CERTIFICATION

March 18, 2014

I, Bruce R. Ramge, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the

Financial Examination Report of

OMNI DENTAL ASSOCIATES, INC.

as of

December 31, 2012

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.

STATE OF NEBRSKA
DEPARTMENT OF INSURANCE

MAR 18 2014

FILED

Bruce R. Ramge

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Take notice that the proposed report of the financial examination of

OMNI Dental Associates, Inc.

dated as of December 31, 2012, verified under oath by the examiner-in-charge on February 18, 2014, and received by the company on February 19, 2014, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3)(a).

Dated this 6 day of March, 2014.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

Justin Schrader
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

OMNI Dental Associates, Inc.

as of

December 31, 2012

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Omaha, Nebraska
January 17, 2014

Honorable Bruce R. Ramge
Director of Insurance
Nebraska Department of Insurance
941 "O" Street, Suite 400
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

OMNI DENTAL ASSOCIATES, INC.
6846 Pacific Street, Suite 101
Omaha, Nebraska 68106

(hereinafter also referred to as the "Company") and the report of such examination is respectfully presented herein.

INTRODUCTION

The Company was last examined as of December 31, 2009 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2012, and includes such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

SCOPE OF EXAMINATION

This examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statues.

A general review was made of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the shareholders and Board of Directors, held during the examination period, were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review is reflected in the financial section of this report under the caption "Body of Report."

Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the provisions of Section §44-5904(1) of the Nebraska Insurance Statues.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

In accordance with two agreements, namely, "Agreement to Transfer Assets and Liabilities" and "Assignment and Assumption Agreement," all interests of Regency Dental Service Corporation (Regency) and the Company, a non-profit corporation, were transferred to the Company. This enabled the Company to succeed Regency and to operate Regency's business of marketing and servicing prepaid dental services in Nebraska. As such, the Company was incorporated as a capital stock prepaid dental plan on September 20, 1982 and commenced business as provided under Section 44, Article 38 of the Nebraska Insurance Laws on October 15, 1982. The Articles of Incorporation provide that the Company shall have perpetual existence.

MANAGEMENT AND CONTROL

Capital Stock and Shareholders

The Company's Articles of Incorporation state that, "the aggregate number of shares which the corporation shall have authority to issue is 100,000. Such shares are to consist of one class only, that being common voting. The par value of such shares is ten cents." Company records indicate that at December 31, 2012, 34,000 shares were issued and outstanding totaling

$3,400 of common capital stock. Paid in and contributed surplus of $5,040 has not changed during the current examination period.

Under agreement with terms approved by the Nebraska Department of Insurance in May of 2007, the Company is to maintain capital and surplus in an amount of at least $25,000, which is the amount of the Company assets which are currently being held as a security deposit with the Nebraska Department of Insurance.

No cash dividends were declared and paid during the exam period. Cash dividends paid to shareholders since the inception of the Company total $22,850.

The amended By-Laws of the Company state that, "the annual meeting shall be held on or before June 30th each year."

Board of Directors

The Company's amended By-Laws state that, "the business and affairs of the corporation shall be managed by its Board of Directors. The number of Directors of the corporation shall be five. Each Director shall hold office until the next annual meeting of shareholders and until his successor shall have been elected and qualified. Directors need not be shareholders of the corporation. A majority of Directors must be residents of the State of Nebraska."

As of December 31, 2012, members of the Board of Directors duly elected and serving the Company were as follows:

Name and Residence	Principal Occupation
Edward F. Bragg Omaha, Nebraska	Chairman of the Board, President and Treasurer, OMNI Dental Associates
E. Todd Bragg Omaha, Nebraska	Consultant, The Steier Group

Name and Residence	Principal Occupation
Scott M. Bragg Omaha, Nebraska	Teacher, University of Nebraska Omaha
Paul L. Keating Lincoln, Nebraska	Self-employed Marketing Consultant
George M. Stryker Omaha, Nebraska	Independent Investment Advisor

Directors receive $150.00 per meeting attended.

Officers

Officers elected and serving the Company at December 31, 2012 were as follows:

Name	Position
Edward F. Bragg	Chairman of the Board, President and Treasurer
George M. Stryker	Secretary
E. Todd Bragg	Vice-President

TERRITORY AND PLAN OF OPERATION

As evidenced by a current Certificate of Authority, the Company is licensed to transact business as a prepaid dental service corporation in the State of Nebraska. As of December 31, 2012, providers were located in Nebraska and Iowa.

