

STATE OF INDIANA )  
 ) SS: BEFORE THE INDIANA  
COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
 )  
**Delta Dental Plan of Indiana, Inc.** )  
**225 South East Street, Suite 358** )  
**Indianapolis, IN 46202** )

Examination of: **Delta Dental Plan of Indiana, Inc.**


**NOTICE OF ENTRY OF ORDER**

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Delta Dental Plan of Indiana, Inc., any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on June 6, 2018, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Delta Dental Plan of Indiana, Inc. shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 19, 2018  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 9803**

STATE OF INDIANA ) BEFORE THE INDIANA  
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COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
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**Delta Dental Plan of Indiana, Inc.** )  
**225 South East Street, Suite 358** )  
**Indianapolis, IN 46202** )

Examination of: **Delta Dental Plan of Indiana, Inc.**

**FINDINGS AND FINAL ORDER**

The Indiana Department of Insurance conducted an examination into the affairs of the Delta Dental Plan of Indiana, Inc. (hereinafter “Company”) for the time period January 1, 2014 through December 31, 2016.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on December 15, 2017.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on June 6, 2018 and was received by the Company on June 6, 2018.

The Company did not file any objections.


NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS:**

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Delta Dental Plan of Indiana, Inc. as of December 31, 2016.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Delta Dental Plan of Indiana, Inc. to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 19 day of  
June, 2018.

  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

*Handwritten signature*

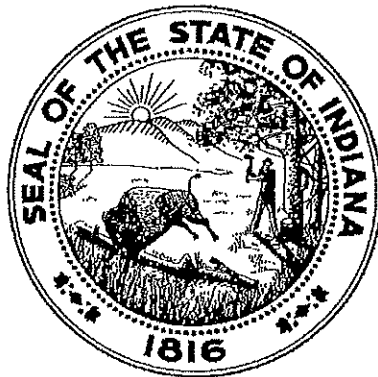
*Handwritten initials*

**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**DELTA DENTAL PLAN OF INDIANA, INC.**  
NAIC Co. CODE 52634  
NAIC GROUP CODE 0477

As of

December 31, 2016



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# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

## Indiana Department of Insurance

Stephen W. Robertson, Commissioner  
311 W. Washington Street, Suite 103  
Indianapolis, Indiana 46204-2787  
Telephone: 317-232-2385  
Fax: 317-232-5251  
Website: [in.gov/idoi](http://in.gov/idoi)

December 15, 2017

Honorable Stephen W. Robertson, Commissioner  
Indiana Department of Insurance  
311 West Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3929, an examination has been made of the affairs and financial condition of:

**Delta Dental Plan of Indiana, Inc.**  
**225 South East Street, Suite 358**  
**Indianapolis, Indiana 46202**

hereinafter referred to as the "Company", or "DDPIN", an Indiana domestic not-for-profit, limited service health maintenance organization. The examination was conducted at the corporate offices of the Company in Okemos, Michigan.

The Report of Examination, reflecting the status of the Company as of December 31, 2016, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
317-232-2413

COMPANY COMPLIANCE  
317-232-3495

CONSUMER SERVICES  
317-232-2395/1-800-622-4461

FINANCIAL SERVICES  
317-232-2390

MEDICAL MALPRACTICE  
317-232-2402

COMPANY RECORDS  
317-232-5692

STATE HEALTH INSURANCE PROGRAM  
1-800-452-4800

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2011 through December 31, 2013. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2014 through December 31, 2016, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination of the affiliated Michigan domestic insurance companies of Renaissance Health Service Corporation, (RHSC) was called by the Michigan Department of Insurance and Financial Services (MIDIFS) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The MIDIFS served as the lead state on the examination, and the INDOI, New Mexico Department of Insurance, North Carolina Department of Insurance, and Ohio Department of Insurance served as participants.

Margaret R. Hermann, FSA of INS Consultants, Inc. was retained by the MIDIFS to provide all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2016.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

## HISTORY

The Company was incorporated on October 22, 1982, under the laws of the state of Indiana as Indiana Delta Plan, Inc. The Company changed to its current name effective September 24, 1985. The Company is a not-for-profit limited service health maintenance organization domiciled in Indiana. The Company is controlled by Delta Dental Plan of Michigan, Inc. (DDMI). RHSC is the ultimate controlling party of DDMI and the Company.

## CAPITAL AND SURPLUS

As a not-for-profit, the Company has no shareholders or other owners. The Company is governed by its Board of Directors (Board), which is appointed by DDMI. DDMI is a not-for-profit tax-exempt dental service corporation. As of December 31, 2016 the Company had total capital and surplus of \$61,453,958.



