

**FORM A**

**STATEMENT REGARDING THE ACQUISITION  
OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER**

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**SIGNIFICA INSURANCE GROUP, INC.,  
A Domestic Insurer,**

**By**

**DENTAL SERVICE OF MASSACHUSETTS, INC.,  
through its subsidiary, DentaQuest USA Insurance Company, Inc.,  
The Applicant,**

**Filed with the  
Insurance Department  
of the  
Commonwealth of Pennsylvania**

**Dated June 13, 2013**

**Names, Titles, Addresses and Telephone Numbers of Individuals to Whom Notices and  
Correspondence Concerning this Statement Should be Addressed:**

**James P. Hawkins  
DentaQuest, LLC  
465 Medford Street  
Boston, Massachusetts 02129  
Tel.: (617) 886-1511  
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**With Copies to:**

**Charles R. Welsh, Esquire  
Edwards Wildman Palmer LLP  
20 Church Street, 20<sup>th</sup> Floor  
Hartford, Connecticut 06103  
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Dental Service of Massachusetts, Inc. (the “Applicant”) hereby files this statement regarding the acquisition of control of a domestic insurer (the “Application”) for approval from the Pennsylvania Insurance Department (the “Department”) to acquire control of Significa Insurance Group, Inc. (“Significa”). The direct acquiring party of Significa will be DentaQuest USA Insurance Company, Inc., a Texas domiciled life and health insurance company (“DQ USA”) and wholly-owned subsidiary of DentaQuest, LLC, a Delaware limited liability company (“DentaQuest”) and wholly-owned subsidiary of DQ Massachusetts Business Trust, a Massachusetts trust whose shares of beneficial interest are held by DentaQuest Management, Inc., a Maryland corporation and wholly-owned subsidiary of DentaQuest Group, Inc., a Delaware corporation and wholly-owned subsidiary of the Applicant.

#### **ITEM 1. INSURER AND METHOD OF ACQUISITION**

This Application relates to Significa, a Pennsylvania-domiciled life and health insurance company, with a principal office address at 19 North Main Street, Wilkes-Barre, PA 18711. Significa’s NAIC number is 67636.

The Applicant proposes to acquire control (the “Acquisition”) of Significa through the purchase from Hospital Service Association of Northeastern Pennsylvania, a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania and the sole stockholder of Significa (the “Seller”), 100% of the issued and outstanding capital stock of Significa, for cash to be paid by DQ USA, the Applicant’s indirect, wholly-owned subsidiary (as detailed in Item 4). The Seller is the direct record and beneficial owner of all of the issued and outstanding capital stock of Significa.

The terms of the proposed Acquisition are set forth in the Stock Purchase Agreement, dated as of May 8, 2013, among DentaQuest and the Seller (the “Purchase Agreement”). A copy of the Purchase Agreement is attached hereto as Exhibit A.

## ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) *The Applicant*

The name and address of the Applicant is:

Dental Service of Massachusetts, Inc.  
465 Medford Street  
Boston, Massachusetts 02129

(b) *The Business Operations of the Applicant*

The Applicant is a Massachusetts not-for-profit corporation, and, through its various insurance company subsidiaries, is the third largest dental benefits administrator in the United States. The Applicant operates in Massachusetts under the Delta Dental brand name. It generated total revenues from this business of \$268.7 million for 2012 down from \$362.5 million in 2008. This decrease primarily reflects a shift by its customers toward an Administrative Services Only (ASO) model where the customers contract with the Applicant to act as a third party administrator for their self-insured dental plans. This business is mainly sold to corporations in the Commonwealth of Massachusetts. Through its direct subsidiaries, the Applicant also does business under the DentaQuest brand name serving customers nationally. These companies do business on a risk and ASO basis contracting with state governments (servicing their Medicaid dental offerings) and working with other health insurers to provide dental insurance for their health care customers on a private label basis. The state government business has undergone significant recent growth as a contract with the State of Texas to provide dental benefits to its Medicaid and CHIP programs generated over \$400 million in revenue in 2012 and is projected to generate approximately \$800 million in 2013. This business is written by DQ USA.

