

**ANNUAL STATEMENT**

**OF THE**

**DELTA DENTAL**

---

**OF RHODE ISLAND**

---

**of** **PROVIDENCE**

---

**in the state of** **RHODE ISLAND**

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**TO THE**

**Insurance Department**

**OF THE**

**STATE OF RHODE ISLAND**

**FOR THE YEAR ENDED**

**December 31, 2016**

**HEALTH**

**2016**



55301201620100100

# ANNUAL STATEMENT

For the Year Ended December 31, 2016  
OF THE CONDITION AND AFFAIRS OF THE

## DELTA DENTAL OF RHODE ISLAND

NAIC Group Code 1571 1571 NAIC Company Code 55301 Employer's ID Number 05-0296998  
(Current Period) (Prior Period)

Organized under the Laws of RHODE ISLAND, State of Domicile or Port of Entry RHODE ISLAND

Country of Domicile UNITED STATE OF AMERICA

Licensed as business type: **Life, Accident & Health** [ ] **Property/Casualty** [ ] **Hospital, Medical & Dental Service or Indemnity** [ ]  
**Dental Service Corporation** [X] **Vision Service Corporation** [ ] **Health Maintenance Organization** [ ]  
**Other** [ ] **Is HMO Federally Qualified?** Yes [ ] No [X]

Incorporated/Organized October 22, 1959 Commenced Business April 1, 1966

Statutory Home Office 10 CHARLES STREET, PROVIDENCE, RI, US 02904  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 10 CHARLES STREET  
(Street and Number)  
PROVIDENCE, RI, US 02904 401-752-6000  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 10 CHARLES STREET, PROVIDENCE, RI, US 02904  
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 10 CHARLES STREET PROVIDENCE, RI, US 02904 401-752-6000  
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.deltadentalri.com

Statutory Statement Contact GEORGE J. BEDARD 401-752-6000  
(Name) (Area Code) (Telephone Number) (Extension)  
gbedard@deltadentalri.com 401-752-6070  
(E-Mail Address) (Fax Number)

### OFFICERS

	Name	Title
1.	<u>JOSEPH A. NAGLE</u>	<u>PRESIDENT</u>
2.	<u>MELISSA GENNARI #</u>	<u>ASSISTANT SECRETARY</u>
3.	<u>RICHARD A. FRITZ</u>	<u>TREASURER</u>

### VICE-PRESIDENTS

Name	Title	Name	Title
<u>RICHARD A. FRITZ</u>	<u>VP - FINANCE</u>	<u>KERRIE BENNETT</u>	<u>VP - MARKETING &amp; COMMUNICATIONS</u>
<u>JOSEPH PERRONI</u>	<u>VP - SALES</u>	<u>THOMAS CHASE</u>	<u>VP - CHIEF INFORMATION OFFICER</u>
<u>BLAINE CARROLL</u>	<u>VP - STRATEGIC INITIATIVES</u>		

### DIRECTORS OR TRUSTEES

<u>JULIE G. DUFFY</u>	<u>FRANCIS J. FLYNN</u>	<u>WILLIAM G. FOULKES</u>	<u>JONATHAN W. HALL #</u>
<u>ALMON C. HALL</u>	<u>EDWARD O. HANDY III</u>	<u>STEVEN J. ISSA</u>	<u>JOSEPH J. MARCAURELE</u>
<u>LINDA R. McGOLDRICK</u>	<u>JAMES F. McMANUS, DDS</u>	<u>MARC A. PAULHUS #</u>	<u>CYNTHIA S. REED</u>
<u>JAMES V. ROSATI #</u>	<u>JOHN T RUGGEIRI</u>	<u>VANESSA TOLEDO-VICKERS</u>	

State of RHODE ISLAND

County of PROVIDENCE ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

<u>(Signature)</u> <u>JOSEPH A. NAGLE</u> <u>(Printed Name)</u> 1. <u>PRESIDENT</u> <u>(Title)</u>	<u>(Signature)</u> <u>MELISSA GENNARI</u> <u>(Printed Name)</u> 2. <u>ASSISTANT SECRETARY</u> <u>(Title)</u>	<u>(Signature)</u> <u>RICHARD A. FRITZ</u> <u>(Printed Name)</u> 3. <u>TREASURER</u> <u>(Title)</u>
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Subscribed and sworn to (or affirmed) before me this on this  
24th day of FEBRUARY, 2017, by

KRISTEN MEIZOSO  
My commission expires 8/1/20

a. Is this an original filing? [X] Yes [ ] No  
b. If no: 1. State the amendment number .....  
2. Date filed .....  
3. Number of pages attached .....

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	69,266,845		69,266,845	70,444,568
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	42,804,842		42,804,842	37,530,029
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 522,280, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 0, Schedule DA)	522,280		522,280	(4,303,074)
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	6,317,928		6,317,928	6,167,740
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	118,911,895		118,911,895	109,839,263
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	636,208		636,208	663,865
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	727,590	92,153	635,437	1,501,963
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums (\$ 0) and contracts subject to redetermination (\$ 0)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	5,170,940	137,519	5,033,421	3,302,854
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	712,612	100,383	612,229	813,918
21. Furniture and equipment, including health care delivery assets (\$ 0)	217,187	217,187		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	8,370,725	8,248,725	122,000	385,073
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	751,244	750,781	463	93,529
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	135,498,401	9,546,748	125,951,653	116,600,465
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	135,498,401	9,546,748	125,951,653	116,600,465

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. PREPAID EXPENSES AND OTHER ACCTS. REC.	750,781	750,781		
2502. NET STATE AND FEDERAL TAX ADVANCES	463		463	93,529
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	751,244	750,781	463	93,529

NONE

## LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)	4,267,000		4,267,000	4,872,000
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	394,381		394,381	430,738
4. Aggregate health policy reserves, including the liability of \$ 0 for medical loss ratio rebate per the Public Health Services Act				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance	1,754,524		1,754,524	1,392,506
9. General expenses due or accrued	7,634,181		7,634,181	7,469,493
10.1. Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized gains (losses))				
10.2. Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)				
15. Amounts due to parent, subsidiaries and affiliates				1,147,181
16. Derivatives				
17. Payable for securities				
18. Payable for securities lending				
19. Funds held under reinsurance treaties (with \$ 0 authorized reinsurers, \$ 0 unauthorized reinsurers and \$ 0 certified reinsurers)				
20. Reinsurance in unauthorized and certified \$ ( 0) companies				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans	3,582,948		3,582,948	1,115,167
23. Aggregate write-ins for other liabilities (including \$ 0 current)	560,087		560,087	408,646
24. Total liabilities (Lines 1 to 23)	18,193,121		18,193,121	16,835,731
25. Aggregate write-ins for special surplus funds	X X X	X X X		
26. Common capital stock	X X X	X X X		
27. Preferred capital stock	X X X	X X X		
28. Gross paid in and contributed surplus	X X X	X X X		
29. Surplus notes	X X X	X X X		
30. Aggregate write-ins for other than special surplus funds	X X X	X X X	33,022,877	29,649,062
31. Unassigned funds (surplus)	X X X	X X X	74,735,655	70,115,672
32. Less treasury stock, at cost:				
32.1 0 shares common (value included in Line 26 \$ 0)	X X X	X X X		
32.2 0 shares preferred (value included in Line 27 \$ 0)	X X X	X X X		
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	X X X	X X X	107,758,532	99,764,734
34. Total liabilities, capital and surplus (Lines 24 and 33)	X X X	X X X	125,951,653	116,600,465

DETAILS OF WRITE-IN LINES				
2301. ADVANCE DEPOSITS	560,087		560,087	408,646
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	560,087		560,087	408,646
2501.	X X X	X X X		
2502.	X X X	X X X		
2503.	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page	X X X	X X X		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	X X X	X X X		
3001. RESERVES FROM WHOLLY OWNED SUBSIDIARIES	X X X	X X X	33,022,877	28,936,541
3002. RESTRICTED RESERVES ACA ASSESSMENT	X X X	X X X		712,521
3003.	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page	X X X	X X X		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	X X X	X X X	33,022,877	29,649,062

NONE

## STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	2,343,111	2,514,603
2. Net premium income (including \$ 0 non-health premium income)	X X X	75,974,126	84,961,063
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ 0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Lines 2 to 7)	X X X	75,974,126	84,961,063
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits			
10. Other professional services		58,638,216	67,967,472
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)		58,638,216	67,967,472
<b>Less:</b>			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)		58,638,216	67,967,472
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 596,113 cost containment expenses		5,744,957	6,819,761
21. General administrative expenses		10,820,407	11,752,746
22. Increase in reserves for life and accident and health contracts (including \$ 0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)		75,203,580	86,539,979
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	770,546	(1,578,916)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		1,884,272	1,547,910
26. Net realized capital gains (losses) less capital gains tax of \$ 0		(13,458)	814,314
27. Net investment gains (losses) (Lines 25 plus 26)		1,870,814	2,362,224
28. Net gain or (loss) from agents' or premium balances charged off [ (amount recovered \$ 0) (amount charged off \$ 0) ]			
29. Aggregate write-ins for other income or expenses		122,008	150,154
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	2,763,368	933,462
31. Federal and foreign income taxes incurred	X X X		(4,000)
32. Net income (loss) (Lines 30 minus 31)	X X X	2,763,368	937,462

DETAILS OF WRITE-IN LINES			
0601.		X X X	
0602.		X X X	
0603.	<b>NONE</b>	X X X	
0698. Summary of remaining write-ins for Line 06 from overflow page		X X X	
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)		X X X	
0701.		X X X	
0702.		X X X	
0703.	<b>NONE</b>	X X X	
0798. Summary of remaining write-ins for Line 07 from overflow page		X X X	
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 07 above)		X X X	
1401.			
1402.			
1403.	<b>NONE</b>		
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901. GAIN ON PURCHASE ON RHODE ISLAND TAX CREDITS		122,008	150,154
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		122,008	150,154

## STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2
	Current Year	Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>		
33. Capital and surplus prior reporting year	99,764,734	97,097,595
34. Net income or (loss) from Line 32	2,763,368	937,462
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ 0	4,473,420	1,462,936
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	986,341	118,095
40. Change in unauthorized and certified reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	(229,331)	148,646
48. Net change in capital and surplus (Lines 34 to 47)	7,993,798	2,667,139
49. Capital and surplus end of reporting year (Line 33 plus 48)	107,758,532	99,764,734

DETAILS OF WRITE-IN LINES		
4701. INCLUSION OF BAD DEBT RESERVE IN THE NON-ADMITTED ASSETS	(229,331)	148,646
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	(229,331)	148,646

