INTEGRITY
STRENGTH
HEALTH

matters
FROM OUR CHAIRPERSON AND PRESIDENT:

Delta Dental of Michigan, Ohio, and Indiana keenly understands the importance of evolving with the marketplace. Dental benefits today are clearly not the same as they were several decades ago: employers’ needs change, science drives new evidence-based plan designs, and an increasingly savvy consumer demands more options.

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. 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 nearly $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 and Data Institute 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 our community giving programs and philanthropic arm, the Delta Dental Foundation, made significant contributions to programs that improved both the oral and overall health of our communities throughout the past year.

Together with our not-for-profit parent organization, Renaissance Health Service Corporation, and our family of companies, we are dedicated to fulfilling the mission that we set forth a half-century ago—to improve oral health. We are proud of our accomplishments in 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.
INTEGRITY MATTERS

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 for more than 50 years.

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, we recently earned our third consecutive ISO 9001:2000 quality certification, and our call center received BenchMark Portal’s Center of Excellence certification for the fifth year in a row. We are also pleased to report that Delta Dental of Michigan, Ohio, and Indiana each were awarded an A– (Excellent) financial strength rating by A.M. Best Company in late 2007. The internal controls on our claim system also received positive validation, as an outside auditing firm provided us with an unqualified opinion on our annual SAS-70 audit, the best opinion that an audit firm provides.

Our focus on expert and accurate data analysis is another illustration of integrity at work. As the research and reporting center for Delta Dental, 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 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...
“Integrity is the essence of everything successful.”

R. Buckminster Fuller

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 retaining existing clients as well as selling new business.

Integrity is also a cornerstone of our plan administration. Our Corporate Audit department is instrumental in monitoring adherence to policies and procedures that ensure quality and consistency. Our participating dentists are required to abide by 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 integrity as an organization extends beyond operational issues directly related to our business to a concern for the world around us. Our significant growth has necessitated an expansion of our corporate headquarters in Okemos, Michigan, which was approved by our Board of Directors in 2007. Groundbreaking will commence in the spring of 2008, and we are committed to building “green” and creating an environmentally friendly headquarters with habitats for wildlife and walking paths for members of the community to enjoy. As a socially responsible organization, we are committed to improving the environment and the quality of life in the communities in which we all live and work.

In 2007, our enterprise processed more than 12 million claims with over 99 percent accuracy.
Our strength is built on experience. With more than 50 years as a pioneer in the dental benefits industry, we are the established expert when it comes to dental benefits. Along with our experienced staff, this expertise allows us to offer the best dental benefits value in the marketplace.

A key measure of strength is our networks of participating dentists. Together with the other Delta Dental Plans Association members, 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 network and our Delta Dental Premier network. This makes it easy for enrollees to find a participating dentist, 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.
Our strength is also reflected in our business accomplishments in 2007. Despite the struggling economy, Delta Dental posted another positive sales year, with new sales totaling nearly $68 million, and the addition of more than 116,000 enrollees. Sales to several large groups contributed significantly to this success.

In addition, a record amount of business was due for renewal in 2007, and we are pleased to report that we achieved a 95 percent business renewal rate. This included major accounts ranging from state governments to Fortune 500 companies. 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.

Progress was also made in another business line in 2007. Posting record growth was DeltaVision®, Delta Dental’s comprehensive vision benefit program, which is available at this time in Michigan. Our vision network grew as well, increasing access for DeltaVision enrollees by 22 percent in Michigan, to a total of 1,219 providers.

Our consistent growth and strong 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, our customers rated their satisfaction with our new group implementation process a perfect 4.0 on a 4.0 scale. And our customers stay with us—more than 25 percent have been with us for 15 years or more.
Delta Dental is committed to improving the health of the communities where 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 such program is Varnish! Michigan, started in 2007 with a $250,000 grant to the State of Michigan. The Varnish! Michigan program provides fluoride varnish applications on the teeth of thousands of children enrolled in Early Head Start and Head Start programs around the state. This program, administered by the Michigan Department of Community Health, provides early intervention to prevent or reduce dental disease among low-income children aged birth to five. Varnish! Michigan is expected to reduce decay between 48 and 60 percent in this group of children.

For the seventh consecutive year, we also continued our partnership with the State of Michigan to administer the Healthy Kids Dental (Medicaid) program. This nationally recognized model program for increasing access to dental care for low-income children will cover close to 300,000 children by the end of 2008.

Another component of our commitment to health is the Corporate Community Relations program. In 2007, this program provided support to various organizations including the American Heart Association, the March of Dimes, the United Way, Prevent Blindness Ohio and the Wishard Memorial Foundation in Indiana. Also, Delta Dental and the Michigan Department of Community Health launched a new public service announcement campaign, “A healthy mouth means a healthier you,” to raise awareness among Michigan residents that good dental habits will help people stay healthy.
Since its inception in 1980, Delta Dental’s philanthropic arm, the Delta Dental Foundation, has awarded nearly $11 million to a variety of worthwhile causes and organizations, including grants for research, education and improvement of access to dental care for the underserved. Overall, in 2007, the Foundation provided over $830,000 in grants targeting these causes.

Delta Dental is also investing in research to advance the science of oral health, including leading-edge biotechnology. For example, we are 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. These new benefits will help these individuals take better care of their oral health, improving their overall health while decreasing medical costs.

