

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner of Banking )  
and Insurance, State of New Jersey, to fine ) CONSENT  
DentaQuest of New Jersey, LLC ) ORDER

TO: DentaQuest of New Jersey, LLC  
1212 N. Corporate Pkwy  
Mequon, WI 53092

This matter having been opened to the Commissioner (“Commissioner”) of the Department of Banking and Insurance (“Department”) of the State of New Jersey, upon information that DentaQuest of New Jersey, LLC (“DentaQuest”) may have violated the laws of the State of New Jersey; and

WHEREAS, DentaQuest was licensed as a third party administrator on January 18, 2006, was certified as an organized delivery system on January 13, 2010 and was licensed as an organized delivery system on December 21, 2017; and

WHEREAS, N.J.S.A. 17:48H-16a provides that a licensed organized delivery system organized under the laws of this State shall be treated as a domestic insurer for the purposes of P.L.1970, c.22 (C.17:27A-1 et seq.) (“Holding Company Act”) and P.L.1992, c.65 (C.17B:32-31 et seq.); and

WHEREAS, N.J.S.A. 17:48H-19a provides that a licensed organized delivery system shall, at all times, have and maintain a minimum net worth, determined on a statutory accounting

basis, in an amount established by the Commissioner by regulation, which amount may vary in accordance with the size of the system, the services provided by the system, and the financial liabilities of the system; and

WHEREAS, N.J.A.C. 11:22-4.8a provides that a licensed organized delivery system shall, at all times, have and maintain a minimum net worth, determined on a statutory accounting basis, in an amount equal to the greater of:

1. Two percent of the annual compensation received by the organized delivery system for all of its contracts, but in no event less than \$ 100,000; or

2. An amount equal to the sum of eight percent of the annual health care expenditures (not including those expenditures paid on a capitated basis and those made on a managed hospital payment basis), as reported for the most recent four calendar quarters, plus four percent of the annual hospital expenditures paid on a managed hospital payment basis for the most recent four calendar quarters; and

WHEREAS, N.J.A.C. 11:22-4.8b provides that a licensed organized delivery system shall establish and maintain a segregated account with respect to the financial risk assuming operations of its business; and

WHEREAS, N.J.S.A. 17:48H-20a provides that a licensed organized delivery system shall deposit with the Commissioner, or with an entity or trustee acceptable to the Commissioner through which a custodial or controlled account is utilized, cash, securities, or any combination of these or other measures that is acceptable to the Commissioner in an amount established by the Commissioner, by regulation, which amount shall be adjusted annually by the Commissioner in accordance with changes in the Consumer Price Index; and

WHEREAS, N.J.A.C. 11:22-4.8(e) provides that a licensed organized delivery system shall deposit with the Commissioner in accordance with the procedure set forth in N.J.A.C. 11:2-32, cash, securities, or any combination of these or other measures that is acceptable to the Commissioner in an amount equal to 50 percent of the highest calendar quarterly compensation of the most recent four quarters, but in no event less than \$25,000, which amount shall be adjusted annually in accordance with changes in the Consumer Price Index; and

WHEREAS, N.J.S.A. 17:48H-21 provides that a licensed organized delivery system shall maintain in force a fidelity bond in its own name on its officers and employees, in an amount established by the Commissioner by regulation; and

WHEREAS, N.J.A.C. 11:22-4.8(h) provides that a licensed organized delivery system shall maintain in force a fidelity bond in its own name on its officers and employees, in an amount not less than \$100,000; and

WHEREAS, N.J.S.A. 17:48H-22 provides that a licensed organized delivery system shall file an annual report with the Commissioner, on or before March 1 of each year, attested to by at least two principal officers, which covers the preceding calendar year. The report shall be on a form prescribed by the Commissioner and shall include:

