

**STATE OF NORTH DAKOTA
BISMARCK, NORTH DAKOTA**

REPORT OF EXAMINATION

OF

**DENTAL SERVICE CORPORATION OF
NORTH DAKOTA
FARGO, NORTH DAKOTA**

**AS OF
DECEMBER 31, 2009**

STATE OF NORTH DAKOTA
DEPARTMENT OF INSURANCE

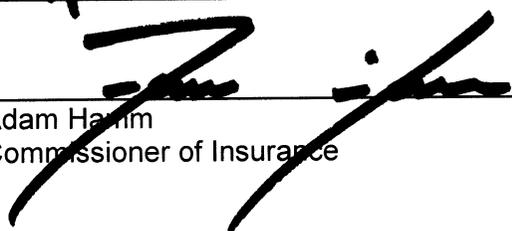
I, the undersigned, Commissioner of Insurance of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Examination of the

**Dental Service Corporation of North Dakota
Fargo, North Dakota**

as of December 31, 2009, with the original on file in this Department and that the same is a correct transcript there from and of the whole of said original.

IN WITNESS WHEREOF, I have hereunto set my
hand and affixed my official seal at my office in the
City of Bismarck, this 5th day of
April, 2011.





Adam Hamm
Commissioner of Insurance

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Fargo, North Dakota
January 28, 2011

Honorable Joseph Torti III
Chairman, Financial Condition (E) Committee NAIC
Deputy Director and Superintendent of Insurance
Rhode Island Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Bldg. 69-2
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Honorable Stephen W. Robertson
Secretary, Midwestern Zone (III), NAIC
Commissioner, Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, IN 46204-2787

Honorable Adam Hamm
Commissioner of Insurance
State of North Dakota
600 East Boulevard Avenue
Bismarck, ND 58505

Dear Commissioners:

Pursuant to your instructions and statutory requirements, a financial examination has been made of the books, records and financial condition of

**Dental Service Corporation of North Dakota
Fargo, North Dakota**

Dental Service Corporation of North Dakota, hereinafter referred to as "DSC" or the "Company", was last examined as of December 31, 2004, by the North Dakota Insurance Department.

SCOPE OF EXAMINATION

This examination was a risk focused financial condition examination conducted in accordance with North Dakota Century Code (N.D.C.C.) § 26.1-17-32 and observed guidelines and procedures contained in the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The examination was conducted to determine the Company's financial condition, its compliance with statutes, and to review its corporate affairs and insurance operations. This statutory examination covers the period from January 1, 2005, to and including December 31, 2009, and material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Our examination was conducted in accordance with examination policies and standards established by the North Dakota Insurance Department and procedures recommended by the NAIC. In accordance with the NAIC *Financial Condition Examiners Handbook* we planned and

performed the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions when applicable to domestic state regulations.

This examination was conducted by contract examiners for the North Dakota Insurance Department, representing the Midwestern Zone, with the assistance of a computer specialist retained by the Department.

STATUS OF PRIOR EXAMINATION FINDINGS

The Company was in compliance with the prior examination recommendations

SUMMARY OF SIGNIFICANT FINDINGS

The Administrative and Related Services Agreement between Noridian and Dental Services Corporation of North Dakota, dated January 23, 1975, does not contain a provision for the timely settlement of amounts owed as required under SSAP 25, paragraph 6 as amended by SSAP 96.

Under SSAP 25, paragraph 6, as amended by SSAP 96, transactions between related parties must be in the form of a written agreement that specifies due dates. If the due date is not addressed by the written agreement, any uncollected receivable is nonadmitted.

