

Report of Examination of

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

As of December 31, 2009

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Columbus, Ohio  
May 27, 2011

Honorable Mary Taylor  
Lt. Governor/Director  
Ohio Department of Insurance  
50 West Town Street, Suite 300  
Columbus, Ohio 43215

Dear Madam:

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-profit, health insurance corporation, exempt from taxation pursuant to Internal Revenue Code §501(c)(4), hereinafter referred to as the “Company.”

A report of this examination is hereby respectfully submitted.

**Scope of Examination**

The Department last examined the Company as of December 31, 2004. The Department’s current full scope examination covers the period of January 1, 2005 through December 31, 2009.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners 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.

For all years under examination, the Certified Public Accounting firm of Plante & Moran PLLC (“Plante & Moran”) provided an unqualified opinion on the financial statements based on statutory accounting principles. The Plante & Moran audit reports were reviewed during the examination.

## Management and Control

### Board of Directors

Management of the Company is vested in its Board of Trustees, 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, Ohio
Frank Buzaki, Jr.	Staff Representative, United Steelworkers International
Lawrence D. Crawford, D.D.S.	Retired
Ann M. Flermoen, D.D.S.	Practicing Dentist, Bath, Michigan
James P. Hallan	President and Chief Operating Officer, Michigan Retailers Association
Michael T. Schaeffer, D.D.S.	Practicing Dentist, Cincinnati, Ohio
Kelly J. Scheiderer, R.H.I.A., M.H.A.	Administrator, Department of Emergency Medicine, The Ohio State University Medical Center
Bruce R. Smith	Director of Benefits, Omnicare, Inc.
James R. Stahl, D.D.S.	Practicing Dentist, Toledo, OH
Colleen G. Vienna, D.D.S.	Practicing Dentist, North Olmstead, Ohio
Patrick T. Cahill	Retired

## **Officers**

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

<b>Name</b>	<b>Title</b>
Thomas J. Fleszar	President & Chief Executive Officer
Michael T. Schaeffer, D.D.S.	Secretary & Treasurer
Kelly J. Scheiderer, R.H.I.A., M.H.A.	Chairperson
James P. Hallan	Vice Chairperson
Colleen G. Vienna, D.D.S.	Immediate Past Chairperson
Laura L. Czelada	Chief Operating Officer
Michael B. Clark	Marketing President
Goran Jurkovic, CPA	Vice President & Chief Financial Officer

## **Insurance Holding Company System**

The Company is a member of an insurance holding company system as defined in ORC Section 3901.32. Delta Dental Plan of Michigan, Inc. (“DDPMI”) is the ultimate controlling entity even though it has no direct or indirect ownership interest in the Company. As the sole corporate member, DDPMI appoints the Company’s Board of Trustees, giving DDPMI a controlling interest in the Company. DDPMI performs all management and operational services for the Company under the terms of an Amended and Restated Administrative Services and Management Agreement dated November 10, 2008.

## **Territory and Plan of Operations**

The Company administers and underwrites dental benefits in the State of Ohio. The Company offers a full range of dental products including fee-for-service and preferred provider plans. Administrative fees earned for administering the Administrative Services Contract and Administrative Services Only business are deducted from general expenses.

## **Reinsurance**

The Company has no reinsurance agreements.

## 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, 2009

Bonds	\$ 10,020,262
Common stocks	26,485,331
Cash, cash equivalents, and short term investments	<u>30,413,686</u>
Subtotal, cash and invested assets	66,919,279
Investment income due and accrued	71,574
Uncollected premiums in course of collection	3,024,049
Amounts receivable relating to uninsured plans	5,120,438
Receivables from parent, subsidiaries and affiliates	193,389
Miscellaneous receivables	<u>4,847</u>
Total assets	<u>\$ 75,333,576</u>
Claims unpaid	\$ 7,464,156
Unpaid claims adjustment expenses	263,403
Premiums received in advance	1,221,400
General expenses due or accrued	1,568,169
Amounts withheld or retained for the account of others	2,662,576
Liability for amounts held under uninsured plans	5,231,932
Uninsured administrative reserve	<u>263,403</u>
Total liabilities	<u>18,675,039</u>
Gross paid in and contributed surplus	9,712,604
Unassigned funds	<u>46,945,933</u>
Total capital and surplus	<u>56,658,537</u>
Total liabilities, capital and surplus	<u>\$75,333,576</u>