The Company offers service contracts to individuals and employers and/or groups, providing prepaid dental programs for employees. Employees and qualified family members, who opt to participate in the group plan, are issued certificates of coverage. Licensed dentists or other licensed specialists provide preventive and diagnostic care as well as restorative services. Each dentist is an associate, performing under a provider agreement with the Company. As the provider, a full range of comprehensive dental care must be given in accordance with the master contract.

Business is produced through 34 licensed agents. Agents receive 12% of all moneys collected.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	2010	2011	2012*
Admitted assets	$ 38,074	$ 30,881	$ 30,405
Unearned premium reserve	6,990	613	1,129
Total liabilities	10,098	3,462	4,485
Capital and surplus	27,976	27,419	25,920
Premiums earned	129,795	106,221	89,777
Expenses incurred	130,934	107,444	88,755
Investment income	311	253	120
Net gain or (loss)	171	(560)	626

* Examination adjustments were made to the 2012 reported financials. All adjustments are referenced in the "Examination Changes in the Financial Statements" and the "Commentary on Current Examination Findings."

FINANCIAL STATEMENTS

The following statement of admitted assets and liabilities, together with the accompanying statement of income, reflects the financial condition of the company at December 31, 2012, and its transactions for the year 2012 as determined through this examination. A reconciliation of the capital and surplus account for the three year period under review is also included.

FINANCIAL STATEMENT
December 31, 2012

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$26,786		$26,786
Cash	3,188		3,188
Subtotals, cash and invested assets	$29,974		$29,974
Electronic data processing equipment and software	39		39
Security deposits	392		392
Total assets	$30,405		$30,405

Liabilities, Capital and Surplus	
Unearned premium	$ 1,129
General expenses due or accrued	3,356
Total liabilities	$ 4,485
Common capital stock	$ 3,400
Gross paid in and contributed surplus	5,040
Advance from stockholder/officer	10,485
Unassigned funds (surplus)	6,995
Total capital and surplus	$25,920
Total liabilities, capital and surplus	$30,405

STATEMENT OF REVENUE AND EXPENSES

Net premium income	$ 89,777
Change in unearned premium	(516)
Total revenue	$ 89,261
Other hospital and medical professional services	$ 47,431
General administrative expenses	41,324
Total underwriting deductions	$ 88,755
Net underwriting (loss)	$ 506
Net investment income earned	$ 120
Net income (loss)	$ 626

CAPITAL AND SURPLUS ACCOUNT

	2010	2011	2012
Capital and surplus, prior year	$27,807	$27,976	$27,419
Net income or (loss)	$ 171	$ (560)	$ 626
Rounding	(2)	3	
Surplus adjustment cash			(2,125)
Net change in capital and surplus	$ 169	$ (560)	$ (1,499)
Capital and surplus, end of year	$27,976	$27,419	$ 25,920

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of $9,635, as reported in the Company's 2012 Annual Statement, has been reduced to $6,995 as result of examination adjustments noted below:

	Per Company	Per Examination	Surplus Increase (Decrease)
Assets			
Cash	$ 5,312	$ 3,188	$(2,124)
Aggregate write-ins (rounding)	0	(1)	(1)
Liabilities			
Unearned premiums	0	1,129	(1,129)
Advanced premiums	1,129	0	1,129
General expenses due or accrued	2,841	3,356	(515)
Income Statement			
Net premium income	90,542	89,777	(765)
Change in unearned premium	483	(516)	(999)
Other professional services	47,874	47,431	443
General administrative expenses	40,881	41,324	(443)
Net investment income	0	120	120
Total change to net income			$ 1,644
Net Increase (Decrease) to Surplus			$(2,640)
Surplus as regards policyholders, December 31, 2012, per Company			9,635
Surplus as regards policyholders, December 31, 2012, per Examination			$ 6,995

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

Recommendations appearing in the last previous report of examination are reflected below together with the corrective actions taken by the Company:

1. **Personal Expenses** - It is recommended that the Company discontinue its practice of allowing the President to use the Company's credit card for personal expenses.

Action: The Company has not complied with this recommendation. This recommendation will be repeated under the caption "Commentary on Current Examination Findings" in this report.

2. **Compensation Expenses** - It is recommended that the Board of Director's formally approve all compensation and benefits being provided to the President. The terms and amount of any compensation as well as the terms of any allowable business expenses should be clearly defined.

   Action: The Company has not complied with this recommendation. This recommendation will be repeated under the caption "Commentary on Current Examination Findings" in this report.

