



THE STATE  
of **ALASKA**  
GOVERNOR MIKE DUNLEAVY

Department of Commerce, Community,  
and Economic Development

DIVISION OF INSURANCE  
Anchorage Office

550 West Seventh Avenue, Suite 1560  
Anchorage, Alaska 99501-3567  
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CERTIFIED MAIL  
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STATE OF ALASKA  
DEPARTMENT OF COMMERCE, COMMUNITY AND  
ECONOMIC DEVELOPMENT  
DIVISION OF INSURANCE  
550 WEST 7TH AVENUE, SUITE 1560  
ANCHORAGE, AK 99501-3567

Order FE 22-02 )  
In the Matter of Examination of )  
Moda Assurance Company )

FINDINGS OF FACT

1. A report of examination of Moda Assurance Company, domiciled in the State of Alaska, has been issued by the State of Alaska, Division of Insurance, to Moda Assurance Company.
2. The Report of Examination of Moda Assurance Company (FE 22-02) has been transmitted to Dave Evans, Chief Financial Officer of Moda Assurance Company (Examinee), and Examinee has been accorded at least 30 days opportunity to review and comment on this Report of Examination. A response from the examinee was received on June 23, 2023.
3. The Director of the Division of Insurance has fully considered and reviewed the report, the examinee response and any relevant portions of the examiner's work papers to the extent she considered necessary.

CONCLUSIONS OF LAW

1. The written Report of Examination referred to in Finding of Fact No. 1 was issued in accordance with Alaska Statute (AS) 21.06.150(b).

ORDER FE 22 – 02  
Moda Assurance Company  
June 22, 2023

2. The actions set forth in Finding of Fact No. 2 were conducted in accordance with AS 21.06.150(b).

3. The Director of the Division of Insurance has reviewed the Report of Examination, the examinee response and any other relevant work papers as set forth in Finding of Fact No. 3 to the extent she considered necessary in accordance with AS 21.06.150(b).

ORDER

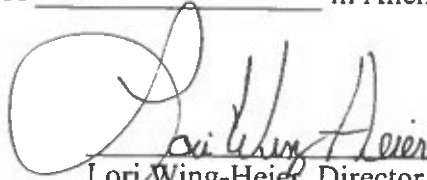
IT IS ORDERED

1. Pursuant to AS 21.06.150(b)(1), the Report of Examination of Moda Assurance Company FE 22-02) is approved as filed.

2. Pursuant to AS 21.06.060, the Report of Examination shall be kept in the Office of the Director of the Division of Insurance and be open to public inspection.

This order is effective June 23, 2023

Dated this 23<sup>rd</sup> day of June in Anchorage, Alaska.

  
\_\_\_\_\_  
Lori Wing-Heier, Director  
State of Alaska  
Division of Insurance

Statutory Financial Examination of  
**MODA ASSURANCE COMPANY**

FE 22-02

As of  
December 31, 2021

Issued by  
**STATE OF ALASKA**  
**DEPARTMENT OF COMMERCE, COMMUNITY, AND**  
**ECONOMIC DEVELOPMENT**  
**DIVISION OF INSURANCE**

NAIC Company Code: 16628  
NAIC Group Code: 1313

**FINAL REPORT:**  
**June 15, 2023**

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THE STATE  
of ALASKA  
GOVERNOR NEIL R. LINDSEY

Department of Commerce, Community,  
and Economic Development

DIVISION OF INSURANCE

550 West Seventh Avenue, Suite 1560  
Anchorage, AK 99501-3567  
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June 15, 2023

Lori Wing-Heier, Director  
Division of Insurance  
Department of Commerce, Community,  
and Economic Development  
State of Alaska  
550 West 7th Avenue, Suite 1560  
Anchorage, AK 99501-3567

Dear Director Wing-Heier:

In accordance with your instructions and authorizations, and accordance with statutory requirements, an examination has been made of the financial condition and business affairs of:

Moda Assurance Company (the "Company" or "MAC")  
601 SW Second Ave  
Portland, OR 97204

(NAIC CoCode 16628)

**SCOPE OF EXAMINATION**

We have performed our multi-state examination of Moda Assurance Company covering the three-year period of January 1, 2019, through December 31, 2021. This is the first examination of the Company.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* ("Handbook"). The Handbook requires that we 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. The examination does

not attest to the fair presentation of the financial statements included herein. If, during the examination, an adjustment was identified, the impact of such adjustment will be documented separately following the Company's financial statement.

