

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

**DENTISTS BENEFITS INSURANCE COMPANY
PORTLAND, OREGON**

NAIC COMPANY CODE 18813

AS OF

DECEMBER 31, 2015

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SALUTATION

February 27, 2017

Honorable Laura Cali Robison, Commissioner
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Commissioner:

In accordance with your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, pursuant to ORS 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

**DENTISTS BENEFITS INSURANCE COMPANY
601 SW Second Avenue
Portland, Oregon 97204**

NAIC Company Code 18813

hereinafter referred to as the "Company." The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state coordinated examination of Dentists Benefits Insurance Company. The last examination was completed as of December 31, 2012. This examination covers the period of January 1, 2013, to December 31, 2015.

Concurrent with this examination, two Oregon domestic insurance affiliates of the Company, Oregon Dental Service and Moda Health Plan, Inc., and one Washington State domestic insurance affiliate, Northwest Dentists Insurance Company, were also examined as of December 31, 2015. There was a separate report of financial examination made for each company.

We completed our examination pursuant to ORS 731.300 and in accordance with ORS 731.302(1), which allows the examiners to consider the guidelines and procedures in the NAIC *Financial Condition Examiners Handbook*. The handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively. Exam coordination among insurers of a group or holding company system is critical for effective solvency regulation with the goal to gain efficiencies and prevent duplication of testing wherever possible.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial

statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in ORS 731.302 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report, but separately communicated to other regulators and the Company.

COMPANY HISTORY

The Company was incorporated in 1985 as a stock property and casualty insurance company under the laws of the Oregon Insurance Code. It received its Certificate of Authority on December 28, 1985, authorizing the Company to transact property, casualty (excluding workers' compensation) and surety business. On August 22, 1990, the Certificate of Authority was amended to include workers' compensation. On September 9, 2003, the Certificate of Authority was again amended to exclude workers' compensation.

On November 27, 2000, the Division of Financial Regulation approved a corporate reorganization in which Oregon Dental Association, the ultimate controlling entity of the Company and sole shareholder of Moda, Inc. donated all of its outstanding Moda, Inc. stock to Oregon Dental Service. As a result, Moda, Inc. and all of its subsidiaries became a direct or indirect subsidiary of Oregon Dental Service.

Capital Stock

Under Article III of the Restated Article of Incorporation, the Company is authorized to issue 1,000,000 shares of common stock of \$3 par value per share. All 1,000,000 outstanding

common stock certificates are owned by Moda Health Plan, Inc. During the period under examination, there were no changes in the Company's paid in and contributed surplus account.

Dividends, Distributions and Contributions

During the period examined, the Company submitted a notification to pay an ordinary dividend to its parent in 2013 in the amount of \$1,000,000. The Company made the proper disclosure of the distributions to the Director of the DCBS in accordance with the reporting requirements established by ORS 732.554 and 732.576.

CORPORATE RECORDS

Board Minutes

In general, the review of 2013 to 2015 Board meeting minutes of the Company, as well as the various committees authorized by the Board, indicated that the minutes support the transactions of the Company and clearly describe the actions taken by its directors and officers. A quorum, as defined by the bylaws, met at all of the meetings held during the period under review. The Board maintained a quarterly meeting schedule.

The Board's compensation/governance committee approved officer salaries. The Company's Board then approved the committee's actions pursuant to ORS 732.320(3).

Articles of Incorporation

No changes were made during the period under examination. The Articles of Incorporation conformed to the Oregon Insurance code.

Bylaws

The Company's current Bylaws were adopted June 3, 2013. The Bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws vest management and control of the Company in a Board of Directors of not less than five members, consisting of the chief executive officer of the corporation and the chairman of the board of Moda, Inc. Directors serve terms of two years without limitation to the number of terms. All directors, with the exception of the chief executive officer of the Company, are appointed by the Company's shareholder. A majority of the directors are not salaried officers of the Corporation and a majority of the directors constitutes a quorum.

