

Report of Examination of

Superior Dental Care, Inc.
Centerville, Ohio

As of December 31, 2012

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Columbus, Ohio
December 11, 2013

Honorable Mary Taylor
Lieutenant Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd 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

Superior Dental Care, 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 Thorn Lewis + Duncan, Inc. 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.

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.	Chairman of the Board and President, Superior Dental Care Alliance, Inc. and the Company
Laura J. Paul, D.D.S.	Dentist
L. Don Shumaker, D.D.S.	Dentist
James L. Sims, D.D.S.	Dentist
Rebecca J. York	Executive Vice President and Chief Executive Officer, Superior Dental Care Alliance, Inc. and the Company

Officers

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

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

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 Superior Dental Care Alliance, Inc., the ultimate controlling person in the holding company system. SDC Development, LLC and Innovative Dental Benefits, LLC are also wholly owned subsidiaries of Superior Dental Care Alliance, Inc.

Territory and Plan of Operations

The Company contracts with independent dentists for prepaid dental benefits to enrollees of employer groups in its designated service areas. The Company is licensed and authorized to transact business in Indiana, Kentucky and Ohio.

Reinsurance

The Company does not assume or cede any reinsurance.

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	\$ 2,625,127
Cash	<u>4,673,654</u>
Subtotal, cash and invested assets	7,298,781
Investment income due and accrued	4,184
Uncollected premiums in the course of collection	<u>419,328</u>
Total assets	<u><u>\$ 7,722,293</u></u>

Liabilities

Claims unpaid	\$ 1,998,717
Unpaid claims adjustment expenses	102,000
Premiums received in advance	644,253
General expenses due or accrued	<u>389,158</u>
Total liabilities	<u>3,134,128</u>

Capital and Surplus

Common capital stock	500
Unassigned funds	<u>4,587,665</u>
Total capital and surplus	<u>4,588,165</u>
Total liabilities, capital and surplus	<u><u>\$ 7,722,293</u></u>

Summary of Operations
For the Year Ended December 31, 2012

Net premium income	\$ <u>42,128,062</u>
Total revenues	42,128,062
Hospital and Medical:	
Other professional services	<u>33,121,394</u>
Total hospital and medical	33,121,394
Claims adjustment expenses	723,091
General administrative expenses	<u>7,083,178</u>
Total underwriting deductions	<u>40,927,663</u>
Net underwriting gain	1,200,399
Net investment gains	19,886
Aggregate write-ins for other income	<u>151</u>
Net income before federal income taxes	1,220,436
Federal income taxes incurred	<u>414,900</u>
Net income	<u>\$ 805,536</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>\$3,723,586</u>	<u>\$3,804,929</u>	<u>\$3,720,584</u>
Net income	805,536	156,188	110,133
Change in nonadmitted assets	59,043	712,469	(25,788)
Dividends to stockholders	-	<u>(950,000)</u>	-
Net change in capital and surplus	<u>864,579</u>	<u>(81,343)</u>	<u>84,345</u>
Capital and surplus, current year end	<u>\$4,588,165</u>	<u>\$3,723,586</u>	<u>\$3,804,929</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 Ronald D. Burkhart, ASA, MAAA, of Wakely Consulting Group, to render the Company's Statement of Actuarial Opinion ("Opinion"). Mr. Burkhart prepared 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 and assumptions used by Mr. Burkhart as detailed in the Actuarial Report and performed other procedures as considered necessary to evaluate the Company's claims unpaid and unpaid claims adjustment expenses. On the basis of his analysis, Mr. Elston determined that the total claim reserves reported by the Company as of December 2012 appear to make a good and sufficient provision for the Company's required reserves.

Conclusion

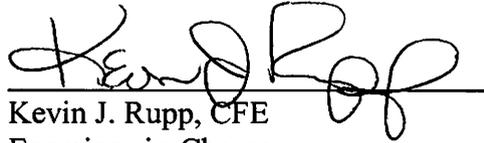
The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2012, and is summarized as follows:

Total Admitted Assets	<u>\$ 7,722,293</u>
Liabilities	\$ 3,134,128
Capital and Surplus	<u>4,588,165</u>
Total Liabilities, Capital and Surplus	<u>\$ 7,722,293</u>

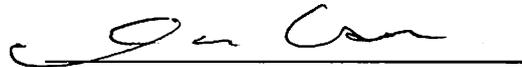
Acknowledgement

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,

A handwritten signature in black ink, appearing to read "Kevin Rupp", written over a horizontal line.

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

A handwritten signature in black ink, appearing to read "David A. Cook", written over a horizontal line.

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.

Kevin J. Rupp 3/10/14 Jack Coa 3/10/14
Examiner-In-Charge Date Assistant Chief Examiner 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.

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 knowledge and belief.

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

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