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A.M. Best Upgrades Ratings of Dental Care Plus, Inc.

CONTACTS:

David Mitchell
Senior Financial Analyst
(908) 439-2200, ext. 5556
david.mitchell@ambest.com

Christopher Sharkey
Manager, Public Relations
(908) 439-2200, ext. 5159
christopher.sharkey@ambest.com

Jeffrey Lane
Managing Senior Financial Analyst
(908) 439-2200, ext. 5567
jeffrey.lane@ambest.com

Jim Peavy
Assistant Vice President, Public Relations
(908) 439-2200, ext. 5644
james.peavy@ambest.com

Related Companies

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AMB#	Company Name
055805	DCP Holding Company
064698	Dental Care Plus Inc

FOR IMMEDIATE RELEASE

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A.M. Best has upgraded the financial strength rating to B+ (Good) from B (Fair) and the issuer credit rating to "bbb-" from "bb+" of **Dental Care Plus, Inc. (DCP)** (Cincinnati, OH). The outlook for both ratings has been revised to stable from positive.

The rating upgrades reflect DCP's consistent earnings, niche market expansion and the improvement in its capital. DCP delivered favorable earnings in 2013, continuing the trend it developed over the previous two years. The company's underwriting results were favorably impacted by profitability in the self-insured segment, giving DCP the opportunity to expand the development of risk premiums, while adapting to significant changes in its operating environment. Strategically, DCP's management formed alliances with two third-party administrator plans in order to expand the scale of its business and to cross-sell dental and vision products and services to their medical only insurance members. Additionally, the company has greatly expanded its provider network options leading to much broader service geographies. In 2013, DCP initialized its geographic expansion into Indiana, adding to operations already established in Ohio and Kentucky. However the majority of its business development efforts are still being conducted in Ohio and Kentucky and over two-thirds of revenue development is concentrated in Ohio. To accommodate individuals and small groups looking to purchase dental benefits on the exchange, DCP launched DentaTrust (an individual dental product) and DentaSpan (a small group dental product) on the Ohio state-based exchange.

Through the addition of accreted earnings and timely capital infusions from the privately held parent, **DCP Holding Company**, DCP's level of risk-adjusted capital improved sequentially over the past three years. Furthermore, the company has exhibited improved working capital measures, higher risk-based capital balances and substantial improvement in net premium leverage over the past three years.

Offsetting factors include DCP's significant competition and its operating in a limited geographic market. DCP operates in a highly competitive business environment, where local and national multiline insurers vie for the profitable dental business. Additionally, DCP's underwriting leverage is considered high when compared to the industry

composite. However, this measure of operating capacity has improved steadily over the last four years. Although DCP's capital and surplus has grown significantly over the last several years, it is still considered modest and limits the organization's capacity for stronger business development.

A.M. Best believes that positive rating actions are unlikely in the near term. Factors that could lead to negative rating actions include operating losses and weakened risk-adjusted capitalization.

The methodology used in determining these ratings is Best's Credit Rating Methodology, which provides a comprehensive explanation of A.M. Best's rating process and contains the different rating criteria employed in the rating process. Best's Credit Rating Methodology can be found at www.ambest.com/ratings/methodology.

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