3. **Aggregate Write-in's for other than Special Surplus Funds** - It is recommended that the Board of Directors approve and formalize the terms and conditions of any borrowing that the Company currently has in place and/or potentially may utilize in the future. As such, any debt arrangements should be clear as to the terms of the arrangement, amount, interest rate, and parties involved. Any money advanced to the Company shall be repaid only with the prior approval of the Insurance Director.

   Action: The Company has not complied with this recommendation. This recommendation will be repeated under the caption "Commentary on Current Examination Findings" in this report.

4. **Aggregate Write-in's for other than Special Surplus Funds** - It is recommended that the Company's balance sheet properly and fully identify the true nature of the special surplus fund which is being shown in the attached financial statements as "Advance from Stockholder/Officer."

   Action: The Company has complied

5. **Notes of the Financial Statements** - It is recommended that the Company properly complete note #2 of the "Notes to Financial Statements" in future statement filings by disclosing only those items, matters, impacts or corrections which are pertinent to the two years of information which is being presented in the financial statements. In addition, the notes to the financial statement should clearly identify the year and the items, and should not be vague or unclear about the year or impact to the financial statements.

Action: The Company had previously complied. However, Note 2(F) contains disclosure relating to 2010. This recommendation will be repeated under the caption "Commentary on Current Examination Findings" in this report.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Annual Meeting of the Board of Directors

The Company's amended Bylaws state that," a regular meeting of the Board of Directors shall be held without other notice than this immediately after, and in the same place as, the annual meeting of shareholders." The annual meeting of the Board of Directors was held in December for the exam period. The annual meeting of the Shareholders was held in June for the exam period.

It is recommended that the annual meeting of the Board of Directors be held as directedby the Company's amended By-Laws, "immediately after, and in the same place as, the annual meeting of shareholders."

Conflict of Interest Statements

Conflict of Interest Statements were signed by all members of the Board of Directors. However, the questions asked in the statements were not completely answered by four of the five Directors.

It is recommended that all Conflict of Interest Statements are completely filled out by all Directors.

Personal Expenses

The Company's Chairman of the Board and President, the only active employee, continues to use the Company's credit card for personal expenses. Subsequent to the last two financial examinations, the Company was informed that personal expenses should not be paid with the Company's credit card. If it does happen, reimbursement should be immediate and well

documented. During the current exam many expenses were found to be personal in nature including entertainment, travel, and telephone expenses. Personal expenses paid for on behalf of the President, by the Company should be reported as salaries, wages, and other benefits in the Underwriting and Investment exhibit if they are not promptly reimbursed to the Company.

It is again recommended that the Company discontinue its practice of allowing the President to use the Company's credit card for personal expenses. In the future, all expenses which do not have business purposes should be classified as compensation and included in line 2 of the Underwriting and Investment Exhibit Part 3 - Analysis of Expenses.

Compensation Expenses

It was previously recommended that the Board of Director's formally approve all compensation and benefits being provided to the President. The terms and amount of any compensation as well as the terms of any allowable business expenses should be clearly defined. The Board of Directors meeting dated December 29, 2010 indicated that the Board of Directors should approve compensation of up to 30% of gross premiums and that all expenses should be reviewed annually. However, it was not adopted and expenses were not reviewed in subsequent meetings.

It is again recommended that the Board of Directors formally approve all compensation and benefits being provided to the President. The terms and amount of any compensation as well as the terms of any allowable business expenses should be clearly defined.

Other than Special Surplus Funds

It was previously recommended that the Board of Directors approve and formalize the terms and conditions of any borrowing that the Company currently has in place and/or potentially may utilize in the future. As such, any debt arrangements should be clear as to the terms of the

arrangement, amount, interest rate, and parties involved. Any money advanced to the Company shall be repaid only with the prior approval of the Insurance Director. The Board of Director meeting dated December 29, 2010 indicated that the Board of Directors will approve terms and conditions of any borrowings. However, no terms were ever adopted.

It is again recommended that the Board of Directors approve and formalize the terms and conditions of any borrowing that the Company currently has in place and/or potentially may utilize in the future. As such, any debt arrangements should be clear as to the terms of the arrangement, amount, interest rate, and parties involved. Any money advanced to the Company shall be repaid only with the prior approval of the Insurance Director.

