


annual report 2006

champion
HEALTH &
EFFECT
positive change

 **DELTA DENTAL®**



a message from our chairman & president



With records set in all key areas, 2006 stands as one of the finest in the history of our organization.

The importance of our role as a champion for health has never been clearer. Scientific evidence on the interrelationship between oral and overall health grows daily, and it is clear that dental benefits can make a significant difference in patient care and well-being.

The nearly \$170 million we paid for covered dental treatment in 2006 brings the total to more than \$1 billion over our 32 years in business. This represents a substantial commitment to oral health, and it stands as a testament to the wisdom of thousands of Delta Dental customers over the decades. There has been an investment not only in improving oral health, but also in improving overall health.

Delta Dental, which pioneered the dental benefits industry, today is opening new frontiers through its Research and Data Institute. The Institute's study of the link between oral health and other health conditions led to the announcement of significant changes in our standard plan design last year, and other innovations will be forthcoming.

A look at the statistics from 2006 tells another compelling story. Strong sales, robust business renewals, and efficient operations led to a successful financial result for the year. Our priority on controlling administrative costs resulted in a new low in the organization's net operating expense ratio. Our Best's rating of A- was reaffirmed for the fifth consecutive year. Our panel of participating providers continues to grow stronger every day. These outcomes are a direct result of our goals to provide the best access to care, the best total value, and the best administrative practices in the marketplace.

With an eye on the future, last year we also continued to make significant progress on several initiatives to further strengthen and diversify our business. Through our nonprofit parent organization, Renaissance Health Service Corporation, our family of diversified companies has begun to fulfill its promise, and our successful affiliation with Delta Dental of Michigan, Ohio, and Indiana has benefited the entire enterprise.

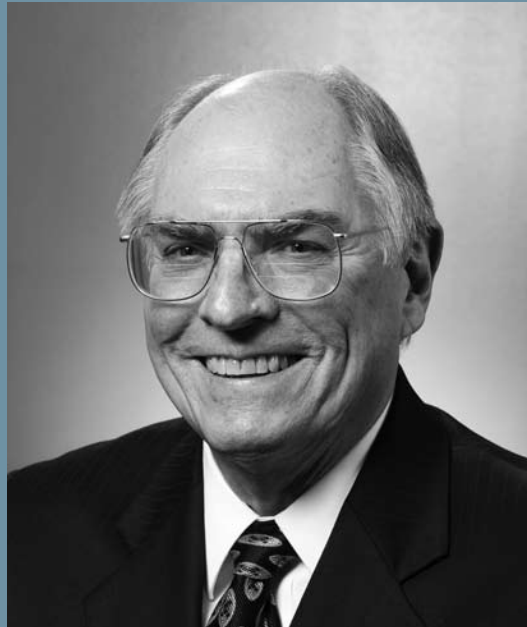
More details about this notable year are included in the pages that follow. We invite you to read them to learn more.



Joseph F. Rainey, D. D. S.
Chairman of the Board of Directors



Philip A. Wenk, D.D.S.
President and Chief Executive Officer



growth through quality counts!



Sales for 2006 were more than \$15.8 million. This included new sales to sizeable groups including Community Health Systems, First Horizon National Corporation, LifePoint Hospitals, and Health Spring of Tennessee Medicare.

In 2006, we also reached a new milestone by signing our 1,000th group. With the new online proposal writer, sales representatives are able to create proposals with more than 700 options for groups under 100 lives. Better still, these proposals can be drawn up on mobile devices and emailed immediately, even while meeting with the prospective client or broker. This flexibility enables our representatives to provide a variety of features and pricing options quickly so customers can create plans that best suit their needs.

While new sales are critical, Delta Dental also places a high value on maintaining strong relationships with existing customers. Because of that, we are proud to report a business renewal rate of 97.7 percent for 2006. We have also experienced tremendous growth within our voluntary groups, including a 25 percent enrollment increase for the State of Tennessee.

A major reason for our sales success lies in our extensive Delta Dental Premier® and Delta Dental PPOSM networks, which continued to grow during 2006. Our PPO network now features more than 1,000 participating dentists. Our unique ability to provide two large national networks results in excellent access to care from participating dentists as well as substantial cost savings.

