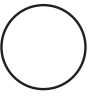
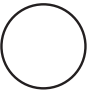
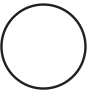


INTEGRITY  
STRENGTH  
HEALTH

*matters*



## FROM OUR CHAIRPERSON AND PRESIDENT:

As we approach our 43rd year, Delta Dental of Tennessee keenly understands the importance of evolving with the marketplace. Dental benefits today are clearly not the same as they were several years ago: employers' needs change, science drives new evidence-based plan designs, and an increasingly savvy consumer demands more options from which to choose.

However, despite significant changes over the years, the cornerstones of our business have not changed. Our integrity and our commitment to improving oral health are the foundations upon which we have built and will continue to build our enterprise, which includes our affiliation with Delta Dental of Michigan, Ohio and Indiana. We firmly believe that in order to earn respect and trust from our customers, enrollees, participating dentists, and the communities we serve, we must operate according to high ethical and operational standards. Clearly, these values have resulted in success, as evidenced by the continued growth of our business, our consistently high rate of retention, and the favorable satisfaction ratings we receive from all whom we serve.

Even in a challenging marketplace, Delta Dental and its affiliates continued to grow in 2007, and the enterprise's solid financial position was further enhanced, with total assets increasing by nearly 10 percent. At the same time, we maintained our priority on controlling administrative costs to keep our plans efficient and affordable for our customers. Moreover, the impact of our benefit plans was far-reaching, as the enterprise paid out more than \$1.8 billion for dental care for more than 6.2 million enrollees.

We continue to be a champion when it comes to innovation in dental benefits. Our research has led us to add more evidence-based dental benefits to our plan designs, helping high-risk patients get the dental care they need to stay healthy. And through our community stewardship, we have made significant contributions to programs that improved both the oral and overall health of our communities throughout the past year.

Delta Dental continues to be the leader in dental benefits for all of the reasons noted above, and as illustrated in the following pages. Together with our not-for-profit parent organization, Renaissance Health Service Corporation, and our family of companies, we are dedicated to fulfilling our mission—to improve oral health. We are proud of the accomplishments of 2007 and we are committed to continuing the tradition of excellence that our customers, enrollees, and participating dentists have come to expect from Delta Dental.



*John R. Collier, Jr.*



*Philip A. Wenk*

A handwritten signature in black ink, appearing to read "John R. Collier, Jr." with a stylized flourish at the end.

John R. Collier, Jr.  
Chairperson of the Board of Directors

A handwritten signature in black ink, appearing to read "Philip A. Wenk" with a stylized flourish at the end.

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



## INTEGRITY MATTERS

“At Delta Dental, we go to great lengths to make sure we *always* do the right thing for our clients, members, providers and employees.”

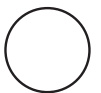
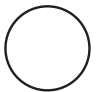
*Jay Reavis, Vice President of Sales & Underwriting*

Integrity is a core value at Delta Dental, and it leads us to focus on ways to continuously improve the way we operate. We direct resources to programs that have kept us at the forefront of our industry.

We believe that operating with integrity means inviting honest and objective evaluations of our operation. With that in mind, we have asked independent, respected third-party agencies to review us, with stunning results. For instance, our A.M. Best rating of A- (Excellent) has been reaffirmed for the sixth consecutive year.

Our focus on expert and accurate data analysis is another illustration of integrity at work. Our sophisticated Informatics department validates the data we use and analyzes any inconsistencies. Among our priorities are to regularly confirm data on the breadth and depth of our participating provider networks to ensure that the information we distribute to customers and enrollees is as accurate as possible. Specifically, we believe our approach of routinely checking our databases against those of state regulatory agencies and our annual audit of providers and corresponding service locations gives us the best data and most accurate representation of network access in an industry lacking strict standards for counting access to providers in networks.

Informatics also plays a key role in demonstrating the cost benefit of Delta Dental coverage. We have optimized our method for evaluating claims so that we can quickly analyze either our own or a competitor's claims to statistically evaluate the impact of making changes to a benefit plan design. The capability to leverage this technology to prove the value of The Delta Dental Difference® has been instrumental in acquiring several major clients.



*"Integrity is the essence of everything successful."*

*R. Buckminster Fuller*

Integrity is also a cornerstone of our plan administration. Our Officers play a key role in monitoring adherence to policies and procedures to ensure quality and consistency. Our participating dentists are required to adhere to our processing policies, which are unique in the industry in terms of the protection and savings they produce for our customers and enrollees. In addition, our anti-fraud unit, Focused Review, in conjunction with our innovative **InFocus** program, represents the most technologically advanced cost and quality assurance program in the industry.

Technological expertise is critical to other aspects of our business as well. While Delta Dental maintains one of the most advanced data processing systems in the industry, we are committed to improvements aimed at providing even faster, more flexible service. In that regard, a major advance in our information systems and services, the Enterprise Technology Solution, will place us significantly ahead of the curve when it is implemented in 2008.