**CASH FLOW**

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	75,472,103	85,331,826
2. Net investment income	1,898,471	2,340,211
3. Miscellaneous income	122,008	150,154
4. Total (Lines 1 through 3)	77,492,582	87,822,191
5. Benefit and loss related payments	59,243,216	67,570,672
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	13,969,252	20,563,502
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)		(4,000)
10. Total (Lines 5 through 9)	73,212,468	88,130,174
11. Net cash from operations (Line 4 minus Line 10)	4,280,114	(307,983)
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	8,599,843	9,276,744
12.2 Stocks	12,286,584	24,773,646
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	1,833,721	1,794,200
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	22,720,148	35,844,590
13. Cost of investments acquired (long-term only):		
13.1 Bonds	8,180,296	10,443,809
13.2 Stocks	13,625,831	25,259,523
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	1,698,511	2,543,385
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	23,504,638	38,246,717
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(784,490)	(2,402,127)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	1,329,730	(1,827,792)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	1,329,730	(1,827,792)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	4,825,354	(4,537,902)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	(4,303,074)	234,828
19.2 End of year (Line 18 plus Line 19.1)	522,280	(4,303,074)

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
20.0002		
20.0003		





## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS

Line of Business	1  Direct Business	2  Reinsurance Assumed	3  Reinsurance Ceded	4  Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical) .....				
2. Medicare Supplement .....				
3. Dental only .....	75,974,126			75,974,126
4. Vision only .....				
5. Federal Employees Health Benefits Plan .....				
6. Title XVIII – Medicare .....				
7. Title XIX – Medicaid .....				
8. Other health .....				
9. Health subtotal (Lines 1 through 8) .....	75,974,126			75,974,126
10. Life .....				
11. Property/casualty .....				
12. Totals (Lines 9 to 11) .....	75,974,126			75,974,126

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	59,243,216			59,243,216						
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	59,243,216			59,243,216						
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	4,267,000			4,267,000						
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	4,267,000			4,267,000						
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	4,872,000			4,872,000						
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	4,872,000			4,872,000						
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	58,638,216			58,638,216						
12.2 Reinsurance assumed										
12.3 Reinsurance ceded										
12.4 Net	58,638,216			58,638,216						
13. Incurred medical incentive pools and bonuses										

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A – CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	342,650			342,650						
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	342,650			342,650						
2. Incurred but Unreported:										
2.1 Direct	3,924,350			3,924,350						
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	3,924,350			3,924,350						
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS:										
4.1 Direct	4,267,000			4,267,000						
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	4,267,000			4,267,000						

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2B – ANALYSIS OF CLAIMS UNPAID – PRIOR YEAR-NET OF REINSURANCE**

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
	1. Comprehensive (hospital and medical)					
2. Medicare Supplement						
3. Dental only	4,477,800	54,765,416	58,616	4,208,384	4,536,416	4,872,000
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII – Medicare						
7. Title XIX – Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)	4,477,800	54,765,416	58,616	4,208,384	4,536,416	4,872,000
10. Health care receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9 - 10 + 11 + 12)	4,477,800	54,765,416	58,616	4,208,384	4,536,416	4,872,000

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (000 Omitted)  
 Hospital & Medical

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section B – Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2012										
2. 2013										
3. 2014										
4. 2015										
5. 2016										

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (000 Omitted)  
**Medicare Supplement**

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section B – Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2012										
2. 2013										
3. 2014										
4. 2015										
5. 2016										

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
**(000 Omitted)**  
**Dental Only**

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012	3,060				
3. 2013	77,531	2,765			
4. 2014	X X X	71,531	2,566		
5. 2015	X X X	X X X	65,307	2,954	
6. 2016	X X X	X X X	X X X	64,685	2,262
			X X X	X X X	56,981

**Section B – Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	3,068				
2. 2012	80,667	2,781			
3. 2013	X X X	76,462	2,587		
4. 2014	X X X	X X X	69,761	2,964	
5. 2015	X X X	X X X	X X X	69,547	2,321
6. 2016	X X X	X X X	X X X	X X X	61,189

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2012	102,889	80,296			80,296	78.041			80,296	78.041
2. 2013	100,329	74,097			74,097	73.854			74,097	73.854
3. 2014	89,710	68,261			68,261	76.091			68,261	76.091
4. 2015	84,961	66,947	431	0.644	67,378	79.305	59		67,437	79.374
5. 2016	75,974	56,981			56,981	75.001	4,208	394	61,583	81.058

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (000 Omitted)  
 Vision Only

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section B – Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2012										
2. 2013										
3. 2014										
4. 2015										
5. 2016										

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(000 Omitted)

**Fed Emp Health Benefits Plan**

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section B – Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2012										
2. 2013										
3. 2014										
4. 2015										
5. 2016										

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (000 Omitted)  
 Title XVIII - Medicare

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section B – Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2012										
2. 2013										
3. 2014										
4. 2015										
5. 2016										

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (000 Omitted)  
 Title XIX - Medicaid

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section B – Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2012										
2. 2013										
3. 2014										
4. 2015										
5. 2016										

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (000 Omitted)  
 Other

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section B – Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2012										
2. 2013										
3. 2014										
4. 2015										
5. 2016										

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
**(000 Omitted)**  
**Grand Total**

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior		3,060			
2. 2012		77,531	2,765		
3. 2013	X X X		71,531	2,566	
4. 2014	X X X	X X X		65,307	2,954
5. 2015	X X X	X X X	X X X		64,685
6. 2016	X X X	X X X	X X X	X X X	
					2,262
					56,981

**Section B – Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior		3,068			
2. 2012		80,667	2,781		
3. 2013	X X X		76,462	2,587	
4. 2014	X X X	X X X		69,761	2,964
5. 2015	X X X	X X X	X X X		69,547
6. 2016	X X X	X X X	X X X	X X X	
					2,321
					61,189

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2012	102,889	80,296			80,296	78.041			80,296	78.041
2. 2013	100,329	74,097			74,097	73.854			74,097	73.854
3. 2014	89,710	68,261			68,261	76.091			68,261	76.091
4. 2015	84,961	66,947	431	0.644	67,378	79.305	59		67,437	79.374
5. 2016	75,974	56,981			56,981	75.001	4,208	394	61,583	81.058

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## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2D – AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$ _____ 0 for investment income)									
5. Aggregate write-ins for other policy reserves									
6. Totals (gross)									
7. Reinsurance ceded									
8. Totals (Net) (Page 3, Line 4)			<b>NONE</b>						
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Totals (Net) (Page 3, Line 7)									

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DETAILS OF WRITE-IN LINES									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 05 from overflow page									
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)			<b>NONE</b>						
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			<b>NONE</b>						

(a) Includes \$ \_\_\_\_\_ 0 premium deficiency reserve.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 – ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ 0 for occupancy of own building)		406,355	404,260		810,615
2. Salaries, wages and other benefits	889,077	4,625,032	5,513,881		11,027,990
3. Commissions (less \$ 0 ceded plus \$ 0 assumed)			2,146,337		2,146,337
4. Legal fees and expenses			155,960		155,960
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services	64,124	1,110,917	(126,601)		1,048,440
7. Traveling expenses	815	2,879	113,505		117,199
8. Marketing and advertising			506,165		506,165
9. Postage, express and telephone		621,382	33,029		654,411
10. Printing and office supplies			218,287		218,287
11. Occupancy, depreciation and amortization			1,118,191		1,118,191
12. Equipment		1,049,102			1,049,102
13. Cost or depreciation of EDP equipment and software					
14. Outsourced services including EDP, claims, and other services		285,398	76,240		361,638
15. Boards, bureaus and association fees		9,346	499,491		508,837
16. Insurance, except on real estate			162,511		162,511
17. Collection and bank service charges			(223,409)		(223,409)
18. Group service and administration fees					
19. Reimbursements by uninsured plans	(373,968)	(3,295,805)	(3,650,849)		(7,320,622)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses					
22. Real estate taxes					
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes			1,513,839		1,513,839
23.3 Regulatory authority licenses and fees	965		20,695		21,660
23.4 Payroll taxes	14,535	333,658	357,473		705,666
23.5 Other (excluding federal income and real estate taxes)			648,740		648,740
24. Investment expenses not included elsewhere				504,308	504,308
25. Aggregate write-ins for expenses	565	580	1,332,662		1,333,807
26. Total expenses incurred (Lines 1 to 25)	596,113	5,148,844	10,820,407	504,308	(a) 17,069,672
27. Less expenses unpaid December 31, current year		394,381	7,634,181		8,028,562
28. Add expenses unpaid December 31, prior year		430,738	7,469,493		7,900,231
29. Amounts receivable relating to uninsured plans, prior year					
30. Amounts receivable relating to uninsured plans, current year					
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	596,113	5,185,201	10,655,719	504,308	16,941,341

DETAILS OF WRITE-IN LINES					
2501. NET OTHER EXPENSES	565	580	1,343,674		1,344,819
2502. FAS 106 EXPENSES			(11,012)		(11,012)
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page					
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	565	580	1,332,662		1,333,807

(a) Includes management fees of \$ 0 to affiliates and \$ 0 to non-affiliates.

### EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a)	
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 1,625,294	1,606,970
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	250,411	253,203
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e)	
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	746,391	746,391
10. Total gross investment income	2,622,096	2,606,564
11. Investment expenses		(g) 504,308
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		217,984
16. Total deductions (Lines 11 through 15)		722,292
17. Net investment income (Line 10 minus Line 16)		1,884,272

DETAILS OF WRITE-IN LINES		
0901. FEDERAL MARKETING JOINT VENTURE ACTIVITY	572,320	572,320
0902. INCOME FROM SUBSIDIARIES	154,385	154,385
0903. OTHER INCOME	19,686	19,686
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)	746,391	746,391
1501. BANK SERVICE FEES		209,175
1502. OTHER EXPENSES		8,809
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)		217,984

- (a) Includes \$ 31,510 accrual of discount less \$ 745,714 amortization of premium and less \$ 65,607 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

### EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(1,011)		(1,011)	(714,204)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	(12,447)		(12,447)	5,187,624	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	(13,458)		(13,458)	4,473,420	

DETAILS OF WRITE-IN LINES					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)					

NONE



## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First lines			
3.2 Other than first lines			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	92,153	382,029	289,876
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums and contracts subject to redetermination			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans	137,519	76,974	(60,545)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	100,383	157,945	57,562
21. Furniture and equipment, including health care delivery assets	217,187	594,649	377,462
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates	8,248,725	7,578,291	(670,434)
24. Health care and other amounts receivable			
25. Aggregate write-ins for other-than-invested assets	750,781	1,743,201	992,420
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	9,546,748	10,533,089	986,341
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	9,546,748	10,533,089	986,341

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. PREPAID EXPENSES AND OTHER ACCTS REC.	750,781	507,743	(243,038)
2502. RETROSPECTIVE PREMIUM ADJUSTMENTS		1,235,458	1,235,458
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	750,781	1,743,201	992,420

### EXHIBIT 1 – ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations						
2. Provider Service Organizations						
3. Preferred Provider Organizations	195,438	193,810	195,027	196,161	197,311	2,343,111
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business						
7. Total	195,438	193,810	195,027	196,161	197,311	2,343,111

DETAILS OF WRITE-IN LINES						
0601.		<b>NONE</b>				
0602.						
0603.						
0698. Summary of remaining write-ins for Line 06 from overflow page						
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)						

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (A) Basis of Presentation

The Annual Statement of Delta Dental of Rhode Island for the year ended December 31, 2016 has been completed in accordance with NAIC *Annual Statement Instructions* and the *Accounting Practices and Procedures* manual and are presented on the basis of accounting practices prescribed or permitted by the Rhode Island Department of Business Regulations. Management is not aware of any deviations from this NAIC guidance, as it relates to the 2016 and 2015 financial information contained in these statements.