Our Core Values

- Dependability
- Expertise
- Integrity
- Quality
- Teamwork
- Corporate Citizenship

“Bringing quality to all we do” is the policy at Delta Dental. We live it by providing plans that offer great access to care, unmatched cost savings and protection, and the best in service.

When it comes to growing our business, we understand that quality counts.

A recent Long Group survey of corporate benefits managers nationwide rated overall satisfaction with Delta Dental **14 points higher** than other dental benefits providers.



corporate citizenship to your future!



Corporate citizenship is a cornerstone for Delta Dental. Since our original charter some 30 years ago, we believe that it is our job to make contributions to the advancement of the dental profession as well as the improvement of oral health for all Tennesseans.

This past year was no exception, and we are proud to see that our contributions are helping to improve institutions and residency programs so that our future dentists are properly trained and ready to start professional careers upon graduation.

Delta Dental has provided \$1.25 million to the University of Tennessee Health Science Center

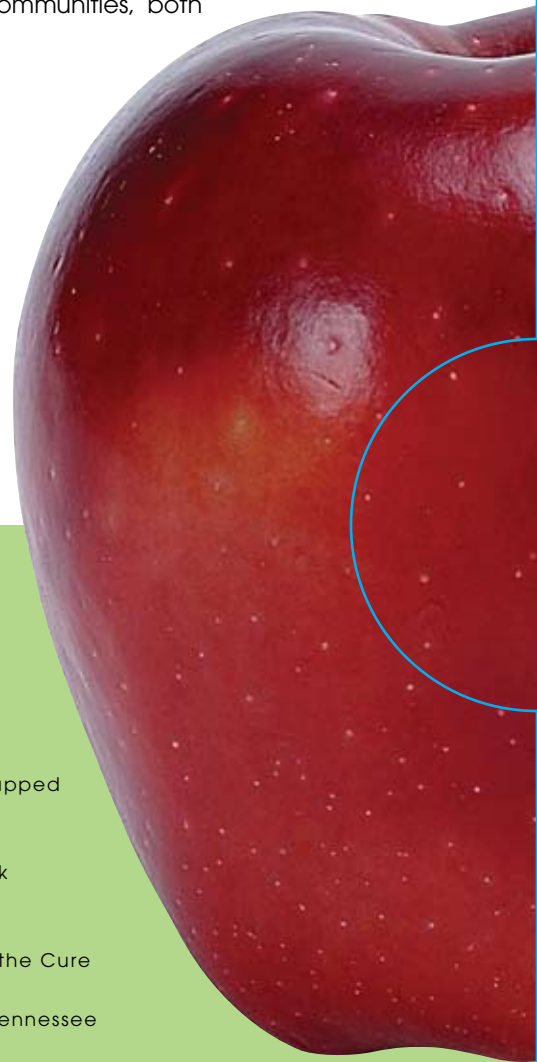
toward the renovation of the Dunn Dental Building, replacing equipment that had been in use since the Memphis school opened nearly 30 years ago. An additional \$300,000 helped provide renovations to the UT Graduate School of Medicine's General Dentistry Division at UT Medical Center in Knoxville.

Delta Dental provided \$60,000 as seed funding to help establish a Tennessee chapter of the National Foundation of Dentistry for the Handicapped and Donated Dental Services of Tennessee. With operations in 36 other states, this is the first of its kind in Tennessee.

We are also proud of the support of our employees in giving back to the community as well. The United Way bestowed its Circle of Honor Award on Delta Dental in recognition of our employees' support of its mission. Our staff regularly volunteers and participates in community events, and several are actively involved as board members for nonprofits throughout the state.

In all, Delta Dental distributed more than \$1.7 million and countless volunteer hours to more than 50 initiatives to improve oral health, advance dental science, or contribute to the well-being of citizens in the communities where we do business.

Clearly, corporate citizenship is part of the fabric of our organization. Whether the project involves dentistry, overall health, or community service, we seek opportunities that will benefit our communities, both now and in the future.