This examination report includes significant findings of fact, as required by AS 21.06.150, 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.

### **SUMMARY OF EXAMINATION FINDINGS**

No comments and recommendations have been made as a result of this examination.

### **DESCRIPTION OF COMPANY**

#### **Company History**

MAC is an Alaska-domiciled insurance company organized pursuant to Title 21, Chapter 69 of the Alaska Statutes. The Company was incorporated on June 12, 2019, and it received a Certificate of Authority from the State of Alaska effective January 1, 2020, authorizing it to transact the business of health insurance. As of December 31, 2021, the Company was solely licensed to transact business in the state of Alaska.

#### **Management and Control**

The Company is a wholly owned subsidiary of Moda Partners, Inc., and a member of the Oregon Dental System ("ODS"), NAIC Group Code 1313, a holding company system with Oregon as the group lead state regulator. The ODS Group includes the following affiliated insurance companies of MAC:

- Moda Health Plan, Inc. ("MHP"), NAIC 47098
- Delta Dental Plan of Oregon, NAIC 54941
- Eastern Oregon Coordinated Care Org, LLC, NAIC 16722
- Summit Health Plan, Inc., NAIC 16791

**Oregon Dental Association**

An Oregon non-profit corporation  
 Appoints Board of Directors for Oregon Dental Service and Moda Holdings Group, Inc.

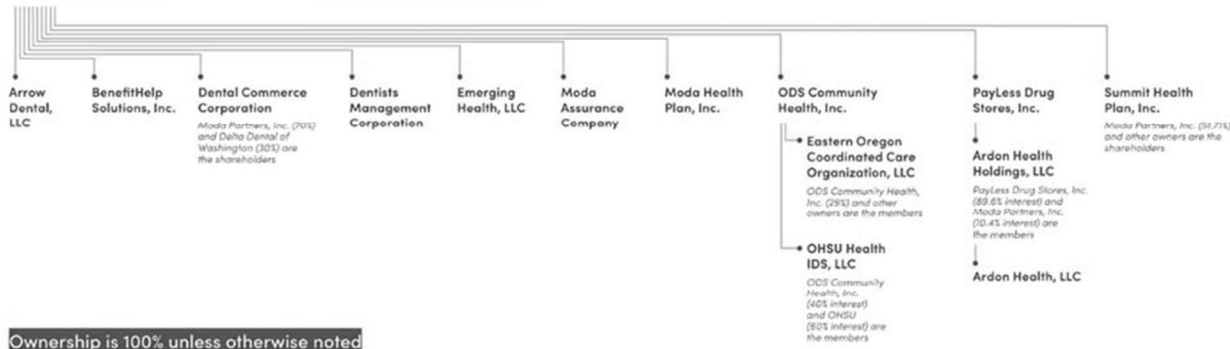
**Oregon Dental Service  
 dba Delta Dental Plan of Oregon**

An Oregon non-profit corporation

**Moda Holdings Group, Inc.**

**Moda Partners, Inc.**

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Corporate Governance

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation is directed, administered, or controlled. Shareholders, management, the Board of Directors (“Board”), and Board committees are the principal players in corporate governance and are tasked with monitoring an organization’s risk management activities and with establishing a control environment. The control environment represents an organization’s first line of defense to mitigate all risks, including the risks of financial reporting errors.

Corporate Governance of MAC occurs at the ODS Group Level with the members of the Company’s Board of Directors operating concurrently as the ODS Board of Directors, The Company’s Board is responsible for the control and management of the affairs, property, and interests of the Company. The Board appoints executive officers to conduct the day-to-day operations of the Company. Per corporate records, the composition of the Company’s Board of Directors and executive management consisted of the following individuals on December 31, 2021:

Board of Directors

- Robert Glenn Gootee
- David Wesley Howerton
- Steve Harold McNannay
- George Joseph Passadore
- Molly Hering Bordonaro

Principal Occupation

- Chief Executive Officer & President, Moda
- Oral Surgeon
- Dental Foundation of Oregon Member
- Retired Chairman, Wells Fargo
- Managing Partner, Gerding Edlen

