

Report of Examination of

**Dental Care Plus, Inc.**  
Cincinnati, Ohio

As of December 31, 2012

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Columbus, Ohio  
January 31, 2014

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

Dear Lieutenant Governor/Director:

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

**Dental Care Plus, Inc.**

an Ohio domiciled, stock, health insuring corporation, hereinafter referred to as the “Company.”

**Scope of Examination**

The Department last examined the Company as of December 31, 2009. The Department’s current examination covers the period of January 1, 2010 through December 31, 2012.

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.

For all years under examination, the Certified Public Accounting firm of Deloitte & Touche, LLP provided an unqualified opinion on the Company’s financial statements based on Statutory Accounting Principles. The audited financial reports were 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>
Fred Bronson, D.D.S.	Dentist
Michael J. Carl, D.D.S.	Dentist
Anthony A. Cook, M.B.A., M.S.	President and Chief Executive Officer, The Company
Jack M. Cook, M.H.A.	Retired Health Care Executive
James T. Foley	President PIVOTek
Roger M. Higley, D.D.S.	Dentist
David A. Kreyling, D.M.D.	Dentist
James E. Kroeger, M.B.A., C.P.A.	Internal Auditor, American Modern Insurance Group
Molly Meakin-Rogers, M.B.A., C.P.A.	Assistant Professor of Accounting, University of Cincinnati
Donald J. Peak, C.P.A.	Director of Operations - Finance, UC Health
Fred H. Peck, D.D.S.	Dentist
Stephen T. Schuler, D.M.D.	Oral and Maxillofacial Surgeon
Mark Zigoris, D.D.S.	Dentist

## **Officers**

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

<b>Name</b>	<b>Title</b>
Anthony A. Cook	President and Chief Executive Officer
Robert Carr Hodgkins, Jr.	Vice President and Chief Financial Officer
Fred Bronson, D.D.S.	Secretary
Fred H. Peck, D.D.S.	Treasurer

## **Insurance Holding Company System**

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The Company is a wholly owned subsidiary of DCP Holding Company, the ultimate controlling person in the holding company system. Adenta, Inc., Insurance Associates Plus, Inc. and The Ohio Retiree Dental Benefits Association, LLC are also wholly owned subsidiaries of DCP Holding Company.

## **Territory and Plan of Operations**

Headquartered in Cincinnati, Ohio, the Company and certain affiliates, doing business as the Dental Care Plus Group, offer to employer groups of all sizes dental health maintenance organization, participating provider organization and indemnity plans for dental care services and vision benefit plans marketed through a network of independent brokers. The Company is licensed and authorized to transact business in Indiana, Kentucky and Ohio.

## **Reinsurance**

The Company assumes a small amount of premium revenue and related healthcare services expense from a third party insurance provider in the normal course of business. It currently cedes no business.

## **Financial Statements**

The financial condition and the results of its operations for the three-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
- Summary of Operations
- Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Surplus and Other Funds**  
**December 31, 2012**

**Assets**

Bonds	\$ 4,301,202
Cash and short-term investments	<u>7,283,363</u>
Subtotal, cash and invested assets	11,584,565
Investment income due and accrued	32,918
Uncollected premiums in the course of collection	394,309
Current federal income tax	95,079
Net deferred tax asset	215,690
Electronic data processing equipment and software	58,078
Healthcare receivable	<u>2,089</u>
Total assets	<u>\$ 12,382,728</u>

**Liabilities**

Claims unpaid	\$ 2,090,649
Unpaid claims adjustment expenses	45,361
Premiums received in advance	1,196,112
General expenses due or accrued	1,181,245
Amounts due to parent and affiliates	396,925
Liability for amounts held under uninsured plans	<u>76,285</u>
Total liabilities	<u>4,986,577</u>

**Capital and Surplus**

Aggregate write-ins for special surplus funds	305,478
Common capital stock	1,365,663
Gross paid in and contributed surplus	1,773,089
Unassigned funds	<u>3,951,921</u>
Total capital and surplus	<u>7,396,151</u>
Total liabilities, capital and surplus	<u>\$ 12,382,728</u>

