

Report of Examination of

Delta Dental Plan of Ohio, Inc.
Dublin, Ohio

As of December 31, 2013

Table of Contents

Subject	Page
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.....	5
Statement of Revenues and Expenses	6
Statement of Changes in the Capital and Surplus Account.....	6
Notes to Financial Statements:	
Investments.....	7
Claims Unpaid.....	7
Conclusion.....	7
Subsequent Events.....	7
Acknowledgement.....	8

Columbus, Ohio
May 27, 2015

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

Dear Lt. Governor/Director:

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, nonprofit health insuring corporation, hereinafter referred to as the “Company.”

Scope of Examination

The Department last examined the Company as of December 31, 2010. The Department’s current examination covers the period of January 1, 2011 through December 31, 2013.

Representatives of the Michigan Department of Insurance and Financial Services (“DIFS”), as the Coordinating State regulator of the Delta Dental Plan of Michigan, Inc. (“DDMI”) and its affiliates, led the multi-state coordinated examination. 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 corporate governance, identify and assess current and prospective risks, and evaluate the Company’s system of 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 Statements of 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 each year under examination, the Certified Public Accounting firm of Plante & Moran, PLLC provided an unqualified opinion on the financial statements of the Company based on Statutory Accounting Principles. Representatives of the Department reviewed the independent auditors’ reports and supporting work papers 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:

Name	Principal Occupation
Douglas R. Anderson, DDS, MS, JD	Practicing Dentist, Columbus, Ohio
Frank Buzaki, Jr.	Staff Representative, United Steelworkers International
Patrick T. Cahill	Retired Judge, Milford, Michigan
Ann M. Flermoen, DDS	Practicing Dentist, Bath, Michigan
James P. Hallan	President and Chief Executive Officer, Michigan Retailers Association
Timothy E. Moffit, DBA	Assistant Professor of Economics and Business, Kalamazoo College
Michael T. Schaeffer, DDS	Practicing Dentist, Cincinnati, Ohio
Bruce R. Smith	Benefits Manager, Omnicare, Inc.
James R. Stahl, DDS	Practicing Dentist, Toledo, Ohio

Officers

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

Name	Title
Laura L. Czelada, CPA	President and Chief Executive Officer
Goran M. Jurkovic, CPA	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. The Company is controlled by DDMI, a Michigan nonprofit dental care corporation and sole member of the Company. DDMI's sole member and ultimate controlling person is Renaissance Health Service Corporation ("RHSC"), a Michigan nonprofit corporation.

Territory and Plan of Operations

The Company provides fully insured, as well as administrative services only ("ASO") and administrative services contracts ("ASC") dental benefits programs for employers, trade associations, union trusts and other organizations throughout 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 filed with, and approved by, the Department. The Company reported the following underwriting results during the examination period:

	2013	2012	2011
Loss Ratio	84.9	85.6	85.2
Administrative Expense Ratio	<u>8.1</u>	<u>9.9</u>	<u>11.4</u>
Combined Ratio	<u>93.1</u>	<u>95.4</u>	<u>96.6</u>

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, 2013**

Assets

Bonds	\$ 17,676,223
Common stocks	74,220,970
Cash, cash equivalents, and short term investments	<u>12,086,328</u>
Subtotal, cash and invested assets	103,983,521

Investment income due and accrued	68,747
Uncollected premiums and agents' balances	1,806,199
Amounts receivable relating to uninsured plans	13,288,776
Receivable from parent, subsidiaries and affiliates	<u>1,129,147</u>
Total admitted assets	<u>\$ 120,276,390</u>

Liabilities, Capital and Surplus

Claims unpaid	\$ 6,337,100
Unpaid claims adjustment expenses	193,905
Premiums received in advance	1,888,015
General expenses due or accrued	1,998,801
Amounts withheld or retained for the account of others	1,653,347
Amounts due to parent, subsidiaries and affiliates	451
Liability for amounts held under uninsured plans	6,262,702
Uninsured claim administrative expense reserve	<u>245,766</u>
Total liabilities	<u>18,580,087</u>

Gross paid in and contributed surplus	9,712,604
Unassigned funds	<u>91,983,699</u>
Total capital and surplus	<u>101,696,303</u>
Total liabilities, capital and surplus	<u>\$ 120,276,390</u>

**Statement of Revenues and Expenses
As of December 31, 2013**

Net premium income	<u>\$ 167,041,466</u>
Other professional services	141,853,212
Claims adjustment expenses	3,307,223
General administrative expenses	<u>10,299,971</u>
Total underwriting deductions	<u>155,460,406</u>
Net underwriting gain	<u>11,581,060</u>
Net investment income earned	2,161,395
Net realized capital gain	<u>1,399,420</u>
Net investment gain	<u>3,560,815</u>
Net gain from premium balances charged off	889
Miscellaneous income	<u>5,377</u>
Net income	<u>\$ 15,148,141</u>

Statement of Changes in the Capital and Surplus Account

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital and surplus, beginning of the year	\$ <u>83,232,938</u>	\$ <u>70,486,388</u>	\$ <u>67,579,276</u>
Net income	15,148,141	7,858,506	2,710,322
Change in unrealized capital gains (losses)	4,185,665	4,209,928	(1,792,681)
Change in non-admitted assets	<u>(870,441)</u>	<u>678,116</u>	<u>1,989,471</u>
Change in surplus during the year	<u>18,463,365</u>	<u>12,746,550</u>	<u>2,907,112</u>
Capital and surplus, end of the year	<u>\$ 101,696,303</u>	<u>\$ 83,232,938</u>	<u>\$ 70,486,388</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 1751.25 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Claims Unpaid

The Company's Board of Directors appointed Toby Hall, FSA, MAAA, Senior Vice President and Chief Actuary, DDMI, to render the Company's Statement of Actuarial Opinion ("Opinion").

The Michigan DIFS retained Karen Elsom, FSA, MAAA of Lewis & Ellis, Inc. Actuaries & Consultants, to assist the DIFS and the Department in the review and analysis of the Company's claims unpaid liability and unpaid claims adjustment expenses as of December 31, 2013. Ms. Elsom concluded that all actuarial liabilities and related items of the Company, as shown in the Opinion, are fairly stated in the aggregate and meet the requirements of the insurance laws and regulations of the State of Ohio.

Thomas Botsko, ACAS, MAAA, the Department's Chief Actuary, reviewed the Lewis & Ellis reserve analysis. Based on this review, Mr. Botsko determined the conclusions reached by Ms. Elsom are appropriate and reasonable.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2013, and is summarized as follows:

Total Assets	<u>\$120,276,390</u>
Liabilities	18,580,087
Capital and Surplus	<u>101,696,303</u>
Total Liabilities, Capital and Surplus	<u>\$120,276,390</u>

Subsequent Events

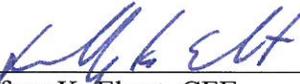
The Department is not aware of any subsequent events that would have a material impact on the financial position of the Company.

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, Thomas Botsko, ACAS, MAAA, and Bryan Radecky, CPA, CFE, of the Department, participated in this examination.

Respectfully,



Jeffrey K. Ebert, 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, 2013.

J. K. Ebert 5/29/15
Assistant Chief Examiner 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/her knowledge and belief.

Subscribed and sworn to before me this 29 day of May, 2015.

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