Our 2007 survey of dentists shows that satisfaction with Delta Dental remains very high at 93.6%, more than 50 points higher than the next highest rated carrier.



*Dr. Cary M. Austin, Hendersonville, TN*

*"I have been working with Delta Dental for most of my 23 years in dental practice. In contrast to other benefits providers, Delta Dental of Tennessee has always been on the cutting edge of claims processing."*

*"Greatness Lies not in being strong, but in the right use of strength."*

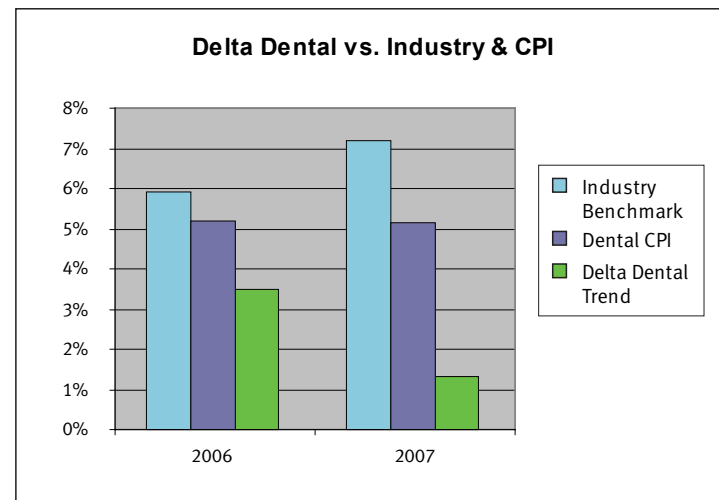
Henry Ward Beecher

## STRENGTH MATTERS

Our strength is built on experience. As a pioneer in the dental benefits industry, we have been in a unique position to establish the world's most extensive warehouse of dental claims data. This data, in the hands of an experienced staff, gives us the tools with which to create the best dental benefits value in the marketplace.

Our strength begins with our networks of participating dentists. We have the largest networks of dentists in the nation, and we are the only dental benefits carrier to have two: our Delta Dental PPO<sup>SM</sup> network and our Delta Dental Premier<sup>®</sup> network. This unparalleled access greatly reduces the chance that our enrollees will be out of network, reducing costs for them and our customers. At the end of 2007, more than 124,000 dentists were participating in one or both Delta Dental networks—that's about three out of every four dentists nationwide.

Demonstrating expertise in cost management is another area of strength. A significant element of this comes from Delta Dental's ability to control dental trend, which is the annual rate at which our customers' claims cost is increasing. This capability is extremely valuable in a healthcare marketplace where double-digit trend figures are commonplace. In fact, industry data from the 2008 Segal Health Plan Cost Trend Survey shows that Delta Dental's trend is below that of the industry and the dental Consumer Price Index, leading to significant savings for our customers over the long run.



*Delta Dental's claims trend, as compared to the Consumer Price Index and the dental industry, is indicative of Delta Dental's ability to help our customers control costs.*

Despite the struggling economy, Delta Dental posted another positive sales year, with new sales totaling nearly \$14.6 million, and the addition of more than 28,000 enrollees. Sales to large groups such as Psychiatric Solutions and East Tennessee Children's Hospital contributed significantly to this success.





In addition, a significant amount of business was up for renewal in 2007, and we are pleased to report that we retained more than 96 percent of that business, including major accounts such as Genesco, Metropolitan Nashville Government and Metropolitan Nashville Public Schools. These positive results reflect well on the quality of our plans and the dedication of our staff to delivering the best service in the business.

Our newest product offering, an individual dental benefit plan, was introduced in the fall of 2007, and is the first of its kind in company history. Marketing efforts were concentrated on dentists and brokers, with distribution of brochures in both English and Spanish. This benefit is unique in the industry. Clearly, in an era when corporations are downsizing and/or may not provide benefits, our ability to offer this new individual plan provides a significant path for future growth.

Our consistent growth and diverse portfolio of products is why Delta Dental is the proven leader in the dental benefits industry. The strength we bring to the marketplace benefits our customers and enrollees, and our commitment to our quality policy, “bringing quality to all we do,” is unwavering.



In 2007, an astounding 100% of our groups and 97% of our members indicated an overall satisfaction with Delta Dental.

Notes from some of our groups...

*We have been with Delta Dental since 1989 and we have been very satisfied for every one of those years. It is a pleasure doing business with you.*

*We are new with Delta Dental and thus far everything is great. I have had no calls from my managers with any problems and that is always a good thing.*

*In the years we have utilized Delta Dental as our dental carrier, I cannot recall one incident of complaint from an employee—that’s customer satisfaction to the “nth” degree.*



“The faculty and students in the School of Dentistry are excited about the new opportunities to provide patients with the highest level of diagnostic services. With academic excellence as our goal, we are proud Delta Dental of Tennessee is supportive of our mission.”