Executive Officers

- Robert Glenn Gootee
- David Wayne Evans
- Thomas James Bikales

Position

- Chief Executive Officer & President
- Chief Financial Officer & Treasurer
- Secretary

## Related Party Activity

### Management and Services Agreement

The Company is a party to a Management and Services Agreement with Moda Partners, Inc. Pursuant to the agreement, management and certain services such as marketing, underwriting, claims operations, finance and accounting, information technology, and other administrative services are provided to the Company. Costs incurred under this agreement for the Company and affiliated entities are apportioned. The basis of apportionment is mainly driven by the Company's ratio of membership, number of employees, and function of activities. Amounts apportioned to the Company were \$1,239,048 and \$1,218,996 for the periods ended December 31, 2021, and December 31, 2020, respectively.

### Federal Tax Sharing Agreement

The Company has historically been part of a consolidated federal return with Moda Partners, Inc., and affiliates. During the current year, the consolidated federal return transitioned to a new parent company, Moda Holdings Group, Inc. (now 100% owner of Moda Partners, Inc.) and affiliates. The Company has a written agreement, approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity that is a party to the consolidation. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes. The method of allocation between the companies was made on a separate return basis with the Company receiving current credit for any net operating losses or other items utilized in the consolidated tax return.

There were no dividends declared or paid during the period under examination.

### Conflict of Interest

The Company, as a member of the ODS Group, has established a formal code of conduct outlining procedures for disclosure of potential conflicts of interest. Annual conflict of interest disclosure questionnaires are to be completed by all officers and directors and are submitted to the Company's Secretary and reviewed by the Board of Directors for resolution of any potential conflict. These statements identify any material interest or affiliation which may conflict with the duties of such person on behalf of the Company or the Parent.

### Territory and Plan of Operation

MAC is a member of the ODS Group under the ODS umbrella. MAC was formed in 2019 specifically to write individual policies under the Affordable Care Act (ACA) in Alaska following MHP's withdrawal from the individual market in the state in 2018. MAC exists mainly as a legal entity to write policies in Alaska for the ODS Group. All administration of the Company is performed by an affiliate, MHP.



### Growth of the Company

The following schedule summarizes year-end balance sheet numbers for the beginning of this examination period and for the years ending December 31, 2019, through December 31, 2021. The figures are reported in the annual statements of the Company for the years 2019 through 2021:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus</u>
2019	\$3,139,601	\$99,977	\$3,039,624
2020	\$10,807,814	\$6,816,717	\$3,991,097
2021	\$10,385,098	\$6,301,675	\$4,083,423

### Reinsurance

As of December 31, 2021, MAC has a single medical excess of loss (stop-loss) agreement with Axis Insurance Company (Axis) above the Company's retention limit of \$1 million on each covered individual.

On December 31, 2021, substantially all ceded premiums and reinsurance receivables were due the Alaska Reinsurance Program (ARP), which refers to the reinsurance program for the ACA Individual market in Alaska, which started in 2017. Eligibility for the program is based on specific Health Care Conditions (HCCs). Premiums for members with one of the eligible HCCs are ceded to the ARP administrator. When a member is ceded to the ARP, MAC sends all premium and other revenue pieces to the administrator for this member. The administrator reviews the claims paid and bills the state. The state pays the invoice using federal and state dollars to the administrator who in turn pays the MAC. A portion of claims paid are reimbursed. The portion of claims reimbursed depends on the amount of dollars the state has allocated to that plan year.

## ACTUARIAL REVIEW

An actuarial review of the Company's reserves was performed by a certified actuary on the reasonableness of reserves and concluded that the balance sheet items enumerated in the examination scope appear to be calculated using valuation parameters which appear to be free of any material error and valuation files that appear to be complete. Based on the above discussion and analysis, INS has concluded that the December 31, 2021, balance sheet items covered in the examination scope appear to be fairly stated, as adjusted. They have been accepted for the purpose of this report.

## FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Alaska Division of Insurance and present the financial condition of the company for the period ending December 31, 2021. The accompanying comments on financial statements should be considered an integral part of the financial statements.