**Summary of Operations**  
**For the Year Ended December 31, 2012**

Net premium income	\$ 55,352,524
Aggregate write-ins for other health care related revenues	<u>2,157,213</u>
Total revenues	57,509,737
<b>Hospital and Medical:</b>	
Hospital/medical benefits	<u>42,594,427</u>
Subtotal	42,594,427
Net reinsurance recoveries	<u>(173,076)</u>
Total hospital and medical	42,767,503
Claims adjustment expenses	1,230,795
General administrative expenses	<u>11,882,796</u>
Total underwriting deductions	<u>55,881,094</u>
Net underwriting gain	<u>1,628,643</u>
Net investment income earned	215,529
Net realized capital gains	<u>22,471</u>
Net investment gains	<u>238,000</u>
Net (loss) from premium balances charged off	(72,788)
Aggregate write-ins for other income	<u>(205)</u>
Net income before federal income taxes	1,793,650
Federal income taxes incurred	<u>685,820</u>
Net income	<u>\$ 1,107,830</u>

**Statement of Changes in the Capital and Surplus Account  
As of and For the Year Ended December 31**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital and surplus, prior year end	<u>\$6,100,949</u>	<u>\$5,514,518</u>	<u>\$4,920,518</u>
Net income (loss)	1,107,830	703,253	(94,226)
Change in net unrealized capital gains and (losses)	10,794	7,448	(2,644)
Change in net deferred income tax	(27,001)	(25,296)	19,163
Change in nonadmitted assets	(47,799)	(98,974)	221,707
Surplus adjustments: Paid in	300,000	-	450,000
Dividends to stockholders	(360,000)	-	-
Aggregate write-ins for gains or (losses)	<u>311,378</u>	<u>-</u>	<u>-</u>
Net change in capital and surplus	<u>1,295,202</u>	<u>586,431</u>	<u>594,000</u>
Capital and surplus, current year end	<u>\$7,396,151</u>	<u>\$6,100,949</u>	<u>\$5,514,518</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.

**Reserves for Losses and Loss Adjustment Expenses**

The Company's Board of Directors appointed Timothy P. Berghoff, FSA, MAAA, of Timothy P. Berghoff, LLC to render the Company's Statement of Actuarial Opinion ("Opinion"). Mr. Berghoff did not prepare an Actuarial Report supporting the Opinion in connection with the preparation of the Company's 2012 Annual Statement.

Matthew C. Elston, FSA, MAAA, the Department's Health Actuary, reviewed claims reserve calculation methodology used by Mr. Berghoff along with the reconciliation and refinement procedures performed by the Mr. Berghoff and the Company. On the basis of his analysis, Mr. Elston determined that the total claim reserves reported by the Company as of December 31, 2012 appear to make a good and sufficient provision for the Company's required reserves.

### Conclusion

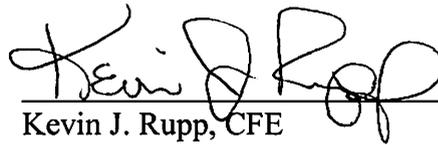
The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2012, and is summarized as follows:

Total Admitted Assets	<u>\$ 12,382,728</u>
Liabilities	\$ 4,986,577
Capital and Surplus	<u>7,396,151</u>
Total Liabilities, Capital and Surplus	<u>\$ 12,382,728</u>

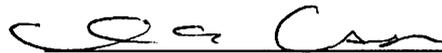
### Acknowledgement

In addition to the aforementioned and undersigned, the following representatives of the Department participated in this examination: Ryan S. Gibson, CFE, FLMI; and Aaron R. Hibbs, CFE, ChFC, CPA, FLMI.

Respectfully,



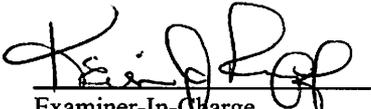
Kevin J. Rupp, CFE  
Examiner-in-Charge  
Ohio Department of Insurance



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, 2012.

  
Examiner-In-Charge

3/10/14  
Date

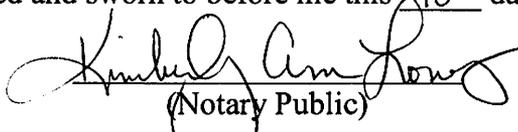
  
Assistant Chief Examiner

3/10/14  
Date

State of Ohio  
County of Franklin

Personally appeared before me the above named, Kevin J. Rupp, 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 10 day of March, 2014.

  
(Notary Public)

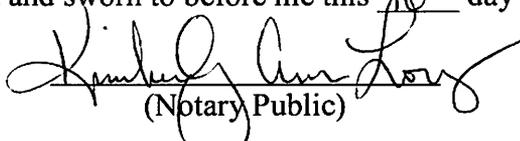
3-28-2016  
My Commission Expires

**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 knowledge and belief.

Subscribed and sworn to before me this 10 day of March, 2014.

  
(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