*Dr. William B. Butler, Dean of the School of Dentistry*



*(Left to right) Walter Owens, D.D.S., assistant professor at Meharry Medical College's School of Dentistry; John Collier, board chairman, Delta Dental of Tennessee; Phil Wenk, D.D.S., president and CEO, Delta Dental of Tennessee; State Senator Thelma Harper, William B. Butler, D.D.S., M.S., dean, Meharry Medical College's School of Dentistry; Wayne J. Riley, M.D., MPH, MBA, FACP, president, Meharry Medical College*

## HEALTH MATTERS

Delta Dental is committed to improving the health of the communities in which we live and work. We know that good oral health is essential to maintaining a healthy body, so we invest millions of dollars in dental education, scientific research, and community programs that help the underserved get the dental care they need to stay healthy.

One example is the Delta Dental Oral Diagnostic and Imaging Clinic, a fully-digital radiology clinic, including 3-D capabilities, that is currently under construction at the Meharry Medical College School of Dentistry. Meharry is the nation's largest private, historically black institution dedicated solely to educating minority and other health professionals. Through a grant from Delta Dental, this technologically-advanced clinic will allow faculty and students to adopt the more rapidly growing usage of digital radiography, discontinuing their current use of the film-based radiography system.

Another component of our commitment to health is the Corporate Community Relations program. In 2007, this program provided support to various organizations including the Interfaith Dental Clinic, United Way, YWCA Domestic Violence Center, March of Dimes, East Tennessee Children's Hospital, and the Susan G. Komen Race for the Cure. Also, Delta Dental launched a series of “Miles of Smiles” television commercials to educate the community about periodontal disease and other oral health issues.

To bring about awareness of the importance of wearing mouth guards during sports and extreme play, Delta Dental teamed up with the Nashville Predators NHL team for the “Protect Your Fangs” campaign. The Predators Youth and Amateur Hockey Department distributed free “boil and bite” mouth guards courtesy of Delta Dental to more than 3,000 Tennessee ice and inline hockey players ages 4 to 17.





*"Happiness lies, first of all, in health."*

*George William Curtis*

Our employees are involved in the community as well. Delta Dental employees donated time and financial support to a variety of community-based charitable organizations. And we encourage a healthy lifestyle for our employees with our corporate wellness initiative.

Delta Dental is also investing in research to advance the science of oral health, including leading-edge biotechnology. For example, our enterprise is working with C3 Jian, a research and development company focusing on creating unique products that may help prevent and treat dental disease. In conjunction with the University of Michigan and William Beaumont Hospital, Delta Dental is spearheading two clinical trials to study the effectiveness of Chinese herbal extracts found by C3 Jian to have bioactive ingredients that may help prevent tooth decay. The trials, one with Head Start children, and the other, with residents in nursing care facilities, will provide additional research on the efficacy of these herbs, which are delivered to patients through a sugarless lollipop, in reducing oral bacteria in populations at high risk for dental disease.

Our own Research and Data Institute uses our extensive warehouse of dental claims data, coupled with the latest scientific research, to drive our evidence-based plan designs. This has led to the addition of several new benefits for individuals with high risk health conditions, which will help these individuals take better care of their oral health, improving their overall health while decreasing medical costs.



*Gnash, the Nashville Predators' mascot, encourages children to "protect their fangs" with a mouth guard.*



*Board members, senior staff and residency students at the dedication of the UT Graduate School of Medicine's General Dentistry Division at UT Medical Center.*

In 2007, Delta Dental of Tennessee gave approximately 15% of net revenues back to the community.

# 2007 HIGHLIGHTS

## Financial results<sup>1</sup>

(as of December 31)

	Tennessee 2007 (000s omitted)	Combined 2007 (000s omitted)
Total assets	\$42,846	\$588,397
Capital and general reserves	\$32,902	\$423,134
Total revenues	\$206,339	\$1,974,379
Total benefits and expenses	\$202,694	\$1,929,587
Contribution to general reserves	\$3,645	\$44,792

## Operational results

Claims processed	1.37 million	12.08 million
Claims processed within 10 working days	99.48 percent	99.20 percent

## Cost management results

Submitted charges	\$371.74 million	\$3.20 billion
Paid charges	\$181.47 million	\$1.68 billion
Total cost management savings	\$190.90 million	\$1.52 billion
The Delta Dental Difference	\$34.01 million	\$282 million
Other savings	\$156.89 million	\$1.24 billion

1. Combined financial results are for Renaissance Health Service Corporation and Affiliates, which include 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 of Tennessee, and Subsidiaries; and Delta Dental Fund.