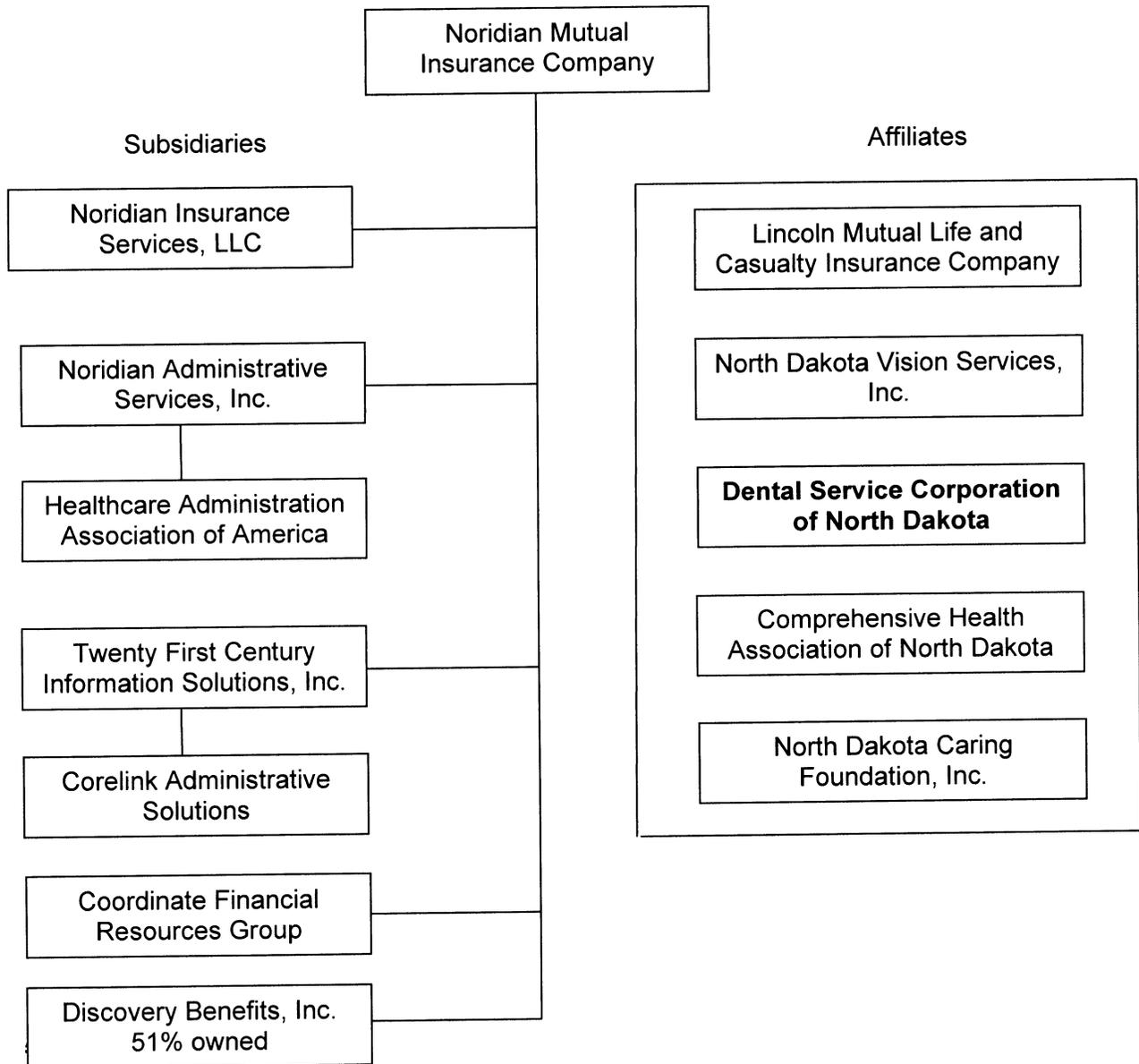
The Company has stated that a Board of Directors approval of "due in 30 days" would be adequate to meet the SSAP interpretation. This approval is not part of the written agreement and is not considered adequate to meet SSAP 25, paragraph 6.

HISTORY

DSC was incorporated on May 22, 1970, under the laws of the State of North Dakota relating to benevolent and charitable corporations. It commenced business on July 1, 1973, and is further governed under N.D.C.C. Chapter 26.1-17 pertaining to nonprofit dental service corporations. Accordingly, DSC has no capital stock and no part of its earnings shall in any manner inure to the benefit of any member or individual.