- a. A financial statement of the licensed organized delivery system, including its balance sheet, income statement and statement of changes in financial position for the preceding year, certified by an independent public accountant, or a consolidated audited financial statement of its parent company certified by an independent certified public accountant, attached to which shall be consolidating financial statements of the system;
- b. At the discretion of the Commissioner, a statement by a qualified actuary setting

forth the actuary's opinion as to the adequacy of reserves; and

c. Any other information relating to the performance of the licensed organized delivery system as may be required by the Commissioner; and

WHEREAS, N.J.A.C. 11:22-4.9 provides that a licensed organized delivery system shall file an annual report for the segregated account established pursuant to N.J.A.C. 11:22-4.8(b) with the Commissioner, on or before March 1 of each year, for the immediately preceding calendar year, completed as prescribed by the National Association of Insurance Commissioners ("NAIC") Health Annual Statement Instructions, and completed on a statutory accounting principles basis, in accordance with the NAIC Accounting Practices and Procedures Manual, effective January 1, 2001; shall submit, no later than June 1, audited financial reports for the immediately preceding calendar year for the segregated account established pursuant to N.J.A.C. 11:22-4.8(b); shall file a report with respect to all of its operation, completed on a generally accepted accounting principles basis, certified by an independent certified public accountant, in accordance with N.J.A.C. 11:2-26; and shall file a statement by a qualified actuary setting forth the actuary's opinion as to the adequacy of reserves with the annual report and quarterly reports for the segregated account established pursuant to N.J.A.C. 11:22-4.8(b) with the Commissioner, no later than 45 days following the close of each of the first three calendar quarters, completed as prescribed by the NAIC Health Annual Statement Instructions, and completed on a statutory accounting principles basis, in accordance with the NAIC Accounting Practices and Procedures Manual; and

WHEREAS, DentaQuest failed to comply with the Holding Company Act, failed to maintain minimum net worth, failed to maintain a segregated account, failed to make a deposit with the Commissioner, failed to maintain a fidelity bond and failed to file annual and quarterly

financial statements since becoming a licensed organized delivery system on December 21, 2017 and has come into compliance as of November 29, 2019; and

WHEREAS, DentaQuest self-reported to the Department its noncompliance with numerous regulations and statutes governing its operations in New Jersey in connection with its status as a licensed organized delivery system; and

WHEREAS, DentaQuest asserts that its noncompliance was not willful or intentional; and

WHEREAS, DentaQuest admits and agrees to take responsibility for the aforesaid violations; and

WHEREAS, DentaQuest has waived its right to a hearing on the aforementioned violation and has consented to payment of a fine in the amount of five hundred twenty three thousand five hundred dollars (\$523,500.00); and

WHEREAS, DentaQuest submitted to the Department on September 27, 2019, a request for an order to retrospectively exempt its parent company, Catalyst Institute, Inc., from Form A filing requirements pursuant to N.J.S.A. 17:27A-2f ("Request for 2f Exemption") for reasons specified therein; and

WHEREAS, the Department is currently considering its approval of the Request for 2f Exemption;

NOW THEREFORE, IT IS on this 2nd day of January 2020

ORDERED AND AGREED that DentaQuest pay a fine in the amount of five hundred twenty three thousand five hundred dollars (\$523,500.00) by wire transfer due and payable immediately upon the execution of this Consent Order by DentaQuest; and

IT IS FURTHER ORDERED AND AGREED that the signed Consent Order together with the fine payment shall be transmitted to:

New Jersey Department of Banking and Insurance  
Attention: Gale Simon, Assistant Commissioner  
20 West State Street, 9<sup>th</sup> floor, Consumer Protection Services  
P. O. Box 329  
Trenton, NJ 08625-0329

; and

IT IS FURTHER ORDERED AND AGREED that the provisions of this Consent Order represent a final agency decision and constitute a final resolution of the violations contained herein and with respect to any filings in connection with the transactions described in the Request for a 2F Exemption.



---

Marlene Caride  
Commissioner

Consented to as to  
Form and Content:

DentaQuest of New Jersey, LLC

By:   
Steven J. Pollock, President

December 31, 2019  
Date