
AMENDED FILING EXPLANATION

This page is required to be updated/completed any time an amended filing is created.



ANNUAL STATEMENT

For the Year Ended December 31, 2011
of the Condition and Affairs of the

Dental Care Plus, Inc.

NAIC Group Code.....

(Current Period) (Prior Period)

NAIC Company Code.....

96265

Employer's ID Number.....

31-1185262

Organized under the Laws of Ohio

State of Domicile or Port of Entry Ohio

Country of Domicile UN

Licensed as Business Type.....

Health Maintenance Organization

Is HMO Federally Qualified? Yes [] No [X]

Incorporated/Organized.....

January 6, 1986

Commenced Business.....

March 1, 1988

Statutory Home Office

100 Crowne Point Place..... Cincinnati OH 45241

(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office

100 Crowne Point Place..... Cincinnati OH 45241

(Street and Number) (City or Town, State and Zip Code)

513-554-1100

(Area Code) (Telephone Number)

Mail Address

100 Crowne Point Place..... Cincinnati OH 45241

(Street and Number or P. O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records

100 Crowne Point Place..... Cincinnati OH 45241

(Street and Number) (City or Town, State and Zip Code)

513-554-1100

(Area Code) (Telephone Number)

Internet Web Site Address

www2.Dentalcareplus.com

Statutory Statement Contact

Robert Carr Hodgkins

(Name)

513-554-1100

(Area Code) (Telephone Number) (Extension)

rhodgkins@dentalcareplus.com

513-554-3187

(E-Mail Address) (Fax Number)

OFFICERS

Name	Title	Name	Title
1. Anthony A. Cook	President & CEO	2. Robert Carr Hodgkins Jr.	Vice President & CFO
3. Fred Bronson D.D.S.	Secretary	4. Fred H. Peck D.D.S.	Treasurer

OTHER

Timothy P. Berghoff F.S.A., M.A.A.A

Consulting Actuary

DIRECTORS OR TRUSTEES

Fred Bronson D.D.S.	Molly Meakin Rogers C.P.A.	Mark Zigoris D.D.S.	Ross Geiger
Roger Higley D.D.S.	Stephen Schuler D.M.D.	Donald J. Peak C.P.A.	Jack Cook M.H.A.
David A. Kreyling D.M.D.	Fred H. Peck D.D.S.	Michael Carl D.D.S.	James E. Kroeger M.B.A., C.P.A
Anthony A. Cook M.B.A, M.S.			

State of.....
County of.....

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)

Anthony A. Cook

1. (Printed Name)

President & CEO

(Title)

(Signature)

Robert Carr Hodgkins Jr.

2. (Printed Name)

Vice President & CFO

(Title)

(Signature)

Fred Bronson D.D.S.

3. (Printed Name)

Secretary

(Title)

Subscribed and sworn to before me

This day of 2012

a. Is this an original filing? Yes [X] No []

b. If no

1. State the amendment number

2. Date filed

3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	4,157,580		4,157,580	3,541,966
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....			.0	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....1,430,000 encumbrances).....	477,768		477,768	454,519
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....6,335,035, Sch. E-Part 1), cash equivalents (\$.....0, Sch. E-Part 2) and short-term investments (\$.....34,840, Sch. DA).....	6,369,875		6,369,875	6,315,840
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....			.0	
9. Receivables for securities.....			.0	
10. Securities lending reinvested collateral assets (Schedule DL).....			.0	
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	11,005,223	.0	11,005,223	10,312,325
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	39,664		39,664	42,397
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in course of collection.....	497,390		497,390	423,791
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
15.3 Accrued retrospective premiums.....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....			.0	
16.2 Funds held by or deposited with reinsured companies.....			.0	
16.3 Other amounts receivable under reinsurance contracts.....			.0	
17. Amounts receivable relating to uninsured plans.....			.0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0	60,237
18.2 Net deferred tax asset.....	273,917	29,578	244,339	264,073
19. Guaranty funds receivable or on deposit.....			.0	
20. Electronic data processing equipment and software.....	172,802	102,920	69,882	
21. Furniture and equipment, including health care delivery assets (\$.....0).....	4,161	4,161	.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....			.0	
24. Health care (\$.....5,624) and other amounts receivable.....	5,624		5,624	4,320
25. Aggregate write-ins for other than invested assets.....	34,563	34,563	.0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	12,033,344	171,222	11,862,122	11,107,143
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTALS (Lines 26 and 27).....	12,033,344	171,222	11,862,122	11,107,143
DETAILS OF WRITE-INS				
1101. Fair Value of Interest Rate Swap Contract.....			.0	
1102.0	
1103.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501. Prepaid Expenses.....	34,563	34,563	.0	
2502.0	
2503.0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	34,563	34,563	.0	.0