Notes to Financial Statements

Disclosures in Note 2, Accounting Changes and Corrections of Errors, should be limited to the years presented in the financial statement to which it is attached. The Company should disclose only the impact of corrections to net income, surplus, total assets and total liabilities for the two years reported in the financial statements being prepared. For each amount disclosed in Note 2, the Company needs to provide the year it occurred and the year it was corrected in addition to the line(s) it refers to.

It is again recommended that the Company properly complete Note 2 of the Notes to Financial Statements in future statement filings by disclosing only those items, matters, impacts or corrections which are pertinent to the two years of information which is being presented in the financial statements. In addition, the notes to the financial statement should clearly identify the year and the items, and should not be vague or unclear about the year or impact to the financial statements.

Documentation Maintenance

The Company does not maintain documentation for all provider fees paid. The Company was unable to provide a record of expenses paid to dentists outside of the provider network paid on behalf of policyholder. The Company also does not maintain records supporting the calculation of unearned premium. The calculation is completed based on current policyholders. As policyholders leave or are added, the Company files are updated. Prior versions of the policyholder files are not saved on a regular basis.

The Company is not compliant with Nebraska Insurance Code 44-5905(b)(i)(A) which states that, "every company or person subject to the Insurers Examination Act shall retain all books, records, accounts, papers, documents, and computer or other recordings relating to the property, assets, financial accounts, and business of such company or person in a manner that permits examination of such books, records, accounts, papers, documents, and computer or other recordings for five years, or until the period of time in which the transaction took place has undergone a financial examination by the Director, whichever is later, following the completion of a transaction relating to the property, assets, financial accounts, and business of such company or person."

It is recommended that Company maintain documentation in compliance with Nebraska Insurance Statute 44-5905(b)(i)(A).

Cash

The examination found an outstanding reconciling deposit of $2,124.07 from October, 2008. The reconciling item has not been deposited and the cash balance was deemed to be

overstated by $2,124.07. Cash reported on assets line 5, as of December 31, 2012, is valued at $3,188, rather than $5,312, as reported in the Annual Statement.

It is recommended that cash reconciling deposits over 60 days are removed from the ledger. Asset line 5 cash, cash equivalents, and short-term investments should not include dated outstanding reconciliations.

Advanced and Unearned Premiums

Advanced premiums are defined as, "premiums received by the reporting entity prior to the reporting date but which are due on or after the next policy anniversary date" per Statement of Statutory Accounting Principles (SSAP) No. 51. SSAP No. 53 states that an unearned premiums reserve shall be established for, "the amount of premium for the portion of the insurance coverage that has not yet expired." The Company's reported advanced premiums relate to the unearned portion of policies billed on a three month cycle. Accordingly, $1,129 as reported on Liability line 8, premiums received in advance, should be reported as Liability line 6, unearned premium reserves. This resulted in no change to surplus.

The change in unearned premium reserve was reported in the Statement of Revenue and Expenses as $483, while the examination found the value to be $(516). This examination finding results in a $999 decrease to surplus.

It is recommended that unearned premium reserve be properly reported on Liability line 6, property/casualty unearned premium reserves, rather than Liability line 8, premiums received in advance. It is also recommended that the annual change in Liability line 6, property/casualty unearned premium reserve, be reported in the Statement of Revenue and Expenses on line 3, change in unearned premium reserves.

General Expenses Due or Accrued

Liability line 9, general expenses due or accrued, included a debit account balance of $514.73 for deferred service fees, which is actually unearned premium. Unearned premiums are reported separately on Liability line 6 (although the Company incorrectly reported them on line 8). Due to the incorrect inclusion of the unearned premiums, general expenses due and accrued should be reported as $3,356, rather than $2,841 as shown in the Annual Statement.

It is recommended that the unearned premium reserve not be reported on Liabilities line 9, general expenses due or accrued.

Refund Premiums

Premiums returned to policyholders upon cancellation, totaling $765, were not accounted for on the Statement of Revenue and Expenses appropriately. Net premium income should have been $89,777 as of December 31, 2012, rather than $90,542 as reported in the Annual Statement.

It is recommended that premiums returned to policyholders are subtracted from gross premiums written when reported in the Statement of Revenue and Expenses on line 2, net premium income.

Expenses Paid for Employee

Certain expenses paid for services received by the President of the Company were classified as provider fees. These service expenses should be reported as salaries, wages and other benefits on the Underwriting and Investment exhibit. Other professional services reported on line 10 of the Statement of Revenue and Expenses is valued at $47,431 rather than $47,874 as reported in the Annual Statement. General administrative expense is valued at $41,324, rather than $40,881, as reported in the Annual Statement. This change of $443 reflects the known instances of these personal service expenses. There is no net effect of surplus.