ORGANIZATIONAL CHART

The relationship of the Company to its affiliates is shown in the following organizational chart:



Noridian Insurance Services, Inc. (NISI), of which Noridian owns 94 percent and affiliate Lincoln Mutual Life and Casualty Insurance Company owns 6 percent, operates as an insurance agency and provides employee benefit plan administration for pension, health and other welfare plans throughout the Upper Midwest area.

Noridian Administrative Services LLC (NAS), a Delaware limited liability company, was formed in 2002 to operate as a regional claims contractor for the federal government's Medicare program, processing Medicare claims for the States of North Dakota, Minnesota, South Dakota, Iowa, Wyoming, Colorado, Alaska, Oregon, Washington, Nevada, Arizona and Hawaii. NAS is a wholly owned subsidiary of Noridian Mutual Insurance Company (Noridian). The operations transferred to NAS were previously a line of business within Noridian.

Healthcare Administration Association of America (HAAA) was formed on February 24, 2009, as a wholly owned subsidiary of NAS. HAAA was organized to conduct business in China including healthcare financing administration and related activities in China. Currently, HAAA is administering claims associated with the urban employees of the city of Xinxiang. HAAA has entered into an agreement with the city of Xinxiang for a period of 12 years.

Twenty First Century Information Solutions, Inc. (21st Century), incorporated May 18, 1994, is a wholly owned subsidiary of Noridian. The Company was originally formed to furnish computer services to allow providers to become electronically integrated with the Company. Currently, the Company is primarily the holding company for Corelink Administrative Solutions, LLC.

Corelink Administrative Solutions, LLC (Corelink) was formed on January 1, 2009, with Noridian (through 21st Century) and Blue Cross and Blue Shield of Nebraska each holding a 50% interest through a downstream subsidiary. Corelink provides information technology services to health insurers, health maintenance organizations and other managed care entities, including Noridian and Blue Cross and Blue Shield of Nebraska.

Coordinate Financial Resource Group was formed to coordinate the activities of the individual companies affiliated with Noridian by facilitating communication and strategy for the affiliated members.

Discovery Benefits, Inc. is an employee benefits administrator, of which Noridian owns a 51 percent interest and State Bank and Trust owns the remaining 49 percent.

Lincoln Mutual Life and Casualty Insurance Company (Lincoln) was incorporated as a mutual insurance company in 1935 under the laws of North Dakota. In 1989 Lincoln associated with Noridian to offer group life and group disability insurance. Noridian provides Lincoln with administration, management, marketing, and insurance services.

Comprehensive Health Association of North Dakota (CHAND) is a statutorily created association organized to provide health care coverage to high-risk individuals who would otherwise not be able to obtain coverage. Noridian is the lead insurer and administrator of the program. Noridian is reimbursed by CHAND for its direct and indirect expenses, but is limited to receiving no more than 12.5 percent of premiums for reimbursed expenses.

North Dakota Vision Services, Inc. (Vision) was incorporated on March 10, 1961, under the laws of North Dakota and is governed under N.D.C.C. Chapter 26.1-17 pertaining to nonprofit health service corporations. Corporate membership of Vision is composed of optometrists and

physicians who are licensed in North Dakota. Vision began offering benefits for certain optometric services in 1974.

North Dakota Caring Foundation, Inc. is a not-for-profit organization developed by Noridian to provide primary and preventive health services to children who reside in households that have an annual income exceeding the state's medical assistance guidelines but falling below the federal poverty level. Noridian provides all administrative services for the foundation at no cost.

