REPORT ON EXAMINATION AS TO THE CONDITION OF

DENTAL DELIVERY SYSTEMS, INC.

VOORHEES, NEW JERSEY 08043

AT DECEMBER 31, 2024

NAIC COMPANY CODE 11195

NAIC GROUP CODE 4881

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State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION
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MIKIE SHERRILL
Governor

DR. DALE G. CALDWELL
Lt. Governor

SUSAN OCHS
Acting Commissioner

May 20, 2026

Honorable Susan Ochs
Acting Commissioner
Department of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Acting Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

Dental Delivery Systems, Inc.
1202 Laurel Oak Road, Suite 208
Voorhees, New Jersey 08043
NAIC Company Code 11195

a dental plan organization duly authorized to transact business in the State of New Jersey and hereinafter referred to in this report as "DDS" or "Company."

SCOPE OF EXAMINATION

This comprehensive financial condition examination was called by the Acting Commissioner of the New Jersey Department of Banking and Insurance (hereafter "NJDOBI" or "Department") pursuant to the authority granted by N.J.S.A. 17:48D-11.a.

The examination covered the five-year period from December 31, 2019, the date of the last examination, to December 31, 2024, including material transactions and/or significant events occurring after the examination date up to the date of the salutation letter. The examination of the Company was conducted concurrently with the examination of Fidelio Insurance Company ("FIC"), an affiliate domiciled in the state of Pennsylvania. The Pennsylvania Department of Insurance examined FIC separately using a risk-focused examination approach for the same examination date. The NJDOBI, however, followed a Specific Risk Analysis approach based on the size of the Company and examination cost considerations. The examination also followed certain procedures formulated by the National Association of Insurance Commissioners ("NAIC") as permitted by the Department.

In determining the emphasis to be placed on specific accounts, consideration was given to the Company's accounting methods, the nature and size of each balance sheet account, their relative importance to solvency, analytical review results, the results of the previous financial condition examination, and the annual audit work performed by **Baratz & Associates, PA ("BAPA")**, the Company's independent certified public accountants. Examiners leveraged off the audit work prepared by BAPA, where appropriate. Based upon examination review, standard emphasis was placed on balance sheet accounts above materiality. There were no accounts assigned to a special emphasis category. The account emphases encompassed the following overall objectives:

- Identification of significant deviations from New Jersey insurance laws, regulations, and directives.
- Compliance with the guidelines outlined in the 2024 edition of the NAIC Financial Condition Examiners Handbook, Statements of Statutory Accounting Principles (“SSAP”), and NJDOBI policies and procedures.
- Assessment of the Company's surplus and that it is not materially misstated.

Special attention was given to the action taken by the Company to satisfy the recommendations and comments made in the previous examination report. Only significant findings of fact, statutory deviations and general information about the Company and its financial condition are included in this examination report. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information), are not included but which were separately communicated internally to other regulators and/or the Company.

COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

In the prior examination report dated December 31, 2019, the following recommendation was made:

Cash, Cash Equivalents, and Short-Term Investments

1. It was recommended that the Company classify and report investment holdings, including cash and cash equivalents, in accordance with SSAP as promulgated in the NAIC Accounting Practices & Procedures Manual.

Examination review indicated that the Company has complied with the above recommendation.

COMPANY HISTORY

The Company was incorporated on November 16, 1973, and its Certificate of Incorporation was filed with the New Jersey Secretary of State on December 8, 1973. The Company filed two amendments to the Certificate with the New Jersey Secretary of State, which were adopted on June 3, 1974, and on July 20, 1976, respectively.

On April 2, 2009, the Company was granted a perpetual Certificate of Authority as a Dental Plan Organization ("DPO") by the Department. On January 18, 2021, the Company filed an amendment to the Certificate of Incorporation with the New Jersey Department of the Treasury modifying Article 2 of the Certificate to officially include the new statutory home address of the Company in its corporate records. The amendment changed DDS's home address from 1815 Russet Drive, Cherry Hill, NJ 08034 to its current statutory address in Voorhees, NJ. The address of the Company's main administrative office is 2826 Mount Carmel Avenue, Glenside, Pennsylvania, 19038. The registered agent upon whom process may be served is George J. Botcheos, Esquire.