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Dental Care Plus Inc., (the “Company”) are presented on the basis of accounting practices prescribed or permitted by the ABC Insurance Department.

The Company recognizes only statutory accounting practices prescribed or permitted by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures Manual*, (“NAIC SAP”) has been adopted as a component of prescribed or permitted practices by the state of Ohio. The Company did not have any Ohio prescribed practices that would have a reconciling difference between NAIC SAP and the state.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

The amount of dividends to be paid to policyholders is determined annually by the Company’s Board of Directors. The aggregate amount of policyholders’ dividends is related to actual interest and expense experience for the year and judgment as to the appropriate level of statutory surplus to be retained by the Company. There have been no dividends declared or paid in 2011 or 2010.

In addition, the company uses the following accounting policies:

1. Short-term investments are stated at amortized cost.
2. Bonds not backed by other loans are stated at amortized cost using the interest method.
3. Common stocks are stated at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis. The Company did not have any investments in common stocks at December 31, 2011 and 2010.
4. Preferred stocks are stated in accordance with the guidance provided in SSAP No. 32. The Company did not have any investments in preferred stocks at December 31, 2011 and 2010.

Mortgage loans on real estate are stated at the aggregate carrying value less accrued interest. The Company did not have any investments in mortgage loans on real estate at December 31, 2011 and 2010.
5. Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value. The retrospective adjustment method is used to value all securities, except for interest only securities or securities where the yield had become negative, that are valued using the prospective method. The Company did not have any investments in loan-backed securities at December 31, 2011 and 2010.
6. The Company does not have any Goodwill.
7. The Company does not have any minor ownership interests any joint ventures.
8. All derivatives are stated at fair value.
9. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts.
10. Unpaid losses and loss adjustment expenses include an amount determined from loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.
11. The Company has not modified its capitalization policy from the prior period.

Note 2 - Accounting Changes and Corrections of Errors

Not applicable. DCP had no accounting changes or corrections of errors to report.

Note 3 - Business Combinations and Goodwill

Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 4 - Discontinued Operations

Not applicable.

Note 5 - Investments

Not applicable. The Company did not have any investments in mortgage loans, debt restructuring, reverse mortgages, loan backed securities, or repurchase agreements for the years ended December 31, 2011 and 2010.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

Not Applicable. The Company has no Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets as of December 31, 2011 and 2010.

Note 7 - Investment Income

Not applicable. The Company did not have any excluded (nonadmitted) investment income due and accrued as of December 31, 2011 and 2010.

Note 8 - Derivative Instruments

In 2003, the Company entered into an interest rate swap agreement (“Agreement”) (cash flow hedge) with an original notional amount of \$1,500,000. The Agreement is used to manage the Company’s interest rate risk. The swap agreement effectively changed the interest rate related to \$1,500,000 of the Company’s \$1,800,000 mortgage note with a commercial bank from a variable rate based on the 30-day LIBOR rate plus 1.75% to a fixed rate of approximately 4.95% for the 10-year period through June 12, 2013. The Company’s risk management policy is to not enter into any trading activities related to the Agreement. The notional amount decreases \$10,000 per month in direct correlation to the principal reduction of the mortgage. The Company believes that the risk of nonperformance by the counter party in conjunction with this arrangement is not material to the financial statements. The fair value of this Agreement at December 31, 2011 and 2010 was a liability of \$16,354 and \$27,639, respectively. The change in the swap value and unrealized loss included in surplus, related to the interest rate swap was 7,448 and (\$2,644), net of income tax expense (benefit) of 3,837 and (\$1,362) and during 2011 and 2010, respectively. The agreement will terminate upon termination of the mortgage loan payable.

