

Report of Examination of

Superior Dental Care, Inc
Dayton, Ohio

As of December 31, 2009

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Columbus, Ohio
April 15, 2011

Honorable Mary Taylor
LT Governor/Director
State of Ohio
Department of Insurance ("Department")
50 West Town Street, Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (ORC), an examination was made of

Superior Dental Care, Inc.

an Ohio domiciled, stock, health insurance company, hereinafter referred to as the "Company." The examination was conducted at the Company's home offices, located at 6683 Centerville-Business Parkway, Dayton, Ohio, 45459.

A report of this examination is hereby respectfully submitted.

The Department last examined the Company as of December 31, 2004. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2009.

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.

Name	Principal Occupation
Dennis A. Burns, D.D.S	Dentist
Roger E. Clark, D.D.S	Dentist
Douglas R. Hoefling, D.D.S	Dentist
Richard W. Portune, D.D.S	Dentist (Retired)
L. Don Shumaker, D.D.S	Dentist

James L. Sims, D.D.S

Dentist

Rebecca J. York

Executive VP & Chief Executive Officer
The Company

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
Richard W. Portune, D.D.S	President
Rebecca J. York	Executive VP and Chief Executive Officer
Douglas R. Hoefling, D.D.S	Treasurer
Roger A. Clark, D.D.S	Secretary

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC.

Superior Dental Holding Company
Innovative Dental Benefits, LLC
SDC Development, LLC
Superior Dental Care, Inc.

Reinsurance

The Company does not assume or cede any reinsurance.

Territory and Plan of Operations

The Company is licensed and authorized to transact business in the States of Indiana, Kentucky, and Ohio.

Scope of Examination

One of the purposes of the examination was to make an assessment of the financial condition of the Company as of December 31, 2009. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the NAIC Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency.

Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

For each year during the period under examination, the Certified Public Accounting (“CPA”) firm of Thorn, Lewis and Duncan has provided an unqualified opinion based on statutory accounting principles. Relevant work performed by the CPA firm, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

The Department’s health actuary reviewed the relevant work performed by the opining actuary, to report on the adequacy of the carried reserves, and to comment on any other statutory matters relating to reserves.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers’, employees’, and agents’ welfare and pension plans;
4. growth of Company;
5. loss experience;
6. pending litigation;
7. Articles of Incorporation and Bylaws.

Financial Statements

The financial condition and the results of its operations for the five year 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, Surplus and Other Funds
Statement of Revenue and Expenses
Statement of Changes in the Capital and Surplus Account

Statement of Assets, Liabilities, Surplus and Other Funds

December 31, 2009

Admitted assets

Cash and invested assets:

 Bonds

\$3,746,089

 Cash and short-term investments

1,835,258

Total cash and invested assets

5,581,347

Investment due and accrued

21,956

Uncollected premiums and agents' balances in course of collection

176,468

Total admitted assets

\$5,779,771

Liabilities, capital and surplus

Liabilities:

 Claims unpaid

\$1,013,926

 Premiums received in advance

777,451

 General expenses due and accrued

167,998

 Current federal and foreign income tax payable and interest thereon

99,812

Total liabilities

2,059,187

Capital and surplus:

 Common capital stock

500

 Unassigned funds

3,720,084

Total capital and surplus

3,720,584

Total liabilities, capital and surplus

\$5,779,771

Statement of Revenue and Expenses

**For the Year Ended
December 31, 2009**

Net premium income	<u>\$29,411,565</u>
Total revenues	29,411,565
Hospital and Medical:	
Other professional services	<u>23,406,676</u>
Total hospital and medical	23,406,676
Claims adjustment expenses	440,674
General administrative expenses	<u>5,330,635</u>
Total underwriting deductions	29,177,985
Net underwriting gain	233,580
Net investment income earned	70,085
Net realized capital gains	<u>7,371</u>
Net investment gains	77,456
Aggregate write-ins for other income or expenses	<u>9,615</u>
Net income after capital gains tax and before all other federal income Taxes	320,651
Federal and foreign income taxes incurred	<u>110,500</u>
Net income	<u>\$210,151</u>

Statement of Changes in the Capital and Surplus Account

(In thousands)

	2005	2006	2007	2008	2009
Capital and surplus December 31, previous year	\$2,641	\$3,111	\$3,379	\$3,704	\$3,859
Net income	465	599	422	532	210
Net change in unrealized capital gains (losses)	(30)	38	(2)	1	-
Change in nonadmitted assets	142	25	(95)	(378)	(349)
Capital paid in	(9)	(246)	-	-	-
Surplus paid in	(98)	302	-	-	-
Transfer to capital	-	(473)	-	-	-
Aggregate write-ins for gains in surplus	-	23	-	-	-
Net change in capital and surplus	470	268	325	155	(139)
Capital and surplus end of period	<u>\$3,111</u>	<u>\$3,379</u>	<u>\$3,704</u>	<u>\$3,859</u>	<u>\$3,720</u>

Notes to Financial Statements

Investments

At December 31, 2009, the Company's investments were primarily comprised of the following:

<u>Invested Assets</u>	<u>Ratio to Total</u>	
	<u>Investments</u>	<u>Assets</u>
Bonds	67.1%	64.8%
Cash and short-term investments	32.9%	31.8%
Totals	<u>100.0%</u>	<u>96.6%</u>

The Company's investments were not in compliance with Section 3925.08(J) of the ORC as of December 31, 2009 and December 31, 2010. After the Company was notified of the lack of compliance they sold these securities and thereafter became compliant.

Unpaid Claims and Dentist Contingency Reserves

The Company's consulting actuary, F. Ray Martin, F.S.A, M.A.A, certified the unpaid claims and dentist contingency reserves for the years covered by the examination. The reserves were not in compliance with the annual statement instructions in that they were not "good and sufficient" as of December 31, 2009 and December 31, 2010 and the

Company did not establish a reserve for loss adjustment expenses as of December 31, 2009. The Department's Actuary, Mary Miller, F.C.A.S, M.A.A.A, reviewed the detailed calculations for the reserves as of December 31, 2009 and December 31, 2010.

Based on the above-mentioned analysis, it was determined that unpaid claims and dentist contingency reserves were deficient by \$27,035 as of December 31, 2009 and \$263,190 as of December 31, 2010.

Subsequent Events

There were no significant subsequent events.

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>\$5,779,771</u>
Liabilities	\$2,059,187
Surplus as Regards Policyholders	<u>3,720,084</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$5,779,771</u>

Acknowledgement

In addition to the undersigned, the following representative of the Department participated in this examination: Methuselah E Nyangoro, CFE, CPA.

Respectfully,



David A. Cook, CFE
Assistant Chief Examiner
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.

[Signature] 5/26/11
Assistant Chief Examiner Date

State of

County of

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 26 day of May, 2011.

[Signature: Keith D. Blosser]
(Notary Public)

N/A Attorney at Law
My Commission Expires



KEITH D. BLOSSER, Attorney At Law
NOTARY PUBLIC, STATE OF OHIO
My Commission Has No Expiration Date
Section 147.03