It is recommended that all expenses paid for services received by the President of the Company, including medical and dental care, should be reported as salaries, wages and other benefits, on line 2 of the Underwriting and Investment exhibit and not as other professional services on line 10 of the Statement of Revenue and Expenses.

Investment Income

Investment income of $120 reported on the Cash Flow statement, and present on the trial balance, was not reported on the Statement of Revenue and Expenses line 25 net investment income earned.

It is recommended that all investment income earned be reported within the Statement of Revenue and Expenses on line 25, net investment income earned.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been made as a result of this examination:

1. **Annual Meeting of the Board of Directors** – It is recommended that the annual meeting of the Board of Directors be held "immediately after, and in the same place as, the annual meeting of shareholders" as directed by the Company's amended By-Laws.

2. **Conflict of Interest Statements** – It is recommended that all Conflict of Interest Statements are completely filled out by all Directors.

3. **Personal Expenses** – It is again recommended that the Company discontinue its practice of allowing the President to use the Company's credit card for personal expenses. In the future, all expenses which do not have business purposes should be classified as compensation and included in line 2 of the Underwriting and Investment Exhibit Part 3 - Analysis of Expenses.

4. **Compensation Expenses** – It is again recommended that the Board of Directors formally approve all compensation and benefits being provided to the President. The terms and

amount of any compensation as well as the terms of any allowable business expenses should be clearly defined.

5. **Other than Special Surplus Funds** – It is again recommended that the Board of Directors approve and formalize the terms and conditions of any borrowing that the Company currently has in place and/or potentially may utilize in the future. As such, any debt arrangements should be clear as to the terms of the arrangement, amount, interest rate, and parties involved. Any money advanced to the Company shall be repaid only with the prior approval of the Insurance Director.

6. **Notes to Financial Statements** – It is again recommended that the Company properly complete note #2 of the "Notes to Financial Statements" in future statement filings by disclosing only those items, matters, impacts or corrections which are pertinent to the two years of information which is being presented in the financial statements. In addition, the notes to the financial statement should clearly identify the year and the items, and should not be vague or unclear about the year or impact to the financial statements.

7. **Documentation Maintenance** – It is recommended that Company maintain documentation in compliance with Nebraska Insurance Statute 44-5905(b)(i)(A).

8. **Cash** – It is recommended that cash reconciling deposits over 60 days are removed from the ledger. Assets line 5 cash, cash equivalents, and short-term investments should not include dated outstanding reconciliations.

9. **Advanced and Unearned Premiums** – It is recommended that unearned premium reserve be properly reported on Liability line 6, property/casualty unearned premium reserves, rather than Liability line 8, premiums received in advance. It is also recommended that the annual change in Liability line 6, property/casualty unearned premium reserve, be reported in the Statement of Revenue and Expenses on line 3, change in unearned premium reserves.

10. **General Expenses Due or Accrued** – It is recommended that the unearned premium reserve not be reported on Liability line 9, general expenses due or accrued.

11. **Refund Premiums** – It is recommended that premiums returned to policyholders are subtracted from gross premiums written when reported in the Statement of Revenue and Expenses on line 2, net premium income.

12. **Expenses Paid for Employee** – It is recommended that all expenses paid for services received by the President of the Company, including medical and dental care, should be

reported as salaries, wages and other benefits, on line 2 of the Underwriting and Investment exhibit and not as other professional services on line 10 of the Statement of Revenue and Expenses.

13. **Investment Income** – It is recommended that all investment income earned be reported within the Statement of Revenue and Expenses on line 25, net investment income earned.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

Respectfully submitted,

Skyler Lawyer, CPE
Examiner-in-Charge
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Skyler Lawyer, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Omni Dental Associates, Inc.

2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.

3. I have reviewed the examination work papers and examination report, and the examination of Omni Dental Associates, Inc was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

Skyler Lawyer

Examiner-in-Charge's Signature

Subscribed and sworn before me by Skyler Lawyer on this 18 day of February, 2014.

GENERAL NOTARY - State of Nebraska
TERRI A. KELLER
My Comm. Exp. Dec. 24, 2017

(SEAL)

Terri A Keller

Notary Public

My commission expires December 24, 2017 [date].

GENERAL NOTARY - State of Nebraska
TERRI A. KELLER
My Comm. Exp. Dec. 24, 2017