TERRITORY AND PLAN OF OPERATION

The Company is a New Jersey domestic insurance company authorized to operate as a DPO in order to provide managed care dental services within the confines of the state of New Jersey as permitted by and subject to N.J.S.A. 17:48D-1 et seq. The Company writes only one line of business, i.e., Dental only.

Business is obtained by personnel referral or existing client. As of December 31, 2024, the Company has contracted with 20 dental offices. The following are the total direct written premiums ("DWP") produced during the examination period:

Year	Total DWP	% Change
2024	$3,125,121	-0.64%
2023	$3,145,202	0.22%
2022	$3,138,331	-2.05%
2021	$3,203,949	-11.19%
2020	$3,607,544	-5.77%
2019	$3,828,371	-----

Below is a summary of the annual enrollments in the Company's dental program:

Year	Membership
2024	10,566
2023	6,689
2022	6,804
2021	11,286
2020	11,700

Policy Forms and Underwriting Practices

DDS has only one product, a Dental HMO. Since 1988 DDS has administered a Dental HMO and contracted with Labor Union employees and their families in New Jersey to perform dental services.

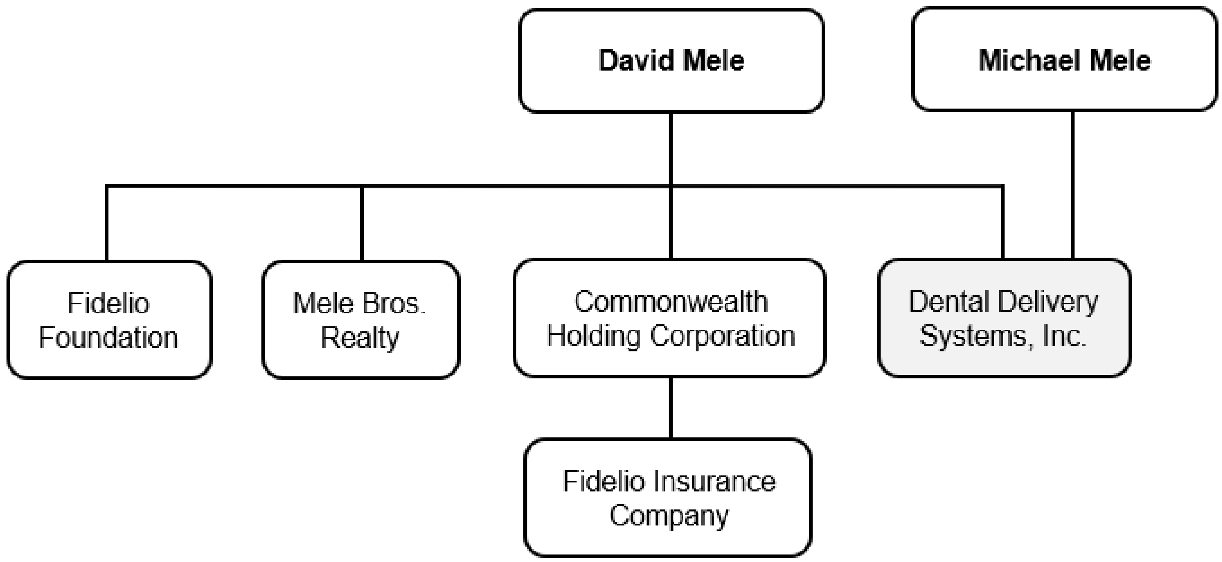
Utilization reports are generated toward the end of a contract period to allow DDS to arrive at rates for renewal. In addition, the Company takes into account inflation in the dental industry to allow for increases in capitation payments to participating providers. The utilization reports and suggested rates are submitted to the Company's actuary to determine if renewal rates are reasonable. Upon approval by the actuary, rates are submitted to the Department for review and approval.