## TERRITORY AND PLAN OF OPERATION

As of December 31, 2016, the Company was licensed to transact business solely in the state of Indiana. The Company only issues dental benefit coverage on an HMO type basis and markets only through Indiana employees of DDMI. The employees identify brokers and others with relationships to employer groups, and marketing is done by submitting bids for dental benefit coverage on a group basis for employers.

The Company benefits from the operational support of DDMI, which provides claims processing, underwriting, and other services to the Company. The Company is operated in coordination with DDMI, Delta Dental Plan of Ohio, Inc., and several other Delta Dental plans, which are the owners of a holding company, Renaissance Holding Company (RHC) that offers a different brand of dental coverage through its insurance subsidiaries. RHSC is the ultimate controlling party of each of the owners of RHC stock.

Premium income increased \$13.2 million or 19.9%, to \$79.6 million in 2016 compared to 2015. Premiums increased \$26.8 million during the examination period. The Company received a rating upgrade to "A" effective June, 2013 by AM Best, which was reaffirmed July, 2016 with a stable outlook.

## GROWTH OF THE COMPANY

The following exhibit summarizes the financial results, of the Company during the examination period:

| <u>Year</u> | <u>Admitted<br/>Assets</u> | <u>Liabilities</u> | <u>Capital and<br/>Surplus</u> | <u>Total Revenues</u> | <u>Net Income</u> |
|-------------|----------------------------|--------------------|--------------------------------|-----------------------|-------------------|
| 2016        | \$ 69,520,141              | \$ 8,066,183       | \$ 61,453,958                  | \$ 79,570,870         | \$ 10,412,489     |
| 2015        | 57,044,683                 | 6,845,965          | 50,198,718                     | 66,385,392            | 7,483,562         |
| 2014        | 49,067,876                 | 6,680,490          | 42,387,386                     | 57,489,355            | 5,406,091         |

Strong growth in revenues over the examination period resulted in increases in both total assets and liabilities. A significant portion of the Company's growth has been in their fee for service and PPO DeltaUSA dental products. These products offer a nationwide participating dental provider panel through the Company's association with Delta Dental Plan Association. With this product, the Company is able to offer participating dental benefits to employers in Indiana that have employees nationwide. Growth in surplus was primarily the result of net income during the examination period with growth in net income mainly derived from underwriting gains.

## MANAGEMENT AND CONTROL

### Directors

The Bylaws provide that affairs of the Company be managed, controlled, and conducted by and under the supervision of the Board, subject to provisions of the Corporations' Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws. The Board shall have the number of members, no fewer than three (3), as designated by resolution of the Board from time to time. The term of office of a director shall be three (3) years.

The following is a listing of persons serving as directors at December 31, 2016, and their principal occupations as of that date:

| Name and Address                            | Principal Occupation   |
|---|--|
| Laura L. Czelada<br>Okemos, Michigan        | President and Chief Executive Officer<br>Renaissance Health Services Corporation                                       |
| Jonathan S. Groat<br>Okemos, Michigan       | Vice President and General Counsel<br>Renaissance Health Services Corporation  |
| Nancy E. Hostetler<br>Okemos, Michigan      | Senior Vice President and Chief of Staff<br>Delta Dental Plan of Michigan, Inc.  |
| Goran M. Jukovic<br>Okemos, Michigan        | Chief Operating Officer, Chief Financial Officer, and Chief<br>Risk Officer<br>Renaissance Health Services Corporation |
| Robert P. Mulligan<br>Indianapolis, Indiana | President and Chief Executive Officer<br>Renaissance Life and Health Insurance Company of<br>America                   |

#### Officers

The Bylaws state that the officers of the Company, who shall be elected by the Board, shall consist of a President, a Secretary, a Treasurer, and such other officers as the Board may otherwise elect by resolution or as the President may otherwise appoint. Each officer shall be elected by the Board at a regular or special meeting and shall serve for one (1) year, or such other period as is prescribed by the Board at the time of such election

The following is a list of key officers and their respective titles as of December 31, 2016:

| Name               | Office   |
|--------------------|--|
| Laura L. Czelada   | President  |
| Goran M. Jurkovic  | Treasurer, Chief Operating Officer, Chief<br>Financial Officer, and Chief Risk Officer |
| Jonathan S. Groat  | Vice President and General Counsel   |
| Amy L. Basel       | Vice President, Finance  |
| Nancy E. Hostetler | Secretary  |

#### CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2016.

## CORPORATE RECORDS

### Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

### Bylaws

There were no amendments made to the Bylaws during the examination period.