The change in the swap value and unrealized loss included in surplus was (\$4,006) and \$14,336, offset by an income tax benefit of (\$1,362) and \$4,874 during 2011 and 2010, respectively.

Note 9 - Income Taxes

A. Components of Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DTLs):

Description	2011			2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	268,357	5,560	273,917	293,652	9,397	303,050	(25,296)	(3,837)	(29,132)
Statutory valuation allowance	-	-	-	-	-	-	-	-	-
Adjusted gross deferred tax assets	268,357	5,560	273,917	293,652	9,397	303,050	(25,296)	(3,837)	(29,132)
Gross deferred tax liabilities	-	-	-	-	-	-	-	-	-
Net deferred tax asset/(liability) before admissibility test	268,357	5,560	273,917	293,652	9,397	303,050	(25,296)	(3,837)	(29,132)
Total Deferred tax assets nonadmitted	(24,018)	(5,560)	(29,578)	(29,580)	(9,397)	(38,977)	5,562	3,837	9,399
Net admitted deferred tax assets / (liabilities)	244,339	-	244,339	264,073	-	264,073	(19,733)	-	(19,733)
The Company has elected to admit DTAs pursuant to paragraph 10.e. which is consistent with prior year election.									

NOTES TO FINANCIAL STATEMENTS

	2011			2010			Ordinary
	Ordinary	Capital	Total	Ordinary	Capital	Total	
Admitted pursuant to 10.a.	244,339	-	244,339	72,468	-	72,468	171,872
Admitted pursuant to 10.b.	-	-	-	191,605	-	191,605	(191,605)
10.b.i.	-	-	-	191,605	-	191,605	(191,605)
10.b.ii.			518,291			418,186	
Admitted pursuant to 10.c.	-	-	-	-	-	-	-
Total admitted from the application of paragraph 10.a	244,339	-	244,339	264,073	-	264,073	(19,733)
Admitted pursuant to 10.e.i.	244,339	-	244,339	72,468	-	72,468	171,872
Admitted pursuant to 10.e.ii.	-	-	-	191,605	-	191,605	(191,605)
10.e.ii.a.	-	-	-	-	-	-	-
10.e.ii.b.			777,437			627,279	
Admitted pursuant to 10.e.iii.	-	-	-	-	-	-	-
Total admitted from the application of paragraph 10.e	244,339	-	244,339	264,073	-	264,073	(19,733)
Total admitted adjusted gross deferred tax assets	244,339	-	244,339	264,073	-	264,073	(19,733)
Deferred tax liability	-	-	-	-	-	-	-
Net admitted deferred tax assets / (liabilities)	244,339	-	244,339	264,073	-	264,073	(19,733)
Nonadmitted deferred tax assets	24,018	5,560	29,578	29,580	9,397	38,977	(5,562)

The Company's risk-based capital level used for purposes of paragraph 10.d. is based on authorized control level risk-based capital of \$1,494,359 and total adjusted capital of \$6,110,949.

Description	2011			2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admission calculation under 10.a.-10.c	244,339	-	244,339	264,073	-	264,073	(19,733)	-	(19,733)
Admitted ass ets			11,862,122			11,107,143			754,979
Adjusted statutory surplus from most recently filed statement			6,100,949			5,514,518			586,431
Total adjusted capital from DTAs included above			5,856,610			5,250,445			606,165
Increases due to admission under 10.e.i.-10.e.iii.									
Admitted DTAs	-	-	-	-	-	-	-	-	-
Admitted ass ets			11,862,122			11,107,143			754,979
Statutory surplus			6,100,949			5,514,518			586,431

B. Unrecognized Deferred Tax Liabilities- There are no temporary differences for deferred tax liabilities that are not recognized at December 31, 2011 and 2010.