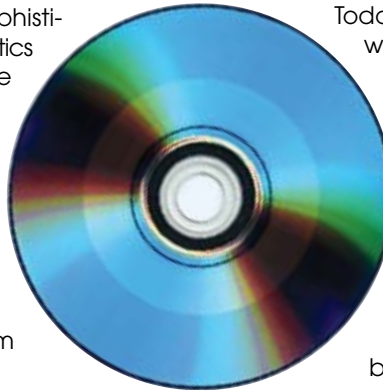


The following are a few of the organizations that received contributions from Delta Dental in 2006

Al Menah Shriners	Monroe Harding
American Cancer Society	Nashville Symphony
American Heart Association	Orchestra
Arby's Foundation—Big Brothers/Big Sisters	National Foundation of
Baptist Health Systems Foundation	Dentistry for the Handicapped
Blount Memorial Foundation	Newspapers in Education
Chattanooga Dental District	Earl Henry Memorial
Governor's Books from Birth Foundation	Second Harvest Food Bank
Habitat for Humanity	St. Jude's Children's
Interfaith Dental Clinic	Research Hospital
Kids On the Block	Susan G. Komen Race for the Cure
Les Passes Children's Center	United Way
Lions Club Blind Charities	Urban League of Middle Tennessee
Monroe Carroll Children's Hospital	

investing in innovation please!

Our ongoing investment in sophisticated technology and informatics enables us to provide the information our customers, enrollees, and participating dentists need, whenever they need it, in a way that is easy to access. In addition, our focus on innovation has resulted in state-of-the-art processes that streamline operations and make them more efficient.



Today's rapidly changing business world makes continued investment in innovation essential. We know the path to earning ovations from our customers lies in anticipating their needs and finding better ways to serve.

In recent years, outcomes research and evidence-based practice guidelines have become increasingly important

To cite just a few examples:

- A technologically advanced cost and quality assurance program that is unequalled in the industry (**InFocus** and **Focused Review**)
- Data-driven tools to instantly give our customers and enrollees information and reports about their plan (**Benefit Manager ToolkitSM**, **Client Knowledge**, **Shared Administration Toolkit**, **Dental Office ToolkitSM**, and **Consumer ToolkitSM**)
- Data-driven plan design to assist customers in tailoring benefits based on their demographic needs
- Highly efficient systems to process and pay claims electronically
- Advanced data analysis capabilities, such as the ability to analyze massive amounts of data at lightning speed to quantify the cost savings our plans can produce for our customers

influences on the delivery of health care. Their role in helping practitioners assess individual risk factors to determine appropriate treatment, and in helping patients become wiser consumers of health care, expands daily as new scientific findings emerge.

Through our Research and Data Institute, we closely monitor and assess scientific findings, and we incorporate changes in plan designs when we are convinced they improve health and better allocate scarce health dollars.

This led to several noteworthy changes in our standard plan designs that were announced in 2006 and became available in January 2007. Among them are enhanced preventive benefits to improve the health of people with specific health conditions where oral disease may put their systemic health at risk. Coverage

of endosteal implants also has been added as a standard feature, and new options are available to reduce the frequency of coverage for radiographs, topical fluoride treatments, and crowns based on scientific evidence.

As the work of our Institute continues, additional changes will be forthcoming, but only at the appropriate time. What sets Delta Dental apart is that we recommend changes only when we are convinced the evidence is clear and compelling, since we know our customers rely on us for expert guidance about the most effective use of their dental benefits dollars.

experts in
research

today for
tomorrow's
answers!



2006 highlights

Financial Results (1)

(as of December 31)

	Tennessee 2006 (000s omitted)	Combined 2006 (000s omitted)
Total assets	\$ 37,807	\$ 535,617
Capital and general reserves	\$ 28,315	\$ 366,909
Total revenues	\$ 188,081	\$ 1,939,008
Total benefits and expenses	\$ 183,570	\$ 1,889,031
Contribution to general reserves	\$ 4,511	\$ 49,977

Operational Results

Claims processed	1.3 million	12.05 million
Claims processed within 10 working days	99.9 percent	98.95 percent

Cost Management Results

Submitted charges	\$331.56 million	\$ 3.08 billion
Paid charges	\$163.39 million	\$ 1.64 billion
Total cost management savings	\$168.17 million	\$ 1.44 billion
<i>The Delta Dental Difference</i> SM	\$ 26.62 million	\$238.94 million
Other savings	\$141.55 million	\$ 1.196 billion

