience Officer of Delta Dental of Kansas, Inc., was elected to the SLHIC Board.

Committees

The Company does not have any committees as of December 31, 2023.

The Company's full board serves as its Audit Committee, in compliance with Sections 3(C) and 14 of the Kansas Department of Insurance's Policy and Procedure Requiring Annual Audited Financial Reports, dated November 30, 2016, as adopted by K.A.R. 40-1-37.

Officers

Pursuant to the Company's bylaws, the Company will have a President, a Secretary, a Treasurer, and other officers as determined by the Board. The bylaws direct

the Board to elect at its annual board meeting a President, a Secretary, a Treasurer, and other such officers, as may be determined by the Board. Any number of offices may be held by the same person.

The following is the Company's officers and their position(s) held as of December 31, 2023:

<u>Name</u>	<u>Position(s) Held</u>
Dean A. Newton	President & Chief Executive Officer
Johnathan B. Dougherty	Treasurer & Chief Financial Officer
Jennifer M. Bauer	Secretary, Chief People & Strategy Officer, General Counsel
Kristen L. Hoffman*	Vice President – Client Services
Natalie L. Daney	Chief Sales Officer
Sarah E. Patterson	Chief Innovation & Marketing Officer
Dr. Preddis L. Sullivan, D.D.S.	Executive Vice President & Dental Director
Kara E. Hunt	Vice President – Human Resources
Robert J. Ebenkamp	Vice President – Information Technology
Ambur L. Miller	Vice President – Professional Relations
Stephen J. Peppes	Vice President – Sales

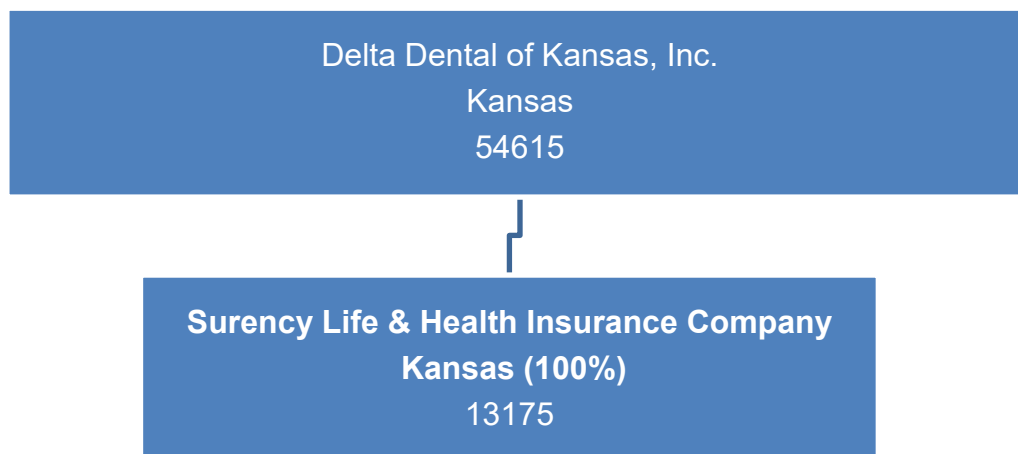
* In February 2024, Kristen L. Hoffman's title changed to Chief Operating & Experience Officer.

INSURANCE HOLDING COMPANY SYSTEM

K.S.A. 40-3305 requires a domestic insurer that is part of an insurance holding company system to file appropriate registration statements with the Commissioner of Insurance. The Company has submitted Forms "B" and "C" registration statements to the Department for each of the years under examination. A review of the registration statements indicated that the items and events pertaining to the Company were properly reported as required by statute.

The organizational chart below illustrates the identities and intercompany

relationships among insurance and non-insurance companies and the controlling entities thereof, as of December 31, 2023. Ownership is noted in parentheses and the Kansas domiciled insurer is bolded.



Intercompany/Cost Sharing Agreements

The following is a brief description of significant agreements executed with affiliated entities that were in effect as of December 31, 2023.