C. Current Tax and Change in Deferred Tax- Current income taxes incurred consisted of the following major components at December 31, 2011 and 2010 are as follows:

Description	2011	2010
Current income tax expense	390,488	72,468
Tax on capital gains/(losses)	5,930	-
Prior year underaccrual/(overaccrual)	(128,045)	583
Federal income taxes incurred	268,373	73,050

The tax effects of temporary differences that give rise to significant portions of the deferred taxes at December 31, 2011 and 2010 are as follows:

NOTES TO FINANCIAL STATEMENTS

	December 31,	December 31,	
DTAs Resulting from Book/Tax Differences In	2011	2010	Change
Ordinary			
Unearned premiums	84,146	99,954	(15,808)
Unpaid losses and LAE	16,063	17,484	(1,421)
Accrued commission	131,597	140,896	(9,299)
Basis difference in fixed assets	24,018	29,580	(5,562)
Allowance for doubtful accounts	5,200	2,759	2,441
Prepaid insurance	7,334	2,980	4,354
Nonadmitted assets	-	-	-
Gross ordinary DTAs	268,357	293,653	(25,296)
Statutory valuation adjustment adjustment - ordinary	-	-	-
Nonadmitted ordinary DTAs	(24,018)	(29,580)	5,562
Admitted ordinary DTAs	244,339	264,073	(19,734)
Capital			
Unrealized loss	5,560	9,397	(3,837)
Gross capital DTAs	5,560	9,397	(3,837)
Statutory valuation adjustment adjustment - capital	-	-	-
Nonadmitted capital DTAs	(5,560)	(9,397)	3,837
Admitted capital DTAs	-	-	-
Admitted DTAs	244,339	264,073	(19,734)
	December 31,	December 31,	
DTLs Resulting from Book/Tax Differences In	2011	2010	Change
Ordinary			
	-	-	-
Ordinary DTLs	-	-	-
Capital			
Unrealized gains	-	-	-
Capital DTLs	-	-	-
DTLs	-	-	-
Net admitted deferred tax asset (liability)	✓ 244,339	✓ 264,073	(19,734)

The change in net deferred tax assets is comprised of the following:

	December 31,	December 31,	
Description	2011	2010	Change
Total deferred tax assets	273,917	303,050	(29,133)
Total deferred tax liabilities	-	-	-
Net deferred tax asset	273,917	303,050	(29,133)
Tax effect of unrealized (gains)/losses			3,837
Change in net deferred income tax (charge)/benefit			(25,296)

	2010	2009	Change
Total deferred tax assets	\$ 303,050	\$ 282,525	\$ 20,525
Total deferred tax liabilities	-	-	-
Net deferred tax asset	\$ 303,050	\$ 282,525	20,525
Tax effect of unrealized gains			(1,362)
Change in net deferred income tax benefit			\$ 19,163

D. Reconciliation of Federal Income Tax Rate to Actual Effective Tax Rate

NOTES TO FINANCIAL STATEMENTS

The Company’s income tax expense differs from the amount obtained by applying the statutory rate of 34% to pretax net income for the following reasons at December 31:

Description	Amount	Tax Effect	Effective Tax Rate
Income before taxes	971,626	330,353	34.0%
Change in nonadmitted assets	(108,374)	(36,847)	-3.8%
Other	479	163	0.0%
	863,731	293,669	30.22%
Federal income taxes incurred			262,443
Tax on capital gains/(losses)			5,930
Change in net deferred income taxes			25,296
Total statutory income taxes			293,669

E. Operating Loss and Tax Credit Carry forwards and Protective Tax Deposits

At December 31, 2011, the Company had no operating loss carry forwards to utilize in future years. The following is income tax incurred for 2009, 2010 and 2011 that is available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
2009		-	-
2010	-	-	-
2011	390,488	5,930	396,418
Total	390,488	5,930	396,418