Footnotes to 2006 Highlights

1. Combined financial results are for Renaissance Health Service Corporation and Affiliates, which includes Renaissance Health Service Corporation and Subsidiaries; Delta Dental Plan of Michigan, Inc., and Subsidiaries; Delta Dental Plan of Ohio, Inc.; Delta Dental Plan of Indiana, Inc., and Subsidiaries; Delta Dental Plan of Tennessee and Subsidiaries; and Delta Dental Fund. Delta Dental is a registered trademark of the Delta Dental Plans Association. The Renaissance trade name and marks are owned by Delta Dental Plan of Michigan, Inc., and are not sponsored or endorsed by Delta Dental Plans Association.

2. Statistics reported in key business accomplishments are for Delta Dental of Tennessee.

Key Business Accomplishments (2)

New Business Results

Total new business 15.8 million

Call Center Results

Average speed of answer 12 seconds

Calls answered within 30 seconds 85 percent

Customer Satisfaction Results

Total covered people 798,079

Business renewal rate 97.7 percent

Overall satisfaction with Delta Dental program 98 percent

Member Satisfaction Results

Satisfaction with speed of answer 91 percent

Satisfaction with responses to questions 95 percent

Satisfaction with resolution of issues 91 percent

Overall satisfaction with Delta Dental services 93 percent



General note: Delta Dental Premier® is a registered mark of Delta Dental Plans Association. Delta Dental PPOSM and *The Delta Dental Difference*SM are service marks of Delta Dental Plans Association. Benefit Manager ToolkitSM, Dental Office ToolkitSM, and Consumer ToolkitSM are service marks of Delta Dental Plan of Michigan, Inc. Netwellness® is a registered mark of University of Cincinnati.

2006 officers, board members & ex-officio board members

Officers

Philip A. Wenk, D.D.S.
President & Chief Executive Officer

Pam Dishman
Senior Vice President, Customer & Employee Relations

Kaye Martin
Senior Vice President, Operations

Tom Perry
Senior Vice President & Chief Financial Officer

Chuck Young
Senior Vice President, Marketing & Professional Services

Donald Beaty
Vice President, Information Services

Melissa Huschke
Vice President, Client Relations

Denise Mathis
Vice President, Sales

Henry Ramer, D.D.S.
Vice President, Professional Relations

Jay Reavis
Vice President, Underwriting

Diane Wallace
Controller

Board of Directors, Executive Committee

Joseph F. Rainey, D.D.S.
Chairman
(Clinton, Tennessee)

John R. Collier, Jr.
Vice Chairman
Maury Regional Hospital
(Columbia, Tennessee)

Leslie Sellers
Treasurer
Sellers Real Estate
(Clinton, Tennessee)

Campbell Sowell, Jr., D.D.S.
Secretary
(Columbia, Tennessee)

Bruce Baird, D.D.S.
Immediate Past Chairman
(Sewanee, Tennessee)

Board Members

Andy Beasley
Brentview Realty
(Brentwood, Tennessee)

L.C. Burkhalter
(Memphis, Tennessee)

Terence R. Comar, D.D.S., M.S.
(Kalamazoo, Michigan)

Jerre Harris
(Hernando, Mississippi)

Wayne L. Johnson, D.D.S.
(Lebanon, Tennessee)

David C. Morton, D.D.S.
(Clarksville, Tennessee)

Carmen Reagan, Ph.D.
Austin Peay State University
(Clarksville, Tennessee)

Christian (Pat) Rice
Touchstone Medical Imaging, LLC
(Brentwood, Tennessee)

Drew Robinson
Attorney at Law
(Cleveland, Tennessee)

James E. Sexton, D.D.S.
(Memphis, Tennessee)

Laura O. Stearns
Michigan Catholic Conference
(Lansing, Michigan)