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

## Key business accomplishments<sup>2</sup>

### New business results

Total new business \$14.5 million

### Call center results

Average speed of answer 13 seconds

Calls answered within 30 seconds 84 percent

### Customer satisfaction results

Total covered people 840,000

Business renewal rate 96.1 percent

Overall satisfaction with Delta Dental program 100 percent

### Enrollee satisfaction results

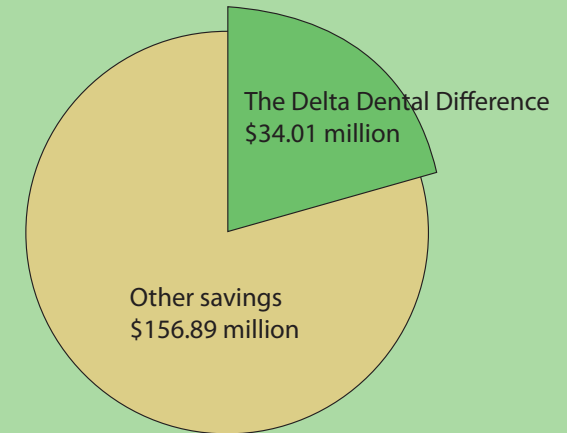
Satisfaction with speed of answer 99 percent

Satisfaction with responses to questions 96 percent

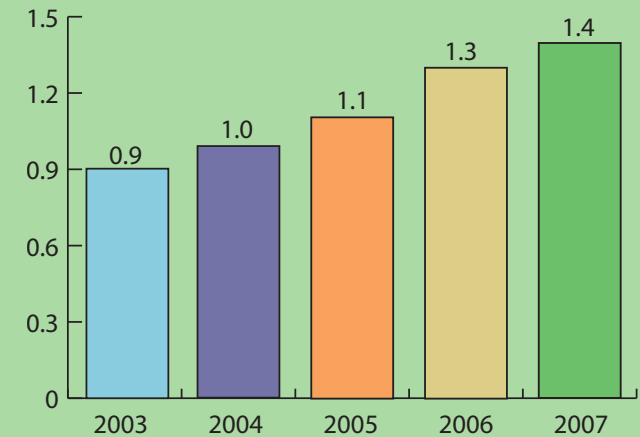
Satisfaction with resolution of issues 96 percent

Overall satisfaction with Delta Dental services 97 percent

## 2007 Cost Management Savings



## Claims Processed (in millions)



General note: 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 the Delta Dental Plans Association. The Delta Dental Difference<sup>®</sup>, Delta Dental PPO<sup>SM</sup>, and Delta Dental Premier<sup>®</sup> are registered marks of Delta Dental Plans Association.

# DELTA DENTAL LEADERSHIP

## Officers

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

**Pam Dishman**  
Senior Vice President, Employee Relations

**Kaye Martin**  
Senior Vice President, Operations

**Tom Perry**  
Senior Vice President and  
Chief Financial Officer

**Missy Acosta**  
Vice President, Marketing and  
Account Service

**Donald Beaty**  
Vice President, Information Services

**Kathy Fussell**  
Director of Internal Control

**Melissa Huschke**  
Vice President, Operations

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

**Jay Reavis**  
Vice President, Sales and Underwriting

**Frank Turbeville**  
Controller

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**John R. Collier, Jr.**  
Chair  
Maury Regional Hospital  
(Columbia, Tennessee)

**Campbell Sowell, Jr., D.D.S.**  
Vice Chair  
(Columbia, Tennessee)

**Leslie Sellers**  
Second Vice Chair  
Sellers Real Estate  
(Clinton, Tennessee)

**Joseph F. Rainey, D.D.S.**  
Immediate Past Chair  
(Clinton, Tennessee)

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**Andy Beasley**  
Brentview Realty  
(Brentwood, Tennessee)

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

**L.C. Burkhalter**  
Retired  
(Collierville, Tennessee)

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

**Jerre Harris**  
Retired  
(Hernando, Mississippi)

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

**Carmen Reagan, D.B.A.**  
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)

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

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

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







## LOOKING AHEAD

The foundations upon which an organization is built truly do matter—more than industry trends, longevity, or market share. However, with a solid foundation, the other elements of a successful business fall into place. You can count on Delta Dental to continue to pursue our core values as we build for the future.

2008 promises to be another challenging but successful year. We are continuing to investigate additional evidence-based benefits; we are implementing technological innovations to improve service; and we are making investments to improve oral health. We are proud to serve our customers with integrity and strength, and improve the health of our communities.

### Our Core Values:

Dependability

Expertise

Integrity

Quality

Teamwork

Corporate Citizenship





**Delta Dental of Tennessee**  
240 Venture Circle  
Nashville, TN 37228  
(615) 255-3175  
[www.DeltaDentalTn.com](http://www.DeltaDentalTn.com)

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