THE FUTURE OF DENTISTRY

A VIEW OF THE MARVELS THAT AWAIT US IN THE DISTANT YEAR OF 2011
A MESSAGE FROM OUR CHAIRMAN AND PRESIDENT

By any measure, 2010 was an exceptional year for the organization. A year of continued success through difficult economic times further solidified Delta Dental of New Mexico’s place as the leader in the dental benefits market within the state. While uncertainty abounded within American industry, our enterprise continued to grow and protect those companies and individuals that have chosen us to be their dental benefits company. On our commercial business side, new business gains and renewals were significant in 2010, the financial uncertainty of the prior year was more than offset, and capital and general reserves grew substantially.

In addition to strong business growth, we are pleased to report growth in our family of companies. In late 2010, Delta Dental of North Carolina affiliated with our family of companies established in 2005 under a common parent organization. In doing so, they joined the Delta Dental companies in Indiana, Kentucky, Michigan, New Mexico, Ohio, and Tennessee as part of an enterprise dedicated to providing the best in dental plans and service today, while working together to build a successful future. Collectively, this enterprise is one of the largest and oldest group dental benefits providers in the nation, covering nearly 8 million people as of the end of 2010. In addition, in 2010, more than $2 billion was paid for dental treatment received by those we cover, a statistic underscoring the tremendous role we play in improving oral health.

There are many reasons for this continued growth, among them: a dedication to quality, a motivated and expert staff, the best in technology and service, and a commitment to achieving our corporate mission: to being the dental benefits company of choice in the markets we serve.

No doubt, the marketplace will continue to present challenges—it always does. In addition to normal market dynamics, a new variable is the health care reform law passed by the Congress in 2010. As enacted, among other things, this law will make dental coverage mandatory for children in 2014, and it will establish new health care exchanges where individuals and small businesses can purchase benefits if desired. While the full impact of the law remains unclear and official challenges have been mounted, we are taking steps to be prepared, as well as working to ensure consumers will have quality choices and cost transparency in their dental plan options.

There is no doubt that our solid foundation puts us in a position to thrive despite a changing business environment. The achievements in 2010 speak for themselves, and we also invite you to learn more about how we are continuing to build for the future in the pages that follow.

Speaking of the future, it is also the theme for this year’s report—but with a slight twist. The photos and captions within take us back for a whimsical look at how people of the 1950s possibly imagined the future of dentistry…a look that we believe will make you smile.

Richard Smith
Chairman

Richard Smith

Walter S. Bolic
President and Chief Executive Officer

THROW AWAY YOUR TOOTHBRUSH & FLOSS… because in 2011, they’ll use LASERS to keep your teeth clean. That’s right, in the future, scientists will use the power of concentrated light beams to make sure you’re always flashing the brightest smile possible.
Our Mission
To be the dental benefits company of choice in the markets we serve

Our Quality Policy
Bringing Quality to All We Do

Our Core Values
Diversity
Innovation
Balance
Integrity

The Delta Dental companies in Indiana, Kentucky, Michigan, New Mexico, North Carolina, Ohio, and Tennessee are part of a family of companies organized under a non-profit parent organization. In coming together, we found many areas in which we were the same and many in which we were different. In 2010, leaders of all the affiliated companies joined together to develop a common mission, quality policy and core values. This common mission helps drive us into the future while our core values define how we operate.

Moving forward, our enterprise is focused strategically on being the dental benefits company of choice in the markets we serve. While we are the market leader today, to stay that way, we must continue to create dynamic product lines that provide effective benefits to improve oral health—and overall health—while reducing costs. At the same time, we will continue to make it a priority to provide the best in service to our customers, subscribers, our thousands of participating dentists, and others with whom we do business.

Over the Teeth and Through the Gums
Look out future, here we come. Grab a glass of water, and pop a Plaque Prevention Pill containing special enzymes that instantly remove any traces of plaque build-up from your teeth...and anywhere else in your body. This little wonder is just one of the many dental hygiene innovations the future will bring, thanks to the miracle of modern science.
AN EYE TO THE FUTURE

Our Research and Data Institute brings together the groundbreaking work being done by our Informatics department, Research Committee, and world-renowned consultants to use data to drive innovation, improve service, and improve health. Through the Institute, our experts analyze and interpret our collection of dental claims data, which is the most extensive in the world. To find valuable insights into oral health and identify ways to improve our offerings in ways that will reduce costs while still covering the treatment our subscribers need to stay healthy.

We also support projects in conjunction with major universities and other leading research organizations that are designed to advance scientific knowledge and improve health. Among the projects recently supported are: a study on the potential for dentists to play a greater role in the detection of health conditions such as diabetes; the cost impact of oral cancer; the application of salivary diagnostics to dentistry; and the development of biotechnology to advance health.

Our dedication to research reflects our commitment to advancing the science of dentistry to benefit the health of future generations.