SUBSIDIARY AND AFFILIATE TRANSACTIONS

Allocation of Expenses

Effective January 23, 1975, the Company and Noridian entered into an agreement under which Noridian provides the following services for the Company:

1. Establishes subscriber contract benefits.
2. Recommends subscription rates for contract benefits and obtain Company approval.
3. Establishes enrollment regulations governing the acceptance of the Company's subscribers.
4. Files the Company's contracts with the State Insurance Department as required.
5. Issues printed subscriber contracts to enrolled groups and identification cards to all the Company's subscribers.
6. Markets the Company's contract by providing the services of Noridian's marketing staff and by advertising the availability of such a contract.
7. Issues billing notices to the Company's subscribers and be custodian of such payments.
8. Provides administrative services required to pay the Company's claims.
9. Provides professional relations services between the Company and participating dentists.
10. Ensures judicious utilization of the Company's contract benefits by establishing programs to discourage abuse of such benefits.
11. Serves the Company's subscribers by answering all subscribers' inquiries relating to available benefits, subscription rates, and payments of claims.
12. Provides for the accounting of all the Company's income and expense in accordance with commonly accepted accounting procedures, prepare an annual budget for the Company, and provide Company officials with periodic financial reports.

13. Maintains statistical data for the Company which will remit the establishment of actuarially sound subscription rates.
14. Provides ongoing professional management of the program and provide for research and development to maintain the Company's program in accordance with current vision practices.

This agreement does not contain a provision for the timely settlement of amounts owed as required under SSAP 25, paragraph 6 as amended by SSAP 96. Under SSAP 25, paragraph 6 as amended by SSAP 96, transactions between related parties must be in the form of a written agreement that specifies due dates. If the due date is not addressed by the written agreement, any uncollected receivable is nonadmitted.

The Company has stated that a Board of Directors approval of "due in 30 days" would be adequate to meet the SSAP interpretation. This approval is not part of the written agreement and is not considered adequate to meet SSAP 25, paragraph 6.

It is recommended that the Company amend the Contract to Provide Administrative and Related Services between Noridian and the Company to provide for a timely settlement of amounts owed, with a specified due date as required by SSAP 25, paragraph 6.

The Company reimburses Noridian on the basis of reasonable cost. Noridian maintains a pool of administrative expenses that are allocated to Noridian's subsidiaries and affiliates based upon the cost accounting and allocation system used by Noridian.

Year	DSC Administrative Expenses (Net)	Noridian Administrative Expenses (Gross)
2005	\$3,909,026	\$190,067,332
2006	4,145,661	220,961,155
2007	4,333,771	245,863,424
2008	4,405,448	233,429,979
2009	4,380,665	262,503,459

Total expenses or gross expenses shown above represent the pool of administrative expenses allocated under Noridian's cost accounting and allocation system. Those expenses include amounts incurred by Noridian as well as expenses incurred by all subsidiaries and affiliates. Net expenses represent the costs allocated to the Company.

Under Noridian's cost accounting system, affiliates are established as lines of business. Cost centers allocate expenses to lines of business based on employee counts, time studies, contract counts, or other bases deemed to be appropriate. Allocation bases are updated monthly and actual expenses are compared to budget on a monthly basis.

MANAGEMENT AND CONTROL

Membership

DSC is comprised of voting and nonvoting Participating Providers. Voting Participating Providers are licensed dentists who practice in North Dakota and who have contracted with DSC to provide services to individuals who are subscribers to DSC's benefit plans. Nonvoting Participating Providers are dentists who are licensed to practice their profession and who comply with the rules and regulations of DSC, but who are not practicing in North Dakota.

According to the Bylaws, each Participating Provider of the Company shall be entitled to one vote on each matter submitted to a vote of the Participating Providers. Nonvoting Participating Providers shall not be entitled to vote on any issue.

An Annual Meeting of the Participating Providers shall be held in the month of September of each year at the time, day, and place determined by the Board of Directors for the purpose of electing directors and transacting any other business as may properly come before the meeting.

Special meetings of the Participating Providers may be called at any time upon written request of the President/CEO, the Chairman of the Board, five or more Directors, five percent or more of the members, or as otherwise required by law.

