

A SMILE SAYS IT ALL.

DELTA DENTAL OF TENNESSEE | 2014 ANNUAL REPORT





Approaching a milestone anniversary, as we will be in 2015, always makes you a bit introspective. We have had some ups and downs over the past few years. In this report, we stepped back to take a longer look at history.

Over the past ten years, Delta Dental of Tennessee has increased our primary subscriber base 74 percent to more than 518,000. Including dependents, we now cover more than 1.2 million members.

With that tremendous growth, it's interesting to also look at how that has impacted our networks. More and more of our commercial clients are interested in saving money for both themselves and their employees. For many of those groups, it means a redirection from the Delta Dental Premier[®] Network to the Delta Dental PPOSM Network. Since 2004, our PPO network has increased 216 percent.

Along with this tremendous growth, we have continued to maintain high customer satisfaction. The benefit administrators with whom we work on a daily basis continue to award us near perfect scores, this year with 99.3 percent satisfaction scores.

Our commitment to smiles goes beyond our direct customers. This year, we also launched the Smile 180 initiative to further invest in the communities we serve. Over the past 10 years, we have consistently reinvested millions of dollars to ensure our state has the best trained young professionals, that the working poor have access to quality care, and that resources are available to provide our children the best care possible.

In developing Smile 180, we wanted to guarantee that funding would continue to be directed in these three primary focus areas for years to come. Kicking off this initiative, we invested more than \$5.2 million across the state in 2014, including capital and operational funding for charitably-funded clinics, dental operatories in children's hospitals in East and West Tennessee, distributing more than 112,000 toothbrushes, and much more. We also invested \$12 million to establish the corpus for the Smile 180 Foundation.

"From everyone who has been given much, much will be demanded. And from the one trusted with much, much more will be expected." Luke 12:48

As you will see in these next few pages, Delta Dental of Tennessee has been very successful, especially over the past 10 years. We are well-positioned in the market for continued growth and, with Smile 180, we are now in a position to continue to help those in most need for years to come.

Philip A. Wenk
President and CEO, Delta Dental of TN

Leslie P. Sellers
Chairman, Board of Directors

More options, lower costs: Smile more with Delta Dental

Delta Dental offers two provider networks to help cover your smile while keeping costs as low as possible. The **Delta Dental PPOSM Network** provides maximum cost savings, while the **Delta Dental Premier[®] Network**—which is the largest network in Tennessee—provides a safety net for additional access when you need it.

The Power of Two Networks

Delta Dental PPO	<ul style="list-style-type: none"> → More than 207,000 office locations nationwide → Average savings of 24% on submitted fee → No balance billing* and no paperwork to file
Delta Dental Premier	<ul style="list-style-type: none"> → More than 292,000 office locations nationwide → Average savings of 11% on submitted fee → No balance billing* and no paperwork to file
Out-of-Network	<ul style="list-style-type: none"> → May need to file your own claims → May be balance billed* → No discounts

Save when you see a network dentist*

Example: You have met your deductible and visit a dentist for a Basic Service, which your plan covers at 80%. The estimated charge for the service is \$120.[^]

NETWORK	ESTIMATED CHARGE	MAXIMUM ALLOWED FEES	AMOUNT DELTA DENTAL PAYS	AMOUNT YOU PAY
Delta Dental PPO	\$120	\$84 <i>Set by Delta Dental</i>	$\$84 \times 80\% = \67.20	\$16.80 <i>Best Deal!</i>
Delta Dental Premier	\$120	\$113	$\$113 \times 80\% = \90.40	\$22.60
Out-of-Network Dentist	\$120	\$100	$\$100 \times 80\% = \80	\$40.00 <i>20% + \$20 balance billing*</i>

[^]This example is an estimate. Fees and reimbursements can vary by state.

*What is balance billing?

Our network dentists agree to accept Maximums on what they charge for each service. An out-of-network dentist hasn't agreed to those Maximums. When you visit a Delta Dental network dentist, you won't have to pay the difference between what the dentist charges and what Delta Dental will pay, *aka Balance Billing*.



OUR COMMITMENT TO HEALTHY SMILES IS MORE THAN LIP SERVICE.



Named
#1 for Corporate Giving
#15 for Most Volunteer Hours per Employee
in Middle Tennessee by
The Nashville Business Journal in 2014

Named one of the
25 Fastest Growing Companies

by *The Nashville Business Journal*
in 2013, 2012, 2011, 2010 and 2008.