Common Paymaster Agreement

Effective January 1, 2012, the Company entered into a Common Paymaster Agreement with its parent, DDKS. Based on this contract, DDKS will timely pay on behalf of SLHIC all wages, salaries, bonuses and payments for employee benefits due employees for services rendered to SLHIC. In return, SLHIC pays DDKS for these services at cost. Pursuant to the agreement, SLHIC paid DDKS \$1,056,161 and \$1,398,933 in 2022 and 2023, respectively.

Real Property License and Expense Sharing Agreement

Effective January 1, 2012, the Company entered into a Real Property License and Expense Sharing Agreement with its parent, DDKS. Based on this contract, DDKS agrees to share its home office and to share certain related expenses incurred with

SLHIC. These services are provided to SLHIC at cost. Pursuant to the agreement, SLHIC paid DDKS \$197,081 and \$171,431 in 2022 and 2023, respectively.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2023, the Company is authorized to write business in fifteen (15) states. The NAIC Schedule T Exceptions Report was reviewed for each of the states where the Company is licensed. No exceptions were noted.

As of December 31, 2023, the Company's largest line of business was group accident and health at 100% of direct written premium. The Company's primary product is vision insurance. The Company also offers flex products (flexible spending accounts, health savings accounts, health reimbursement accounts and COBRA administration). The Company also provides administrative services to self-insured business entities.

SELECT FINANCIAL INFORMATION

The exhibit below shows the Company's financial results for the period of December 31, 2020, through December 31, 2023. The financial amounts were obtained from annual statements filed by the Company.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<i>(\$000 omitted)</i>				
Admitted Assets	\$16,282	\$21,167	\$21,727	\$23,777
Liabilities	3,250	3,646	2,701	3,444
Capital and Surplus	13,032	17,522	19,026	20,332
Net Income	945	1,507	1,667	1,420
Net Premium Written	13,044	13,877	10,526	12,422

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

Premium Type	2020	2021	2022	2023
Direct Premiums Written	\$ 13,044	\$ 13,877	\$ 10,526	\$ 12,422
Reinsurance Assumed	0	0	0	0
Reinsurance Ceded:	0	0	0	0
Net Premiums Written	\$ 13,044	\$ 13,877	\$ 10,526	\$ 12,422

Assumed Reinsurance

The Company did not assume any business during the period under examination.

Ceded Reinsurance

The Company did not cede any business during the period under examination.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2023. There were no adjustments to the Company's filed statutory financial statements as a result of this examination. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

SURENCY LIFE & HEALTH INSURANCE COMPANY
STATEMENT OF ASSETS
AS OF DECEMBER 31, 2023

	Assets	Assets Nonadmitted	Net Admitted Assets
Bonds	\$12,319,094	\$ -	\$12,319,094
Common stocks	3,278,481	-	3,278,481
Cash and cash equivalent	7,558,393	-	7,558,393
Investment income due and accrued	157,693	-	157,693
Uncollected premiums and agent's balances in the course of collection	467,196	7,481	459,715
Amounts receivable relating to uninsured plans	3,422	-	3,422
Electronic data processing equipment and software	1,150	1,150	-
Furniture and equipment	1,659	1,659	-
Receivables from parent, subsidiaries and affiliates	100,000	100,000	-
Aggregate write-ins for other-than invested assets	216,826	216,826	-
Total assets	\$24,103,914	\$327,116	\$23,776,798

SURENCY LIFE & HEALTH INSURANCE COMPANY
STATEMENT OF LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2023

Contract claims:	
Accident and health	\$ 1,490,161
Premiums and annuity considerations for life and accident and health contracts received in advance	21,120
General expenses due or accrued	264,029
Miscellaneous liabilities:	
Asset valuation reserve	526,099
Payable to parent, subsidiaries and affiliates	215,744
Liability for amounts held under uninsured plans	927,174
Total liabilities	<u>3,444,327</u>
Common capital stock	<u>1,300,000</u>
Gross paid in and contributed surplus	17,726,180
Unassigned funds (surplus)	<u>1,306,291</u>
Surplus as regards policyholders	<u>19,032,471</u>
Totals	<u>20,332,471</u>
Total of Liabilities, Surplus and Other Funds	<u>\$23,776,798</u>