(c) *List Indicating Certain Information Regarding the Applicant and its Affiliates.*

Attached hereto as Exhibit B-1 is a chart detailing the identities and interrelationships among the Applicant and its affiliates and indicating the percentage of voting securities of each person that is owned or controlled by the Applicant prior to the proposed Acquisition. Moreover, such chart also lists, as to each person specified in the chart, the type of organization (corporation, partnership or trust) and its state or jurisdiction of domicile. Attached hereto as Exhibit B-2 is a chart detailing the identities and interrelationships among the Applicant and its

affiliates and indicating the percentage of voting securities of each person that will be owned or controlled by the Applicant after the completion of the proposed Acquisition. There are no court proceedings involving a reorganization or liquidation pending with respect to any person included on these charts.

### **ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

A list setting forth the names and business addresses of the directors, executive officers and owners of ten percent (10%) or more of the voting securities of the Applicant and the persons who will serve as directors and executive officers of Significa after the proposed Acquisition is attached hereto as Exhibit C. Biographical Affidavits completed by the directors, executive officers and owners of ten percent (10%) or more of the voting securities of the Applicant and the persons who will serve as new directors and executive officers of Significa after the proposed Acquisition are attached hereto as Exhibit D.

### **ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

#### **(a)** *Nature and Source of Consideration*

The Applicant will indirectly acquire, through DQ USA, 100% of the issued and outstanding capital stock of Significa for (i) the aggregate amount of Significa's Statutory Capital and Surplus as of the close of business on the business day immediately preceding the closing date and (ii) \$1,950,000, except that such amount may be reduced as stated in the Purchase Agreement to no lower than \$1,750,000 if certain conditions exist (collectively, the "Purchase Price").

The Purchase Price will be 100% paid for in cash; the Applicant will not require debt financing in order to close.

#### **(b)** *Determination of Nature and Amount of Consideration*

The Purchase Price agreed to by DentaQuest and the Seller was a result of arms-length negotiations between DentaQuest and the Seller. The Applicant completed extensive analysis to determine the appropriate Purchase Price. The Applicant believes the Purchase Price for

Significa is reasonable and appropriate to fund the Acquisition and support the future growth of Significa.

#### **ITEM 5. FUTURE PLANS OF INSURER**

The Applicant has no current plans or proposals to declare an extraordinary dividend, liquidate Significa, sell its assets, or merge it with any other person. The Applicant plans to utilize the licenses of Significa to expand its business on a national scale. In light of healthcare reform, the Applicant believes that there will be major opportunities to generate new business over the next few years. In order to be positioned to provide its expertise in these opportunities, a valid insurance license for the particular state where the opportunity arises is required. As Significa is currently licensed in thirty-nine (39) states, the Applicant will have valid insurance licenses across its subsidiaries in forty (40) states after completion of the Acquisition.

It is currently contemplated that upon the closing of the Acquisition, Significa will not maintain an office or employees in the Commonwealth of Pennsylvania, and its books and records will be maintained in the administrative offices of the Applicant in Boston, Massachusetts. Due to the fact that Significa will have no nexus to Pennsylvania following the Acquisition, the Applicant is will redomesticate Significa to another U.S. jurisdiction following the consummation of the Acquisition. The Applicant will provide further information to the Department after it selects a jurisdiction.

#### **ITEM 6. VOTING SECURITIES TO BE ACQUIRED**

As a result of the Acquisition, the Applicant will indirectly acquire an aggregate of One Million Two Hundred Eight Thousand Five Hundred and Ninety-Nine (1,208,599) shares of common stock, \$2.25 par value per share, of Significa, such shares constituting all of the issued and outstanding capital stock of Significa, for the consideration as described in Item 4 above. The nature and amount of the consideration was a result of arms-length negotiations between DentaQuest and the Seller.

