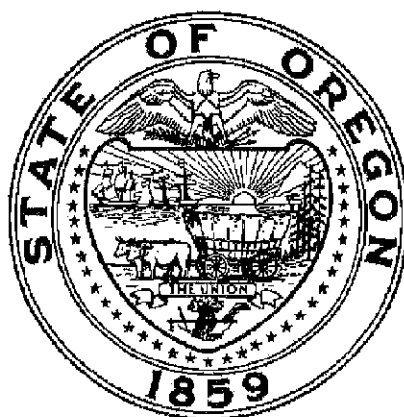


**STATE OF OREGON
DEPARTMENT OF
CONSUMER & BUSINESS SERVICES
INSURANCE DIVISION**



REPORT OF FINANCIAL EXAMINATION

OF

**ADVANTAGE DENTAL PLAN, INC.
REDMOND, OREGON**

AS OF

DECEMBER 31, 2013

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

INSURANCE DIVISION

REPORT OF FINANCIAL EXAMINATION

OF

**ADVANTAGE DENTAL PLAN, INC.
REDMOND, OREGON**

NAIC COMPANY CODE 47006

AS OF

DECEMBER 31, 2013

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SALUTATION

July 2, 2014

Honorable Laura N. Cali, Commissioner
Department of Consumer and Business Services
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) Examiners Handbook, pursuant to ORS 731.300, we have examined the business affairs and financial condition of

**ADVANTAGE DENTAL PLAN, INC.
442 SW Umatilla Avenue, Suite 200
Redmond, Oregon 97756**

NAIC Company Code 47006

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

SCOPE OF EXAMINATION

The full scope single-state examination of the Plan was conducted as of December 31, 2013, covering the three year period then ended, and included a review of material transactions or events which occurred subsequent to the examination cut-off date and were noted during the examination.

We conducted our examination pursuant to ORS 731.300 and in accordance with the NAIC *Financial Condition Examiners Handbook*. The handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Plan by obtaining information about the Plan including corporate governance, identifying and assessing inherent risks within the Plan and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with statutory accounting principles, annual statement instructions, and Oregon statutes and administrative rules.

All accounts and activities of the Plan were considered in accordance with the risk focused examination process.

PLAN HISTORY

The Plan was incorporated on October 13, 1994, under the laws of the State of Oregon as RDS Dental Plan, Inc. On March 3, 1995, the Plan received a Certificate of Authority to transact business as a health care service contractor, restricted to dental service only, pursuant to ORS Chapter 750. On November 20, 1996, the Plan changed its name to Advantage Dental Plan, Inc.

Capitalization

The Plan was originally capitalized with the issuance of 1,000 shares of no par common stock to Roseburg Dental Services, LLC, at \$10 per share. Since the initial funding, the Plan has sold additional shares of voting and nonvoting common capital stock. At December 31, 2007, the Plan had issued shares as follows:

	<u>Voting</u>	<u>Nonvoting</u>
Roseburg Dental Services, LLC	100,000	185,362
Basin Dental Services, LLC*	100,000	185,362
Central Oregon Dental Services, LLC	100,000	185,362
Columbia Gorge Dental Services, LLC	100,000	185,362
Eastern Oregon Dental Services, LLC	100,000	185,362
Siskiyou Dental Services, LLC	100,000	185,362
South Coast Dental Services, LLC	100,000	185,362
Valley of the Rogue Dental Services, LLC	100,000	185,362
Various Individuals	<u>0</u>	<u>236,282</u>
Total Shares Issued and Outstanding	<u>800,000</u>	<u>1,719,178</u>

*dba Jefferson Dental Service

On April 11, 2008, the Insurance Division approved a reorganization of the Plan's ownership structure to create a consolidated holding company. The Plan was authorized to issue 1,000,000 shares of voting common stock of which 800,000 shares were issued and outstanding and 4,000,000 nonvoting shares of common stock of which 1,482,900 were issued and outstanding.

In July 2013, the management committee of Advantage Consolidated, LLC (Consolidated), voted to have Consolidated issue additional units in Consolidated to those individuals that owned the 236,282 nonvoting shares in exchange for those shares or an equivalent amount in cash. Those shares were then cancelled.

