

**Report of Examination of**  
**Delta Dental Plan of Ohio, Inc.**  
**Westerville, Ohio**

**As of December 31, 2010**

## Table of Contents

<b>Subject</b>	<b>Page</b>
Salutation .....	1
Description of Company.....	1
Scope of Examination.....	1
Management and Control:	
Board of Directors .....	2
Officers .....	3
Insurance Holding Company System .....	3
Territory and Plan of Operations .....	3
Reinsurance .....	3
Financial Statements:	
Statement of Assets, Liabilities, Capital and Surplus.....	4
Statement of Revenue and Expenses .....	5
Statement of Changes in the Capital and Surplus Account.....	5
Notes to Financial Statements:	
Investments .....	6
Claims Unpaid and Unpaid Claims Adjustment Expenses .....	6
Conclusion.....	6
Subsequent Events.....	7
Acknowledgement.....	7

Columbus, Ohio  
May 21, 2012

Honorable Mary Taylor  
Lt. Governor/Director  
State of Ohio  
Department of Insurance  
50 West Town Street  
3<sup>rd</sup> Floor – Suite 300  
Columbus, Ohio 43215

Dear Ms. Taylor:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

**Delta Dental Plan of Ohio, Inc.**

an Ohio-domiciled, non-stock, nonprofit health insuring corporation organized under ORC 1751.01, hereinafter referred to as the “Company.”

**Scope of Examination**

The Department last examined the Company as of December 31, 2009. The Department’s current full scope examination covers the period of January 1, 2010 through December 31, 2010.

Representatives of the Michigan Office of Financial and Insurance Regulations (“MI OFIR”), as the coordinating state regulator of Delta Dental Plan of Michigan, Inc. (“DDMI”), led the multi-state coordinated examination that included representatives from the States of Indiana, New Mexico and Ohio. The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The Certified Public Accounting firm of Plante & Moran PLLC provided an unqualified opinion on the Company’s financial statements as of December 31, 2010 based on Statutory Accounting Principles. The audited financial report was reviewed during the examination.

## **Management and Control**

### **Board of Directors**

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

<b>Name</b>	<b>Principal Occupation</b>
Douglas R. Anderson, D.D.S., M.S., J.D.	Practicing Dentist, Columbus, OH
Frank Buzaki, Jr.	Staff Representative, United Steelworkers International
Patrick T. Cahill	Retired Judge, Milford, MI
Ann M. Flermoen, D.D.S.	Practicing Dentist, Bath, Michigan
James P. Hallan	President and Chief Executive Officer, Michigan Retailers Association
Michael T. Schaeffer, D.D.S.	Practicing Dentist, Cincinnati, OH
Kelly J. Scheiderer, R.H.I.A., M.H.A.	Administrator, Department of Emergency Medicine, The Ohio State University Medical Center
Bruce R. Smith	President, Benefit Resource Solutions, LLC
James R. Stahl, D.D.S.	Practicing Dentist, Toledo, OH

## **Officers**

As of the examination date, the following officers were serving in the designated position:

<b>Name</b>	<b>Principal Occupation</b>
Thomas J. Fleszar, D.D.S., M.S.	President and Chief Executive Officer
Laura L. Czelada	Chief Operating Officer
Michael B. Clark	Senior Vice President and Chief Marketing Officer
Goran Jurkovic	Vice President and Chief Financial Officer
Jonathan S. Groat	Vice President and General Counsel

## **Insurance Holding Company System**

The Company is a member of an insurance holding company system as defined in ORC Section 3901.32. DDMI, as the sole corporate member, appoints the Company's Board of Directors. DDMI is controlled by its sole corporate member, Renaissance Health Service Corporation ("RHSC"), which has the authority to appoint DDMI's Board of Directors. Therefore, RHSC, a Michigan nonprofit corporation, is considered to be the Company's ultimate controlling person.

## **Territory and Plan of Operations**

The Company underwrites and administers dental benefit plans in the State of Ohio. DDMI performs all management and operational services for the Company under an Amended and Restated Administrative Services and Management Agreement that was approved by the Department on November 10, 2008.

## **Reinsurance**

The Company does not assume or cede reinsurance.

## **Financial Statements**

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

- Statement of Assets, Liabilities, Capital and Surplus
- Statement of Revenues and Expenses
- Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Capital and Surplus  
December 31, 2010**

Bonds	\$ 13,611,727
Common stocks	41,911,715
Cash, cash equivalents, and short term investments	<u>19,448,967</u>
Subtotal, cash and invested assets	74,972,409
Investment income due and accrued	74,762
Uncollected premiums in course of collection	1,372,591
Amounts receivable related to uninsured plans	9,659,477
Receivable from affiliates	<u>34,987</u>
<b>Total assets</b>	<b><u><u>\$ 86,114,226</u></u></b>
Claims unpaid	\$ 5,969,798
Unpaid claims adjustment expenses	265,944
Aggregate health policy reserves	14,661
Premiums received in advance	1,741,071
General expenses due or accrued	1,554,604
Amounts withheld or retained for the account of others	3,001,285
Amounts due to affiliates	425,704
Liability for amounts held under uninsured plans	5,295,939
Uninsured administrative reserve	<u>265,944</u>
<b>Total liabilities</b>	<b><u>18,534,950</u></b>
Gross paid in and contributed surplus	9,712,604
Unassigned funds	<u>57,866,672</u>
<b>Total capital and surplus</b>	<b><u>67,579,276</u></b>
<b>Total liabilities, capital and surplus</b>	<b><u><u>\$ 86,114,226</u></u></b>