Board of Directors

The Board of Directors is comprised of 11 directors, 6 provider and 5 consumer directors. The Bylaws provide that the Board of Directors shall consist of not fewer than nine persons. A majority of the Directors shall be Voting Participating Providers of the Company with one Provider Director representing each of the six geographical areas within the State of North Dakota, corresponding to the districts of the North Dakota Dental Association. In addition, one Provider Director shall be an officer of the North Dakota Dental Association as designated and appointed by the North Dakota Dental Association. The Provider Director designated by the North Dakota Dental Association shall serve as an ex officio, nonvoting member of the Corporation's Board of Directors. Nonvoting Participating Providers may not serve as a Director of the Board.

Following is a list of the directors and their principal business affiliations as of December 31, 2009:

Name	Term Expires	Address	District or Representation
Roger Martin Amundson	2010	Grand Forks, ND	Provider
Christine Frances Blowers	2011	Bismarck, ND	Consumer Director
Jason Jerome Braun	2011	Jamestown, ND	Provider
Theodore Arthur Brown	2011	Mohall, ND	Provider
Lawrence Elmer Gjerstad	2012	Mott, ND	Provider
Robin Lynn Hill	2011	West Fargo, ND	Consumer Director
Gene Douglas Kaseman	2012	Minot, ND	Consumer Director
Lisa Jane Kudelka	2010	Bismarck, ND	Consumer Director
Heidi Michelle Nichols-Johnson	2011	Bismarck, ND	Provider
Catherine Mary Nordquist	2010	South Park River, ND	Consumer Director
Scott Alan Preisler	2012	Fargo, ND	Provider

Committees

Finance and Investment Committee

Lisa Jane Kudelka	Chairman
Roger Martin Amundson, DDS	Member
Lawrence Elmer Gjerstad, DDS	Member
Robin Lynn Hill	Member
Jason Jerome Braun, DDS	Member
Timothy James Huckle,	Ex Officio
Catherine Mary Nordquist	Ex Officio

Audit and Compliance Committee

Gene Douglas Kaseman	Chairman
Theodore Arthur Brown, DDS	Member
Christine Frances Blowers	Member
Heidi Michelle Nichols-Johnson, DDS	Member
Scott Alan Preisler, DDS	Member
Timothy James Huckle,	Ex Officio
Catherine Mary Nordquist	Ex Officio

Nominating Committee

Robin Lynn Hill	Chairman
Roger Martin Amundson, DDS	Member
Heidi Michelle Nichols-Johnson, DDS	Member
Lisa Jane Kudelka	Member
Christine Frances Blowers	Member
Timothy James Huckle	Ex Officio
Catherine Mary Nordquist	Ex Officio

Officers

The Bylaws provide that the Board of Directors (Board) shall elect from their members a Chair of the Board, a Vice Chair, a Secretary-Treasurer, and such other officers as the Board from time to time may elect. The managing corporate officers of the Company are determined by the Board of Directors and include a President and such other officers as may be elected or appointed, subject to the approval of the Board. The President is elected annually at the annual meeting of the Board of Directors. The other managing officers shall be appointed by the President and approved by the Board.

The officers serving as of December 31, 2009, were as follows:

Timothy James Huckle	President
Roger Martin Amundson	Secretary/Treasurer
Chris Eliot Johnston	Assistant Treasurer
Bradley William Bartle	Actuary

Conflict of Interest

The Company requires members of the Board to file a conflict of interest statement annually. The Examiners reviewed conflict of interest statements provided by the Company for 2005 through 2009. No significant exceptions were noted.

Corporate Records

The Articles of Incorporation, Bylaws, and the minutes of the Members of the Corporation and the Board of Directors were reviewed in detail. It was determined that meetings were held in accordance with the Bylaws and that actions were documented within the minutes.