Advantage Community Holding Company, LLC (Holdings), was organized on April 19, 2007, for the purpose to direct the operations of Advantage Dental and its affiliates. In addition, on May 21, 2007, Consolidated was formed to provide a mechanism for dental professionals and certain affiliates to own Holdings. Consolidated is the sole owner of Holdings and Holdings is the sole owner of the Plan.

The reorganization shifted ownership of the Plan to Consolidated. The 800,000 shares voting common shares issued and outstanding and the 1,482,900 nonvoting shares issued and outstanding are now owned by Consolidated. Previous owners of the Plan, as noted above, are now shareholders in Consolidated.

As of December 31, 2013, the Plan reported surplus, both contributed and retained, totaling \$1,540,723, which included common capital stock of \$1,000,000; gross paid in and contributed surplus of \$1,176,151; and unassigned funds of (\$635,428).

Statutory Deposit

As of the date of the examination, the Plan maintained a deposit with the Oregon Insurance Division, Department of Consumer and Business Services, pursuant to the provisions of ORS 750.045(3). The deposit consisted of a US Treasury Bill with a par value of \$108,000. The deposit was verified from the records of the Insurance Division. The Plan omitted reporting the deposit on Schedule E – Part 3 of the annual statement filed during the period under examination. **I recommend the Plan include the deposit on Schedule E – Part 3 of the annual statement in accordance with the NAIC Annual Statement Instruction Manual for Health in preparing its annual statements filed with the Oregon Insurance Division pursuant to the requirements of ORS 733.170 and ORS 733.210.**

CORPORATE RECORDS

The corporate records, including the Board of Director minutes, Articles of Incorporation, Bylaws, and insurance holding company registration statements, were reviewed for the period under examination.

Board Minutes

In general, the review of 2011 through 2013 Board minutes indicated that the minutes support the transactions of the Plan and the actions taken by its directors and officers.

Articles of Incorporation

There were no changes to the Plan's Articles of Incorporation during the period under examination. The Articles of Incorporation conformed to Oregon statutes.

Bylaws

There was one change to the Plan's Bylaws during the period under examination. Effective July 21, 2011, the Bylaws were amended to give the president and chief executive officer the authority to delegate the role of chief executive officer at the president's discretion. The Bylaws conformed to Oregon statutes.

INSURANCE HOLDING COMPANY REGISTRATION STATEMENT

The Plan filed an insurance holding company registration statement in accordance with the provisions of ORS 732.552, ORS 732.554, and OAR 836-027-0020(1).

MANAGEMENT AND CONTROL

Board of Managers

According to the Bylaws, the Board of Managers for the Plan is identical to the Board of Managers of Advantage Community Holding Company, LLC. In June 2013, the owners of Advantage Consolidated, LLC voted to make its Board of Managers the same Board of

Managers as Advantage Community Holding Company, LLC. The Board of Managers is comprised of seventeen members, five of which are officers of the Plan. The annual statement reflects only twelve members. **I recommend the Plan include on the Jurat page the officers of the Board of Managers not only as officers, but also as directors or trustees, in accordance with the NAIC Annual Statement Instruction Manual for Health pursuant to the requirements of ORS 733.170 and ORS 733.210.**

At least one-third of the Board shall be representatives of the public who are not practicing doctors or employees or trustees of a participating hospital in accordance with the provisions of ORS 750.015(1) and the Plan's Bylaws. Prior to June 2013, the term of each manager ran from August 1 to July 31 of the following year. As of June 2013, the term of each manager is from July 15 through July 14 of the following year. A new Board of Manager structure was also approved in June 2013 requiring managers to have a staggered three year term. A majority of the directors constitutes a quorum. Members of the Board of Managers serving as of December 31, 2013, were:

<u>Name and Address</u>	<u>Affiliation</u>	<u>Member Since</u>	<u>Representation</u>
John L. Bauer Hines, Oregon	Dentist	2012	Ownership
Gregory N. Bigelow Grants Pass, Oregon	Dentist	2013	Ownership
M. Gerald Duncan Roseburg, Oregon	Sr. Vice President DA Davidson & Co.	2013	Public
Sylvia C. Goedeck Prineville, Oregon	Retired	2013	Public
Michael A. Gordon North Bend, Oregon	Certified Public Accountant	2003	Public
Bruce L. Hanna Roseburg, Oregon	President Douglas County Bottling Company	1998	Public