F. The Company's federal income tax return is consolidated with the following entities:

Dental Care Plus, Inc.
DCP Holding Company
Insurance Assoc. Plus, Inc.
Adenta, Inc.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. B. & C. The Company did not pay any common stock dividends to the Parent Company in 2011 or 2011. In 2010, the Company received a cash investment of \$450,000 from the Parent Company, DCP Holding Company.
- D. At December 31, 2011, the Company reported \$2,260 as amounts due to The DCP Holding Company. The terms of the settlement require that these amounts be settled within 30 days.
- E. The Company has a Management Services Agreement with DCP Holding Company (“DCPH”) as the parent of the Company, to provide general administrative services to the Company. DCPH collected monthly management fees from the Company based on an apportionment of the DCPH costs incurred. The Company paid management fees to DCPH of \$8,034,160 and \$7,532,001 in 2011 and 2010, respectively.
The Company renewed a Lease Agreement with DCPH to lease approximately 16,785 square feet at 100 Crowne Point Place to DCPH. The Company received office rent from DCPH of \$231,650 and \$227,108 in 2011 and 2010, respectively.
- F. The Company pays Insurance Associated Plus, Inc. (“IAP”), an insurance agency that is an affiliate of the Company, commissions on collected premiums from employee groups serviced by IAP. The Company paid commissions to IAP totaling \$46,714 and \$63,793 in 2011 and 2010, respectively.
- G. All outstanding shares of The Company are owned by the Parent Company, The DCP Holding Company.
- H. Not applicable. The Company does not own shares of the stock of parent, The DCP Holding Company.
- I. Not applicable. The Company does not own any interest or investment, whose carrying value is equal to or exceeds 10% of the admitted assets of The Company.
- J. Not applicable. The Company does not invest in an affiliated Company during the statement period.

NOTES TO FINANCIAL STATEMENTS

- K. Not applicable. The Company does not invest in a foreign insurance company.
- L. Not applicable. The Company does not have any downstream non insurance holding company.

Note 11 - Debt

In 2003, DCP purchased land and an office building and in connection therewith, the Company executed a mortgage note in the amount of \$1,800,000, secured by the land and the office building. DCP has an outstanding liability for borrowed money in the amount of \$780,000 due to Fifth Third Bank. At the maturity date of the mortgage note in 2013, the expected outstanding balance of the note must be repaid, amounting to \$600,000. Interest is payable based on the 30-day LIBOR rate plus 175 basis points and was 2.03% and 2.01% at December 31, 2011 and 2010, respectively.

The Company renewed a revolving note with a commercial bank in the amount of \$700,000 collateralized by a second mortgage on the office building owned by Dental Care Plus, Inc. As of December 31, 2011 and 2010, there was a principal balance outstanding of \$650,000. This revolving note matures on December 15, 2012, is annually renewable and requires us to make monthly interest payments at a variable rate of 30-day LIBOR plus 1.75%.

The Company does not have any reverse repurchase agreements.

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

Effective July 1, 2005, the Company no longer has employees and the services are rendered by the employees of DCP Holding Company.

Note 13 - Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations

1. The Company has 1,500 common shares authorized, 166 shares issued and shares outstanding as of December 31, 2011 and 2010.
- 2.The Company has no preferred stock outstanding.
- 3.Dividends paid by the Company to its shareholders cannot, without prior approval of the Department, exceed in any one year the lesser of (i) 10% of net worth (as of the preceding December 31), or (ii) net income for the prior year, and only if net worth exceeds \$250,000 and only out of positive capital and surplus.
- 4.There were no dividends declared or paid in 2011 or 2010.
- 5.Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- 6.There were no restrictions placed on the Company’s surplus, including for whom the surplus is being held.
- 7.Not applicable the Company is not a mutual res reciprocal.
- 8.Not applicable there are not any stocks of affiliated companies held for any special.
- 9.Not applicable the Company does not have any special surplus funds.
- 10.The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized loss is \$5,560 due to the derivative instrument included in Note 8.
- 11-12. The Company has not had any quasi-reorganization.

Note 14 - Contingencies

Litigation—Various litigation and claims against the Company are in process and pending. Based upon a review of open matters with legal counsel, management believes that the outcome of such matters will not have a material effect upon the Company’s financial position or results of operations.