## NOTES TO FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies and Going Concern

- A. Reconciliation of the Company's net inc. and capital & surplus between NAIC SAP and the state of RHODE ISLAND is shown below.

##### NET INCOME

	SSAP #	F/S Page	F/S Line #	2016	2015
01. DELTA DENTAL OF RHODE ISLAND state basis (Page \$	X X X	X X X	X X X	2,763,368	937,462
State Prescribed Practices that increase/(decrease) NAIC SAP:					

Details of Depreciation of Fixed Assets	SSAP #	F/S Page	F/S Line #	Net Income 2016	Net Income 2015
Totals (Lines 01A0201 through 01A0225)					

03. State Permitted Practices that increase/(decrease) NAIC SAP:

Details of Depreciation of Home Office Property	SSAP #	F/S Page	F/S Line #	Net Income 2016	Net Income 2015
Totals (Lines 01A0301 through 01A0325)					

04. NAIC SAP \$ X X X X X X X X X X 2,763,368 937,462

##### SURPLUS

	SSAP #	F/S Page	F/S Line #	2016	2015
05. DELTA DENTAL OF RHODE ISLAND state basis (Page \$	X X X	X X X	X X X	107,758,532	99,764,734
State Prescribed Practices that increase/(decrease) NAIC SAP:					

e.g., Goodwill, net, Fixed Assets, Net	SSAP #	F/S Page	F/S Line #	Surplus 2016	Surplus 2015
Totals (Lines 01A0601 through 01A0625)					

07. State Permitted Practices that increase/(decrease) NAIC SAP:

Home Office Property	SSAP #	F/S Page	F/S Line #	Net Income 2016	Net Income 2015
Totals (Lines 01A0701 through 01A0725)					

08. NAIC SAP \$ X X X X X X X X X X 107,758,532 99,764,734

#### (B) Use of Estimates in the Preparation of the Financial Statements

The preparation of the financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (C) Accounting Policies

##### Investment Income and Declines in Fair Value

The Company periodically reviews its bonds and common stocks to determine whether a decline in fair value below the amortized cost basis is other than temporary. The process for identifying declines in the fair value of investments that are other than temporary involves consideration of several factors. These factors include (1) the period in which there has been a significant decline in value; (2) an analysis of the liquidity, business prospects, and overall financial condition of the issuer; (3) the significance of the decline; and (4) our intent and ability to hold the investment for a sufficient period for the value to recover. When our analysis of the above factors results in the conclusion that declines in fair values are other than temporary, the cost of the securities is written down to fair value and is reflected as a realized loss.

## NOTES TO FINANCIAL STATEMENTS

### **Bonds**

Bond investments are stated at amortized cost and consist of United States Treasury and government agency securities as well as "Investment Grade" corporate notes with fixed rates and maturities. Interest income is accrued as earned. The Company has both the intent and ability to hold these securities until maturity and, accordingly, has categorized these investments as "held-to-maturity" securities. As a result, unrealized gains and losses are excluded from net income.

### **Common Stocks - - Investments in Subsidiaries**

The accompanying financial statements of Delta Dental of Rhode Island include the common stock investments of its wholly owned subsidiary, The Altus Group, Inc. Another subsidiary, Altus Realty, Inc. is a non-profit real estate holding company and is reported on Schedule BA. The values of these investments are reported using the equity method.

The income and expenses of Altus Realty Company and The Altus Group, Inc. are combined such that the net change for the year is included in "Net unrealized capital gains and losses" on line 36 in the Statement of Revenues and Expenses.

The Company contracts with an independent investment advisor to separately manage a portion of the Company's investment portfolio. As a result of this arrangement, common stocks of nonaffiliated companies were added to the Company's investment portfolio beginning in 2004. These common stocks, including investments in mutual funds, are valued at market as they are categorized as "available-for-sale" securities.

### **Claims and Claims Adjudication Expenses**

The estimated liability for claims incurred but unpaid is actuarially determined based on an analysis of historical claims experience, modified for changes in enrollment, inflation and benefit coverage. The estimated liability for accrued claims adjudication expense represents the anticipated cost of processing claims incurred but unpaid at the balance sheet date. The estimates for claims and claims adjudication expenses may be more or less than the amount ultimately paid. Such changes in estimates are reflected in current period operations.

Additionally, in accordance with NAIC guidelines, the following accounting policies are either utilized or are not applicable to the company.

1. Short term investments are stated at cost.
2. Bonds are stated at amortized value using the constant yield / scientific method.
3. Common stocks in our investment portfolio are stated at market value. In accordance with NAIC guidelines, money market mutual funds are reported as Common Stocks on Schedule D and the Balance Sheet.
4. The company does not own preferred stocks; hence this accounting policy is not applicable.
5. The company does not have mortgage loans directly; hence this accounting policy is not applicable. One of the company's subsidiaries, Altus Realty, owns the building and had mortgage debt associated with the company office facility. This debt was paid off in 2014.
6. Loan-backed securities are stated at amortized value using the constant yield / scientific method.
7. Investments in subsidiaries, controlled and affiliated entities are reported using the equity method.
8. Investments in joint ventures, partnerships and limited liability companies are valued based on quarterly and annual reports supplied by the joint venture.
9. The company does not own derivatives; hence this accounting policy is not applicable.
10. The company does utilize anticipated investment income as a factor in the premium deficiency calculation.
11. The company methodologies for estimating the liabilities for losses and loss/claim adjustment expenses are actuarially derived as described above.
12. The capitalization policy and the predefined thresholds did not change from the prior period.

## NOTES TO FINANCIAL STATEMENTS

13. The company does not use pharmaceutical rebate receivables; hence this accounting policy is not applicable.

### **D) Going Concerns**

There are no conditions or events that raise substantial doubt about the Company's ability to continue as a going concern.

### NOTE 2 - - ACCOUNTING CHANGES AND CORRECTION OF ERRORS

The financial statements included in this filing do not contain any items that resulted from corrections of errors. Beginning with the December 31, 2001 annual filing the Company implemented the Codification of the NAIC Accounting Practices and Procedures Manual. This included the adoption of the Statement on Statutory Accounting Principles (SSAP) # 47 "Uninsured Plans".

SSAP 47 requires the exclusion of uninsured plan business for both premiums earned and claims incurred in the Statement of Revenues and Expenses. The Company has identified its Administrative Service Business (ASC), where the account, not Delta Dental of Rhode Island, has assumed the overall risk for the claims incurred and removed these components from both premiums earned and claims incurred in these 2016 and 2015 financial statements and the associated supporting exhibits. The administrative expenses reimbursed from ASC business is reported in the Annual Statement as "reimbursements by uninsured accident and health plans" in the Underwriting and Investment Exhibit Part 3 - Analysis of Expenses.

### NOTE 3 - - BUSINESS COMBINATIONS AND GOODWILL

During 2016, the Company had no business combinations, direct purchases or mergers with other companies. The related disclosures are all not applicable.

### NOTE 4 - - DISCONTINUED OPERATIONS

During 2016, the Company's financial results includes no gains or losses from discontinued operations. The related disclosures are all not applicable.

### NOTE 5 - - INVESTMENTS

The Company's bond, common stock investments and Schedule BA investments described in Note 1 represent all of the Company's statutory recorded investments as of December 31, 2016 and December 31, 2015.

Additionally, in accordance with NAIC guidelines, the following accounting policies are either utilized or are not applicable to the company. The related note disclosures, specifically including 5D, 5E(3)b, 5I(2), 5I(3) and 5J, are all not applicable.

1. Mortgage Loans, including Mezzanine Real Estate Loans – This is not applicable.
2. Debt Restructuring – This is not applicable.
3. Reverse Mortgages – This is not applicable.
4. Loan Backed Securities – Stated at amortized cost.
5. Repurchase Agreements and/or Securities Lending Transactions – This is not applicable.
6. Real Estate – One of the company's subsidiaries, Altus Realty, owns the building that functions as corporate headquarters for the parent and all subsidiaries.
7. Investments in low-income housing tax credits – The company does utilize state tax credits, which may include low-income housing tax credits. See footnote number 21, where accounting for tax credits is addressed.

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**NOTES TO FINANCIAL STATEMENTS**

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8. Restricted Assets - This is not applicable.
9. Working Capital Finance Investments - This is not applicable.
10. Offsetting and Netting of assets and Liabilities - This is not applicable.
11. Structured Notes - This is not applicable.

**NOTE 6 - - JOINT VENTURES, PARTNERSHIPS and LIMITED LIABILITY COMPANIES**

During 2016, there has been \$572,000 of income from the company's three joint ventures. The Company participates in three separate joint ventures with other Delta Dental Plans. These joint ventures started January 1, 2014, and Delta Dental of RI has taken a 3.02% risk share. One of these new ventures experienced startup costs in the first year and more importantly network recruiting efforts had fallen short of what was assumed in the priced contractual premiums for the largest of these three programs. A projected loss over the full five year contract period for one of these ventures had been recorded in the amount of approximately \$1,900,000 in 2014, which reflected the general partners most conservative assumptions. In 2015, this loss reserve was revised, based on the general partners latest projections, reflecting a gain of approximately \$203,000 recorded for this program. In 2016, this loss reserve was revised further, based on the general partners latest projections, reflecting a gain of approximately \$396,000 recorded for this program. The other two smaller joint ventures have reported the \$176,000 of profitability.

In 2016, the company made small investments and increased its investments in its existing venture funds. In 2015, the company increased its investments in a separate fund in one of the two venture capital companies it had previously invested in. These investments are reported on Schedule BA.

**NOTE 7 - - INVESTMENT INCOME**

Interest income is accrued as earned. At December 31, 2016 and December 31, 2015, the Company had no income due or accrued that it considered a non-admitted asset, as collection on accrued interest is reasonably assured for all Company investments.

During the year ended December 31, 2016 and the year ended December 31, 2015, the Company performed analyses to determine whether declines in fair value below amortized cost were other than temporary impairment ("OTTI") for both its bond and stock portfolio. These analyses resulted in the conclusion that there was a statutory temporarily impaired adjustment in the amount of \$43,000 reducing bond investments and reserves for the year ended December 31, 2016.

In addition to this statutory adjustment, GAAP OTTI adjustments of \$66,000 and \$20,000 were recorded for the stock portfolio for the years ended December 31, 2016 and December 31, 2015. As the common stocks are recorded at market values, these OTTI adjustments result in reducing unrealized losses and increasing realized losses by writing down the original cost amount to current market value for these specific common stocks where market value is below cost by a percentage and time frame that meets the Company's OTTI criteria.

**NOTE 8 - - DERIVATIVE INSTRUMENTS**

As disclosed in Note 1 above, all investments consist of United States government and government agency securities, corporate notes with fixed rates and maturities, common stocks and two investments in wholly owned subsidiaries. During the periods ended December 31, 2016 and December 31, 2015, the Company had not utilized any derivative financial instruments. The related disclosures are all not applicable.