The Company amended the Bylaws on May 13, 2005, so that the Company's annual meeting is not required to coincide with the North Dakota Dental Association's (NDDA) annual meeting. The Bylaws were also amended on January 28, 2005, to require that one Provider Director shall be an officer of the NDDA and shall be appointed by the NDDA to serve on DSC's Board as an ex officio, non-voting member. The requirement that replacement members of the Board must be appointed from each district was also removed.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2009, the Company is the named insured on a financial institution bond issued by the Federal Insurance Company (Chubb). The bond has an aggregate loss limit of \$5,000,000 which exceeds the minimum coverage suggested by the National Association of Insurance Commissioners.

The Company is protected from loss against insurable hazards through Noridian. Coverage includes Directors and Officers Liability.

PENSION AND INSURANCE PLANS

The Company has no employees and, thus, has no retirement plans, deferred compensation, postemployment benefits, compensated absences or other post retirement benefit plans.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact business only in North Dakota. Its business purpose is to provide dental services to subscribers and their families (members) covered under a group contract.

As of December 31, 2009, the Company served 204,225 total members which was comprised of 93,591 fully insured and 110,634 self-insured members. This represents an increase of 2,515 members since the previous exam in 2004.

DSC provides a wide variety of coverage options at competitive pricing and various levels of insurance with rates that vary depending on the coverage selected. In addition, DSC offers a dental accident plan program for school children.

At the end of 2009, DSC had 329 participating providers.

During the period under examination, premiums written were as follows:

Premiums Written (Millions of Dollars)

	2005 Premiums	2006 Premiums	2007 Premiums	2008 Premiums	2009 Premiums
Dental Only	\$20,425,076	\$20,696,354	\$19,931,323	\$12,726,481	\$21,322,124

Marketing

DSC uses traditional marketing methods (televisions, radio, Internet, etc.). DSC markets by word-of-mouth through existing customers and relationships with the dental care providers.

DSC also markets through Noridian's internal marketing department. Noridian's product distribution system consists of approximately 40 company employed marketing representatives who market DSC's products throughout North Dakota.

GROWTH OF THE COMPANY

The growth of the Company for the years 2004 through 2009 is shown in the following schedule that lists data reported in the Company's Annual Statements, except for years 2004 and 2009 which represent amounts determined by examination:

Year	Assets	Liabilities	Capital And Surplus	Total Revenue	Number Member Months	Number of Members
2004	\$ 8,326,806	\$ 2,009,019	\$ 6,317,787	\$ 19,370,184	1,234,518	102,474
2005	10,118,409	1,962,884	8,155,525	20,425,076	1,201,769	97,363
2006	11,894,126	2,019,817	9,874,309	20,696,354	1,182,296	98,110
2007	13,651,701	2,340,293	11,311,408	19,931,323	1,140,927	95,594
2008	6,614,469	2,019,345	4,595,124	12,726,481	1,148,911	97,051
2009	7,614,704	1,797,729	5,816,975	21,322,124	1,131,866	93,591

The ratio of claims and expenses incurred to premiums earned for years 2004 through 2009 is shown in the following schedule:

Year	Premiums Earned	Claims Incurred	Loss Ratio	Expenses Incurred	Expense Ratio	Loss and Expense Ratio
2004	\$19,370,184	\$16,108,835	83.2%	\$2,640,723	13.6%	96.8%
2005	20,425,076	16,432,088	80.5%	2,080,452	10.2%	90.6%
2006	20,696,354	16,932,544	81.8%	2,286,224	11.0%	92.9%
2007	19,931,323	16,484,101	82.7%	2,311,283	11.6%	94.3%
2008	12,726,481	17,806,097	139.9%	2,273,942	17.9%	157.8%
2009	21,322,124	18,540,677	87.0%	2,628,136	12.3%	99.3%

Administrative Expenses

For the period 2004 to 2009, the percentage growth of administrative expenses for fully insured business is shown below as compared to growth percentages for premiums earned and claims incurred:

Year	Premiums Earned	Percent Increase	Claims Incurred	Percent Increase	Administrative Expenses	Percent Increase
2004	\$19,370,184	5.1%	\$16,108,835	2.5%	\$1,743,462	(10.9)%
2005	20,425,076	5.4%	16,432,088	2.0%	1,368,670	(21.5)%
2006	20,696,354	1.3%	16,932,544	3.0%	1,535,962	12.2%
2007	19,931,323	(3.7)%	16,484,101	(2.6)%	1,561,047	1.6%
2008	12,726,481	(36.1)%	17,806,097	8.0%	1,497,694	(4.1)%
2009	21,322,124	67.5%	18,540,677	4.1%	1,691,565	12.9%

Administrative Services Contracts (ASC)

The Company functions as an administrator for various self-insured plans, providing claim processing services to the plan sponsors which bear the ultimate risk for payment of claims. Claims are paid by the Company and then reimbursement is obtained from the plan sponsor. The Company bears credit risk from the time the claim is paid until reimbursement is received from the plan sponsor. In return for the claim processing services, the Company receives an administrative fee. For some uninsured plans, the Company issues a stop-loss insurance policy in conjunction with the administrative service contract. The stop-loss policy covers claims incurred by the plan sponsor above a minimum amount. Uninsured plans with insurance coverage are classified as partially insured plans. The Company did not report any partially insured plans during the examination period.

The following schedule shows the amount of ASC business transacted during the period under examination:

Year	ASC Income	ASC Expenses	Administration Fees	Gain/(Loss)
2005	\$24,690,716	\$26,869,981	\$2,179,265	\$0
2006	26,675,416	28,884,108	2,208,692	0
2007	29,131,520	31,494,613	2,363,093	0
2008	33,913,985	36,233,192	2,346,907	27,700
2009	33,825,479	36,151,253	2,110,557	(215,217)

REINSURANCE

The Company neither ceded nor assumed reinsurance during the period of this examination.

ACCOUNTS AND RECORDS

The Company has contracted with Noridian for accounting, administrative and related services. The contract provides that Noridian be reimbursed by the Company for sales and administrative services rendered based on reasonable costs.

A trial balance was obtained for the year ending December 31, 2009, and traced to the appropriate assets, liabilities, income, and expense exhibits of the annual statement.

The internal controls were reviewed in conjunction with the review of the Company's key activities.

The Company is audited annually by an outside firm of independent certified public accountants. The work papers of this firm were made available to the Examiners for use in this examination.

Noridian has a Corporate Compliance and Audit Department that reports to the Vice President of Corporate Ethics and Business Practices who, in turn, reports directly to the Board of Directors.

An independent consulting firm was engaged to review the Evaluation of Controls in the Information Systems questionnaire. Results of the evaluation were noted in the Information Technology Report provided to the Company.

FINANCIAL STATEMENTS

The Financial Statements section includes the following:

Statement of Assets, Liabilities, Surplus and Other Funds, as of December 31, 2009
Statement of Revenue and Expenses for the Year Ended December 31, 2009
Reconciliation of Surplus and Other Funds, January 1, 2005 - December 31, 2009

Dental Service Corporation of North Dakota
Statement of Assets, Liabilities, Surplus and Other Funds
as of December 31, 2009

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$3,665,168		\$3,665,168
Common stocks	1,541,466		1,541,466
Cash	(635,698)		(635,698)
Short-term Investments	589,623		589,623
Investment income due and accrued	42,978		42,978
Uncollected premiums	26,851	\$ 103	26,748
Amounts receivable relating to uninsured plans	704,053		704,053
Federal income tax recoverable	1,342,811		1,342,811
Net deferred tax asset	2,168,500	2,159,100	9,400
Receivables from parent, subsidiaries and affiliates	328,155		328,155
Totals	\$9,773,907	\$2,159,203	\$7,614,704

Dental Service Corporation of North Dakota
Statement of Assets, Liabilities, Surplus and Other Funds
as of December 31, 2009

Claims unpaid	\$ 713,000
Unpaid claims adjustment expenses	34,000
Aggregate health policy reserves	118,436
Aggregate health claim reserves	370,000
Premiums received in advance	388,874
General expenses due or accrued	146,700
Amounts withheld or retained for the account of others	<u>26,719</u>
Total liabilities	\$1,797,729
Unassigned funds (surplus)	<u>5,816,975</u>
Total liabilities, surplus and other funds	<u><u>\$7,614,704</u></u>

