

June 25, 2013

San Joaquin Valley Insurance Authority (SJVIA)
c/o Gallagher Benefit Services
45 East River Park Place West, Suite 408
Fresno, CA 93720

**RE: Contract renewal for San Joaquin Valley Insurance Authority (SJVIA)
Delta Dental PPOSM Group # 05879
Delta Dental PPOSM Group # 16128
DeltaCare[®] USA Group # 06744 See Appendix A**

We appreciate your business and thank you for choosing Delta Dental of California. Your employees are among the millions nationwide who trust their smiles to Delta Dental.

We are pleased to present you with your dental plan contract renewal information. We are committed to providing you with quality plan designs combined with excellent customer service.

When reviewing your dental plans, we considered cost factors related to San Joaquin Valley Insurance Authority SJVIA's dental service utilization and claims experience. Because of increases in one or both of these factors, we have determined that an increase in your current rate is necessary. We have made every attempt to keep this increase as low as possible.

We have calculated your rates for your Delta Dental PPO plan based on the employer/employee contribution levels in your contract remaining the same. If the contribution levels and/or enrollment guidelines have changed or will change, you will need to notify us immediately, as such a change may affect your renewal rate.

Delta Dental of California
Headquarters:
100 First Street
San Francisco, CA 94105
Telephone: 415-972-8300

Southern California
Sales/Customer Service:
P.O. Box 3370
Cerritos, CA 90703
17871 Park Plaza Drive, Suite 200
Cerritos, CA 90703
Telephone: 562-403-4040

Commercial Programs
Claims Processing/
Customer Service:
P.O. Box 997330
Sacramento, CA 95899-7330

Offices in:
Cerritos, Fresno,
Rancho Cordova,
San Diego and
San Francisco

The following is the renewal information for your **Delta Dental PPO plan**:

Effective Date	January 1, 2014	
Contract term	One Year December 9, 2013 – December 6, 2014	
% of increase in the current rates	1.89%	
Group #05879	Current Rates	Renewal Rates
Employee	\$ 51.47	\$ 52.45
Employee & Spouse	\$ 82.08	\$ 83.63
Employee & Child(ren)	\$ 71.52	\$ 72.87
Employee & Family	\$105.00	\$106.98
Contract Term	One Year January 1, 2014 – December 31, 2014	
Group #16128	Current Rates	Renewal Rates
Employee	\$ 36.66	\$ 36.95
Employee & Spouse	\$ 63.55	\$ 64.05
Employee & Child(ren)	\$ 72.01	\$ 72.58
Employee & Family	\$106.91	\$107.75

The following is the renewal information for your **DeltaCare USA plan**:

Effective Date	December 9, 2013	
Contract term	One Year December 9, 2013 – December 6, 2014 January 1, 2014 – December 31, 2014 <i>(varies by division)</i>	
% of increase in the current rates	5.0%	
	Current Rates	Renewal Rates
Employee	\$21.69	\$22.77
Employee & Spouse	\$37.44	\$39.08
Employee & Child(ren)	\$37.48	\$39.35
Employee & Family	\$54.01	\$56.71

Please keep this renewal letter with your contract documents. It serves as an amendment to your DeltaCare USA contract for the rates and contract term.

If you choose not to renew your contract, please notify Jerry Sauter at 916-861-2566 and advise us in writing on or before November 9, 2013.

To renew your dental plan contract, please follow these steps:

- 1) Review this letter for changes to your dental plans for December 2013 and January 2014.
- 2) Begin paying the rates outlined in this letter with your new contract term.
- 3) Inform your account manager of your intent to renew your plan contract.

Upon your renewal you will receive a formal amendment to your contract and an electronic copy of an updated Evidence of Coverage (EOC). If you would like to review an amendment prior to renewing your plan, please contact your account manager and an amendment will be provided.