<u>Name and Address</u>	<u>Affiliation</u>	<u>Member Since</u>	<u>Representation</u>
Cedric R. Hayden Springfield, Oregon	Dentist	2013	Ownership
Matthew J. Hayden Pilot Rock, Oregon	Dentist	2013	Ownership
J. Kyle House Hood River, Oregon	Dentist	2002	Ownership
Donald J. Lanahan Grants Pass, Oregon	Dentist	2007	Ownership
James G. Petersen Prineville, Oregon	Dentist	2010	Ownership
R. Michael Shirtcliff Redmond, Oregon	President and CEO Advantage Dental Plan, Inc.	1994	Management
Dane E. Smith North Bend, Oregon	Dentist	1994	Ownership
John L. Thomas Eugene, Oregon	President Pacific Benefit Consultants, Inc.	1997	Public
Ronald F. Tribble Roseburg, Oregon	Dentist	2011	Ownership
Thomas S. Tucker Klamath Falls, Oregon	Dentist	2006	Ownership

*Chairman

Officers

Operating management of the Plan as of December 31, 2013, was under the direction of the following principal officers:

<u>Name</u>	<u>Office</u>
R. Michael Shirtcliff, DMD	President
Ronald F. Tribble, DMD	Secretary
Donald J. Lanahan, DMD	Treasurer
J. Kyle House, DDS	Chairman
John L. Thomas	Vice Chairman

AFFILIATED COMPANIES

As previously described in the History and Capitalization section of this report, all voting shares of the Plan are owned by Consolidated.

In 2009, Consolidated purchased several companies in a process to form a community dental services company. Upon completion of the acquisitions, Consolidated created additional companies (affiliates). The Plan has a formal agreement with Advantage Professional Management, LLC. The other affiliates have common management with Consolidated.

Below are the affiliates of the Plan:

Advantage Professional Management, LLC. (APM): APM, formerly known as Northwest Professional Management, Inc., was incorporated on June 5, 1998, and subsequently changed from an incorporated business to an LLC in July 2007. APM provides management and administrative services to dental groups and dental insurance companies. APM entered into a contract with the Plan to provide management and administrative services.

Advantage Dental Services, LLC (ADS): ADS, formerly known as Northwest Dental Services, LLC, is a limited liability company that was created on October 16, 1998, to write Oregon Health Plan business.

Advantage Property Management, LLC (ADPPM) is a limited liability company that was formed December 16, 2002, to own and manage real estate properties, including the office building occupied by the Plan and its affiliates.

Advantage Dental Clinics, LLC is a limited liability company formed in 2009, for the purpose of operating and managing the 20 dental clinics operating throughout Oregon.

Advantage Equipment Leasing, LLC is a limited liability company formed in 2009, which owns all the equipment in the dental clinic offices and leases the equipment to the dental clinics.

Advantage Dental Group, PC is a company formed in 2009 which is owned by the eight dentists on the Advantage Holding LLC Management Committee. Funding for the Company comes from leasing of dentists to the Advantage Clinics.

American Financial Services, Inc. was formed for the purpose of providing dentists with a financing system to allow the dentist to provide financing to patients for dental treatment.

Advantage Consulting Services, LLC was formed for consulting with dentists in the clinics on services to be provided and other consulting concerns clinics may have.

Advantage Dental Support Group, LLC was formed to facilitate clinics in maintaining adequate staff in the dental clinics. The company leases employees to clinics and to other clients.

Advantage Clinic Properties, LLC owns the nine buildings where established clinics are located. The company owns the properties and leases them back to the clinics.

INTERCOMPANY AGREEMENTS

Management and Staffing Agreement

The Plan entered into an agreement with APM on August 1, 2002. The agreement was replaced with this Management and Staffing Agreement on January 1, 2008. The agreement calls for APM to provide all management, administrative, and marketing services to the Plan as required to assist in its performance of its business as a dental insurance company. The agreement requires APM to receive 14% of gross monthly premiums received by the Plan,

unless the parties agree otherwise. Payment shall be made on the 15th business day of each month, based on the total gross premiums of the prior month.

