

**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION**

**BEFORE THE DIRECTOR
OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**

In the Matter of the Proposed Plan of)	Findings of Fact, Conclusions of
Acquisition of Control of Dentists)	Law and Order
Benefits Insurance Company by The)	
Dentists Insurance Company)	Case No. INS-FR 16-10-006

INTRODUCTION

The Dentists Insurance Company, a for-profit insurance company domiciled in the State of California (“TDIC” or “Applicant”), filed with the Oregon Department of Consumer and Business Services, Division of Financial Regulation (the “DFR”), a Statement regarding the Acquisition of Control of or Merger with a Domestic Insurer dated July 11, 2016, to acquire 100% of the outstanding common stock of the Dentists Benefits Insurance Company (“DBIC”), a for-profit insurance company domiciled in the State of Oregon, from Moda Health Plan, Inc. (“Moda Health”) (as amended as of October 7, 2016, and otherwise supplemented the “Form A”), as required by ORS 732.517 through 732.546. The filing fee required under OAR 836-099-0007(12) was received by the DFR on July 11, 2016. The acquisition described in the Form A (the “activity” or the “Proposed Acquisition”) is an activity described in ORS 732.521(1). The Proposed Acquisition is a consequent of a Stock Purchase Agreement dated June 10, 2016 (the “Stock Purchase Agreement”) by and among TDIC, The Dentists Insurance Company and TDIC Insurance Solutions (“TDICIS”), Moda, Inc. (“Moda”), and Moda Health.

Upon the filing of the Form A, the DFR engaged Morgan, Lewis & Brockius LLP (“MLB”) as legal advisors. MLB provided both written and verbal advice to the DFR in connection with the Proposed Transaction.

Notice of a public hearing on the Form A was issued on September 16, 2016 and published by the Applicant on September 18, 2016. The public hearing was held on October 10, 2016. A public comments period was open until October 24, 2016. The Form A (and amendments thereto) and the presentation at the public hearing by the Applicant and Moda Health were posted on the DFR’s website.

The following Findings of Fact are made in reliance on the Form A, as amended; the presentation made and testimony taken at the public hearing and the reports and other advice provided by MLB.

FINDINGS OF FACT

(1) DBIC is presently owned by Moda Health, a member of an insurance holding company system whose ultimate controlling person is the Oregon Dental Association (“ODA”). ODA is the ultimate controlling person of a health care system that primarily operates in the states of Oregon and Alaska.

(2) Moda Health, a for-profit corporation organized under the laws of Oregon, is licensed as a health care service contractor in the State of Oregon. Moda Health is a wholly owned subsidiary of Moda, a wholly owned subsidiary of Oregon Dental Service (“ODS”), a non-profit corporation organized under the laws of Oregon. ODA controls ODS through ODA’s right to appoint the ODS Board of Directors.

(3) TDIC is a for-profit insurance company domiciled in the State of California. TDIC is a member of an insurance holding company system whose ultimate controlling person is the California Dental Association (“CDA”).

(4) TDIC proposes to acquire from Moda Health all of the issued and outstanding common stock of DBIC (the “DBIC Shares”), all of which is owned by Moda Health pursuant to the Stock Purchase Agreement. Following the consummation of the transaction contemplated by the Stock Purchase Agreement (the “Closing”), the DBIC Shares will be owned by TDIC.

(5) In addition to the purchase by TDIC of the DBIC Shares, the Stock Purchase Agreement also provides for the purchase of two additional members of the ODA health care system:

(a) The purchase by TDIC from Moda of all of the issued and outstanding common stock of Northwest Dentists Insurance Company, an insurance company domiciled in the State of Washington (“NORDIC”). The current beneficial owners of NORDIC are Moda, which owns 75% of the outstanding stock of NORDIC, and Washington State Dental Association (“WSDA”), which owns the remaining 25% of NORDIC’s outstanding common stock. The original Form A Statement and Stock Purchase Agreement provided for the purchase by the Applicant of Moda’s 75% interest in NORDIC, with WSDA expected to retain its 25% interest in NORDIC. It is now anticipated that, subject to the approval of the Washington Office of the Insurance Commissioner (the “WA OIC”), NORDIC will redeem the common shares presently held by WSDA (the “WSDA Shares”) prior to Closing. As a result of this redemption, the Applicant’s purchase of Moda’s interest in NORDIC will result in the Applicant acquiring 100% of the issued and outstanding common stock of NORDIC. Immediately after the Closing, NORDIC will become the direct wholly-owned subsidiary of the Applicant and the indirect wholly-

owned subsidiary of CDA. Upon the closing of the redemption, it is anticipated that the parties to the Stock Purchase Agreement will enter into an amendment to reflect, among other things, Moda's ownership of 100% of the outstanding stock of NORDIC (the "Amendment").