A.M. Best ratings reaffirmed

A- (Excellent)

Delta Dental of Tennessee has received an A- (Excellent) rating for 11 consecutive years.



Named Best Dental Carrier

in *Benefits Selling Magazine* Readers' Choice Awards

6th

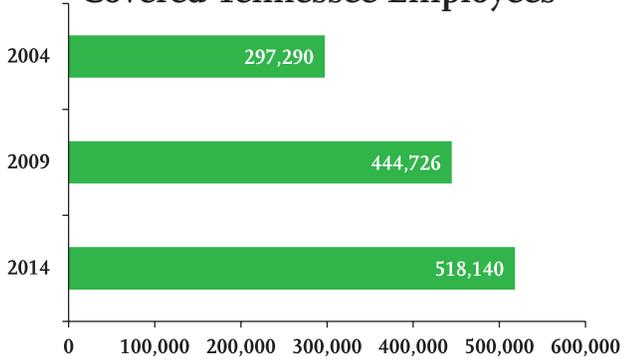
consecutive win

9th

win in 10 years

Over The Past 10 Years In Tennessee...

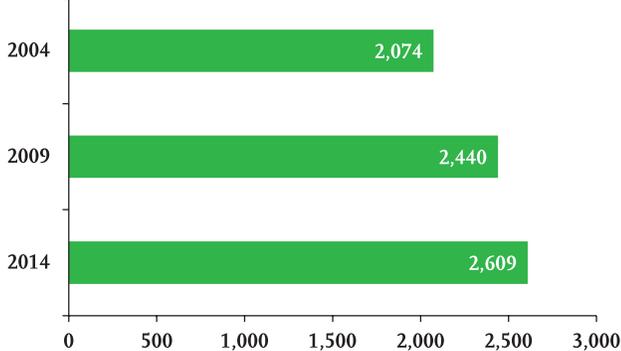
Covered Tennessee Employees



Subscribers
Increased

74%

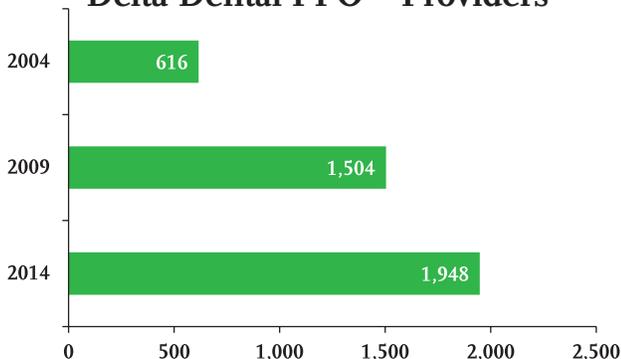
Delta Dental Premier® Providers



Premier Providers
Increased

25%

Delta Dental PPOSM Providers



PPO Providers
Increased

216%



OUR SERVICE FOCUSES ON IMPROVING SMILES.

Maintaining healthy smiles is only a portion of our mission. The other part is helping to create smiles by offering our customers the best service possible. Our dedicated customer service experts are trained to help people manage their benefits, their dental offices, or their groups simply and efficiently, and we have the numbers to prove it.

“IT’S THE BEST INSURANCE I’VE EVER HAD. THANK YOU!”*

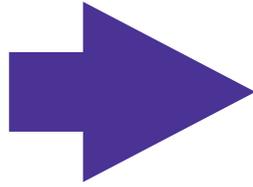
“Thanks for keeping my family's teeth clean and healthy!”*