SURENCY LIFE & HEALTH INSURANCE COMPANY
SUMMARY OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

Premiums and annuity considerations for life and accident and health contracts	\$12,421,562
Net investment income	485,231
Amortization of interest maintenance reserve	(23,399)
Totals	12,883,394
Disability benefits and benefits under accident and health contracts	9,404,356
Totals	9,404,356
Commissions on premiums, annuity considerations, and deposit-type contract funds	736,684
General insurance expenses and fraternal expenses	730,236
Insurance taxes, licenses and fees, excluding federal income taxes	258,049
Totals	11,129,324
Net gain from operations before dividends to policyholders, refunds to members and federal income taxes	1,754,070
Federal and foreign income taxes incurred	415,129
Net gain from operation after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	1,338,941
Net realized capital gains (losses)	80,820
Net income	\$ 1,419,760

**SURENCY LIFE & HEALTH INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT
RECONCILIATION OF CAPITAL AND SURPLUS SINCE LAST EXAMINATION**

	2020	2021	2022	2023
Surplus as regards policyholders, December 31 prior year	\$11,955,307	\$13,031,986	\$17,521,508	\$19,026,237
Net income (loss)	944,852	1,506,827	1,667,283	1,419,760
Change in net unrealized capital gains or (losses)	209,360	136,720	(570,910)	347,353
Change in nonadmitted assets	(29,092)	49,500	(42,730)	(106,736)
Change in asset valuation reserve	(48,441)	(249,124)	451,086	(354,144)
Surplus adjustments – paid in	-	3,045,600	-	-
Surplus as regards policyholders, December 31 current year	<u>\$13,031,986</u>	<u>\$17,521,508</u>	<u>\$19,026,237</u>	<u>\$20,332,471</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as a result of this examination. The capital and surplus of the Company as of December 31, 2023, of \$20,332,471, was the same amount reported by the Company in its 2023 filed Annual Statement.

COMMENTS ON FINANCIAL STATEMENTS

There were no significant or material findings resulting from the examination that warranted inclusion in this Report on Examination.

SUBSEQUENT EVENTS

There have been no events subsequent to December 31, 2023, that had a material impact on the Company.

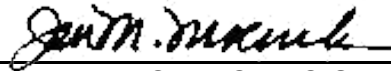
SUMMARY OF RECOMMENDATIONS

No recommendations for the Company were identified that warranted inclusion in this Report of Examination.

CONCLUSION

The assistance and cooperation by the officers of the Company during this examination is hereby acknowledged and appreciated. In addition to the undersigned, Jennifer Danz, CFE, CPA, Supervising Examiner; Mary Miller, AFE, Senior Associate Examiner; Alisa Widmer, FSA, MAAA, Actuary Manager; Brian Kaul, Actuarial Associate; and Tricia Matson, FSA, MAAA, Actuarial Partner; all of the consulting firm of Risk & Regulatory Consulting, LLC participated in this examination. Shane Mead, CISA, CISM, CRISC, Information System Examiner with the Kansas Department of Insurance, performed the information technology portion of the examination.

Respectfully submitted,



Jan Moenck, CFE, CIA, CISA
Partner
Risk & Regulatory Consulting, LLC,
representing the Kansas Department of
Insurance

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Handbook has been confirmed except where practices, procedures and applicable regulations of the Department and statutes of the State of Kansas prevailed.

A handwritten signature in black ink, reading "Levi Nwasoria", written over a horizontal line.

Levi Nwasoria, CPA, CFE
Chief Examiner
Kansas Department of Insurance

EXHIBIT S
EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION

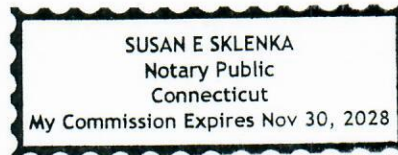
State of Arizona,

County of Maricopa,

Jan Moenck, being duly sworn, states as follows:

1. I have authority to represent the Kansas Department of Insurance in the examination of Surency Life & Health Insurance Company.
2. The Kansas Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Surency Life & Health Insurance Company was performed in a manner consistent with the standards and procedures required by K.S.A 40-222.

The affiant says nothing further.



Jan Moenck
Examiner's Signature

Subscribed and sworn before me by Jan Moenck on this 3rd day of January, 20 25.

(SEAL)

Susan E Sklenka
Notary Public

My commission expires November 30, 2028 [date].