(b) The purchase by TDICIS of all of the issued and outstanding common stock of Dentists Benefits Corporation, an Oregon corporation ("DBC"), that acts as a managing general agent ("MGA") on behalf of DBIC and NORDIC (the "DBC Shares"). TDICIS is a for-profit corporation organized under the laws of California and is a member of the CDA insurance holding company system.

(6) The basis and terms of the Stock Purchase Agreement and the Amendment, including the nature and amount of consideration, were determined through arms' length negotiations among the representatives of TDIC, on the one hand, and representatives of Moda Health, and WSDA on the other hand, and their legal and other advisors.

(7) The Proposed Acquisition was approved by the Board of Directors of TDIC, the Board of Directors of Moda Health and the Board of Directors of WSDA.

(8) Following consummation of the Proposed Acquisition, TDIC, DBIC, NORDIC, and DBC will enter into a new, or revised shared services agreement with CDA.

(9) The Applicant has no present plans or proposals to cause DBIC to declare an extraordinary dividend, liquidate DBIC, sell any of DBIC's assets (other than in the ordinary course of business), merge DBIC with any other person or persons or make any other material changes in its corporate structure, business operations or management.

(10) The Applicant intends to continue the business of DBIC without any material modification to DBIC's existing plan of operations including business or capital structure, its

leadership, employees, contracts or affiliation agreements, other than as described in the Form A. DBIC will continue to operate as it has historically, acting as a professional liability insurer of dentists. TDIC will continue to evaluate the quality and effectiveness of the ongoing operations of DBIC. If at some point, following Closing, changes are desirable, DBIC will file any required filing with the DFR.

(11) On the basis of the Findings of Fact above, the Director of Consumer and Business Services of the State of Oregon (the “Director”) enters the following:

CONCLUSIONS OF LAW

(1) The Form A, as amended, is properly supported by the required documents and meets the requirements of the Oregon Insurance Code for approval with respect to the acquisitions and mergers pursuant to ORS 732.517 to 732.546.

(2) The Director finds that there is no evidence that:

(a) The activity is contrary to law or would result in a prohibited combination of risks or classes of insurance.

The acquisition of control of DBIC by the Applicant is permitted by ORS 732.517 to 732.546.

(b) The activity is inequitable or unfair to the policyholders or shareholder of any insurer involved in, or to any other person affected by, the proposed activity.

DBIC is the insurer involved in the Proposed Acquisition. The activity and consideration for the Proposed Acquisition is not inequitable or unfair to the policyholders or shareholders of DBIC or any other person affected by the proposed activity.

The Proposed Acquisition will be effectuated pursuant to the terms of a Stock Purchase Agreement dated June 10, 2016, between TDIC and TDICIS and Moda Health and Moda, as amended by the Amendment. The Stock Purchase Agreement, after giving effect to the Amendment, effectuates the purchase of 100% of NORDIC from Moda.

The Applicant does not anticipate any changes to the business plans of DBIC. Rather, the Applicant intends for DBIC to continue to operate as it has historically, acting as the professional liability carrier for dentists in the State of Oregon, and elsewhere, where it is licensed. Accordingly, the policyholders of DBIC should receive the same level of service as prior to

the Proposed Acquisition because no material changes are anticipated with respect to the products or services that they receive from DBIC.

- (c) The activity would substantially reduce the security of and the service to be rendered to policyholders of any domestic insurer involved in the proposed activity, or would otherwise prejudice the interests of such policyholders in the state or elsewhere.

The activity will not substantially reduce the security of or the service to be rendered to policyholders of DBIC or otherwise prejudice the interest of such policyholders in this state or elsewhere. CDA is a California not-for-profit organization, and is the largest state dental association in the country. It is the ultimate parent company of TDIC which is regulated by the California Department of Insurance pursuant to California Insurance Code section 108. Its subsidiaries are part of the holding company system regulated by the California Department of Insurance pursuant to the Insurance Holding Company Act. The financial information submitted at Exhibit D-2 of the Form A demonstrates that CDA is adequately capitalized and the description of its business activities over the last five years in Items E-1 through E-5 of Form A suggests that CDA is prudently managed.