We have prepared this renewal carefully, with consideration of all factors affecting the terms and services included in our quote. We welcome the opportunity to review this with you and to answer any questions you may have. Please contact your account manager if you would like to arrange a meeting

We appreciate your continued confidence in Delta Dental. We are proud of our association with you and look forward to a long and mutually successful relationship.

Sincerely,

DELTA DENTAL OF CALIFORNIA



Belinda Martinez
Senior Vice President
Sales/Marketing



Kevin Jackson
Group Vice President
Underwriting & Actuarial



Jerry Sauter
Account Manager, Account Services
916-861-2566
jsauter@delta.org

Enclosure: Summary of Contract Amendments
Appendix A

**Summary of Contract Amendments to
San Joaquin Valley Insurance Authority (SJVIA)
Delta Dental PPO Plan**

Dental policy changes. Effective upon renewal, we are updating your contract to reflect the following:

CDT code update. The American Dental Association has updated its standard dental procedure coding system, which is a component of its Current Dental Terminology (CDT) reference manual. Your contract renewal amendment will include a revised Appendix B with changes made to the CDT that are effective for 2013. The changes to Appendix B include 10 new codes, 12 code deletions and several nomenclature and description revisions. Appendix B is a reference of CDT coding and nomenclature, which may or may not represent benefits under the terms of your contract. Changes made to comply with CDT do not constitute a material change to your dental plan design.

OTHER INFORMATION

Delta Dental's retro-termination policy for enrollees. As a reminder, Delta Dental's policy is that enrollment may be adjusted retroactively to the immediately preceding three months plus the current month billed if no claims have been processed after the requested termination date for the enrollee.

Out-of-state provider reimbursement. As a reminder, Delta Dental's policy is to reimburse contracted dentists based on the network payment provisions for the geographic area in which the services are provided.

APPENDIX A

<u>GROUP #</u>	<u>GROUP NAME</u>
06744-0001	COUNTY OF FRESNO ACTIVE – CA
06744-0002	COUNTY OF FRESNO RETIREE – CA
06744-0003	COUNTY OF FRESNO COBRA – CA
06744-0005	COUNTY OF FRESNO SURVIVOR – CA
06744-0006	COUNTY OF FRESNO FIRE DIST – CA
06744-0007	COUNTY OF FRESNO MOSQ DIST – CA
06744-0008	COUNTY OF FRESNO FMLA – CA
06744-1001	COUNTY OF TULARE ACTIVE – CA
06744-2002	COUNTY OF TULARE COBRA – CA
06744-3003	COUNTY OF TULARE RETIREE – CA
06744-4004	COUNTY OF TULARE SPEC DIST – CA

**SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)
RENEWAL EXPERIENCE AND UNDERWRITING REQUIREMENTS
DELTA GROUP #5879 & 16128**

Renewal Date: 01/01/2014
Current Contract: 01/01/2013
Original Effective Date: 01/01/2013

CLIENT INFORMATION

Contract Type:

Guaranteed Administration

Current Enrollment (as of 04/2013):

6,544 primary enrollees
Ratio: EE: 64.0%, 2P: 14.6%, 3P+: 21.4%

Previous Enrollment (as of 04/2012):

6,570 primary enrollees

Renewal Notification:

60 days

Account Manager:

Jerry Sauter

Client Address:

San Joaquin Valley Insurance Authority (SJVIA)
c/o Gallagher Benefit Services
45 E. River Park Place West, Suite 408
Fresno, CA 93720

Dual Choice:

No

Current Administration:

7.36% of Premium

Current Commissions:

None

Contributions:

Various

Underwriter:

Amy Dunn-Ruiz

Broker/Consultant:

Gallagher Benefit Services
45 E. River Park Place West, Suite 408
Fresno, CA 93720

RENEWAL RECOMMENDATION

Renew for one year with a 1.89% increase to the current monthly rates. Offer second year rate cap of 10%.

Renewal contract administration will be increased from 7.36% to 8.36% of premium to account for the projected costs associated with the Affordable Care Act.