Members of the Board of Directors, duly appointed and serving as of December 31, 2015, were:

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Appointed</u>
Molly H. Bordonaro Portland, Oregon	Senior Vice President Gerding Edlen	2012
George J. Darke, DMD Vancouver, Washington	Retired Dentist	1998
David W. Howerton, DMD* Salem, Oregon	Dentist Oral & Maxillofacial Surgery	2004
Robert G. Gootee Portland, Oregon	President, CEO Dentists Benefits Insurance Company	2005
Carlton J. McLeod Portland, Oregon	Retired VP of Marketing Oregon Dental Service	2011

* Chairman of the Board

Officers

Operating management of the Company as of December 31, 2015, was under the direction of the following principal officers:

<u>Name</u>	<u>Office</u>
Robert G. Gootee	President and Chief Executive Officer
Thomas J. Bikales	Vice President, General Counsel and Secretary
David W. Evans	Senior Vice President, CFO and Treasurer
Christopher F. Verbiest	Vice President

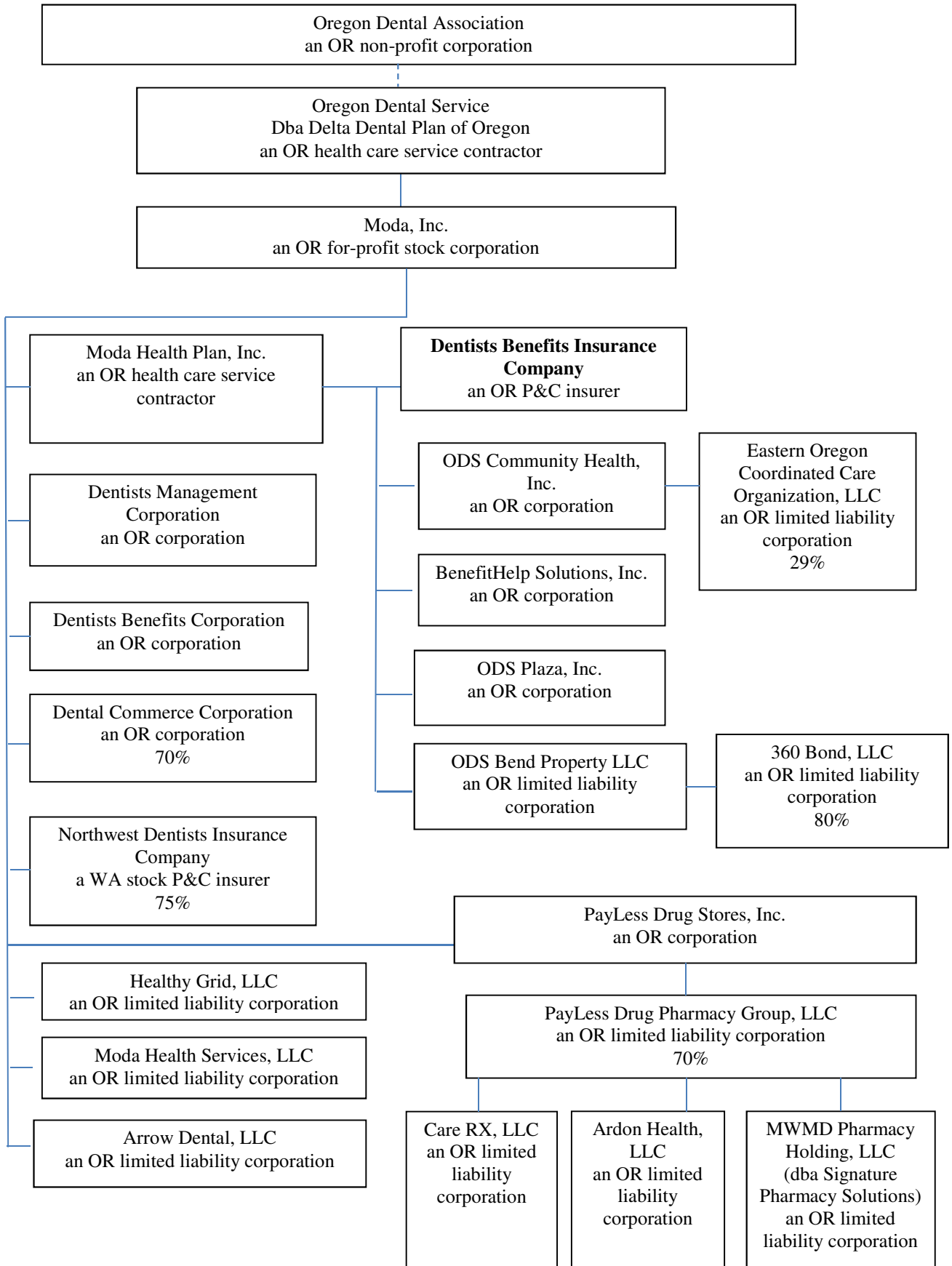
All other management functions are provided through a management agreement with Moda, Inc., as described below.