- (d) The activity provides for a foreign or alien insurer to be an acquiring party, and the insurer cannot satisfy the requirements of this state for transacting an insurance business involving classes of insurance affected by the activity.

The Proposed Acquisition does provide for a foreign insurer to be an acquiring party. DBIC currently meets the requirements for transacting business as a dental professional liability insurer in Oregon. No evidence indicates that TDIC would become unable to satisfy the requirements for transacting business as an insurer in Oregon as a result of the Proposed Acquisition.

- (e) The activity or its consummation would substantially diminish competition in insurance in this state or tend to create a monopoly.

The Applicant has no business currently in Oregon. Accordingly, the Proposed Acquisition will not substantially diminish competition of insurance in this state or tend to create a monopoly.

- (f) After the change of control or ownership, the domestic insurer to which the activity applies will not be able to satisfy the requirements for the issuance of a certificate of authority to transact the line or lines of insurance for which the insurer is currently authorized.

The Applicant has no plans to change the business or capital structure of DBIC. Consequently, DBIC's ability to satisfy the requirements for receiving a certificate of authority will not be impacted by the Proposed Acquisition.

- (g) The financial condition of any acquiring party might jeopardize the financial stability of the insurer.

The Proposed Acquisition will not jeopardize the financial stability of DBIC. The financial information submitted at Exhibit D-2 of the Form A demonstrates that the Applicant is adequately capitalized.

- (h) The plan or proposals that the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in the insurer's business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest.

Following the Proposed Acquisition, the Applicant does not plan any changes to DBIC's business plans and the Applicant has no plans or proposals to have DBIC declare an extraordinary dividend or to liquidate DBIC, sell its assets, merge it with another person, or make any material changes in its corporate structure or management.

- (i) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the activity or its consummation.

There is nothing in the DFR's investigation or the biographical information provided regarding the persons that will control the operation of DBIC that suggests that the competence, experience and integrity of those persons who will control the operations of DBIC will be contrary to the interest of the policyholders of DBIC or the public.

- (j) The activity or its consummation is likely to be hazardous or prejudicial to the insurance-buying public.

There is nothing to suggest that the Proposed Acquisition will be hazardous or prejudicial to the insurance-buying public.

- (k) The activity is subject to other material and reasonable objections.

After considering all relevant information provided to the DFR, the DFR finds that there are no material or reasonable objections to the Proposed Acquisition.

ORDER

Based on the foregoing Findings of Fact and Conclusions of Law, it is hereby ordered that:

- (1) The acquisition of control of DBIC by the Applicant is hereby approved;
- (2) The Applicant shall provide the DFR with a definitive set of final closing documents within thirty days of the closing of the Proposed Acquisition;

- (3) The Applicant shall provide notice of any decision by the Applicant to relocate the headquarters of DBIC at least three business days prior to the announcement of such decision;
- (4) The Applicant shall advise the DFR if the Proposed Acquisition does not close within 90 days of the date hereof;
- (5) The applicant shall cause to be paid the fees of any actuaries, accountants and other experts not otherwise a part of the DFR's staff that the DFR contracted with in connection with the Proposed Acquisition;
- (6) Within thirty days of the closing of the Proposed Acquisition, the Applicant shall cause to be filed an amended holding company act statement; and
- (7) DBIC shall submit an enterprise risk report under ORS 732.569 each year during which the Applicant controls DBIC and an acknowledgement that DBIC and any affiliates that are within the Applicant's control will provide, at the Director's request, information the Director needs to evaluate enterprise risk to DBIC.; and
- (8) The effective date of closing the Transaction shall be no sooner than sixty days after the effective date of this order.

Dated this 31st day of October, 2016

Laura Cali
Oregon Insurance Commissioner
Administrator, Division of Financial Regulation

NOTICE

Pursuant to ORS 732.528(7), any insurer or other Party to the proposed activity, including the insurer subject to the acquisition, within sixty days after receipt of the notice of approval or disapproval, may appeal the final order of the Director as provided in ORS 183.310 to 183.550. For purposes of the judicial review, the specifications required to be set forth in the written notice from the Director will be deemed the findings of fact and conclusions of law of the DFR.