**NOTE 9 - - FEDERAL INCOME TAXES**

## NOTES TO FINANCIAL STATEMENTS

Delta Dental of Rhode Island is a not-for-profit corporation pursuant to Section 501(C)(4) of the Internal Revenue Code (IRC) and is exempt from federal income taxes under Section 501(a) of the IRC and, accordingly, no provision for income taxes has been made in the accompanying statutory financial statements. Altus Realty Company is also a not-for-profit real estate holding corporation under Section 501(C) (2) of the IRC, and as such has made no provision for income taxes.

The Company's other wholly owned subsidiary, The Altus Group, Inc., and its subsidiaries are for profit corporations. The Altus Group, Inc., including its subsidiaries Altus Dental, Altus Systems, Altus Dental Insurance Company and Altus Ventures, Inc. file consolidated federal and state tax returns. Through 2012, these filings had historically resulted in minimal taxes due resulting from utilizing net operating loss carry forwards from accumulated consolidated losses, all of which were fully utilized in the 2012 tax return. For the year ended December 31, 2016 and year ended December 31, 2015, the tax provision of the Altus Group was \$1,994,000 and \$1,844,000.

As the company is a nonprofit entity, the NAIC required tables or disclosures are not applicable to the Company.

### NOTE 10 - - INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

Delta Dental of RI is allocated expenses from Altus Systems, Inc., a subsidiary within the Altus Group. Altus Systems (AS) is the company that employs the operations staff necessary to administer the dental business of both DDRI and Altus Dental Insurance Company (ADIC). As a for-profit company, AS "sells" its dental related services to its sister and ultimate parent company at a 2% markup over its costs (to satisfy IRS requirements); therefore AS generates net income on its dental operations. The allocations from Altus Systems are based on the Company's member enrollment levels as a percentage of total consolidated dental member enrollment.

The Parent Company's one dental insurance subsidiary, Altus Dental Insurance Company, is allocated expenses from three affiliated Companies. The Parent, Delta Dental of RI and two sister companies (Altus Systems, Inc. and Altus Dental, Inc.) within the Altus Group. The allocations from Delta and Altus Systems are based on the Company's member enrollment levels as a percentage of total consolidated dental member enrollment. Expenses from Altus Dental are based on the number of subscribers under contract by the Company. The main allocated expenses from each source are as follows:

- Expenses are allocated from the Parent, Delta Dental (DDRI), for costs associated with a portion of consolidated expenses incurred by the Parent that should be spread among the two insurance companies. The main costs in this category would be rent, depreciation and payroll and fringes benefit costs for the various departments that service both insurance Companies.
- Altus Systems (AS) is the company that employs the operations staff necessary to administer the dental business of both ADIC and this Company.
- Altus Dental incurs costs related to: (1) advertising, (2) recruiting and servicing the provider network, and (3) sales and marketing activities. These costs are then allocated to ADIC based on the volume of subscriber dental contracts.

Altus Realty Company, a wholly owned subsidiary of the Company, is a non-profit real estate holding Company that holds title to and manages the building at 10 Charles Street in Providence, RI. The Company (Delta Dental of RI) presently rents approximately one half of the existing space within this building. For the year ended December 31, 2016 and the year ended December 31, 2015 respectively, this entity reported total revenues of \$1,888,000 and \$1,679,000 and net income of \$303,000 and \$91,000 during these two periods.

The Altus Group, Inc. is a wholly owned subsidiary of the Company and was established as a for-profit entity in 1999 for the purpose of expanding the Company's offering of prepaid dental care coverage. For the year ended December 31, 2016 and the year ended December 31, 2015,

## NOTES TO FINANCIAL STATEMENTS

after elimination of intercompany transactions, The Altus Group, Inc., generated gains of \$3,193,000 and \$2,229,000.

In the fourth quarter of 2016 a new entity within the Altus Group was established. This for-profit subsidiary, First Circle, Inc., is in the development stage. The Company is a services company that connects consumers with dentists for services not payable by insurance, and assists dental offices in promoting and increasing the efficiency of their offerings of such services through its proprietary Chewsi technological, transactional, payment processing and marketing services platform.

At December 31, 2016 and December 31, 2015 the Company has intercompany receivables from The Altus Group, Inc. and other subsidiaries. These balances resulted from advances that were provided to fund operating expenses of both The Altus Group, Inc. and its subsidiaries, as well as cash flow needs of Altus Realty. The Company charges interest on unpaid advanced funds. For Statutory filing purposes portions of the intercompany receivable balances from Altus Dental, Inc., Altus Realty and Altus Systems are considered non-admitted assets. These subsidiary entities do not currently possess the necessary liquidity to repay the entire receivable balances within 90 days. Therefore the currently uncollectible amounts are treated as nonadmitted assets in accordance with SSAP #25.

Management's cash flow projections for The Altus Group, Inc. and its subsidiaries are made based on a number of factors, which affect the changes in the receivable balances over the period of time being analyzed. The most significant factors include: the relative and absolute growth in enrollment levels for the Company and Altus Dental Insurance Company, Inc., a wholly owned subsidiary of The Altus Group, Inc.; the amount and rate of increase in operating and administrative expenses; the level of success Altus Dental, Inc. experiences in developing and maintaining its dental network; and the level of resources required by Altus Dental, Inc. for recruitment and marketing functions. Management's current cash flow projections for The Altus Group, Inc. and its subsidiaries projects continued profitability going forward and therefore the intercompany advances should continue to be gradually reduced.

See Schedule Y of the 2016 Annual Statement – Part 2 – Summary of Insurers Transactions with any Affiliates.

### DELTA DENTAL OF RHODE ISLAND INTERCOMPANY BALANCES DECEMBER 31, 2016

#### Assets (Page 2)

Line #	Account #	Description	Amount
23	1214-0000-001	A/R from Altus Systems, Inc.	\$213,653.83
	1214-0000-002	A/R from Altus Dental, Inc.	4,866,187.18
	1214-0000-003	A/R from The Altus Group, Inc.	0.00
	1214-0000-005	A/R from Altus Dental Insurance Co., Inc.	* 121,999.68
	1214-0000-006	A/R from Altus Realty Company	2,756,267.40
	1214-0000-008	A/R from Altus Ventures	412,617.06
		<b>Total</b>	<b><u>\$8,370,725.15</u></b>

\* Settled within 90 days



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**NOTES TO FINANCIAL STATEMENTS**


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**Liabilities (Page 3)**

Line #	Account #	Description	Amount
15			<hr/>
		<b>Total</b>	<b><u>\$0.00</u></b>

## NOTE 11 - - DEBT

During the year ended December 31, 2016 and the year ended December 31, 2015 the Company had no outstanding capital notes or any debt arrangements. The related note disclosures, specifically including 11B, are all not applicable.

## NOTE 12 - - EMPLOYEE RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFIT PLANS

## A. Defined Contribution Retirement Plan

The Company maintains a noncontributory, defined contribution retirement plan. The plan covers all full time employees who are 21 years of age and have completed three months of service to the Company.

Employees qualify for benefits upon normal retirement at age 65, or early retirement, which is met upon reaching age 60 and completion of five years of service. Vesting of contributions (made on behalf of each employee) begins at 20% after two years of service and increases 20% annually until full vesting occurs after six years of service. The Company's contributions to this plan, representing its full funding requirements were \$965,000 and \$918,000 for the year ended December 31, 2016 and the year ended December 31, 2015.

## B. Deferred Compensation Plans

Effective January 1, 1997, the Company established a 401(k) plan. Plan entry of employer contributions are the same as the defined contribution retirement plan described above. The Company's contribution to the plan is matching the first 1% of base compensation and 50% of additional contributions up to 6% of the base compensation that is contributed by each employee. Employer contributions vest 100% after two years of service. The Company's contributions to this plan were \$266,000 and \$252,000 for the year ended December 31, 2016 and the year ended December 31, 2015.

In 2004, the Company established 457(b) Plan for providing deferred compensation for a select group of management. The Company's paid contributions to this plan were \$18,000 for each of the years ended 2016 and 2015.

In 2009, the Company established 457(f) Plan for providing deferred compensation for a select group of management. The Company's expenses for each year to this plan were approximately \$95,000 and \$88,000 for the years ended 2016 and 2015.

## C. Postretirement Benefit Plans

The Company provides postretirement medical and dental benefits covering certain members of the board of directors who had served three full terms (9 years) as of April 1994. The Company accounts for postretirement benefits under the provisions of Statement of Statutory Accounting Principles (SSAP) No. 89, Accounting for Pensions, A Replacement of SSAP No. 8. Actuary valuations were used to measure plan assets and obligations as of December 31, 2016 and 2015.

## NOTES TO FINANCIAL STATEMENTS

		2016	2015
Accumulated post-retirement benefit obligation	\$	734,000	745,000
Fair value of plan assets		—	—
Funded status	\$	734,000	745,000
Accrued post-retirement benefit cost recognized in accounts payable and accrued expenses	\$	734,000	745,000
Net periodic (benefit) cost		(11,000)	(92,000)
Net benefits paid		76,000	77,000

The trend assumptions used in determining the accumulated postretirement benefit obligation were 5.4% for medical benefits and 3% for dental benefits. Trend assumptions have a significant effect on the amounts reported.

No amounts are recognized in reserves which have not yet been recognized as components of net periodic benefit cost as of December 31, 2016 and December 31, 2015, respectively. Net periodic benefit cost includes the transitional liability and net actuarial loss.

### NOTE 13 - - CAPITAL AND SURPLUS

Delta Dental of Rhode Island is a not-for-profit corporation; accordingly the Company has no shares of stock outstanding. The Company has no dividend restrictions, and has not been involved in any quasi-reorganization.

Note the following disclosures related to the company's capital and surplus are addressed below or are not applicable. Other than ACA restrictions, the related note disclosures are all not applicable.

1. Shares issued – Not applicable.
2. Dividend rate – Not applicable.
3. Dividend restrictions – Not applicable.
4. Dividends paid – Not applicable.
5. Profits that may be paid as dividends – Not applicable.
6. Restrictions placed on unassigned funds – No reserves are restricted for the estimated twelve months of the 2017 ACA assessment in the December 31, 2016 filing, due to the one year moratorium. The Consolidated Appropriations Act, 2016 (Public Law No: 114-113), which was signed into law on December 18, 2015, imposes a moratorium on the Annual ACA Assessment for calendar year 2017. \$549,306 of reserves were restricted for the estimated twelve months of the 2016 ACA assessment in the December 31, 2015 filing, which was paid in September, 2016.
7. Total amount of advances to surplus – Not applicable.
8. Amount of stock held by reporting entity for special purposes – Not applicable.
9. Changes in the balances of special surplus funds from the prior year – Not applicable.
10. Portion of unassigned funds represented or reduced by unrealized gains and losses is \$43,000 as discussed in note 7.
11. Surplus notes – Not applicable.
12. Impact of the restatement in a quasi-reorganization – Not applicable.
13. Effective date of quasi-reorganization – Not applicable.