Conflict of Interest

The Company provided its conflict of interest policy. Board members, senior officers and key employees are required to annually sign a conflict of interest declaration. From a review of the completed conflict of interest questionnaires, it appeared that the affected personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

Insurance Company Holding System

The Company's parent filed an insurance holding company registration statement on its behalf and on behalf of its insurance subsidiaries in accordance with the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020. The insurance holding company structure is comprised of the following entities (all entities are owned 100% by its parent, with the exceptions noted below):



Additional information relating to a number of significant entities is address below:

Oregon Dental Association (ODA) is an Oregon nonprofit professional association formed in 1949. It is one of the five constituent dental societies that comprise the American Dental Association's Eleventh Trustee District. ODA members are dentists licensed in Oregon. The Board of Trustees of the ODA appoints all but one of the directors of Oregon Dental Service's Board, and would be considered the ultimate controlling entity.

Oregon Dental Service (ODS) dba Delta Dental Plan of Oregon is an Oregon nonprofit mutual benefit corporation formed in 1961 by the ODA. ODS writes dental insurance as a health care service contractor in Oregon and Alaska.

Moda, Inc. (MI) (fka: Health Services Group) is an Oregon for-profit stock corporation formed in 1991 as a management company. It maintains all employees, facilities and operations used by the Company under a management agreement described below.

MI owns the following subsidiaries:

Dentists Management Corporation (DMC) is an Oregon corporation incorporated on August 4, 1981. Its primary function is to market a dental practice management system known as DAISY.

Dentists Benefits Corporation (DBC) is an Oregon insurance agency formed on April 14, 1981. Its primary purpose is to market professional liability and other property and casualty coverages to dentists. DBC provides marketing services for the DBIC and NORDIC.

Dental Commerce Corporation (DCC) is an Oregon corporation incorporated on May 2, 2011. Its purpose is to finance dentist offices and equipment purchases.

Northwest Dentists Insurance Company (NORDIC) is a Washington domiciled property and casualty insurer owned 75% by MI and 25% by the Washington State Dental Association.

NORDIC writes property/general liability and professional liability coverages primarily in Washington and Idaho.

PayLess Drug Stores, Inc. (PayLess) owns 70% of PayLess Drug Pharmacy Group, LLC, which owns two Oregon based pharmacies. Care Rx, LLC specializes in supplying pre-packaged drugs to long term care facilities and Ardon Health, LLC which sells specialty drugs to customers.

Healthy Grid, LLC is an Oregon corporation formed to serve the online consumer dental market and provide dentists with the resources they need to grow their practice.

Arrow Dental, LLC is an Oregon corporation formed to serve the Medicaid consumer dental market.

Moda Health Plan, Inc. (MHP) is a for-profit health care service contractor that received a Certificate of Authority from the Division of Financial Regulation in October 1999. MHP was created to handle the medical business formerly written by ODS and provides group and individual major medical, Medicare and pharmacy insurance coverage in Oregon, Washington, and Alaska. It owns 100% of the Company's issued and outstanding common stock and is considered the direct parent.

In addition to DBIC, wholly owned subsidiaries of MHP include:

ODS Community Health, Inc. (OCH) was incorporated in December 2003 for the purpose of handling business of the Oregon Health Plan, through the Division of Medical Assistance Programs (DMAP). It formed Eastern Oregon Coordinated Care Organization, LLC (EOCCO), an Oregon Limited Liability Company owned 29% by ODS Community Health

Inc. and the remaining by Greater Oregon Behavioral Health Inc. and other parties. EOCCO coordinates member care between providers and hospitals across eastern Oregon.

BenefitHelp Solutions (fka: BestChoice Administrators) is an Oregon corporation operating as a third party administrator and was incorporated on January 26, 1994.

ODS Plaza, Inc. is an Oregon business corporation, formed in 2005 to own and operate an office building located in Milwaukie, Oregon.

ODS Bend Property LLC is a wholly owned Oregon limited liability corporation. This company was formed in 2007 to be a management company for an office building located in Bend, Oregon. ODS Bend Property owns an 80% interest in 360 Bond LLC, and is a managing member.