**Comments from 2014 Member Satisfaction Survey*

1,942,937



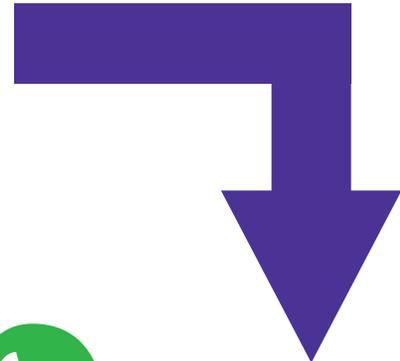
Claims Processed



72.81%

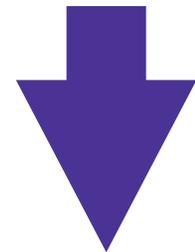


Claims Received Electronically



626,144

Total Calls Received



9.04 sec

Average Speed of Answer



2:36

Average Call Time

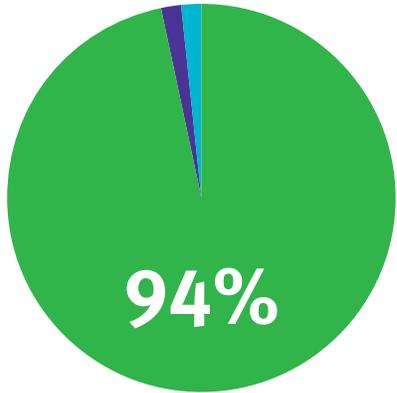


98.19%

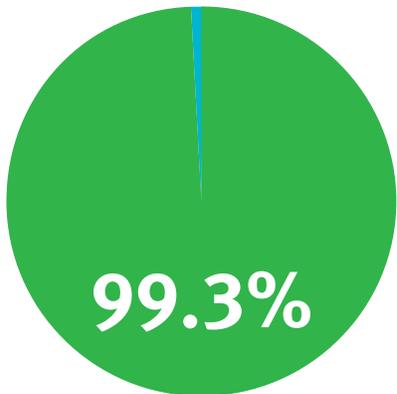


Inquiries Resolved on First Contact

MEMBER SATISFACTION



GROUP SATISFACTION



- Very Satisfied or Satisfied
- Dissatisfied
- Very Dissatisfied

IT ALL ADDS UP TO HEALTHIER SMILES.

	As of December 31,	
	2013	2014
Total Assets	\$71,577,291	\$78,532,881
Capital & General Reserves	\$55,561,101	\$50,124,760
Total Revenues	\$420,306,612	\$306,770,635
Total Benefits & Expenses	\$415,187,899	\$314,842,964
Contribution to General Reserves	\$5,118,713	(\$8,257,579)

Cost Management Results

Submitted Charges	\$595 Million	\$650 Million
Paid Charges	\$255 Million	\$266 Million
Total Cost Management Savings	\$340 Million	\$384 Million
The Delta Dental Difference	\$105 Million	\$126 Million
Other Savings	\$235 Million	\$258 Million

** In addition to making charitable contributions of more than \$5.2 million, the Delta Dental of Tennessee Board of Directors authorized the transfer of \$12 million in excess reserves to help fund the corpus of the Smile 180 Foundation.*



Key Business Accomplishments	As of December 31,	
	2013	2014
New Business	\$17,208,000	\$8,275,600
Covered People	1,081,003	1,101,651
Business Renewal Rate	92.9%	98.4%

Tennessee Service Accomplishments

Total Claims Processed	1,905,885	1,942,937
Claims processed in 10 days	98.79%	99.45%
Claims Processing Accuracy	99.42%	99.33%
Financial Processing Accuracy	99.75%	99.75%
Call Center — Average Speed of Answer (seconds)	14	9
Call Center — Inquires Resolved on First Contact	99.1%	98.19%
Group Satisfaction	99.6%	99.3%
Enrollee Satisfaction	96.8%	94%

We are an equal opportunity employer and all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, disability status, protected veterans status, or any other characteristic protected by the law.



Community Impact

An Initiative of Delta Dental of Tennessee

Transforming lives.

Transforming communities.