Ex-Officio Board Members

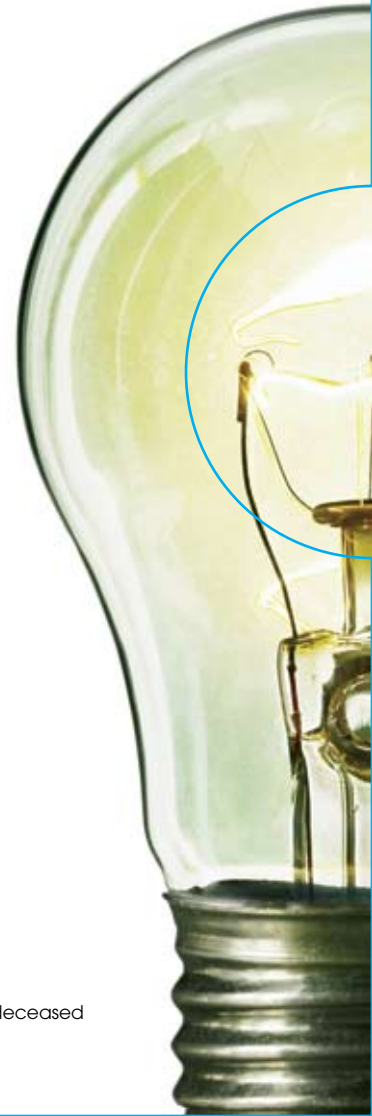
Paul Bacon, D.D.S.
(Cleveland, Tennessee)

Victor Beck, D.D.S.
(Columbia, Tennessee)

Dan Bottomley, D.D.S.
(Greeneville, Tennessee)

Thomas J. Fleszar, D.D.S., M.S.
Delta Dental of Michigan, Ohio, and Indiana
(Okemos, Michigan)


A.D. (Pete) Marshall, D.D.S.*
(Huntingdon, Tennessee)



* Denotes member now deceased



forward thinking more!



Choice is a critical expectation in today's society. The time when television offered three major networks, and music collections were built album by album, is gone forever. In this era, individuals expect to have choices, and they want the ability to customize the products and services they purchase.

This trend will only expand. Understanding that, we have been building our technology, data, research, and communication strategies to provide customized solutions and information. Building on our current work, we will offer more benefit choices in the future, as we work with our customers and enrollees to leverage the power of dental benefits.

Another hallmark of this era is information. In this technology-savvy society, individuals continually seek new and better ways to get the information they need. In fact, we anticipated this long ago when we developed our sophisticated online toolkits. These toolkits, already serving thousands of benefit managers, dentists, and enrollees, will offer even more information and custom options in the future.

Our Internet site is under continual development so it remains a valuable resource for both corporate and health information. In that regard, a major development in 2006 is our new partnership with NetWellness® (www.netwellness.org). NetWellness is a leading, nonprofit consumer health information Web site operated by experts at Case Western Reserve University, The Ohio State University, and the University of Cincinnati. Links to the extensive oral and general health information at NetWellness are located on our Web site.

Other major advances related to information and technology are also in the offing, all of which are designed to further improve service and offer greater flexibility than ever before.

Certainly, while our focus is on doing the best possible job today, thinking about and planning for the future is essential as well. As we do so, we will continue to champion health and effect positive change in ways that benefit all whom we serve.



In the fourth quarter of 2006, Delta Dental introduced an online proposal writer for our internal sales staff. This new tool allows for greater flexibility with more than 700 custom plan designs for small business, enabling our sales team to be able to provide plans specific to a client's needs.

Delta Dental of Tennessee

240 Venture Circle

Nashville, TN 37228

(615) 255-3175

www.DeltaDentalTn.com



An Equal Opportunity Employer

tops in satisfaction no matter who you ask!

Client testimonials

"Excellent product + excellent service = satisfied employees and employers."

— Buford Eubanks, Genesco

"I have had no complaints from our employees since we changed over to Delta Dental. The claims are processed quickly and accurately. The Web site is easy to use. And I love having the ability to print dental cards for the employees and being able to track my personal claims on the Internet. I would highly recommend Delta Dental."

— Charlotte Laney, Santek Environmental

What our members have said

"It is truly satisfying to know I can depend on Delta to take care of things."

"The lady who answered my questions was very courteous and easily understood. It was a pleasure speaking with her."

"Delta Dental is by far the best dental plan out there, especially for families."

"I believe Delta Dental is the best contract that the State of Tennessee has made."