INTERCOMPANY AGREEMENTS

As of December 31, 2015, the Company was party to the following agreement:

Management Agreement

The Company operates under a management agreement with MI, dated January 1, 1995, and amended September 1, 2002. The management agreement states that MI will provide all marketing, underwriting, claims, reinsurance, investment, financial and accounting, information systems and administrative functions to the Company. MI will provide all equipment, computer software, furniture, fixtures and all tangible personal property used to transact business, as well as all employees and staff. Terms of the agreement include:

- The Company is to pay all costs and expenses that are directly attributable to its operations;
- Indirect expenses are to be pooled and allocated using a fair and reasonable method; and
- Those costs or expenses that inure to the sole benefit of MI and do not benefit the Company shall be borne by MI and shall not be subject to reimbursement.

Section 5.2 and 5.3 of the agreement allows MI to hold all cash, by means of a sweep account, of the Company and most of its indirect subsidiaries. The Company uses zero balance accounts, with the balances being swept into the MI concentration account on a daily basis. At this point, the funds become the property of MI, and an intercompany receivable or payable is established, depending on the daily cash balance. Funds are swept back to the Company on an as needed basis, depending on its funding requirements. All accounts and outstanding balances are reconciled monthly, and interest incurred on use of the credit facility connected to the concentration account is allocated amongst the Companies utilizing the advanced balance.

Funds are required to be available to pay claims in accordance with SSAP No. 4. In addition, ORS 733.780, states an insurer shall not make investments (a) which at the time of purchase or acquisition are not interest-bearing or dividend or income-paying, or are in default in any respect or (b) from which the insurer is not entitled to receive for its exclusive account and benefit the interest, dividends or income.

I recommend the Company modify its use of the Zero Balance Account (ZBA) structure with Moda, Inc.'s sweep/concentration account and maintain ownership and existence of its cash in the name of DBIC in accordance with SSAP No. 4 and ORS 733.780.

TERRITORY AND PLAN OF OPERATION

The Company offers professional liability coverage for practicing dentists on a claims-made basis (61% of direct written premiums), commercial multi-peril for dental offices (27%), group accident & health (9%) and medical professional liability-occurrence (3%). Business is sold through agents of an affiliate, Dentists Benefits Corporation. At December 31, 2015, the Company was licensed in nine states and wrote business in six of these, as follows:

<u>State</u>	<u>Direct Premiums Written</u>
Alaska	\$ 32,666
Arizona	400,189
Idaho	0
Michigan	0
Montana	57,214
Oregon	3,987,155
Tennessee	109,507
Utah	0
Washington	<u>475,354</u>
Total	<u>\$5,062,085</u>

GROWTH OF THE COMPANY

Growth of the Company over the last five years is reflected in the following schedule. Stated amounts were derived from the Company's filed annual statements, except in those years where a report of examination was published by the Division of Financial Regulation.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Total Capital and Surplus</u>	<u>Net Income/ (Loss)</u>
2011	\$ 16,783,863	\$ 5,111,490	\$ 11,672,373	\$ 294,038
2012*	18,235,574	6,009,254	12,226,320	371,132
2013	18,341,279	6,373,893	11,967,386	591,512
2014	18,573,494	6,621,936	11,951,558	93,062
2015*	18,515,083	6,201,097	12,313,986	642,042

*Per Examination

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the Company over the last five years. The amounts were compiled from copies of the Company's filed annual statements and, where indicated, from the examination reports.

<u>Year</u>	<u>(1) Premiums Earned</u>	<u>(2) Losses and LAE Incurred</u>	<u>(3) Other Underwriting Expenses Incurred</u>	<u>(2)+(3)/(1) Combined Loss Ratio</u>
2011	\$ 4,288,083	\$ 2,372,508	\$ 1,912,829	99.9%
2012	5,022,027	2,738,272	2,117,594	96.7%
2013	4,519,813	1,560,867	2,281,603	85.0%
2014	4,478,864	2,923,073	1,812,603	105.7%
2015	4,530,634	1,855,504	1,953,465	84.1%

A combined ratio of more than 100% indicates an underwriting loss, which the Company reported in 2014.

REINSURANCE

Assumed Business

The Company assumed no business during the period under examination.