**Dental Service Corporation of North Dakota
Statement of Revenue and Expenses
for the Year Ended December 31, 2009**

Underwriting Income

Net premiums income	\$21,319,032	
Change in unearned premium reserves	<u>3,092</u>	
Total revenues		\$21,322,124
Deductions:		
Hospital/medical benefits	\$18,540,677	
Claims adjustment expenses	936,571	
General administrative expenses	<u>1,691,565</u>	
Total underwriting deductions		<u>21,168,813</u>
Net underwriting gain or (loss)		\$ 153,311

Investment Income

Net investment income earned	\$ 185,434	
Net realized capital gains (losses)	<u>(75,435)</u>	
Net investment gains (losses)		<u>109,999</u>
Net gain or (loss) before federal income taxes		\$ 263,310
Federal income taxes incurred		<u>(644,928)</u>
Net income		<u><u>\$ 908,238</u></u>

**Dental Service Corporation
Reconciliation of Surplus and Other Funds
January 1, 2005 through December 31, 2009**

	2005	2006	2007	2008	2009
Surplus and other funds December 31, prior year	\$6,317,787	\$8,155,526	\$9,874,309	\$11,311,407	\$4,595,130
Net income (loss)	1,856,741	1,596,618	1,473,434	-6,303,195	908,238
Net unrealized capital gains (losses)	-27,902	189,075	-53,445	-576,782	289,127
Change in net deferred income tax	8,900	-66,910	17,109	1,452,200	895,182
Change in nonadmitted assets				-1,288,500	-870,703
Net change in surplus and other funds	1,837,739	1,718,783	1,437,098	-6,716,277	1,221,844
Surplus and other funds December 31, current year	\$8,155,526	\$9,874,309	\$11,311,407	\$4,595,130	\$5,816,974

Unassigned Funds

N.D.C.C. § 26.1-17-25 provides that unassigned funds shall not be less than the sum of incurred claims and operating and overhead expenses for at least two months, but not more than four months. The Company's months-in-reserve calculation exceeded the four-month limitation during the years 2005-2008 until the issuance of a \$7.8 million premium refund was made in September 2008. The premium refund was approved by the Insurance Commissioner. At December 31, 2009, the Company's unassigned funds, reflecting approximately 3.3 months of claims and reserves, was in compliance with the four month of claims and expenses limitation.

CONCLUSION

The financial condition of the Company, as of December 31, 2009, as determined by this examination is summarized as follows:

Admitted Assets		<u>\$ 7,614,704</u>
Total Liabilities	\$ 1,797,729	
Unassigned Funds (Surplus)	<u>5,816,975</u>	
Liabilities, Surplus and Other Funds		<u>\$ 7,614,704</u>

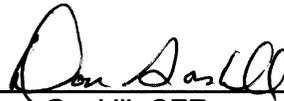
The unassigned funds as determined by this examination represent no change from the amount reported in the Company's 2009 Annual Statement. The financial statement differences detected by this examination were not considered material.

Since the last examination conducted as of December 31, 2004, the Company's admitted assets have decreased \$712,102, its total liabilities have decreased \$211,290, and its surplus and other funds have decreased \$500,812.

In addition to the undersigned, contract examiners Dennis Kluk, CFE, Terry Smith, CFE, and Jenny Jeffers, and Department staff including Ed Moody, CFE participated in this examination.

The courteous cooperation extended by the officers and employees of the Company during the course of the examination is gratefully acknowledged.

Respectfully submitted,



Don Gaskill, CFE
Examiner-In-Charge
North Dakota Insurance Department

SUMMARY OF RECOMMENDATIONS

It is recommended that the Company amend the Contract to Provide Administrative and Related Services between Noridian and the Company to provide for timely settlement of amounts owed, with a specified due date as required by SSAP 25, paragraph 6.