**FINANCIAL STATEMENTS**  
**STATEMENT OF ASSETS, LIABILITIES, and SURPLUS**  
As of December 31, 2021

Cash, cash equivalents, and short-term investments		5,348,504
Total cash and invested assets		6,307,036
Investment income due and accrued		2,646
Uncollected premiums and agents' balances in the course of the collection		9,562
Amounts recoverable from reinsurers		3,245,025
Current federal and foreign income tax recoverable		549,708
Net deferred tax asset		15,443
Receivable from parent, subsidiaries, and affiliates		185,851
Health care and other amounts receivable		64,948
Aggregate write-ins for other-than-invested assets		4,879
Total Admitted Assets	\$	10,385,098

Liabilities, Surplus, and Other Funds

Liabilities

Claims unpaid	\$	1,938,000
Unpaid claims adjustment expenses		111,901
Aggregate health policy reserves per Public Health Service Act		3,434,965
Premiums received in advance		102,002
General expenses due or accrued		118,939
Ceded reinsurance premiums payable		165,257
Remittances and items not allocated		6,409
Amounts due to parent, subsidiaries, and affiliates		423,909
Aggregate write-ins for other liabilities		293
Total Liabilities	\$	6,301,675

Surplus

Common capital stock		2,000,000
Gross paid-in and contributed surplus		3,050,000
Unassigned funds		(966,577)
Total surplus	\$	4,083,423
Total Liabilities and Surplus	\$	10,385,098

**FINANCIAL STATEMENTS**  
**STATEMENT OF OPERATIONS**  
As of December 31, 2021

	<u>As Reported</u> <u>12/31/2021</u>
<u>Underwriting Income</u>	
Net premium income	\$ 7,356,321
<u>Deductions</u>	
Hospital/medical benefits	\$ 13,160,012
Less Net reinsurance recoveries	5,051,529
Total hospital and medical	<u>8,108,483</u>
Claims adjustment expenses	557,090
General administrative expenses	1,296,547
Increase in reserves	-
Total underwriting deductions	<u>\$ 9,962,120</u>
Net underwriting gain or (loss)	<u>\$ (2,605,799)</u>
<u>Investment Income</u>	
Net investment income earned	\$ 15,488
Net realized capital gains	3,483
Net Investment gain	<u>\$ 18,971</u>
<u>Other Income or (Loss)</u>	
Net gain from agents' or premium balances charged off	\$ 3,734
Net Other Income	<u>\$ 3,734</u>
Net income before federal income tax	\$ (2,583,094)
Federal income taxes incurred	(549,708)
Net Gain or (Loss)	<u>\$ (2,033,386)</u>

**FINANCIAL STATEMENTS**  
**RECONCILIATION OF CAPITAL AND SURPLUS**  
As of December 31, 2021

	Common Capital	Gross Paid In and Contributed	Unassigned Surplus	Total Policyholders'
	Stock	Surplus	(Deficit)	Surplus
Balance at December 31, 2018	\$ -	\$ -	\$ -	\$ -
Net income - 2019			(10,376)	(10,376)
Change in net unrealized capital gains			-	-
Change in net deferred income tax			-	-
Change in non-admitted assets			-	-
Surplus adjustments	2,000,000	1,050,000	-	3,050,000
Balance at December 31, 2019	\$ 2,000,000	\$ 1,050,000	\$ (10,376)	\$ 3,039,624
Net income (loss) - 2020			1,072,375	1,072,375
Change in net unrealized capital gains			-	-
Change in net deferred income tax			55,035	55,035
Change in non-admitted assets			(175,937)	(175,937)
Surplus adjustments			-	-
Balance at December 31, 2020	\$ 2,000,000	\$ 1,050,000	\$ 941,097	\$ 3,991,097
Net income (loss) - 2021			(2,033,386)	(2,033,386)
Change in net unrealized capital gains			5,558	5,558
Change in net deferred income tax			(38,115)	(38,115)
Change in non-admitted assets			158,269	158,269
Surplus adjustments		\$ 2,000,000		2,000,000
Balance at December 31, 2021	\$ 2,000,000	\$ 3,050,000	\$ (966,577)	\$ 4,083,423

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS  
RESULTING FROM THE EXAMINATION**

No adjustments to the financial statements filed as of December 31, 2021, were made to surplus as a result of the examination.

**COMMENTS ON FINANCIAL STATEMENTS**

There were no findings noted in the current examination.