Ceded Business

The Company is party to an excess of loss reinsurance agreement with General Reinsurance Corporation (NAIC #22039 authorized in Oregon on January 1, 1973). This agreement is operating under its fourth endorsement to the original reinsurance agreement, effective January 1, 2015, which covers dentist professional liability written on a claims-made basis and general liability on an occurrence or claims-made basis. It also includes Washington Stop Gap Employers Liability for coverage written at limits up to \$1 million and hired or non-owned auto liability written at limits up to \$2 million. Such insurance shall be written by the Company in the states of Oregon, Washington, Montana, Idaho, Alaska, Arizona, and Tennessee. The reinsurer shall pay the Company under the first excess cover up to \$500,000 each occurrence after retention of \$500,000 per occurrence. The second excess of loss layer covers up to \$1 million in losses in excess of \$1 million retention.

Business Owners Policy losses are covered by the reinsurer up to \$750,000 per loss after a \$250,000 Company retention. The liability of the reinsurer shall not exceed \$1,500,000 with respect to all Net Loss on all Risks involved in one occurrence.

Retention and Limit Schedule	
Reinsurer's Limit of Liability	Company's Retention
First Excess Cover Professional Liability – All	
\$500,000	\$500,000

Second Excess Cover – OR, WA, MT, ID only	
\$1,000,000	\$1,000,000
Property Excess of Loss	
\$250,000	\$750,000
Limit for one occurrence is \$1,500,000	

In addition, DBIC is a party to a medical excess reinsurance agreement for its group Accident and Health business. In 2015, the agreement was with PartnerRe American Insurance Company (NAIC #11835) an authorized insurer in Oregon.

Retention and Limit Schedule	
Reinsurer's Limit of Liability	Company's Retention
Commercial Business	
\$0	\$850,000
Medicare Business	
\$0	\$500,000
Exchange Alaska, Oregon, Washington	
\$0	\$750,000

Risk Retention and Transfer

In view of the Company's surplus of \$12,313,986 at December 31, 2015, the Company does not retain risk on any one subject of insurance in excess of 10% of its surplus to policyholders pursuant to the maximum risk retention set by ORS 731.504.

Insolvency Clause

The reinsurance agreements contained a proper insolvency clause that specified payments would be made to a statutory successor without diminution in the event of insolvency, as required by the provisions of ORS 731.508.

ACCOUNTS AND RECORDS

In general, the Company's records and source documentation supported the amounts presented in the Company's December 31, 2015, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170. The Company has a system in place to account for unclaimed funds and has filed the reports on abandoned property pursuant to the provisions of ORS 98.352.

STATUTORY DEPOSITS

At year-end 2015, the Company maintained deposits with the Division of Financial Regulation in the amount of \$2,070,000 (par value) for the purposes of complying with deposit requirements pursuant to ORS 731.604.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

No recommendations were made in the 2012 report of examination.

SUBSEQUENT EVENTS

A stock purchase agreement effective June 10, 2016 with The Dentists Insurance Company (TDIC) was filed with the Oregon Division of Financial Regulation and subsequently approved.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Plan with the Division of Financial Regulation and present the financial condition of the Company for the period ending December 31, 2015. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statement.

Statement of Assets
Statement of Liabilities, Surplus and Other Funds
Statement of Income
Reconciliation of Surplus since the Last Examination

DENTISTS BENEFITS INSURANCE COMPANY
ASSETS
As of December 31, 2015

ASSETS	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	\$ 11,743,128	\$ -	\$ 11,743,128	1
Common stocks	6,121,353	-	6,121,353	1
Cash and short-term investments	(147,545)	-	(147,545)	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal, cash and invested assets	\$ 17,716,936	\$ -	\$ 17,716,936	
Investment income due and accrued	95,499	-	95,499	
Premiums and considerations:				
Uncollected premiums and agent's balances in the course of collection	487,880	-	487,880	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	213,623	-	213,623	
Net deferred tax assets	-	-	-	
Receivables from parent, subsidiaries, and affiliates	1,145	-	1,145	
Aggregate write-ins for other than invested assets	<u>0</u>	<u>-</u>	<u>0</u>	
Total Assets	<u>\$ 18,515,083</u>	<u>\$ -</u>	<u>\$ 18,515,083</u>	

DENTISTS BENEFITS INSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS
As of December 31, 2015