Note 15 - Leases

Leases—The Company leases certain equipment and office space under non-cancelable operating leases. Rent expense under all operating leases was approximately \$123,507 and \$10,624 for the years ended December 31, 2011 and 2010, respectively.

At December 31, 2011, future approximate minimum annual lease payments under non-cancelable operating leases are as

NOTES TO FINANCIAL STATEMENTS

follows:

Years Ending December 31	
2012	\$ 128,485
2013	128,083
2014	<u>7,293</u>
Total	<u>\$ 263,861</u>

In 2010, the Company entered into a sale-leaseback transaction with a leasing company. The Company sold certain fixed assets totaling \$323,365. There was no gain or loss on the sale. The Company did not retain the benefits and risk to the property sold and the risk of ownership was transferred to the leasing company. The Company entered into a three year non-cancelable operating leasing agreement with the leasing company. Included in the minimum annual lease payments schedule, the fixed asset leasing payments shall be \$113,086 for the years ended December 31, 2012 and 2013. The Company did not engage in any sales-leaseback transactions for years ended December 31, 2010.

Lease Income—The Company leases space in its building to parties under non-cancelable leases. Income recorded by the Company under non-cancelable leases amounted to approximately \$293,258 and \$288,716 for the years ended December 31, 2011 and 2010, respectively. Such amounts are recorded in net investment income in the accompanying financial statements.

As of December 31, 2011, approximate future minimum annual lease income under non-cancelable leases are as follows:

Years Ending December 31	
2012	\$ 297,071
2013	291,679
2014	<u>279,645</u>
Total	<u>\$ 868,395</u>

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

The Company does not have any Financial Instruments that pose Off-Balance Sheet Risk or Financial Instruments with Concentrations of Credit Risk.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

Not applicable.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans - Not Applicable

B. ASC Plans

The gain from operations from Administrative Service Contract (ASC) uninsured plans was as follows during 2010:

a. Gross reimbursement for medical cost incurred	\$ 22,442,475
b. Gross administrative fees accrued	\$ 1,174,302
c. Other income or expenses	\$ (2,796,242)
d. Gross expenses incurred (claims and administrative)	\$ 20,345,081
e. Total net gain or loss from operations	\$ 475,454

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract - Not Applicable

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Name and Address of Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Type of Business Written	Type of Authority Granted	Total Premiums Written/Produced By
DCP Holding Company (Parent) 100 Crowne Point Place Cincinnati, OH 45241	20-1291244	Yes	PPO, HMO, IND	C, CA, R, B, P, U	\$51,416,332

NOTES TO FINANCIAL STATEMENTS

IHC Health Solutions, Inc
2101 W. Peoria Ave
Suite 100
Phoenix AZ, 85029

35-1640589 No PPO C, CA, P \$483,257

Note 20- Fair Value Measurements

The Company classifies the assets and liabilities that require measurement of fair value on a recurring basis based on the priority of the observable and market-based sources of data into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 – Valuations based on significant other observable inputs other than those included in Level 1 such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- Level 3 – Valuations based on unobservable inputs such as when observable inputs are not available or inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents for each of the fair value levels, the Company’s assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2011 and 2010:

		December 31, 2011			December 31, 2010		
		Level 1	Level 2	Total Balance	Level 1	Level 2	Total Balance
Assets							
Cash							
	Federally-Insured certificates of deposits		\$ 50,000	\$ 50,000		\$ 50,000	\$ 50,000
Short-term investments							
	Money market funds	\$ 65,461		65,461	\$ 514,109		514,109
	Total	\$ 65,461	\$ 50,000	\$ 115,461	\$ 514,109	\$ 50,000	\$ 564,109
Liabilities							
Interest rate swap (included in derivatives)			\$ 16,354	\$ 16,354		\$ 27,639	\$ 27,639
	Total	\$	\$ 16,354	\$ 16,354	\$	\$ 27,639	\$ 27,639