## **ITEM 7. OWNERSHIP OF VOTING SECURITIES**

Except as contemplated by the Purchase Agreement and the Exhibits attached thereto, neither the Applicant, its affiliates, nor any person listed in Item 3 of this Application beneficially owns or has a right to acquire beneficial ownership of the voting securities of Significa.

## **ITEM 8. CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER**

Except as contemplated by the Purchase Agreement and the Exhibits attached thereto, neither the Applicant, its affiliates, nor any person listed in Item 3 of this Application is a party to any contract, arrangement or understanding with respect to any voting securities of Significa, including, but not limited to, the transfer of any securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

## **ITEM 9. RECENT PURCHASES OF VOTING SECURITIES**

The Applicant, its affiliates and persons listed in Item 3 of this Application have not purchased any shares of the voting securities of Significa during the twelve (12) calendar months preceding the filing of this Application.

## **ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE**

There have been no recommendations to purchase any voting security of Significa made by the Applicant, its affiliates, or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the Applicant, its affiliates, or any person listed in Item 3, during the preceding twelve (12) calendar months.

## **ITEM 11. AGREEMENTS WITH BROKER-DEALERS**

The Applicant has made no agreement, contract or understanding with any broker-dealer as to solicitation of voting securities of Significa for tender.

## ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) The following is a list of all Exhibits and Financial Statements which are included in and made a part of this Application; however, such inclusion does not waive Applicant or Sellers rights to claim the Exhibits and Financial Statements, in whole or part, are confidential and exempt from disclosure under Section 708 of Pennsylvania's Right-to-Know Law:

<u>Exhibit</u>	<u>Description of Exhibit</u>
Exhibit A	The Stock Purchase Agreement, dated as of May 8, 2013, between DentaQuest and the Seller. <i>The Applicant requests confidential treatment with respect to the Disclosure Schedules to the Stock Purchase Agreement and will be filing them under separate cover.</i>
Exhibit B-1	Organizational Chart (Pre-Acquisition)
Exhibit B-2	Organizational Chart (Post-Acquisition)
Exhibit C	List of the Directors, Executive Officers and 10% or more Shareholders of the Applicant and Proposed Directors and Executive Officers of Significa
Exhibit D	Biographical Affidavits for Persons listed in Exhibit C. <i>The Applicant requests confidential treatment with respect to this information and will be filing it under separate cover.</i>
Exhibit E	Audited Financial Statements of the Applicant as of December 31, 2008, December 31, 2009, December 31, 2010, December 31, 2011 and December 31, 2012. <i>The Applicant requests confidential treatment with respect to this information and will be filing it under separate cover.</i>
Exhibit F	Quarterly Financial Statement of the Applicant as of March 31, 2013. <i>The Applicant requests confidential treatment with respect to this information and will be filing it under separate cover.</i>

### **(b)-(c)** *Financial Statements and Other Information*

Attached hereto as Exhibit E are the 2008 through 2012 audited annual financial statements for the Applicant, including corresponding certificates of independent public accountants to the effect that such statements present fairly the financial position of the Applicant and the results of its operations for the respective year then ended in conformity with generally

accepted accounting principles. Attached hereto as Exhibit F is the March 31, 2013 quarterly financial statement for the Applicant.

Other than as contemplated by the Purchase Agreement, there were no tender offers for, requests of invitations for tenders of, exchange offers for or agreements to acquire or exchange any voting securities of Significa in connection with the proposed Acquisition. The Applicant is directly acquiring all of the issued and outstanding capital stock of Significa pursuant to the Purchase Agreement attached hereto as Exhibit A. Therefore, no tender offer is necessary or contemplated.

### **ITEM 13. OTHER INFORMATION**

**(a)** *Enterprise Risk Requirements*

The Applicant agrees that it will provide the annual enterprise risk report specified in 40 P.S. § 1404(k.1) as long as control exists.