### NOTE 14 - - CONTINGENT LIABILITIES

The Company has entered into employment contracts with certain key employees. These employment contracts vary in length. At December 31, 2016, the Company's total commitment under these employment contracts approximated \$2,075,000. This total includes contractual

**NOTES TO FINANCIAL STATEMENTS**

commitments for 2017 and 2018 for one individual, which are exercisable at the option of this employee.

There are no contingent liabilities arising from litigation, which would be considered material in relation to the Company’s financial position. Accordingly, the Company has committed no reserves to cover any contingent liabilities.

The parent Company, Delta Dental of Rhode Island, along with other Delta Dental Plans have been notified by the Massachusetts Department of Revenue that they must report and pay a premium tax back to 2006 based upon premiums received from plan members who reside in Massachusetts.

Legal counsel for Delta Dental of Rhode Island and the other Delta Dental Plans strongly disagree with this interpretation of the premium tax regulations by the MA Department of Revenue and as a result, the company has not recorded a contingent liability.

It is management and legal counsel’s opinion that the probability of this contingent liability occurring is remote.

The Company has issued an unlimited parental guaranty, dated September 15, 2000, on behalf of Altus Dental Insurance Company, Inc., a subsidiary of The Altus Group Inc. The guaranty states that any and all claims and obligations of Altus Dental Insurance Company, Inc. to its subscribers and policyholders will be funded and satisfied by the Company in the event of any inability of Altus Dental Insurance Company, Inc. to satisfy such claims and obligations.

This guaranty became effective in September 2002 as Altus Dental Insurance Company, Inc. began underwriting dental insurance in Massachusetts at that time.

The following which are applicable to the company are described below.

1. Contingent commitments – Not applicable
2. Assessments – Not applicable
3. Gain contingencies – Not applicable
4. Claims related extra contractual obligation – Not applicable
5. Joint and several liabilities – Not applicable
6. All other contingencies – DDRI has contract commitments with certain key employees in the amount of \$ 2,075,000 at December 31, 2016.

**NOTES TO FINANCIAL STATEMENTS**

**14. Contingencies**

A 01. (1) Total Contingent Liabilities: \$ 2,074,855

02.

1	2	3	4	5
Nature and circumstances of guarantee and key attributes, including date and duration of agreement	liability recognition of guarantee. (Include amount recognized at inception. If no initial recognition, document exception allowed under SSAP No. 5R)	Ultimate financial statement impact if action under the guarantee is required	Maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee. Unable to develop an estimate, this should be specifically noted. (a)	status of payment or performance risk of guarantee. (a) Also provide additional discussion as warranted
		X X X		X X X
Total				

(a) Pursuant to the terms of the guarantee, the Company would be required to perform in the event of default by the Company, but would also be permitted to take control of the real estate.

## NOTES TO FINANCIAL STATEMENTS

- 03.
- a. Aggregate Maximum Potential of Future Payments of All Guarantees (undiscounted) the guarantor could be required to make underguarantees. (Should equal total of Column 4 for (2) above.) \$
  - b. Current Liability Recognized in F/S:
    1. Noncontingent Liabilities \$
    2. Contingent Liabilities \$
  - c. Ultimate Financial Statement Impact if action under the guarantee is required.
    1. Investments in SCA \$
    2. Joint Venture \$
    3. Dividends to Stockholders (capital contribution) \$
    4. Expense \$
    5. Other \$
    6. Total (Should equal (3)a.) \$

B. **Assessments**

- 02.
- a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end \$
  - b. Decreases current year:
 

--	--
  - c. Increases current year:
 

--	--
  - d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end \$

D. **Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits**

Claims related ECO and bad faith losses paid during the \$   
 Number of claims where amounts were paid to settle claims related extra contractual claims resulting from lawsuits during the reporting period: (a) 0-25 claims (b) (d) 101-500 claims (e) More than 500 claims  
 Answer (A, B, C, D, or E): \_\_\_\_\_  
 Indicate whether claim count information is disclosed (f) per claim or (g) per claimant  
 Answer (F or G): \_\_\_\_\_

### NOTE 15 - - LEASES

The Company maintains a lease obligation for all its office space through its subsidiary Altus Realty Company. The current office lease commenced in April 2013 and runs through March 2018. During 2013, the lease was renewed at market rates. The lease obligation will result in rent expense for the year ended December 31, 2016 of \$814,000. For the year ended 2017 rent expense is projected at \$814,000 annually. For the final three months of the lease in 2018, the rent expense is projected to be \$204,000.

## NOTES TO FINANCIAL STATEMENTS

15. **Leases**

A. 02.

- a. At January 1, 2016, the minimum aggregate rental commitments are as follows: (Dollars in thousands)

Year Ending December 31	Operating Leases
2017 (as seen in Notes text)	\$ 814,000
2018 (as seen in Notes text)	\$ 204,000
2019 (as seen in Notes text)	\$
2020 (as seen in Notes text)	\$
2021 (as seen in Notes text)	\$
<b>Total</b>	<b>\$ 1,018,000</b>

## NOTES TO FINANCIAL STATEMENTS

B.

01.

## c. Lessor Leases

Future minimum lease payment receivables under noncancelable leasing arrangements as of December 31, 2016 are as follows

Year Ending December 31	
2017 (as seen in Notes text)	\$
2018 (as seen in Notes text)	\$
2019 (as seen in Notes text)	\$
2020 (as seen in Notes text)	\$
2021 (as seen in Notes text)	\$
Total	\$

02.

## Leveraged Leases

## b. The Company's investment in leveraged leases relates to equipment

Dec. 31, 2016 were as shown below: (In thousands)

	(years as seen in Notes text)	
	2016	2015
1. Income from leveraged leases before income tax includir	\$	
2. Less current income tax	\$	
3. Net income from leverage leases	\$	

## c. The components of the investment in leveraged leases at

Dec. 31, 2016 and Dec. 31, 2015 were as shown below

	(years as seen in Notes text)	
	2016	2015
1. Lease contracts receivable (net principal & interest non-r	\$	
2. Estimated residual value of leased assets	\$	
3. Unearned and deferred income	\$	
4. Investment in leveraged leases	\$	
5. Deferred income taxes related to leveraged leases	\$	
6. Net investment in leveraged leases	\$	

### NOTE 16 - - INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company maintains no financial instruments with off-balance sheet risk or any financial instruments with concentrations of credit risk. The related note disclosures are all not applicable.

### NOTE 17 - - SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS

The Company has no transactions relating to transfers of receivables reported as sales, transfer and servicing of financial assets or wash sales. The related note disclosures, specifically including 17B(2), 17B(4)a, 17B(4)b and 17C, are all not applicable.

### NOTE 18 - - GAIN OR LOSS FROM UNINSURED ACCIDENT & HEALTH PLANS

The Company's policy regarding underwriting and pricing for uninsured or partially insured accident and health plans has been to determine that the administrative premium charged to each account covers all incremental costs (directly associated with servicing the specific account) plus a share of fixed and variable operating expenses to be incurred by the Company during the contract period.

As discussed in Note 2, for the December 31, 2001 annual filing the Company implemented the Statement on Statutory Accounting Principles (SSAP) # 47 "Uninsured Plans". The Company's financial operations for the year ended December 31, 2016 and the year ended December 31, 2015 exclude approximately \$128,296,000 and \$116,044,000 of revenues from such plans and there are no significant gains or losses related to such transactions.

## NOTES TO FINANCIAL STATEMENTS

### NOTES TO FINANCIAL STATEMENTS

**18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially I**
**A. ASO Plans**

The gain from operations from Administrative Services Only plans and the uninsured portion of partially insured plans was during 2016: (years as seen in Notes text)

	<u>ASO</u> <u>Uninsured</u> <u>Plans</u>	<u>Uninsured Portion</u> <u>of Partially Insured</u> <u>Plans</u>	<u>Total</u> <u>ASO</u>
a. Net reimburs for admin Exp (includ admin fees) in exc	\$		
b. Total net other income or exp (includ interest paid to c	\$		
c. Net gain or (loss) from operations (a + b)	\$		
d. Total claim payment volume	\$		

**B. ASC Plans**

The gain from operations from Administrative Services Only plans and the uninsured portion of partially insured plans was during 2016: (years as seen in Notes text)

	<u>ASC</u> <u>Uninsured</u> <u>Plans</u>	<u>Uninsured Portion</u> <u>of Partially Insured</u> <u>Plans</u>	<u>Total</u> <u>ASC</u>
a. Gross reimbursement for medical cost incurred	\$ 120,975,649		120,975,649
b. Gross administrative fees accrued	\$ 7,320,620		7,320,620
c. Other income or expenses (includ interest paid to or r	\$		
d. Gross expenses incurred (claims and administrative)	\$ 128,296,269		128,296,269
e. Total net gain or loss from operations (a + b + c - d)	\$		

**NOTE 19 - - DIRECT PREMIUM WRITTEN / PRODUCED BY MANAGING GENERAL AGENTS / THIRD PARTY ADMINISTRATORS**

The Company maintains no relationships with managing general agents or third party administrators. The Company does utilize in-house sales efforts, as well as independent brokers to market its products. Premiums earned are reported gross of brokers' commissions of approximately \$2,146,000 and \$2,134,000 for the year ended December 31, 2016 and the year ended December 31, 2015. The related note disclosures are all not applicable.

**NOTE 20 - - FAIR VALUE MEASUREMENTS**

The use of different assumptions or valuation methodologies may have a material impact on the estimated fair value amounts.

The Company's valuation techniques are based on observable and unobservable pricing inputs. Observable inputs reflect market data obtained from independent sources based on trades of securities while unobservable inputs reflect the Company's market assumptions. These inputs comprise of the following fair value hierarchy:

Level 1 – Observable inputs in the form of quoted prices for identical instruments in active markets.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be derived from observable market data for substantially the full term of the assets or liabilities.

Level 3 – One or more unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using internal models, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following table provides information about the Company's financial assets and liabilities measured at fair value on a recurring basis:



## NOTES TO FINANCIAL STATEMENTS

	Level 1	Level 2	Level 3	Total
<b>December 31, 2016</b>				
Assets at fair value:				
Cash & Cash Equivalents \$	506,639			506,639
Common Stock - incl MMMF	12,613,734			12,613,734
Investment in Affiliates		30,206,749		30,206,749
Investment in Debt Securities		69,640,931		69,640,931
Investment in Venture Funds			2,728,998	2,728,998
Investment in Altus Realty		1,995,275		1,995,275
<b>December 31, 2015</b>				
Assets at fair value:				
Cash & Cash Equivalents \$	(4,308,020)			(4,308,020)
Common Stock - incl MMMF	10,521,060			10,521,060
Investment in Affiliates		27,013,915		27,013,915
Investment in Debt Securities		70,368,216		70,368,216
Investment in Venture Funds			2,379,279	2,379,279
Investment in Altus Realty		1,675,093		1,675,093

The Company's Investments in Venture Funds are the only financial instruments that are measured at fair value that are deemed to be a Level 3 price at December 31, 2016 and December 31, 2015.