RECENT RENEWAL HISTORY

01/2013: Initial one-year contract with pooled Guaranteed Administration rate of 7.36% of premium. County of Fresno was existing Delta Dental stand-alone group #5879. County of Tulare was group #8491, part of Delta Dental's CSAC-EIA self-funded pool. As part of SJVIA, County of Tulare is now Delta group #16128 and pays first-year admin rate of 8.36% of premium (includes 1% penalty for leaving the CSAC-EIA pool).

UNDERWRITING COMMENTS

- DeltaCare USA #6744, Plan(s): 42N, Enrollment: 2,841 EEs. DeltaCare USA to renew for one year with a 5.0% increase to the DeltaCare USA rates. Offer second year rate cap of 10%.
- This DCUSA renewal recommendation accounts for projected costs associated with the Affordable Care Act.

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)

RENEWAL BASE DATA & RENEWAL ACTION CALCULATION

DELTA GROUP #5879 & 16128

Renewal Date: 01/01/2014

Proposed Renewal Term: One Year

RENEWAL BASE DATA

Renewal Base Period: 05/01/2012 to 04/30/2013

Twelve Months Premium Based On Current Rates	\$ 4,625,579	100.00%
EXPENSES:		
Total Claims Paid	\$ 3,938,406	85.14%
INCURRED BUT NOT REPORTED (IBNR)		
Beginning IBNR	\$ 304,000	
Ending IBNR	\$ 248,030	
Change In IBNR	\$ (55,970) *	
TOTAL INCURRED CLAIMS:	\$ 3,882,436	83.93%

* Change in reserve is to reflect the actual incurred dental expenses.

CALCULATION OF RENEWAL ACTION

$$\text{Loss Ratio (from most recent 12 months): } \frac{\$ 3,882,436}{\$ 4,625,579} = 83.93\%$$

To project the expected loss ratio, trend is applied to the current loss ratio of 83.93%. The amount of applicable trend is determined from the midpoint of the experience period (11/01/2012), to the midpoint of the proposed one year renewal period (06/30/2014). This represents 20 months of trend at an annual value of 6.60%:

$$\text{The applicable renewal trend factor is calculated by, } 1.0660^{(20/12)} = 1.1124.$$

$$\text{When multiplied by the current loss ratio, this provides the expected loss ratio: } 1.1124 \times 83.93\% = 93.37\%.$$

$$\text{The permissible incurred claims loss ratio is: } 100\% - \text{Administration} - \text{Margin: } 100\% - 8.36\% - 0.00\% = 91.64\%.$$

$$\text{The required change in premium (renewal rate action) is } \frac{93.37\%}{91.64\%} = \text{a 1.89\% increase.}$$

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)

CURRENT CONTRACT EXPERIENCE & MONTHLY DATA

DELTA GROUP #5879 & 16128

CURRENT CONTRACT EXPERIENCE

*First 4 months of 1st contract
01/01/2013 to 04/30/2013*

PREMIUM ^(a) :	\$ 1,500,956	100.00%
DENTAL EXPENSES:		
Total Claims Paid	\$ 1,249,682	83.26%
INCURRED BUT NOT REPORTED (IBNR)		
Beginning IBNR	\$ 150,000	
Ending IBNR	\$ 248,030	
Change In IBNR	\$ 98,030 *	
TOTAL DENTAL EXPENSES:	\$ 1,347,712	89.79%
Administration	\$ 114,741	7.64%
TOTAL EXPENSES ^(b) :	\$ 1,462,453	97.43%
STABILIZATION ^{(a)-(b)} :	\$ 38,503	2.57%
Prior Stabilization:	\$ (26,832) **	
TOTAL STABILIZATION:	\$ 11,671	

* Change in reserve is to reflect the actual incurred dental expenses.