**SUBSEQUENT EVENTS**

There were no material events subsequent to the financial examination of the Company.

**OTHER SIGNIFICANT EVENTS**

**COVID-19 Economic Impact**

During March 2020, the World experienced a pandemic related to the COVID-19 virus. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown have also caused extreme volatility in the financial markets.

At the date of this report, the full effect of this pandemic on the U.S. and global insurance and reinsurance industry is still unknown. The lead state is expecting the COVID-19 outbreak to affect a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. Insurance regulators with the assistance of the NAIC are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. The lead state has been in communication with the Group regarding the impact of COVID-19 on business operations and the financial position of the Company and no immediate action was deemed necessary at the time of this report. Also, as of the date of this report, the Company was fully operational and was providing services to its policyholders. The Company expects COVID-19 to be an earnings event, not a solvency event.

**SUMMARY OF RECOMMENDATIONS**

There were no recommendations to be made within the scope of this report of examination.

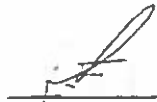
CLOSING

This examination was conducted in accordance with practices and procedures promulgated by the NAIC. This examination also includes a compliance review of applicable Alaska Statutes and Regulations.

In addition to the undersigned, the following examiners participated in the examination from the Alaska Division of Insurance: David Phifer, CFE, Financial Examiner III, and Jeffery A. Bethel, CFE, Financial Examiner II. Also participating in the examination were contract examiners from The INS Companies, Inc., as follows: Sarah Lucibello, CFE, CPA; Richard Foster, CFE, David Gordon, CISA, CIA, CDFE, CFE (Fraud); Jesse Jordan, CSA2; and Peggy Hermann, FSA, MAAA.

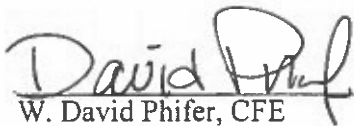
We wish to express our appreciation for the courteous cooperation and assistance extended to us by the management and staff of the Moda Assurance Company during the course of this examination.

This report is respectfully submitted,



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Richard Foster, CFE  
Financial Regulation Manager  
The INS Companies, INC.




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W. David Phifer, CFE  
Chief Financial Examiner  
State of Alaska

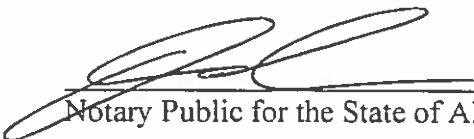
AFFIDAVIT

Anchorage, Alaska )  
June 15, 2023 )  
 )  
STATE OF ALASKA )  
COUNTY OF ANCHORAGE )

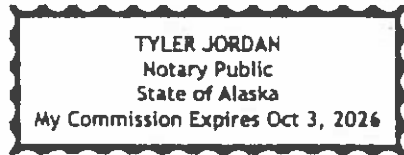
I, the undersigned, being duly sworn, do verify that the report of examination as of December 31, 2021, of Moda Assurance Company, an Alaska-domiciled company holding Certificate of Authority #20252, is true to the best of my knowledge and belief.

  
\_\_\_\_\_  
Richard B. Foster, CFE  
Financial Regulation Manager  
The INS Companies, Inc.

Subscribed and sworn to before me this 22 day of June, 2023.

  
\_\_\_\_\_  
Notary Public for the State of Alaska

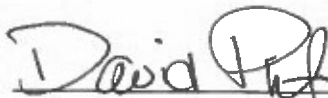
My commission expires: 10/03/2026



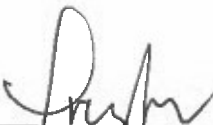
AFFIDAVIT

Anchorage, Alaska )  
June 22, 2023 )  
STATE OF ALASKA )  
THIRD JUDICIAL DISTRICT )

I, the undersigned, being duly sworn, do verify that the report of examination as of December 31, 2021, of Moda Assurance Company, an Alaska-domiciled company holding Certificate of Authority #20252, is true to the best of my knowledge and belief.

  
\_\_\_\_\_  
W. David Phifer, CFE  
Chief Financial Examiner  
State of Alaska

Subscribed and sworn to before me this 22<sup>nd</sup> day of June, 2023.

  
\_\_\_\_\_  
Notary Public for the State of Alaska

My commission expires: 7/21/23