The Applicant acknowledges that it and all subsidiaries within its control in the Applicant's insurance holding company system will provide information to the Commissioner upon request as necessary to evaluate enterprise risk to Significa.

**(b)** *Request for Restatement of Unassigned Funds (Surplus)*

The Applicant requests that the Department approve a quasi-reorganization of Significa's unassigned funds (surplus). In accordance with Statements of Statutory Accounting Principles (SSAP) No. 72, a restatement of unassigned funds (surplus) is permitted if (i) approved in writing by the domiciliary commissioner, (ii) an 80% or greater change in the ultimate ownership of the reporting entity has occurred within six months prior to approval of the restatement, and *either* (iii) a new business plan has been adopted that results in a substantive change in the operations and business mix of the reporting entity and the situation or circumstances that gave rise to the negative unassigned funds (surplus) will not be part of the ongoing operations, or (iv) the reporting entity is a shell company with no existing operations, in-force policies or outstanding claims.

Upon the approval of this Application and the consummation of the Acquisition, the ultimate ownership of Significa will have changed by more than 80% and within six months prior to approval of a restatement, satisfying condition (ii) above. In addition, Item 5 of this

Application contains a new business plan which will result in a substantive change in the operations and business mix of Significa and does not include the situation or circumstances that gave rise to the negative unassigned funds (surplus), satisfying condition (iii) above. The Applicant also notes that Significa is currently in run-off and has not written any new business since June 2010, so both the Applicant and the Seller are treating the Acquisition as a shell deal, potentially satisfy condition (iv) above as well.

Consequently, the Applicant believes that the Department should approve its request for a quasi-reorganization and reset Significa's negative surplus to zero as part of the approval of this Application, satisfying condition (i) above and the final requirement under SSAP No. 72.

The Applicant understands that a quasi-reorganization may not result in the unassigned funds (surplus) account being greater than zero or the gross paid-in and contributed surplus account being less than zero immediately following the restatement, and that total surplus as regards policyholders will remain unchanged following the restatement. The Applicant agrees that, following the restatement, the assets and liabilities of Significa shall continue to be carried at historical cost or other value required by SSAP, and that no adjustments to assets or liabilities shall be made to reflect the effect of the quasi-reorganization.

**(c) *Competitive Impact Analysis***

Significa is currently in run-off and does not have any direct written premiums. In addition, none of the Applicant's insurance company subsidiaries are authorized to write insurance in Pennsylvania, and the business written by the Applicant's insurance company subsidiaries consists of dental insurance, which is not a line of business written by Significa. Therefore, the Acquisition will not result in an increase in the market share of the Applicant's insurance company subsidiaries and would not substantially lessen competition of insurance in the Commonwealth of Pennsylvania or tend to create a monopoly therein. As a result, the Applicant believes there will be no anti-competitive impact in Pennsylvania on insurers issuing life and health insurance or on the life and health market in Pennsylvania.

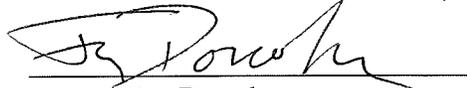
**ITEM 14. SIGNATURE AND CERTIFICATION**

**SIGNATURE**

Pursuant to the requirements of Section 1402 of the Act the Applicant has caused this Application to be duly signed on its behalf in the City of Boston and State of Massachusetts on the 11th day of June, 2013.

(SEAL)

Dental Service of Massachusetts, Inc., the Applicant



Name: Fay Donohue

Title: President and Chief Executive Officer

Attest:



Name: James P. Hawkins

Title: Secretary

## CERTIFICATION

The undersigned deposes and says that she has duly executed the attached application dated June 11, 2013, for and on behalf of Dental Service of Massachusetts, Inc. and that she is the President and Chief Executive Officer of such company and that she is authorized to execute and file such instrument. Deponent further says that she is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of her knowledge, information and belief.

A handwritten signature in cursive script, appearing to read "Fay Donohue", is written over a horizontal line.

Name: Fay Donohue