**Statement of Revenues and Expenses  
As of December 31, 2009**

Net premium income	<u>\$131,181,806</u>
Total revenues	<u>131,181,806</u>
Other professional services	114,042,188
Claims adjustment expenses	7,004,310
General administrative expenses	<u>7,405,217</u>
Total underwriting deductions	<u>128,451,715</u>
Net underwriting gain	2,730,091
Net investment income earned	1,161,581
Net realized capital losses	<u>(150,879)</u>
Net investment gains	1,010,702
Net loss from agents' or premium balances charged off	(90,589)
Miscellaneous income	<u>6,670</u>
Net income	<u>\$ 3,656,874</u>

**Statement of Changes in the Capital and Surplus Account  
(in thousands)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Capital & surplus, December 31, prior year	<u>\$49,484</u>	<u>\$47,421</u>	<u>\$35,982</u>	<u>\$28,596</u>	<u>\$18,952</u>
Net income	3,657	8,508	10,813	11,866	8,832
Net unrealized capital gains (losses)	3,725	(5,942)	(381)	386	234
Change in non-admitted assets	(207)	(503)	1,007	(508)	521
Change in surplus notes	-	-	-	(4,358)	-
Capital changes	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>      57</u>
Net change in capital & surplus for the year	<u>7,175</u>	<u>2,063</u>	<u>11,439</u>	<u>7,386</u>	<u>9,644</u>
Capital & surplus, December 31, current year	<u>\$56,659</u>	<u>\$49,484</u>	<u>\$47,421</u>	<u>\$35,982</u>	<u>\$28,596</u>

## Notes to Financial Statements

### Investments

The Company's investment portfolio consists primarily of investment grade bonds, common stocks, short term investments, and cash. The investments were in compliance with ORC Section 3925.08 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

### Claims Unpaid and Unpaid Claims Adjustment Expenses

Toby L. Hall, FSA, MAAA, Vice President and Chief Actuary of Delta Dental Plan of Michigan, Inc., an affiliate of the Company, analyzed the reserves for Delta Dental Plan of Ohio, Inc. and provided an actuarial opinion on the Company's reserves for the year ended December 31, 2009.

Mary D. Miller, FCAS, MAAA, Assistant Director of Product Regulation and Actuarial Services of the Ohio Department of Insurance, reviewed the work performed by the Company's appointed actuary and determined that the reserves presented in the Company's 2009 annual statement are good and sufficient and that any adverse development is highly unlikely.

### Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2009, and is summarized as follows:

Total Assets	<u>\$ 75,333,576</u>
Liabilities	\$ 18,675,039
Capital and Surplus	<u>56,658,537</u>
Total Liabilities, Capital and Surplus	<u>\$ 75,333,576</u>

### Subsequent Events

There are no events subsequent to December 31, 2009 that would have a material impact on the Company's financial position.

### Acknowledgement

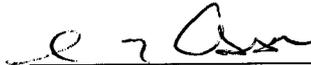
Appreciation is expressed for the assistance extended by the officers and employees of the Company and its affiliates during the course of this examination.

In addition to the undersigned, Ryan S. Gibson, CFE; David T. Finkler, CPA; Mary D. Miller, FCAS, MAAA; and Brad Schroer of the Department participated in this examination.

Respectfully,



Nicholas J. Kostoff, CPA, CFE  
Examiner-In-Charge  
Office of Risk Assessment  
Ohio Department of Insurance



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

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, 2009

Nicholas J. Kostoff 5/27/11 2nd Case 5/27/11  
Examiner-In-Charge Date Assistant Chief Examiner Date

State of Ohio

County of Franklin

Personally appeared before me the above named Nicholas J. Kostoff, 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/her knowledge and belief.

Subscribed and sworn to before me this 27 day of May, 2011.

Kimberly Ann Lowry  
(Notary Public)

3-28-2016  
My Commission Expires

**KIMBERLY ANN LOWRY**  
NOTARY PUBLIC • STATE OF OHIO  
Recorded in Franklin County  
My commission expires Mar. 28, 2016

State of Ohio

County of Franklin

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/her knowledge and belief.

Subscribed and sworn to before me this 27 day of May, 2011.

Kimberly Ann Lowry  
(Notary Public)

3-28-2016  
My Commission Expires

**KIMBERLY ANN LOWRY**  
NOTARY PUBLIC • STATE OF OHIO  
Recorded in Franklin County  
My commission expires Mar. 28, 2016