** County of Fresno prior stabilization.

MOST RECENT TWELVE MONTHS DATA

Month	Enrollment	No. Claims Paid	\$ Claims Paid
05-2012	6,822	2,548	\$429,322
06-2012	6,810	1,864	\$310,855
07-2012	6,819	1,786	\$304,124
08-2012	6,858	2,232	\$360,191
09-2012	6,856	1,681	\$286,531
10-2012	6,858	1,766	\$298,633
11-2012	6,858	2,198	\$359,150
12-2012	6,804	1,819	\$282,537
01-2013	6,570	1,928	\$346,658
Current			
Contract 02-2013	6,563	2,009	\$349,349
03-2013	6,553	1,929	\$330,667
04-2013	6,544	1,524	\$280,389
Current Contract Total	26,230	7,390	\$1,307,063
Most Recent Twelve	80,915	23,284	\$3,938,406

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)

BENEFITS & RATES

DELTA DENTAL CLIENT #5879 & 16128

		Delta Dental PPO			
		County of Fresno Delta Dental Group #5879		County of Tulare Delta Dental Group #16128	
		PPO	Non-PPO	PPO	Non-PPO
Copayments	<i>Diagnostic and Preventive</i>	100%	90/10	100%	100%
	<i>Basic</i>	90/10	90/10	80/20	80/20
	<i>Endodontics</i>	50/50	50/50	80/20	80/20
	<i>Periodontics</i>	50/50	50/50	80/20	80/20
	<i>Oral Surgery</i>	50/50	50/50	80/20	80/20
	<i>Crowns and Cast Restorations</i>	50/50	50/50	50/50	50/50
	<i>Prosthodontics</i>	50/50	50/50	50/50	50/50
	<i>Dental Accident</i>	NA	NA	100%	100%
	<i>Adult & Child Orthodontics</i>	*	*	50/50	50/50
Deductibles	<i>Per patient per calendar year</i>	\$50	\$50	NA	\$25
	<i>Per family per calendar year</i>	\$150	\$150	NA	\$75
	<i>D&P exempt from deductible?</i>	Yes	No	NA	Yes
Maximums	<i>Per patient per calendar year</i>	\$2,500	\$2,500	\$1,000	\$1,000
	<i>D&P exempt from calendar year maximum?</i>	Yes	Yes	No	No
	<i>Dental Accident per calendar year</i>	NA	NA	\$1,000	\$1,000
	<i>Orthodontic lifetime maximum</i>	*	*	\$1,500	\$1,500
Age Limitations	<i>Children (years of age)</i>	26	26	26	26
<i>Primary Enrollees (as of April 2013)</i>		4,088		2,456	

* County of Fresno Ortho plan pays 100% after the member's co-payment: Adult (age 20 and over) = \$1,880, Child (through age 19) = \$1,660. Maximum of 24 months of active orthodontic treatment. Ortho reimbursement is at the CA's 80th percentile for Non-PPO and Non-Delta Dentist Only.

CURRENT RATES (Effective 01/01/2013 to 12/31/2013)			
	<i>Enrollee Only</i>	\$51.47	\$36.66
	<i>Enrollee + Spouse</i>	\$82.08	\$63.55
	<i>Enrollee + Child(ren)</i>	\$71.52	\$72.01
	<i>Enrollee + Family</i>	\$105.00	\$106.91

RENEWAL RATES (Effective 01/01/2014 to 12/31/2014)			
	<i>Recommended Rate Action</i>	1.89%	1.89%**
	<i>Enrollee Only</i>	\$52.45	\$36.95
	<i>Enrollee + Spouse</i>	\$83.63	\$64.05
	<i>Enrollee + Child(ren)</i>	\$72.87	\$72.58
	<i>Enrollee + Family</i>	\$106.98	\$107.75

County of Fresno divisions # 1, 3, 5, 6, 7 & 8 have contract effective dates 12/10/2012 - 12/08/2013 (current) and 12/09/2013 - 12/06/2014 (renewal).

** County of Tulare renewal rates adjusted to remove 2013 penalty for leaving CSAC-EIA pool (net administration adjusted from 8.36% to 7.36% of premium).