The book values and estimated fair values of the Company's financial instruments are as follows:

	December 31, 2016		December 31, 2015	
	Book value	Estimated fair value	Book value	Estimated fair value
Assets:				
Cash and Cash Equivalents \$	506,639	506,639	(4,308,020)	(4,308,020)
Common Stock - incl MMMF	12,613,734	12,613,734	10,521,060	10,521,060
Investment in Affiliates	30,206,749	30,206,749	27,013,915	27,013,915
Investment in Debt Services	69,266,845	69,640,931	70,444,568	70,368,216
Investment in Venture Funds	2,728,998	2,728,998	2,379,279	2,379,279
Investment in Altus Realty	1,995,275	1,995,275	1,675,093	1,675,093

Cash and Cash Equivalents – The carrying value of cash and cash equivalents are presented at cost, which approximates fair value.

Short-Term Investments (Common Stock – Money Market Mutual Fund “MMMF”) – The carrying value of short-term investments are presented at cost, which approximates fair value.

Investments in Debt Securities – Investments are reported at amortized cost. The Company obtains fair value measurements from independent pricing sources, which base their fair value measurements upon observable inputs such as reported trades of comparable securities, broker quotes, the U.S. Treasury yield curve, benchmark interest rates, credit information, and the securities' terms and conditions. These prices are deemed to be Level 2.

Investments in Common Stock and Affiliates – Investments in affiliates is valued on the statutory equity basis. The fair value of common stock is based on quoted market prices provided by an independent pricing service to determine fair value.

Investments in Venture Funds – The carrying value of Investments in Venture Capital Funds are presented at cost less reported syndication and management fees, which approximates fair value.

## NOTES TO FINANCIAL STATEMENTS

### NOTES TO FINANCIAL STATEMENTS

#### 20. Fair Value Measurements

A.

##### 1. Fair Value Measurements at Reporting Date

(1) Description	(2) (Level 1)	(3) (Level 2)	(4) (Level 3)	(5) Total
<b>a. Assets at fair Value</b>				
01. Cash and Cash Equivalents	\$ 506,639			506,639
02. Common Stock - incl MMMF	\$ 12,613,734			12,613,734
03. Investment in Affiliates		30,206,749		30,206,749
04. Investment in Debt Services		69,640,931		69,640,931
05. Investment in Venture Funds			2,728,998	2,728,998
06. Investment in Altus Realty		1,995,275		1,995,275
<b>Total assets at fair value</b>	<b>\$ 13,120,373</b>	<b>101,842,955</b>	<b>2,728,998</b>	<b>117,692,326</b>
<b>b. Liabilities at fair value</b>				
<b>Total liabilities at fair value</b>	<b>\$</b>			

#### NOTE 21 - - OTHER ITEMS

The Company has no extraordinary items, troubled debt restructuring or other required disclosures of unusual items. Additionally, the Company has no additional disclosure requirements regarding Retirement Plans, Deferred Compensation and Postretirement Benefits other than the disclosures made in Note 12 above.

The Company has entered into two signed agreements to purchase state tax credits that will be utilized in 2016, and has remaining 2016 carryforwards from the 2015 purchases; hence the Company maintains tax credits as net assets at December 31, 2016 and December 31, 2015. The Company estimates the utilization of 2016 and 2015 tax credits by projecting future premium levels taking into account policy growth and applicable rate changes. Gains were recognized in the fourth quarter of 2016 and 2015 for the tax credits utilized for the 2016 and 2015 premium taxes due.

Other than the purchase of RI state tax credits, the remaining areas below are not applicable to the company.

1. Extraordinary items – Not applicable
2. Troubled debt restructuring debtors – Not applicable
3. Other disclosures and unusual items – Not applicable
4. Business interruption insurance recoveries – Not applicable
5. State transferable and non-transferable tax credits – There are contractual commitments in place, but these have not been finalized and purchased at the present time for the 2016 state tax credits to be utilized in 2016. The fair value of the 2016 purchases were \$700,000 and \$593,986 and shown on Schedule BA – Part 1. The carrying value and the unused amount from 2015 is listed below and on the Balance Sheet. State tax credits were purchased in 2015 as well as a carry forward balance from a purchase made in 2014. A \$1,522,402 RI motion picture production tax credit was purchased in March 2015 and a \$350,000 RI tax credit was purchased in December 2015, to be utilized in 2015. The other invested assets total of \$6,317,928 listed on the December 31, 2016 Balance Sheet is made up of state tax credits, the equity method valuation of Altus Realty and investments in joint ventures.
6. Subprime-mortgage-related risk exposure – Not applicable
7. Retained assets – Not applicable



## NOTES TO FINANCIAL STATEMENTS

### NOTES TO FINANCIAL STATEMENTS

**21. Other Items**

**E. State Transferable Tax Credits**  
Description of State Transferable and

1. Non-transferable Tax Credits	State	Carrying Value	Unused Amount
01. State of Rhode Island Tax Credit Purchased - 2015	RI	299,669	
02. State of Rhode Island Tax Credit Purchased - 2016	RI	700,000	
03. State of Rhode Island Tax Credit Purchased - 2016	RI	593,986	6,014
<b>Total</b>	X X X	1,593,655	6,014

4. State Tax Credits Admitted and Nonadmitted	Total Admitted	Total Non-Admitted
a. Transferable	\$	\$
b. Non-transferable	\$	\$

**F. Subprime Mortgage Related Risk Exposure**

**2. Direct exposure through investments in subprime mortgage loans.**

	(1)	(2)	(3)	(4)	(5)
	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Value of Land and Buildings	Other-Than-Temporary Impairment Losses Recognized	Default Rate
a. Mortgages in the process of foreclosure	\$				
b. Mortgages in good standing	\$				
c. Mortgages with restructure terms	\$				
d. Total	\$				

**3. Direct exposure through other investments.**

	(1)	(2)	(3)	(4)
	Actual Cost	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
a. Residential mortgage-backed securities	\$			
b. Commercial mortgage-backed securities	\$			
c. Collateralized debt obligations	\$			
d. Structured securities	\$			
e. Equity investment in SCAs *	\$			
f. Other assets	\$			
g. Total	\$			

\*ABC Company's subsidiary XYZ Company has investments in subprime mortgages. These investments comprise \_\_\_\_\_% of the companies invested assets. \$ \_\_\_\_\_

**4. Underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage.**

	(1)	(2)	(3)	(4)
	Losses Paid in the Current Year	Losses Incurred in the Current Year	Case Reserves at End of Current Period	IBNR Reserves at End of Current Period
a. Mortgage Guaranty Coverage	\$			
b. Financial Guaranty Coverage	\$			
c. Other Lines (specify):	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
d. Total	\$			

**G. Retained Assets**

	In Force			
	As of End of Current Year		As of End of Prior Year	
	Number	Balance	Number	Balance
a. Up to and including 12 Months	\$			
b. 13 to 24 Months	\$			
c. 25 to 37 Months	\$			
d. 37 to 48 Months	\$			
e. 49 to 60 Months	\$			
f. Over 60 Months	\$			
g. Total	\$			

## NOTES TO FINANCIAL STATEMENTS

03.

	Individual		Group	
	Number	Balance/ Amount	Number	Balance/ Amount
a. Number/Balance of Retained Asset Accounts at the Beginning of the Year		\$		
b. Number/Amount of Retained Asset Accounts Issued/Added During the Year		\$		
c. Investment Earnings Credited to Retained Asset Accounts During the Year	X X X	\$	X X X	
d. Fees and Other Charges Assessed to Retained Asset Accounts During the Year	X X X	\$	X X X	
e. Number/Amount of Retained Asset Accounts Transferred to State Unclaimed Property funds During		\$		
f. Number/Amount of Retained Asset Accounts Closed/Withdrawn During the Year		\$		
g. Number/Balance of Retained Asset Accounts at the End of the Year		\$		

### H. Insurance-Linked Securities (ILS) Contracts

Management of Risk Related To:	Number of Outstanding ILS Contracts	Aggregate Maximum Proceeds
(1) Directly - Written Insurance Risks		
a. ILS Contracts as Issuer		
b. ILS Contracts as Ceding Insurer		
c. ILS Contracts as Counterparty		
(2) Assumed Insurance Risks		
a. ILS Contracts as Issuer		
b. ILS Contracts as Ceding Insurer		
c. ILS Contracts as Counterparty		

## NOTE 22 - - EVENTS SUBSEQUENT

The Company has no events subsequent to December 31, 2016 that would warrant disclosure in these statutory 2016 financial statements.

In accordance with SSAP 35R, in 2016 the company has expensed the 2016 ACA assessment in the amount of \$549,306 and recorded \$0 as restricted reserves in this December 31, 2016 filing, due to the one year moratorium. The company had expensed its full 2015 ACA assessment within the three quarters ending September 30, 2015. This payment of \$626,307 was made in September 2015. The estimated twelve month 2016 ACA assessment in the amount of \$549,306 had been expensed in the first quarter, which was paid on September 30, 2016. Additionally \$0 has been recorded as restricted reserves at December 31, 2016 due to the one year moratorium, which will result in no payment for the 2016 statutory premiums written projected ACA assessment, which would have been due September 30, 2017.

## NOTES TO FINANCIAL STATEMENTS

### 22. Events Subsequent

	Current Year	Prior Year
A. Did the reporting entity write accident and health insurance policies subject to Section 9010 of the Federal Affordable Care Act (Yes/No)?	YES	
B. ACA fee assessment payable for the upcoming year	\$	712,521
C. ACA fee assessment paid	\$ 549,306	626,307
D. Premium written subject to ACA 9010 assessment	\$ 75,974,126	84,961,063
E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)	\$ 107,758,532	
F. Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	\$ 107,758,532	
G. Authorized Control Level (Five-Year Historical Line 15)	\$ 7,074,517	
H. Would reporting the ACA assessment as of Dec. 31, 2016 have triggered an RBC action level (YES/NO)?	NO	

## NOTE 23 - - REINSURANCE

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**NOTES TO FINANCIAL STATEMENTS**

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The Company utilizes no reinsurance arrangements in its underwriting of dental premiums to companies headquartered in the State of Rhode Island. The related note disclosures are all not applicable.

**NOTE 24 - - RETROSPECTIVELY RATED CONTRACTS**

The Company estimates accrued retrospective premium adjustments for each contractual group by projecting incurred losses based on group claims paid data. This data is updated and analyzed monthly and accrued retrospective premium adjustments are recorded monthly to earned premiums. The amount of net annual premiums written by the Company that are subject to retrospective rating or are contingent premiums (based on actual claims incurred) approximates \$2,835,000 and \$3,743,000 at the year ended December 31, 2016 and the year ended December 31, 2015.

**NOTE 25 - - CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSES**

Reserves as of December 31, 2016 were \$4,872,000. As of December 31, 2016 \$4,477,800 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$58,616 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on dental line of insurance. Therefore, there has been a \$335,585 favorable prior-year development since December 31, 2015 to December 31, 2016. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. Included in this decrease, the Company experienced \$0 of unfavorable prior year claim development on retrospectively rated policies. However, the business to which it relates is subject to premium adjustments.