“Happiness lies, first of all, in health.”
George William Curtis

Our 2007 enrollee satisfaction survey showed 96% of enrollees are satisfied with Delta Dental, and 91% felt that Delta Dental coverage improved their health.
### 2007 Highlights

#### Combined financial results
(as of December 31)

<table>
<thead>
<tr>
<th></th>
<th>2007 (000s omitted)</th>
<th>2006 (000s omitted)</th>
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<tbody>
<tr>
<td>Total assets</td>
<td>$588,397</td>
<td>$535,617</td>
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<td>Capital and general reserves</td>
<td>$423,134</td>
<td>$366,909</td>
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<tr>
<td>Total revenues</td>
<td>$1,974,379</td>
<td>$1,939,008</td>
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<td>Total benefits and expenses</td>
<td>$1,929,587</td>
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<td>Contribution to general reserves</td>
<td>$44,792</td>
<td>$49,977</td>
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#### Operational results

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<tr>
<th></th>
<th>2007</th>
<th>2006</th>
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<tbody>
<tr>
<td>Claims processed</td>
<td>12.08 million</td>
<td>12.05 million</td>
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<tr>
<td>Claims processed within 10 working days</td>
<td>99.20 percent</td>
<td>98.95 percent</td>
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</table>

#### Cost management results

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
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<tbody>
<tr>
<td>Submitted charges</td>
<td>$3.20 billion</td>
<td>$3.08 billion</td>
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<tr>
<td>Paid charges</td>
<td>$1.68 billion</td>
<td>$1.64 billion</td>
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<tr>
<td>Total cost management savings</td>
<td>$1.52 billion</td>
<td>$1.44 billion</td>
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<tr>
<td>The Delta Dental Difference</td>
<td>$282 million</td>
<td>$239 million</td>
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<tr>
<td>Other savings</td>
<td>$1.24 billion</td>
<td>$1.196 billion</td>
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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. Operational results for 2007 include only those claims processed for Delta Dental of Michigan, Ohio, Indiana, and Tennessee members. We processed an additional 4.55 million claims for other Delta Dental member companies in 2007, bringing the total number of claims processed to 16.58 million. Cost management results for 2007 include data from Delta Dental of Michigan, Ohio, Indiana, and Tennessee.
Key business accomplishments

New business results
Total new business $67.6 million
Implementation grade point average 4.0 on a 4.0 scale

Call center results
Average speed of answer 5 seconds
Inquiries resolved on first contact 99.99 percent

Customer satisfaction results
Total covered people 5.3 million
Business renewal rate 95 percent

Enrollee satisfaction results
Satisfaction with Delta Dental program 96 percent
Satisfaction with quality of care received 97 percent
Satisfaction with accuracy of claims payment 92 percent
Satisfaction with speed of claims payment 93 percent
Would recommend Delta Dental to others 97 percent

3. Statistics reported in key business accomplishments are for Delta Dental of Michigan, Ohio, and Indiana.

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®, Delta Dental PPO™, Delta Dental Premier®, and DeltaVision® are registered marks of Delta Dental Plans Association.
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Note: Listings current as of March 2008
Growth leads to proposed “green” corporate headquarters

As discussed on page 3, the renovation and new building construction at Delta Dental’s corporate headquarters in Okemos, Michigan will incorporate best practices for energy-efficient, high-performing, healthy buildings. The project, which was announced in December 2007, is slated for completion in 2011.

Sustainable design features will include:

- Recycled building materials
- Maximization of natural lighting
- A “green roof” that minimizes stormwater runoff, filters pollutants and provides natural thermal insulation
- A stormwater management system designed with landscape elements to remove silt and pollution from surface runoff water
- Native Michigan plants, including prairie grasses, wildflowers and indigenous trees throughout the campus

“We kept growing and the number of people we served kept expanding. Today, along with our affiliated companies in Ohio, Indiana, and Tennessee, we provide coverage for 6.2 million people.”

James P. Hallan, Chairperson of the Board of Directors, on the need for the expansion

“Building green helps us to create a workplace that promotes health and productivity, and reduces our impact on the environment. This underscores our mission of improving health and reaffirms our core value of being a good corporate citizen.”

Dr. Thomas J. Fleszar, President and Chief Executive Officer of Delta Dental
CELEBRATING 50 YEARS

In 1957, a group of Michigan dentists responded to a growing demand for dental benefits by establishing our forerunner, the Michigan Dental Service Corporation. Our golden anniversary in 2007 reminds us of the leadership and hard work by generations of employees, and the guidance from our board and corporate members—past and present—that helped develop the successful company we have today.

1957—Michigan Dental Service Corporation (MDSC), the future Delta Dental of Michigan, is founded.

1963—Enabling legislation (the Michigan Nonprofit Dental Care Corporations Act) is passed, which allows MDSC to underwrite dental programs on a risk basis. Dental Care, Incorporated (DCI) was later formed under the new statute.

1968—A contract is signed with the Michigan Education Special Services Association (MESSA), through which MESSA markets Delta Dental’s programs to school groups.

1970—DCI officially changes its name to Delta Dental Plan of Michigan.

1980—Delta Dental’s philanthropic arm, the Delta Dental Fund, is established.

1982—Delta Dental of Michigan and Delta Dental of Ohio enter into a management agreement. Delta Dental of Indiana is created by Delta Dental of Michigan.

1997—Delta Dental begins administration of dental coverage for all General Motors UAW-represented hourly employees, retirees and surviving spouses and their families nationwide—the largest private dental program in the world.


2005—Delta Dental enters into an affiliation with Delta Dental of Tennessee.

2007—The organization’s 50th anniversary is celebrated; more than 6.2 million people are covered, benefit payments total nearly $2 billion.

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 follow 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 Michigan, Ohio, and Indiana

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