Statutory Deposit

As of December 31, 2024, the Company had on deposit with the State of New Jersey, its domiciliary state, cash and securities with a par value of $50,000, in compliance with N.J.A.C. 11:10-1.8(a). This deposit is held for the benefit of all policyholders.

HOLDING COMPANY SYSTEM

A DPO domiciled in NJ is not subjected to the registration requirements of N.J.S.A. 17:27A-3. DDS is therefore not required to submit holding company filings. The following is an organizational chart illustrating the Company's affiliated entities as of December 31, 2024:



MANAGEMENT AND CONTROL

Board of Directors

The following directors were elected and serving at December 31, 2024:

Name	Principal Occupation
David Mele	Executive Dental Delivery Systems, Inc. Fidelio Insurance Company
Michael Mele	Financial and Marketing Dental Delivery Systems, Inc. Fidelio Insurance Company
Jacqueline Chiodo	Administrative Dental Delivery Systems, Inc. Fidelio Insurance Company

It was determined that all transactions and actions taken by the officers of the Company were approved by the Board. There were no committees appointed at December 31, 2024.

Since the Company is exempted from holding company statutory requirements, it does not need to comply with the corporate governance provisions of N.J.S.A. 17:27A-4d, namely paragraphs 3 and 4 concerning the makeup of its corporate board. The Board's location for all correspondence and meetings is the DDS administrative office in Glenside, Pennsylvania.

Officers

The following officers were elected and serving at December 31, 2024:

Name	Office
David Mele	President
Michael Mele	Vice President
Michael Vele	Treasurer
Jacqueline Chiodo	Secretary

Corporate Records

Minutes of meetings of the Board are held in their main administrative office at Glenside, Pennsylvania. A review of the minutes of the Board meetings noted that they were well attended. The Board minutes also indicated that the Company's overall business transactions were adequately supported and approved.

Policy on Conflicts of Interest

The Company has adopted and maintains a written policy for an annual conflict of interest disclosure statement for directors, officers and employees of the Company. The conflict of interest policy is reviewed by the Board.

Upon the review of the questionnaires for the period under examination, it was noted the Company did have its directors, officers and employees execute the conflict of interest questionnaires for the examination year ending December 31, 2024.

Fidelity Bond Coverage

The Company maintains fidelity bond coverage of $75,000 for protection against theft, forgery and fraud in compliance with N.J.A.C. 11:10-1.11(a).

EMPLOYEE WELFARE AND BENEFIT PLANS

The Company offers group health benefits available to eligible employees and their family members as well as disability benefits to employees who have worked for a minimum of six (6) months. As required by law, the Company also provides workers' compensation for the protection of employees with work-related injuries or illnesses.

ACCOUNTS AND RECORDS

The Company maintains its general ledger using accounting software. The Company uses the double-entry record keeping method where each transaction is posted twice (debit/credit). The Company's general ledger is divided into seven categories including assets, liabilities, owner's equity, revenue, expenses, gains and losses. Sub ledgers are also used for cash, accounts receivable, accounts payable, and payroll transactions to maintain more detail for backup purposes.

Premium payments received via mail are processed by the accounting department. The accounting department takes the contract payment, views accuracy of the member counts by comparing electronic files submitted by the client, and payment is then posted to the general ledger by entering receipts into the accounts receivable sub ledger.

The Board meets and decides based on the level of capital and surplus if a dividend is to be declared. Once the dividend is declared, minutes of the board meeting including date for dividend to be paid, share value, and shareholders' names are given to the accounting department for payment processing.

Independent Audit

Pursuant to N.J.A.C. 11:10-1.7(e) an annual audit was performed by BAPA, based in Marlton, New Jersey, and a combined financial statutory audit report for fiscal years 2024 and 2023 was filed with the Commissioner of the NJDOBI. The auditors concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company.