The Company measures fair value using the following valuation methodologies. The Company uses quoted market prices to determine the fair value of the deferred compensation investments and certain state fund guarantee fund deposits; such items are classified as Level 1 of the fair-value hierarchy. Examples include government securities and exchange-traded equity securities. The Company obtains prices from independent vendors to determine the fair value of the majority of its short-term investments and investments portfolio. The remainder of the short-term investments and investments portfolio and the remainder of the state fund guarantee deposits are fair valued using a discounted cash flow method whereby the significant observable inputs include the maturity date and the interest rate yield; such items are classified as Level 2 of the fair-value hierarchy. Examples include brokered and non-brokered certificates of deposit. The Company obtains a price from an independent vendor to determine the fair value of the interest rate swap. The independent vendor uses a discounted cash flow method whereby the significant observable inputs include the replacement interest rates of similar swap instruments in the market and swap curves; such items are classified as Level 2 of the fair value hierarchy.

Certain assets and liabilities are measured at fair value on a non-recurring basis. These include long-lived assets such as certain bonds and fixed assets, as well as assets measured at costs that are written down to fair value during a period as a result of impairment. For the year ended December 31, 2011 and 2010, there were no assets or liabilities that were required to be measured at fair value on a non-recurring basis. The Company did not have any Level 3 assets or liabilities at December 31, 2011 and 2010.

Note 21 - Other Items

In November 2011, NAIC issued Statement of Statutory Accounting Principles No. 101, *Income Taxes, A Replacement of SSAP 10R and SSAP 10* (“SSAP 101”). The guidance significantly changes the statutory accounting for income taxes in two key areas: (1) tax loss contingencies and (2) admissibility of deferred tax assets. SSAP 101 is effective for reporting periods beginning after January 1, 2012 and is a permanent replacement of existing guidance. The adoption of the guidance will not have a material impact on the statutory-basis financial statements and related disclosures.

NOTES TO FINANCIAL STATEMENTS

In March 2012, the NAIC issued SSAP 103, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*. This guidance clarifies that whether a transferor and all of the entities included in the transferor’s financial statements being presented have surrendered control over transferred financial assets. The effective date is for reporting periods beginning after January 1, 2013 and is a replacement for SSAP 91R to be applied prospectively. The Company is evaluating the impact on the Company’s statutory-basis financial statements and related disclosures.

Note 22 - Events Subsequent

DCP has no subsequent events to report.

Note 23 - Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes () No (X)

- (2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes () No (X)

Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes () No (X)

- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

Section 3 – Ceded Reinsurance Report – Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of payment or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. not applicable

- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes () No (X)

B. Uncollectible receivables- Not applicable.

C. Commutation of Ceded Reinsurance- Not applicable.

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 25 - Change in Incurred Losses and Loss Adjustment Expenses

The cost of health care services provided to members is accrued in the period such services are provided based on the accumulation of estimates of claims reported prior to the end of a reporting period and of estimates of dental services provided but not reported to the Company.

Management’s estimates of dental services provided are based on the Company’s historical experience and current trends, with assistance from the Company’s consulting actuary. Estimated dental claims payable are reviewed regularly by management and are adjusted based on current information; however, final claim payments may differ from the established reserves. Any resulting adjustments are reflected in current operations.

Note 26 - Intercompany Pooling Arrangements

Not Applicable.

Note 27 - Structured Settlements

Not Applicable.

Note 28 - Health Care Receivables

Not applicable.

Note 29 - Participating Policies

Not applicable.

Note 30 - Premium Deficiency Reserves

The Company periodically reviews contracts with employers groups to determine the adequacy of premiums earned, and to be earned, relative to the total expected claims and claims adjustment expenses for the contracts. In the event that the projected premiums are in excess of projected claims costs, such as when employer groups are extended multi-year rate guarantees outside of the Company’s standard premium rating practice, the Company will establish a premium deficiency reserve to cover an expected premium shortfall in the future. As of December 31, 2011, the Company had 22 active contracts with employer groups with multi-year rate guarantees. Given the premium rate terms in these contracts, the Company determined these contracts did not warrant the establishment of a premium deficiency reserve.

Note 31 - Anticipated Salvage and Subrogation

Not applicable.