**NOTE 26 - - INTERCOMPANY POOLING ARRANGEMENTS**

The Company utilizes no intercompany pooling arrangements in its dental premium underwriting.

**NOTE 27 - - STRUCTURED SETTLEMENTS**

As documented in the NAIC Annual Statement filing instructions for 2016 and 2015, this footnote is not applicable to health insurance insurers.

**NOTE 28- - HEALTH CARE RECEIVABLES**

The Company has no receivables that would be considered Health Care Receivables under SSAP #84. Accordingly, pharmacy rebates and risk sharing receivables are not currently applicable to the Company's operations.

The company does not have any risk sharing receivables. The related note disclosures are all not applicable.

**NOTE 29 - - PARTICIPATING POLICIES**

The Company does not underwrite any business that would result in group accident or health participating policies. Accordingly, policy dividends are not applicable to the Company's operations.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 30 - - PREMIUM DEFICIENCY RESERVES

The Company does not maintain any amount of premium deficiency reserves. The related note disclosures are all not applicable.

### NOTE 31 - - ANTICIPATED SALVAGE AND SUBROGATION

The Company's liability for unpaid claims is actuarially determined based on an analysis of historical claims experience, modified for changes in enrollment, inflation and benefit coverage. This liability reflects no reductions for salvage and subrogation recoveries, which are recorded in the year of receipt.

# GENERAL INTERROGATORIES

## PART 1 – COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No  ]
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A  ]
- 1.3 State Regulating?                     RHODE ISLAND
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No  ]
- 2.2 If yes, date of change:                     04/05/2016
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.                     12/31/0212
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.                     12/31/2012
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).                     03/13/2014
- 3.4 By what department or departments?  
 .....  
 .....  
 .....  
 .....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A  ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A  ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No  ]
- 4.12 renewals? Yes  No  ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No  ]
- 4.22 renewals? Yes  No  ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No  ]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....

## GENERAL INTERROGATORIES

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

6.2 If yes, give full information:

.....

.....

.....

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control. \_\_\_\_\_ %

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....	.....
.....	.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

.....

.....

.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

GRANT THORNTON, LLP  
124 HEBRON AVE., STE. 200  
GLASTONBURY, CT 06033-2063

.....

.....

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]

10.2 If response to 10.1 is yes, provide information related to this exemption:

.....

.....

.....

.....

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If response to 10.3 is yes, provide information related to this exemption:

.....

.....

.....

## GENERAL INTERROGATORIES

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes  No  N/A

10.6 If the response to 10.5 is no or n/a, please explain.

.....  
 .....  
 .....

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

HUGGINS ACTUARIAL SERVICES, INC.  
 111 VETERANS SQUARE, SECOND FLOOR  
 MEDIA, PA 19063

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes  No

12.11 Name of real estate holding company	
12.12 Number of parcels involved	
12.13 Total book/adjusted carrying value	\$

12.2 If yes, provide explanation:

.....  
 .....  
 .....

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

.....  
 .....  
 .....

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes  No

13.3 Have there been any changes made to any of the trust indentures during the year? Yes  No

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes  No  N/A

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules, and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

Yes  No

14.11 If the response to 14.1 is no, please explain:

.....  
 .....  
 .....

14.2 Has the code of ethics for senior managers been amended? Yes  No

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

.....  
 .....  
 .....

## GENERAL INTERROGATORIES

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

.....  
 .....  
 .....

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
.....	.....	.....	.....
.....	.....	.....	.....

## BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No [ ]

17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

## FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers	\$ _____
20.12 To stockholders not officers	\$ _____
20.13 Trustees, supreme or grand (Fraternal only)	\$ _____

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers	\$ _____
20.22 To stockholders not officers	\$ _____
20.23 Trustees, supreme or grand (Fraternal only)	\$ _____

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others	\$ _____
21.22 Borrowed from others	\$ _____
21.23 Leased from others	\$ _____
21.24 Other	\$ _____

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]



## GENERAL INTERROGATORIES

22.2 If answer is yes:

	22.21 Amount paid as losses or risk adjustment	\$ _____
	22.22 Amount paid as expenses	\$ _____
	22.23 Other amounts paid	\$ _____

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ \_\_\_\_\_

### INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes  No

24.02 If no, give full and complete information, relating thereto:  
 .....  
 .....  
 .....

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)  
 .....  
 .....  
 .....

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes  No  N/A

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ \_\_\_\_\_

24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ \_\_\_\_\_

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes  No  N/A

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes  No  N/A

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes  No  N/A

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2		\$ _____
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2		\$ _____
24.103 Total payable for securities lending reported on the liability page		\$ _____

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes  No

## GENERAL INTERROGATORIES

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21	Subject to repurchase agreements	\$ _____
25.22	Subject to reverse repurchase agreements	\$ _____
25.23	Subject to dollar repurchase agreements	\$ _____
25.24	Subject to reverse dollar repurchase agreements	\$ _____
25.25	Placed under option agreements	\$ _____
25.26	Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$ _____
25.27	FHLB Capital Stock	\$ _____
25.28	On deposit with states	\$ _____
25.29	On deposit with other regulatory bodies	\$ _____
25.30	Pledged as collateral - excluding collateral pledged to an FHLB	\$ _____
25.31	Pledged as collateral to FHLB - including assets backing funding agreements	\$ _____
25.32	Other	\$ _____

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
.....	.....	.....

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]  
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

27.2 If yes, state the amount thereof at December 31 of the current year. \$ \_\_\_\_\_

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
CITIZENS BANK .....	ONE CITIZENS PLAZA, PROVIDENCE, RI 02903 .....
.....	.....

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....
.....	.....	.....

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]

## GENERAL INTERROGATORIES

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....	.....	.....	.....
.....	.....	.....	.....

28.05 Investment management - Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["... that have access to the investment accounts"; "...handle securities"]

1 Name Firm or Individual	2 Affiliation
RICHARD A. FRITZ	
GEORGE J. BEDARD	

28.059 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets?

Yes [ ] No [X]

28.059 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets?

Yes [ ] No [X]

28.06 For those firms or individuals listed in the table 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Name Firm or Individual	2 Central Registration Depository Number	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D – Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes [X] No [ ]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
00162Q-10-6	COHEN STEERS GLOBAL REALTY M	541,641
464287-46-5	ISHARES MSCI EAFE ETF	860,177
464288-27-3	ISHARES MSCI EAFE SMALL CAP ET	333,928
78462F-10-3	SPDR S&P 500 ETF	463,825
78464A-81-3	SPDR S&P 600 SMALL CAP ETF	689,939
78467Y-10-7	SPDR S&P MIDCAP 400 ETF	1,277,827
29.2999 TOTAL		4,167,337

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
COHEN STEERS GLOBAL RE	SIMON PROPERTY GROUP IN	20,907	12/31/2016
COHEN STEERS GLOBAL RE	PUBLIC STORAGE	20,799	12/31/2016
COHEN STEERS GLOBAL RE	MITSUBISHI ESTATE CO. LTD	18,091	12/31/2016
COHEN STEERS GLOBAL RE	EQUINIX INC	17,333	12/31/2016
COHEN STEERS GLOBAL RE	PROLOGS INC	16,683	12/31/2016
ISHARES MSCI EAFE ETF	NESTLE SA	15,483	12/31/2016
ISHARES MSCI EAFE ETF	NOVARTIS AG	11,354	12/31/2016
ISHARES MSCI EAFE ETF	ROCHE HLDG PAR AG	11,354	12/31/2016
ISHARES MSCI EAFE ETF	TOYOTA MOTOR CORP LT	10,236	12/31/2016
ISHARES MSCI EAFE ETF	BRITISH AMERICAN TOBACC	7,914	12/31/2016
ISHARES MSCI EAFE SMALL	INFORMA PLC	1,102	12/31/2016

## GENERAL INTERROGATORIES

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
ISHARES MSCI EAFE SMALL	SMURFIT KAPPA GROUP PLC	1,002	12/31/2016
ISHARES MSCI EAFE SMALL	MICRO FOCUS INTERNATION	968	12/31/2016
ISHARES MSCI EAFE SMALL	WIRECARD AG	968	12/31/2016
ISHARES MSCI EAFE SMALL	DISCO CORP	935	12/31/2016
SPDR S&P 500 ETF	APPLE INC.	16,373	12/31/2016
SPDR S&P 500 ETF	MICROSOFT CORPORATION	11,596	12/31/2016
SPDR S&P 500 ETF	EXXON MOBIL CORPORATIO	7,978	12/31/2016
SPDR S&P 500 ETF	AMAZON.COM INC.	7,607	12/31/2016
SPDR S&P 500 ETF	FACEBOOK INC. CLASS A	7,328	12/31/2016
SPDR S&P 600 SMALL CAP E	TAKE-TWO INTERACTIVE SO	126,949	12/31/2016
SPDR S&P 600 SMALL CAP E	U.S SILICA HOLDING INC.	126,535	12/31/2016
SPDR S&P 600 SMALL CAP E	PDC ENERGY INC	105,492	12/31/2016
SPDR S&P 600 SMALL CAP E	CHEMOURS CO	96,798	12/31/2016
SPDR S&P 600 SMALL CAP E	TEXAS CAPITAL BANCSHARE	78,860	12/31/2016
SPDR S&P MIDCAP 400 ETF	VERTEX PHARMACEUTICALS	259,654	12/31/2016
SPDR S&P MIDCAP 400 ETF	CREE INC.	188,863	12/31/2016
SPDR S&P MIDCAP 400 ETF	NEW YORK COMMUNITY BAN	186,563	12/31/2016
SPDR S&P MIDCAP 400 ETF	NEWFIELD EXPLORATION C	184,774	12/31/2016
SPDR S&P MIDCAP 400 ETF	LUBRIZOL CORP.	161,901	12/31/2016

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	69,266,844	69,640,939	374,095
30.2 Preferred stocks			
30.3 Totals	69,266,844	69,640,939	374,095

30.4 Describe the sources or methods utilized in determining the fair values:

THE REPORTED DECEMBER 31, 2016 FAIR VALUES WERE OBTAINED FROM THE BANK STATEMENTS FROM THE COMPANY'S CUSTODIAN AND VERIFIED AS ESTABLISHED MARKET VALUES FOR ALL PUBLICLY TRADE SECURITIES

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes [ ] No [X]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes [ ] No [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

FAIR VALUES USED ARE ESTABLISHED MARKET VALUES FOR THESE PUBLICLY TRADE SECURITIES

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed?

Yes [X] No [ ]

32.2 If no, list exceptions:

.....

.....

.....

### OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any?

\$ 364,974

## GENERAL INTERROGATORIES

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
DELTA DENTAL PLANS ASSOCIATION .....	\$ ..... 260,698
DELTA USA .....	\$ ..... 104,276
	\$ .....

34.1 Amount of payments for legal expenses, if any? \$ 158,609

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
BLISH & CAVANAGH .....	\$ ..... 158,609
.....	\$ .....
.....	\$ .....