LIABILITIES, SURPLUS AND OTHER FUNDS	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Losses	\$ 1,519,870	\$ -	\$ 1,519,870	2
Reinsurance payable on paid losses and loss adjustment expenses	-	-	-	
Loss adjustment expenses	738,130	-	738,130	2
Other expenses	3,996	-	3,996	
Taxes, licenses and fees	68,579	-	68,579	
Current FIT payable	157,893	-	157,893	
Unearned premiums	1,960,834	-	1,960,834	
Ceded reinsurance premiums payable	4,967	-	4,967	
Payable parent, subsidiaries, and affiliates	1,739,699	-	1,739,699	
Payable for securities	2,669	-	2,669	
Aggregate write-ins for liabilities	<u>4,460</u>	-	<u>4,460</u>	
Total Liabilities	<u>\$ 6,201,097</u>	<u>\$ -</u>	<u>\$ 6,201,097</u>	
Common capital stock	3,000,000	-	3,000,000	
Gross paid in and contributed surplus	1,000,000	-	1,000,000	
Unassigned funds (surplus)	<u>8,313,986</u>	-	<u>8,313,986</u>	
Total capital and surplus	<u>12,313,986</u>	-	<u>12,313,986</u>	
Total liabilities, capital and surplus	<u>\$ 18,515,083</u>	<u>\$ -</u>	<u>\$ 18,515,083</u>	

DENTISTS BENEFITS INSURANCE COMPANY
STATEMENT OF INCOME
For the Year Ended December 31, 2015

	Balance per Company	Examination Adjustments	Balance per Examination	Note
Underwriting Income				
Premiums earned	<u>\$ 4,530,634</u>	<u>\$ -</u>	<u>\$ 4,530,634</u>	
Deductions:				
Losses incurred	1,146,711	-	1,146,711	
Loss expenses incurred	708,793	-	708,793	
Other underwriting expenses incurred	1,953,465	-	1,953,465	
Aggregate write-ins for underwriting deductions	<u>-</u>	<u>-</u>	<u>-</u>	
Total underwriting deductions	<u>3,808,969</u>	<u>-</u>	<u>3,808,969</u>	
Net underwriting gain or (loss)	721,665		721,665	
Investment Income				
Net investment income earned	429,750	-	429,750	
Net realized capital gains or (losses)	<u>31,514</u>	<u>-</u>	<u>31,514</u>	
Net investment gain or (loss)	<u>461,264</u>	<u>-</u>	<u>461,264</u>	
Other Income				
Net gain or (loss) from agents' or premium balances charged off	(977)	-	(977)	
Finance and service charges not included in premiums	14,397	-	14,397	
Aggregate write-ins for miscellaneous income	<u>18</u>	<u>-</u>	<u>18</u>	
Total other income	<u>13,438</u>	<u>-</u>	<u>13,438</u>	
Net income before dividends to policyholders and income taxes	1,196,367	-	1,196,367	
Dividends to policyholders	<u>295,870</u>	<u>-</u>	<u>295,870</u>	
Net income after dividends to policyholders before federal income taxes	900,497	-	900,497	
Federal and foreign income taxes incurred	<u>258,455</u>	<u>-</u>	<u>258,455</u>	
Net income	<u>\$ 642,042</u>	<u>\$ -</u>	<u>\$ 642,042</u>	

DENTISTS BENEFITS INSURANCE COMPANY
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31,

	2015	2014	2013
Capital and surplus, December 31, previous year	<u>\$11,951,558</u>	<u>\$11,967,386</u>	<u>\$12,226,320</u>
Net income	642,042	93,042	591,512
Change in net unrealized capital gains (losses)	(260,447)	(127,454)	190,132
Change in net deferred income tax	(17,374)	26,832	(44,849)
Change in nonadmitted assets	(1,793)	(8,268)	4,271
Change in unauthorized reinsurance	-	-	-
Change in surplus notes	-	-	-
Cumulative effects of changes in accounting principles	-	-	-
Capital changes:			
Paid in	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-
Transferred to surplus	-	-	-
Surplus adjustments:			
Paid in	-	-	-
Transferred to capital (Stock Dividend)	-	-	-
Transferred from capital	-	-	-
Dividends to stockholders (cash)	-	-	(1,000,000)
Examination adjustment	-	-	-
Aggregate write-ins for gains and losses in surplus	<u>-</u>	<u>-</u>	<u>-</u>
Change in surplus as regards policyholders for the year	<u>362,428</u>	<u>(15,828)</u>	<u>(258,934)</u>
Surplus as regards policyholders, December 31, current year	<u>\$12,313,986</u>	<u>\$11,951,558</u>	<u>\$11,967,386</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Investments

The Company's long-term bond investments were in US government obligations, federal agency bonds, special revenue bonds, mortgage backed securities and corporate issues with the NAIC designation of 1 and 2.