CHEW ON THIS. Imagine a world where every type of food you eat is genetically engineered to resemble a cube of cheese that perfectly matches the formation of your teeth, reducing any unnecessary wear and tear on your molars. A few gentle chewing motions will provide all the delicious taste of the toughest skirt steak or the stickiest peanut brittle without any risk of dislocating your jaw or chipping a tooth. It’s just one more luxury we can all look forward to in the year 2011.
We understand the importance of great customer service. Our online tools for subscribers, dental office staff members, and customers are easy-to-use ways to obtain information at any time. In addition, we maintain an expert customer service staff as well as an automated phone line for inquiries.

We feel the future of our company will always be closely tied to our excellent service. Our 2010 statistics are proof of our continued excellence: Customer Service answered 95% of calls within 45 seconds on average, with an abandonment rate of 2.1%. We processed 87% of our claims in 6 days with 99.9% financial accuracy.

THE FUTURE IS NOW

DANGER!! DANGER!!
What’s that? You forgot to laser your teeth clean this morning? No problem… DENTAL-BOT is here to help. Equipped with arms that wield lasers, floss, water-picks and fluoride rinse, these automatons will serve as our future sentinels of hygiene, on call to assist citizens with all dental-health related needs.
INVESTING IN OUR FUTURE

We are committed to doing all we can to improve the quality of life in our communities, with a priority on oral health. In 2010, we provided funds totaling more than $100,000 for dental and community relations projects.

Major projects included support for:

- The inaugural New Mexico Mission of Mercy which provided free dental care to 2,200 New Mexicans during a two-day clinic.
- The Van Buren Middle School Dental Clinic program which gives dental hygiene students from the University of New Mexico exposure to community-based facilities, while simultaneously providing middle school students with oral health education, dental cleanings and exams.
- The Albuquerque Healthcare for the Homeless project provides dental care for the homeless in the region. By providing dentures to help improve smiles and the chance of getting a job, Delta Dental aids in the ongoing effort to help individuals return to a poverty-free life.
- Special Olympics New Mexico—Healthy Athletes Special Smiles provides an opportunity for Special Olympians participating in summer games to receive a dental exam and oral health instruction.

We also continue to support a variety of community organizations and causes such as the New Mexico Healthy Aging Collaborative, Meals on Wheels, the Nancy Floyd Haworth Foundation, Leadership New Mexico, the New Mexico Museum of Natural History Foundation, and many others.

OPEN WIDE. The ability to shrink people to one-tenth their size will allow dentists of the future to get up close and personal with their patients. Not only will this technology permit a direct hands-on inspection of a patient’s teeth like never before, it will also give a more optimistic meaning to the expression “being down in the mouth.”
CAVITIES WILL BE A THING OF THE PAST, and we mean that literally, thanks to the CAVITRON 2000. This mechanized wonder will isolate your cavity and then blast it with a powerful stream of fluorescent electrons creating a warp-vortex that will send your cavity back in time, or to another dimension—to be honest, we’re not quite sure where the cavity goes, but we’re sure they’ll have it all figured out by the year 2011.

Our family of companies posted record growth in 2010, adding $384.7 million in new business—up from $176.5 million in 2009. In addition, the number of people we cover grew from 6.8 million in 2009 to 7.9 million in 2010.

While there are many reasons for this tremendous growth, the products we sell are the core of our success. We market a full range of products nationwide, including group and individual dental plans encompassing fee-for-service, and preferred provider organization.

Here’s a brief overview.

**Delta Dental Premier**:
This plan provides access to the largest network of participating dentists in the nation, including approximately three out of four dentists in the United States practicing in more than 236,500 locations. Individuals who go to participating dentists realize cost savings by doing so.

**Delta Dental PPO**:
This plan provides covered individuals with deeper cost savings through its nationwide network of participating PPO dentists. This plan has approximately 155,500 dental locations nationwide.

**Individual dental plan**
As an enterprise, we are at the leading edge in offering individual plans. The potential for these plans became clear in 2009 as an alternative for retirees and those who lost group coverage in cutbacks prompted by the recession. Today, nearly 100,000 people are covered, and the enterprise is well positioned for the health insurance exchanges being created by 2014 for individuals and small businesses.

A BRIGHTER FUTURE
**2010 Financial Results as of December 31**

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<thead>
<tr>
<th>Combined</th>
<th>New Mexico</th>
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<tr>
<td>total assets</td>
<td>$740,463</td>
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<tr>
<td>capital and general reserves</td>
<td>$513,422</td>
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<tr>
<td>total revenues</td>
<td>$2,341,239</td>
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<td>total benefits and expenses</td>
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<td>contribution (reduction) to general reserves</td>
<td>$54,082</td>
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**Cost Management Results**

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<th>Combined</th>
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<tr>
<td>submitted charges</td>
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<tr>
<td>paid charges</td>
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<td>total cost management savings</td>
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<tr>
<td>the delta difference</td>
<td>$435 million</td>
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<td>other savings</td>
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**Key Business Accomplishments**

<table>
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<tr>
<th>Combined</th>
<th>New Mexico</th>
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<tbody>
<tr>
<td>new business (total)</td>
<td>$396.7 million</td>
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<td>covered people (total)</td>
<td>7.9 million</td>
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**Service Accomplishments**

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<th>Combined</th>
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<tr>
<td>call center results</td>
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<tr>
<td>average speed of answer</td>
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