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 60,000

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
ADVOCACY SOLUTIONS .....	\$ ..... 60,000
.....	\$ .....
.....	\$ .....

## GENERAL INTERROGATORIES PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]
- 1.2 If yes, indicate premium earned on U.S. business only. \$ \_\_\_\_\_
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ \_\_\_\_\_
- 1.31 Reason for excluding
- .....
- .....
- .....
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ \_\_\_\_\_
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ \_\_\_\_\_
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$ \_\_\_\_\_
- 1.62 Total incurred claims \$ \_\_\_\_\_
- 1.63 Number of covered lives \_\_\_\_\_
- All years prior to most current three years:
- 1.64 Total premium earned \$ \_\_\_\_\_
- 1.65 Total incurred claims \$ \_\_\_\_\_
- 1.66 Number of covered lives \_\_\_\_\_
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$ \_\_\_\_\_
- 1.72 Total incurred claims \$ \_\_\_\_\_
- 1.73 Number of covered lives \_\_\_\_\_
- All years prior to most current three years:
- 1.74 Total premium earned \$ \_\_\_\_\_
- 1.75 Total incurred claims \$ \_\_\_\_\_
- 1.76 Number of covered lives \_\_\_\_\_

2. Health Test:

	1 Current Year		2 Prior Year
2.1 Premium Numerator	\$ 75,974,126	\$	84,961,063
2.2 Premium Denominator	75,974,126	\$	84,961,063
2.3 Premium Ratio (2.1 / 2.2)	1.000		1.000
2.4 Reserve Numerator	\$ 4,267,000	\$	4,872,000
2.5 Reserve Denominator	4,267,000	\$	4,872,000
2.6 Reserve Ratio (2.4 / 2.5)	1.000		1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [ ] No [X]
- 3.2 If yes, give particulars:
- .....
- .....
- .....
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No [ ]
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [X]
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [ ] No [X]
- 5.2 If no, explain:
- .....
- .....
- .....
- 5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical \$ \_\_\_\_\_
- 5.32 Medical Only \$ \_\_\_\_\_
- 5.33 Medicare Supplement \$ \_\_\_\_\_
- 5.34 Dental and vision \$ \_\_\_\_\_ 2,500
- 5.35 Other Limited Benefit Plan \$ \_\_\_\_\_
- 5.36 Other \$ \_\_\_\_\_

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

There are no specific arrangements that would protect a subscriber or their dependents against the risk of insolvency. However, the risk of insolvency is very low given the Company's financial strength and conservative investment policies. Also, given the Company only sells group insurance, a subscriber's employer would buy another group policy from another carrier in the event the company became insolvent.

.....

## GENERAL INTERROGATORIES PART 2 - HEALTH INTERROGATORIES

- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes  No
- 7.2 If no, give details:  
.....  
.....  
.....
8. Provide the following information regarding participating providers:
- |  |     |
|--|-----|
| 8.1 Number of providers at start of reporting year | 542 |
| 8.2 Number of providers at end of reporting year   | 545 |
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes  No
- 9.2 If yes, direct premium earned:
- |   |            |
|---|------------|
| 9.21 Business with rate guarantees between 15-36 months | 24,457,889 |
| 9.22 Business with rate guarantees over 36 months       | 12,246,334 |
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes  No
- 10.2 If yes:
- |   |          |
|---|----------|
| 10.21 Maximum amount payable bonuses          | \$ _____ |
| 10.22 Amount actually paid for year bonuses   | \$ _____ |
| 10.23 Maximum amount payable withholds        | \$ _____ |
| 10.24 Amount actually paid for year withholds | \$ _____ |
- 11.1 Is the reporting entity organized as:
- |   |   |
|---|---|
| 11.12 A Medical Group/Staff Model,                  | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 11.13 An Individual Practice Association (IPA), or, | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 11.14 A Mixed Model (combination of above)?         | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
- 11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes  No
- 11.3 If yes, show the name of the state requiring such minimum capital and surplus:  
RHODE ISLAND  
.....  
.....  
.....
- 11.4 If yes, show the amount required. \$ \_\_\_\_\_ 7,074,517
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes  No
- 11.6 If the amount is calculated, show the calculation:  
.....  
.....  
.....
12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area		
RHODE ISLAND		
.....		
.....		

- 13.1 Do you act as a custodian for health savings accounts? Yes  No
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ \_\_\_\_\_
- 13.3 Do you act as an administrator for health savings accounts? Yes  No
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date. \$ \_\_\_\_\_
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? Yes  No  N/A
- 14.2 If the answer to 14.1 is yes, please provide the following:

1 Company Name	2 NAIC Company Code	3 Domiciliary Jurisdiction	4 Reserve Credit	Assets Supporting Reserve Credit		
				5 Letters of Credit	6 Trust Agreements	7 Other
.....						
.....						

15. Provide the following for individual ordinary life insurance\* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded).
- |      |                         |          |
|------|-------------------------|----------|
| 15.1 | Direct Premium Written  | \$ _____ |
| 15.2 | Total Incurred Claims   | \$ _____ |
| 15.3 | Number of Covered Lives | _____    |

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without secondary guarantee)
Universal Life (with or without secondary guarantee)
Variable Universal Life (with or without secondary guarantee)

## FIVE – YEAR HISTORICAL DATA

	1	2	3	4	5
	2016	2015	2014	2013	2012
<b>Balance Sheet (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 28)	125,951,653	116,600,465	114,048,648	102,963,700	87,309,119
2. Total liabilities (Page 3, Line 24)	18,193,121	16,835,731	16,951,053	15,622,655	12,734,405
3. Statutory minimum capital and surplus requirement	7,074,517	6,756,893	5,810,259	4,731,064	4,476,445
4. Total capital and surplus (Page 3, Line 33)	107,758,532	99,764,734	97,097,595	87,341,045	74,574,714
<b>Income Statement (Page 4)</b>					
5. Total revenues (Line 8)	75,974,126	84,961,063	89,710,021	100,329,336	102,888,919
6. Total medical and hospital expenses (Line 18)	58,638,216	67,967,472	67,401,912	76,099,966	80,558,601
7. Claims adjustment expenses (Line 20)	5,744,957	6,819,761	5,940,329	6,094,127	6,796,276
8. Total administrative expenses (Line 21)	10,820,407	11,752,746	11,162,757	10,772,886	10,684,085
9. Net underwriting gain (loss) (Line 24)	770,546	(1,578,916)	5,205,023	7,362,358	4,849,957
10. Net investment gain (loss) (Line 27)	1,870,814	2,362,224	36,652	2,330,659	1,759,149
11. Total other income (Lines 28 plus 29)	122,008	150,154	(841,124)	(1,343,970)	132,080
12. Net income or (loss) (Line 32)	2,763,368	937,462	4,408,551	8,357,277	6,708,498
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11)	4,280,114	(307,983)	5,220,631	13,136,715	7,814,106
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital	107,758,532	99,764,734	97,097,595	87,341,045	74,574,714
15. Authorized control level risk-based capital	7,074,517	6,756,893	5,810,259	4,731,064	4,476,445
<b>Enrollment (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7)	197,311	195,438	223,783	233,832	274,262
17. Total members months (Column 6, Line 7)	2,343,111	2,514,603	2,701,747	3,101,341	3,295,578
<b>Operating Percentage (Page 4)</b>					
(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	77.2	80.0	75.1	75.9	78.3
20. Cost containment expenses	0.8	0.8	0.6	0.7	0.7
21. Other claims adjustment expenses	6.8	7.3	6.0	5.4	6.6
22. Total underwriting deductions (Line 23)	99.0	101.9	94.2	92.7	95.3
23. Total underwriting gain (loss) (Line 24)	1.0	(1.9)	5.8	7.3	4.7
<b>Unpaid Claims Analysis</b>					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	4,536,416	5,327,423	4,700,786	2,781,064	3,067,634
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	4,872,000	4,475,200	4,947,000	3,143,500	3,175,500
<b>Investments In Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	30,206,749	27,013,915	21,784,704	12,889,636	10,476,143
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated	8,370,725	7,963,364	8,608,335	11,159,258	10,092,085
32. Total of above Lines 26 to 31	38,577,474	34,977,279	30,393,039	24,048,894	20,568,228
33. Total investment in parent included in Lines 26 to 31 above.					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [ ] No [X]

If no, please explain:

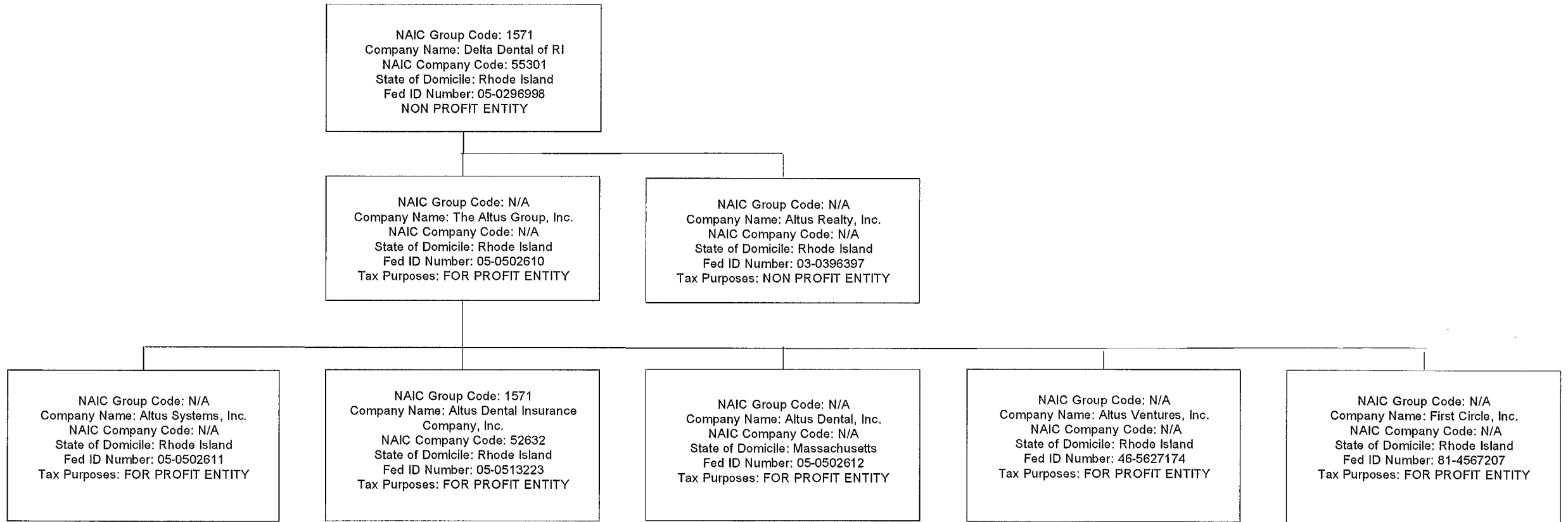
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**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

**PART 1 - ORGANIZATIONAL CHART**



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**OVERFLOW PAGE FOR WRITE-INS**

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