Common stocks were invested in five US industrial and miscellaneous mutual funds, primarily small capital stocks and stock index portfolios.

Cash and short-term deposits consisted of cash on deposit and investments in two money market mutual funds. Under the Company's cash management system, MI holds all of the Company's cash, as described earlier in this report under related party management service agreements. A comparison of the investments over the past five years is as follows:

<u>Year</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>Ratio</u>	<u>Ratio</u>	<u>Ratio</u>
	<u>Bonds</u>	<u>Common and Preferred Stocks</u>	<u>Cash and Short-term</u>	<u>A/ Total Assets</u>	<u>B/ Total Assets</u>	<u>C/ Total Assets</u>
2011	12,965,913	2,071,611	137,230	77.25%	12.34%	0.82%
2012	13,027,456	2,696,708	298,760	71.44%	14.79%	1.64%
2013	12,064,391	4,612,066	(21,303)	65.78%	25.15%	(0.12)%
2014	11,336,333	6,365,702	140,007	61.04%	34.27%	0.75%
2015	11,743,128	6,121,353	(147,545)	63.42%	33.06%	(0.80)%

Approval of investment transactions was performed by the finance committee of the Board of Directors, pursuant to ORS 733.740. As of December 31, 2015, sufficient assets were invested in amply secured obligations of the United States or FDIC insured cash deposits to meet the required capitalization amount required by ORS 733.580.

Effective April 1, 2006, the Company entered into a custodial agreement with the US Bank, NA. The agreement contains all of the relevant protections described in OAR 836-027-0200(4)(a) through (l).

Note 2 – Claims Unpaid and Unpaid Claims Adjustment Expense Reserves

David Dahl, FCAS, MAAA, Property/Casualty actuary for the Oregon Division of Financial Regulation, reviewed the liabilities established as of the December 31, 2015. His review consisted of the following:

1. The data, methods, and calculations used in the Actuarial Report supporting the Actuarial Opinion as of December 31, 2015.
2. The data, methods, and calculations used by the company to establish its liabilities as of December 31, 2015.
3. Independent actuarial tests as necessary.

Craig J. Scukas, FCAS, MAAA, consulting actuary of the firm PricewaterhouseCoopers LLP, Seattle, prepared the company's actuarial report. The company's Board of Directors appointed Mr. Scukas on October 19, 2015. Mr. Scukas stated that the company's net reserves fall within a reasonable range of acceptable actuarial central estimates. The company's reserves are less than PwC's estimate by \$104,000. This amount is 0.8% of the company's reported surplus as of December 31, 2015, and consequently, not material.

The actuarial report does note that there is the potential for adverse deviation due, in part, to the small amount of business the company writes in property-casualty lines. This risk, however, was not considered to be material.

In Mr. Dahl's opinion, the liability for Losses and Loss Adjustment Expense for Dentist Benefits Insurance Company was found to be reasonably stated as of December 31, 2015.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

This Report of Examination made no adjustments to surplus, but the Examiners makes the following recommendation:

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13 **I recommend the Company modify its use of the Zero Balance Account (ZBA) structure with Moda, Inc.'s sweep/concentration account and maintain ownership and existence of its cash in the name of DBIC in accordance with SSAP No. 4 and ORS 733.780.**

CONCLUSION

During the three-year period covered by this examination, the surplus of the Company has increased from \$12,226,320 as presented in the December 31, 2012, Report of Examination, to \$12,313,986, as shown in this Report of Examination. The comparative assets and liabilities are shown below:

	December 31,		
	<u>2015</u>	<u>2012</u>	<u>Change</u>
Assets	\$18,515,083	\$18,235,574	\$ 275,509
Liabilities	<u>6,201,097</u>	<u>6,009,254</u>	<u>191,843</u>
Surplus	<u>\$12,313,986</u>	<u>\$12,226,320</u>	<u>\$ 87,666</u>