### Minutes

The Board meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws do not specify the date or time the annual meeting of shareholders is to be held. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

## AFFILIATED COMPANIES

### Organizational Structure

The following abbreviated organizational chart shows the Company's parent and subsidiaries as of December 31, 2016:

|  | NAIC Co.<br>Code | Domiciliary<br>State/Country |
|--|------------------|------------------------------|
| Renaissance Health Service Corporation                                   |                  | MI                           |
| <b>Delta Dental Plan of Michigan, Inc.</b>                               | <b>54305</b>     | <b>MI</b>                    |
| <b>Delta Dental Plan of Ohio, Inc. (DDPOH)**</b>                         | <b>54402</b>     | <b>OH</b>                    |
| <b>Delta Dental Plan of Indiana, Inc. **</b>                             | <b>52634</b>     | <b>IN</b>                    |
| Delta Dental Fund dba Dental Foundation**                                |                  | MI                           |
| Delta Dental of Tennessee  | 54526            | TN                           |
| Fore Holding Corporation (FHC)   |                  | TN                           |
| <b>Delta Dental Plan of New Mexico, Inc. (DDPNM)</b>                     | <b>47287</b>     | <b>NM</b>                    |
| Delta Dental of Kentucky, Inc. (DDKY)                                    | 54674            | KY                           |
| <b>Delta Dental of North Carolina</b>                                    | <b>54658</b>     | <b>NC</b>                    |
| Delta Dental Plan of Arkansas, Inc. (DDPAR)                              | 47155            | AR                           |
| Renaissance Holding Company *  |                  | MI                           |
| <b>Renaissance Life and Health Insurance Company of Indiana (RLHICA)</b> | <b>61700</b>     | <b>IN</b>                    |
| Renaissance Health Insurance Company of New York                         | 15638            | NY                           |

\*Owned by DDMI (58.0%), DDPAR (13.2%), FHC (8.9%), DDKY (5.9%), DDPIN (5.8%), DDPOH (4.2%), and DDPNM (4.0%)

\*\*Controlled by DDMI

## Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

### *Administrative Services Agreement*

Effective April 1, 2010, DDPIN and RLHICA entered into an Administrative Services Agreement. Pursuant to the agreement, RLHICA and/or the Company may provide certain administrative services to each other including, but not limited to, claims processing, customer service, and managerial services. In 2016, the Company paid RLHICA \$175,066 under the terms of this agreement.

### *Administrative Services Agreement*

Effective December 31, 2007, the Company and DDMI entered into an Administrative Services Agreement. Pursuant to the agreement, DDMI provides management and claims processing to the Company in exchange for an administrative fee. In 2016, the Company paid DDMI \$9,646,366 under the terms of this agreement.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Great American Insurance Company. The bond has a single loss coverage limit of \$10,000,000, with a \$200,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2016, including but not limited to directors and officers liability, errors and omissions liability, fire, general liability, malpractice, and theft.

## **PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS**

The Company has no employees and therefore this section does not apply.

## **SPECIAL AND STATUTORY DEPOSITS**

The Company reported a statutory deposit held with Indiana for the benefit of all policyholders comprised of a U.S. Treasury note as of December 31, 2016, with a book value totaling \$51,423 and a market value totaling \$50,585.

## **ACCOUNTS AND RECORDS**

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2015 and December 31, 2016, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2014 through December 31, 2016, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

DELTA DENTAL PLAN OF INDIANA, INC.  
 Assets  
 As of December 31, 2016

|   | Per Examination* |
|---|------------------|
| Bonds   | \$ 17,670,709    |
| Stocks:   |                  |
| Common Stocks   | 44,805,243       |
| Cash, cash equivalents and short-term investments   | 2,687,203        |
| Other invested assets   | 468,453          |
| Subtotals, cash and invested assets   | 65,631,608       |
| Investment income due and accrued   | 43,810           |
| Premiums and considerations:  |                  |
| Uncollected premiums and agents' balances in course of collection                         | 1,346,273        |
| Amounts receivable relating to uninsured plans  | 2,498,450        |
| TOTAL Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts | 69,520,141       |
| TOTAL   | \$ 69,520,141    |

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\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