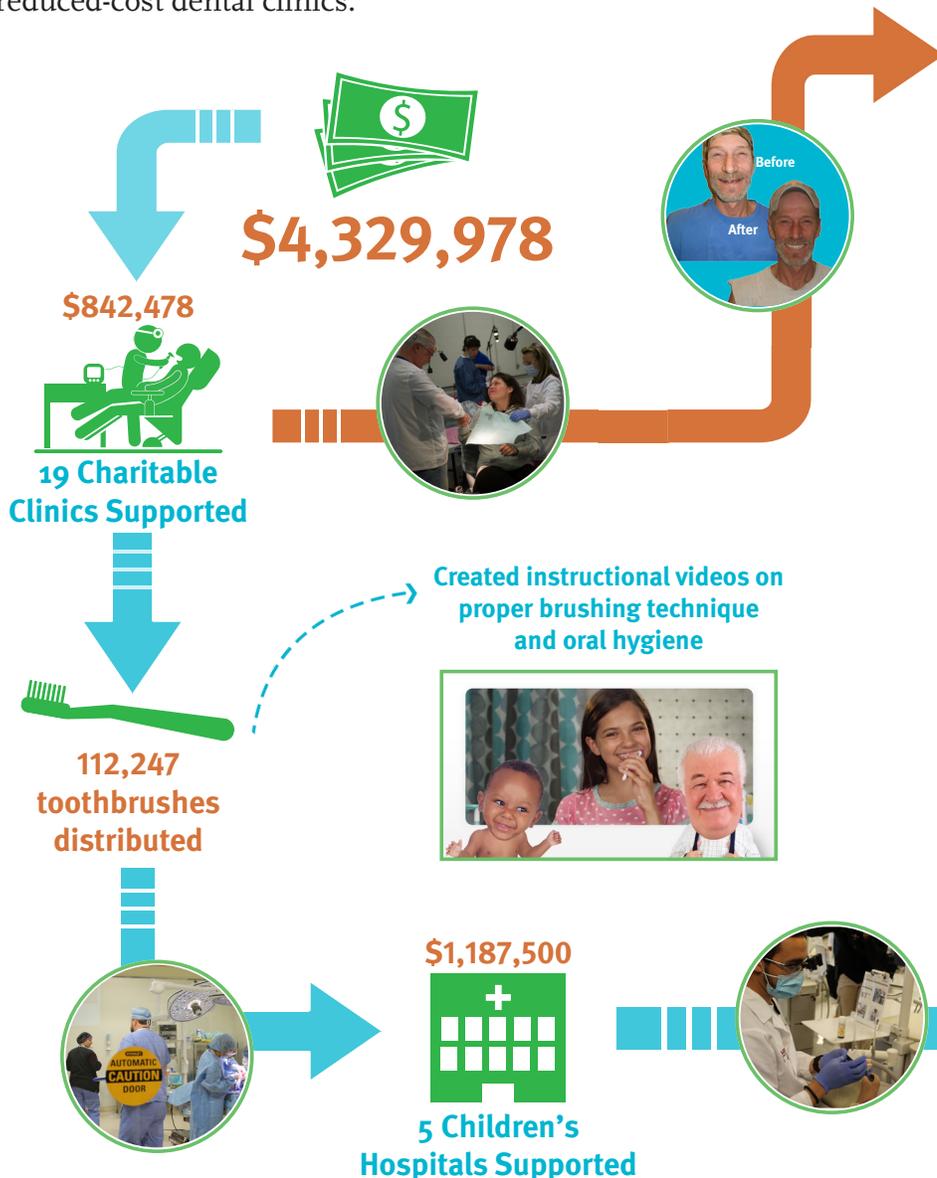
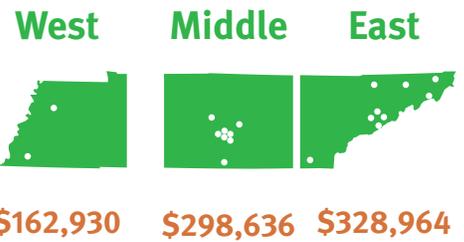
One smile at a time.

Smile180 reflects the transformative power of a healthy smile to turn someone's life around. A smile promotes confidence and is essential to a healthy, productive life.

One of the core values of Delta Dental of Tennessee is to support efforts that enhance the health and wellbeing of those in the community by improving oral health in the state.

The Smile180 philanthropic initiative supports Tennessee's dental colleges, children's hospitals, as well as free and reduced-cost dental clinics.

Free and Reduced-cost Dental Clinics Supported Across the State



Created instructional videos on proper brushing technique and oral hygiene



525
organizations were supported with community empowerment grants



\$935,089

Over \$5.2 Million Given In 2014



BACK L to R: Donald Beaty, Missy Acosta, Shanda Brown, Philip Wenk, Jay Reavis, Melissa Huschke
 FRONT L to R: Frank Turbeville, Kaye Martin, Kathy Fussell, Pam Dishman, Tom Perry

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Pam Dishman

VICE PRESIDENT, INFORMATION SERVICES

Donald Beaty

VICE PRESIDENT, OPERATIONS

Melissa Huschke

VICE PRESIDENT, SALES & UNDERWRITING

Jay Reavis

CONTROLLER

Frank Turbeville

SENIOR VICE PRESIDENT & CFO

Tom Perry

SENIOR VICE PRESIDENT, OPERATIONS

Kaye Martin

VICE PRESIDENT, MARKETING

Missy Acosta

VICE PRESIDENT, QUALITY MONITORING & IMPROVEMENT

Shanda Brown

REGULATORY COMPLIANCE CONTROLLER

Kathy Fussell

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of Tennessee

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DELTA DENTAL OF TENNESSEE
240 VENTURE CIRCLE
Nashville, TN 37228
p: (800) 223-3104 • f: (615) 244-8108

DeltaDentalTN.com