**Statement of Revenues and Expenses  
As of December 31, 2010**

Net premiums income	<u>\$ 137,673,943</u>
Professional services	114,885,950
Claims adjustment expenses	6,391,250
General administrative expenses	<u>7,092,311</u>
Total underwriting deductions	<u>128,369,511</u>
 Net underwriting gain	 <u>9,304,432</u>
 Net investment income earned	 1,534,454
Net realized capital gains	<u>313,201</u>
Net investment gains	<u>1,847,655</u>
 Net gain (loss) from premium balances charged off	 (53,666)
Miscellaneous income (expense)	<u>(300)</u>
Net income	<u>\$ 11,098,121</u>

**Statement of Changes in the Capital and Surplus Account**

Capital and surplus, December 31, 2009	<u>\$ 56,658,537</u>
Net income	11,098,121
Change in net unrealized capital gains	2,806,027
Change in non-admitted assets	<u>(2,983,409)</u>
Change in capital and surplus during the year	<u>10,920,739</u>
Capital and surplus, December 31, 2010	<u>\$ 67,579,276</u>

## Notes to Financial Statements

### Investments

The Department approved, on November 22, 2010, the Company's investment in a Certificate of Contribution issued by Delta Dental of North Carolina, an affiliate, in the amount of \$3.75 million that accrues interest at a rate of 4% per annum. Any repayment of the surplus note, including interest, is subject to approval by the North Carolina Department of Insurance. In accordance with Statements of Statutory Accounting Principles ("SSAP") No. 41, the Company non-admitted the \$3.75 million investment in the December 31, 2010 financial statements.

The Company's investments were in compliance with ORC Section 3925.08 and valued in accordance with the relevant SSAPs and the NAIC Securities Valuation Office.

### Claims Unpaid and Unpaid Claims Adjustment Expenses

The Company's Board of Directors appointed Toby L. Hall, ASA, MAAA Vice President and Chief Actuary, DDMI, to render the Company's Statement of Actuarial Opinion ("Opinion"). The MI OFIR retained Joseph Higgins, FSA, MAAA, of INS Consultants, Inc. ("INS") to perform an analysis of the Company's claims unpaid as of December 31, 2010.

The report prepared by INS stated the unpaid claims are sufficient. Since dental claims are short tailed in nature, the risk of material adverse deviation from current expectations is remote.

### Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2010, and is summarized as follows:

Total Assets	<u>\$86,114,226</u>
Liabilities	18,534,950
Capital and Surplus	<u>67,579,276</u>
Total Liabilities, Capital and Surplus	<u>\$86,114,226</u>

### Subsequent Events

The Company received approval from the Department on July 8, 2011, pursuant to ORC 3925.08(D)(2), to invest up to an aggregate amount of \$7.75 million and \$8.6 million in two mutual funds.

The Department approved an Administrative Services Agreement between the Company and Renaissance Life and Health Insurance Company, an Indiana-domiciled affiliated company, on September 9, 2011. Under the terms of the agreement, either party may provide certain services to the other party at the actual costs incurred in connection with the services provided. This agreement does not replace the Amended and Restated Administrative Services and Management Agreement between the Company and DDMI dated November 10, 2008 which is still in effect.

### Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the Company and its affiliates during the course of this examination.

Respectfully,

  
\_\_\_\_\_  
Jeffrey K. Ebert, CFE  
Assistant Chief Examiner  
Office of Risk Assessment  
Ohio Department of Insurance

  
\_\_\_\_\_  
David A. Cook, CFE  
Assistant Chief Examiner  
Office of Risk Assessment  
Ohio Department of Insurance

SECRET

1. The purpose of this document is to provide information regarding the activities of the [redacted] in the [redacted] area.

2. The [redacted] has been identified as a [redacted] and is currently operating in the [redacted] area. It is believed that the [redacted] is engaged in [redacted] activities.

SECRET

3. It is recommended that the [redacted] be closely monitored and that appropriate measures be taken to [redacted] its activities.

SECRET

Office of the [redacted]  
[redacted]  
[redacted]

Office of the [redacted]  
[redacted]  
[redacted]

SECRET

**Verification**

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2010.

*Jeffrey K. Ebert*  
Jeffrey K. Ebert, CFE  
Assistant Chief Examiner

May 21, 2012  
Date

*David A. Cook*  
David A. Cook, CFE  
Assistant Chief Examiner

5/21/12  
Date

State of Ohio  
County of Franklin

Personally appeared before me the above named Jeffrey K. Ebert personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 21 day of May, 2012.

*Elizabeth Chase*  
(Notary ~~ELIZABETH~~) CHASE  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2017  
My Commission Expires

Personally appeared before me the above named David A. Cook personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 21 day of May, 2012.

*Elizabeth Chase*  
(Notary ~~ELIZABETH~~) CHASE  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2017  
My Commission Expires

ELIZABETH CHASE  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2017

ELIZABETH CHASE  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2017