DELTA DENTAL PLAN OF INDIANA, INC.  
Liabilities, Capital and Surplus  
As of December 31, 2016

|  | Per Examination* |
|--|------------------|
| Claims unpaid  | \$ 3,465,112     |
| Unpaid claims adjustment expenses                      | 83,961           |
| Aggregate health policy reserves                       | 7,662            |
| Premiums received in advance                           | 1,412,570        |
| General expenses due or accrued                        | 286,405          |
| Amounts withheld or retained for the account of others | 546,381          |
| Amounts due to parent, subsidiaries and affiliates     | 282,675          |
| Liability for amounts held under uninsured plans       | 1,883,891        |
| Aggregate write-ins for other liabilities              | 97,526           |
| TOTAL Liabilities                                      | 8,066,183        |
| Gross paid in and contributed surplus                  | 14,546,833       |
| Unassigned funds (surplus)                             | 46,907,125       |
| TOTAL Capital and Surplus                              | 61,453,958       |
| TOTAL Liabilities, Capital and Surplus                 | \$ 69,520,141    |

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\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

DELTA DENTAL PLAN OF INDIANA, INC.  
Statement of Revenue and Expenses  
For the Year Ended December 31, 2016

|  | <u>Per Examination*</u> |
|--|-------------------------|
| Member Months  | 3,268,905               |
| Net premium income   | \$ 79,570,870           |
| TOTAL Revenues   | <u>79,570,870</u>       |
| <b>Hospital and Medical:</b>   |                         |
| Other professional services  | 64,029,862              |
| TOTAL Hospital and Medical   | <u>64,029,862</u>       |
| Claims adjustment expenses   | 501,217                 |
| General administrative expenses  | 6,258,171               |
| TOTAL Underwriting Deductions  | <u>70,789,250</u>       |
| Net underwriting gain or (loss)  | 8,781,620               |
| Net investment income earned   | 1,297,552               |
| Net realized capital gains (losses)  | 342,208                 |
| Net investment gains (losses)  | <u>1,639,760</u>        |
| Net gain or (loss) from agents' or premiums balances charged off                       | (7,752)                 |
| Aggregate write-ins for other income or expenses                                       | <u>2,396</u>            |
| Net income or (loss) after capital gains tax and before all other federal income taxes | 10,416,024              |
| Federal and foreign income taxes incurred  | 3,535                   |
| Net income (loss)  | <u>\$ 10,412,489</u>    |

\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

DELTA DENTAL PLAN OF INDIANA, INC.  
Capital and Surplus Account Reconciliation

|   | 2016                 | 2015                 | 2014                 |
|---|----------------------|----------------------|----------------------|
| Capital and surplus, prior reporting year       | \$ 50,198,718        | \$ 42,387,386        | \$ 36,743,683        |
| Net income                                      | 10,412,489           | 7,483,562            | 5,406,091            |
| Change in net unrealized capital gains (losses) | 643,287              | (817,959)            | (58,117)             |
| Change in nonadmitted assets                    | 199,464              | 1,145,729            | 295,729              |
| Net change in capital and surplus               | <u>11,255,240</u>    | <u>7,811,332</u>     | <u>5,643,703</u>     |
| Capital and surplus end of year reporting       | <u>\$ 61,453,958</u> | <u>\$ 50,198,718</u> | <u>\$ 42,387,386</u> |



### COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2016, based on the results of this examination.

### OTHER SIGNIFICANT ISSUES

There were no significant issues requiring disclosure in this Report of Examination.

### SUBSEQUENT EVENTS

Effective February 1, 2017, the Company became party to a revised "global" Administrative Services Agreement that replaces the agreements listed in the Affiliated Agreements section of the Report of Examination, including the agreements between the Company and both DDMI and RLHICA. The purpose of the revised agreement is to streamline services between and among the members of the holding company system and provide for efficient and accurate payment arrangements.



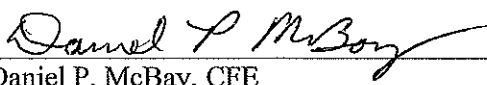
**AFFIDAVIT**

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from INS Consultants, Inc., performed an examination of Delta Dental Plan of Indiana, Inc., as of December 31, 2016.

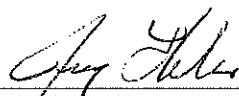
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of Delta Dental Plan of Indiana, Inc. as of December 31, 2016, as determined by the undersigned.

  
\_\_\_\_\_  
Daniel P. McBay, CFE  
Noble Consulting Services, Inc.

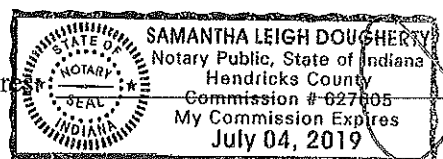
Under the supervision of,

  
\_\_\_\_\_  
Jerry Ehlers, CFE, AES  
Examinations Manager  
Indiana Department of Insurance

State of: Indiana  
County of: Marion

On this 22 day of February, 2018, before me personally appeared, Daniel P. McBay and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires \_\_\_\_\_  
 \_\_\_\_\_  
Notary Public