Continuity of Operations

The daily operations to process data for the Company can be processed from a single computer. The patient activity submitted by the dental offices is sent via postal mail or fax. All data is entered manually. Three software packages are used for the business. All programs are backed-up on a weekly basis and kept at an off-site location in the event of a man-made or natural disaster. Due to the small size of the Company, DDS would be able to recover in an expeditious fashion as it would only need to purchase and set a computer up and load the most recent back-up.

The Company's Disaster Recovery Plan was reviewed and approved by the Department. The Company has also made provisions for the succession of officers in its by-laws.

FINANCIAL STATEMENTS

Financial Exhibits have been prepared based on the annual statutory financial statements filed by the Company with the NJDOBI. These are summarized below and furnished fully in the next three pages.

Exhibit-A	Statement of Financial Position as of December 31, 2024
Exhibit-B	Statement of Operating Results for the Five-Year Period ended December 31, 2024
Exhibit-C	Capital and Surplus Account for the Five-Year Period ended December 31, 2024

EXHIBIT-A: Statement of Financial Position

As of December 31, 2024

	Balance Per Examination 12/31/24	Balance Per Company 12/31/24	Examination Change	Note
Assets				
Common Stocks	$ 2,007,881	$ 2,007,881	$ -	
Cash and Short-Term Investments	763,378	763,378	-	
Current Federal Income Tax Recoverable	16,000	16,000	-	
Aggregate Write-Ins	629,320	629,320	-	
Total Net Admitted Assets	**$ 3,416,579**	**$ 3,416,579**	**$ -**	
Liabilities				
General Expenses Due or Accrued	$ 22,386	$ 22,386	$ -	
Net Deferred Tax Liability	314,128	314,128	-	
Total Liabilities	**$ 336,514**	**$ 336,514**	**$ -**	
Surplus				
Common Capital Stock	$ 4,460	$ 4,460		
Gross Paid in and Contributed Surplus	36,300	36,300		
Unassigned Funds (Surplus)	3,039,305	3,039,305		
Total Capital and Surplus	**$ 3,080,065**	**$ 3,080,065**	**$ -**	1
Total Liabilities, Capital and Surplus	**$ 3,416,579**	**$ 3,416,579**	**$ -**	

EXHIBIT-B: Statement of Operating Results

For the Five-Year Period Ended December 31, 2024

	2024	2023	2022	2021	2020
Revenues					
Net Premium Income	$ 3,125,121	$ 3,145,202	$ 3,138,331	$ 3,203,949	$ 3,607,544
Fee for Service	-	13,000	-	-	-
Aggregate Write-Ins	-	-	-	14,472	-
Total Revenues	3,125,121	3,158,202	3,138,331	3,218,421	3,607,544
Deductions					
Hospital and Medical	2,694,933	2,666,872	2,727,652	2,682,694	2,897,738
General Administrative Expenses	372,937	361,584	414,557	510,556	700,051
Total Underwriting Deductions	3,067,870	3,028,456	3,142,209	3,193,250	3,597,789
Net Underwriting Gain/(Loss)	**$ 57,251**	**$ 129,746**	**$ (3,878)**	**$ 25,171**	**$ 9,755**
Investment Income					
Net Investment Gains or (Losses)	37,491	28,669	(39,021)	(1,792)	150,609
Net Income Before Income Taxes	**$ 94,742**	**$ 158,415**	**$ (42,899)**	**$ 23,379**	**$ 160,364**
Aggregate Write Ins	-	-	-	6,992	-
Federal Income Taxes Incurred	(711)	24,862	3,078	7,146	31,251
Net Income	**$ 95,453**	**$ 133,553**	**$ (45,977)**	**$ 23,225**	**$ 129,113**

EXHIBIT-C: Capital and Surplus Account

For the Five-Year Period Ended December 31, 2024

	2024	2023	2022	2021	2020
Net Income	$ 95,453	$ 133,553	$ (45,977)	$ 23,225	$ 129,113
Other Surplus Gains/(Losses)					
Change in Net Unrealized Cap Gains/(Losses)	681,825	314,127	(394,969)	274,397	150,813
Change in Net Deferred Income Tax	(160,668)	(65,967)	82,943	(57,623)	(31,668)
Change in Nonadmitted Assets	(214,822)	744,310	810,684	(430,067)	(309,815)
Aggr W/ins for Gains in Surplus	-	-	604,142	-	-
Total Other Surplus Gains/(Losses)	**$ 306,334**	**$ 992,470**	**$ 1,102,800**	**$ (213,294)**	**$ (190,671)**
Change in Surplus as Regards Policyholders for the Year	401,787	1,126,023	1,056,823	(190,069)	(61,558)
Surplus as Regards Policyholders December 31, Previous Year	2,678,278	1,552,255	495,432	685,501	747,059
Surplus as Regards Policyholders December 31, Current Year	**$ 3,080,065**	**$ 2,678,278**	**$ 1,552,255**	**$ 495,432**	**$ 685,501**

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Capital and Surplus

Common Capital Stock

As of December 31, 2024, the Company had 1,115 shares of common stock issued, authorized and outstanding with a par value of $4 for $4,460, which has remained the same as the last examination. The Company has no preferred stock authorized.

Gross Paid-in and Contributed Surplus

No capital contributions were made during the examination period. The balance under this account has, therefore, remained unchanged since the last exam.

Unassigned Funds

Total Unassigned Funds, as per the current examination review, amounted to $3,039,305, which is $2,333,005 more than the amount reported in the last examination, reflecting an increase of roughly 330%.

Surplus as Regards Policyholders

The cumulative changes in surplus and other funds during the five-year examination period are reflected and summarized below:

Policyholder Surplus, December 31, 2020		$ 747,059
Net Cumulative Income		335,367
Change in Net Unrealized Capital Gains	1,026,193	
Change in Net Deferred Income Tax	(232,984)	
Change in Nonadmitted Assets	600,291	
Aggregate Write-ins	604,142	
Surplus Adjustments: Examination Change	-0-	
Net Adjustments During Five-Year Period		1,997,639
Policyholder Surplus, December 31, 2024		$3,080,065

In compliance with N.J.A.C. 11:10-1.8(a)3, the Company meets the statutorily required minimum capital and surplus benchmark of $100,000, with an excess of $2,980,065 remaining surplus.

SUBSEQUENT EVENTS

No events or transactions of a significant nature were noted during the review of DDS's operating activities occurring or recorded after the examination date.

CONCLUSION

The statutory condition examination was conducted remotely by the undersigned with the assistance of the NJDOBI field and office staff. Tests and analyses applied to the foregoing report items did not yield any reportable recommendations. The courteous cooperation and assistance extended during the course of this examination by the employees of the Company is acknowledged.

Respectfully submitted,

Juan Collado

Juan P. Collado
Examiner-In-Charge
NJ Department of Banking and Insurance

Under the supervision of:

Nancy Lee Chice

Nancy Lee Chice, CFE
CFE Reviewer, Supervising Examiner
NJ Department of Banking and Insurance

DENTAL DELIVERY SYSTEMS, INC.
AFFIDAVIT

I, Juan Collado, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2024, to the best of my information, knowledge, and belief.

Respectfully submitted,

Juan Collado

Juan P. Collado
Insurance Examiner 1
NJ Department of Banking and Insurance

Under the supervision of:

Nancy Lee Chice

Nancy Lee Chice, CFE
CFE Reviewer, Supervising Examiner
NJ Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, Margaret M. Greco
on this 20th day of May, 2024.

Notary Public of the State of New Jersey
My commission expires: 4/17/2029

MARGARET M. GRECO
NOTARY
My Comm. Expires
March 17, 2029
No. 2162740
PUBLIC
STATE OF NEW JERSEY