The examiners could not find evidence the Plan ever submitted the January 2008 agreement with the Insurance Division. As noted in the Compliance with Prior Examination Recommendations later in this report, the Plan was requested to file a Form D – Prior Notice of a Transaction and receive Insurance Division approval prior to engaging in business under the agreement.

I recommend the Plan file a Form D with the Insurance Division to seek approval to enter into the Management and Staffing Agreement pursuant to ORS 732.552(1)(c)(E) and OAR 836-027-0160. I further recommend the Plan file a Form D with the Insurance Division any time it enters into a new agreement with affiliates.

Call System Management Agreement

Effective January 1, 2008, the Plan entered into a Call System Management Agreement in order to ensure availability of emergency dental care (Call System). Under the terms of the agreement, Consolidated is responsible for providing dentists for the call system and the Plan is responsible for the management of the Call System, including but not limited to staffing, equipment and maintaining the call schedule. The agreement requires Advantage Professional Management, LLC (Professional) to pay each Consolidated member dentist an amount and in a manner agreed upon by Consolidated and Professional on behalf of the Plan and DMAP (emergency call pay). In August 2012, the Board of Managers approved a motion to allocate a portion of the emergency call pay to the Plan. The Plan is currently assessed 50% of the emergency call pay for participating dentists.

CONFLICT OF INTEREST

The Plan has an established policy requiring disclosure of any material interest or affiliation on the part of its directors, officers, and key personnel which may conflict with official duties. A review of the completed disclosures did not reveal any exceptions.

REINSURANCE

The Plan does not currently have any reinsurance contracts in effect due to the low coverage limits offered relative to the minimum capital requirements. The Plan is in compliance with the provisions of ORS 731.504, which limits the risk on any one subject to 10% of surplus.

FIDELITY BOND AND OTHER INSURANCE

The examination of insurance coverages involved a review of adequacy of limits and retentions, the authority to write in the State of Oregon, and the solvency of the insurers providing the coverages. The policy is issued to Consolidated, with the Plan included as a named insured. At December 31, 2013, the Plan was insured up to \$1,000,000 per occurrence against losses from employee dishonesty, forgery, or alterations after a \$25,000 per occurrence deductible.

Consolidated, including the Plan, has director's and officer's liability coverage up to \$5,000,000, subject to \$50,000 retention for each claim related to forgery or alteration and a \$50,000 retention for each claim related to theft of money and securities. Consolidated carried additional insurance coverages related to the Plan's operation as follows:

- Commercial property liability
- Commercial general liability
- Employee benefits liability
- Employers liability
- Automobile liability
- Managed care errors & omissions

TERRITORY AND PLAN OF OPERATION

The Plan is authorized to write business in Oregon, Idaho and Washington where it provides dental insurance to commercial and ASO (Administrative Services Only) groups.

GROWTH OF THE PLAN

The following tables reflect the growth of the plan over the last five years, reflected in the following schedule. Amounts were derived from the Plan's annual statements, except for years in which the Oregon Insurance Division issued a report of examination.

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Net Income</u>
2009	\$2,259,882	\$893,714	\$1,366,169	\$13,128
2010*	1,767,558	294,395	1,473,163	3,805
2011	1,764,888	356,284	1,408,604	14,796
2012	1,520,492	59,016	1,461,476	25,231
2013*	1,549,647	38,229	1,511,418	65,823

*Per examination

LOSS EXPERIENCE

The following exhibit reflects the underwriting results of the Plan over the past five years. The amounts were compiled from the Plan's annual statements, except in those years where a report of examination was published by the Oregon Insurance Division.

<u>Year</u>	<u>A</u> <u>Total Revenues</u>	<u>B</u> <u>Total</u> <u>Hospital and</u> <u>Medical</u>	<u>(B)/(A)</u> <u>Claims</u> <u>Ratio</u>	<u>C</u> <u>CAE and</u> <u>Admin</u> <u>Expenses</u>	<u>(B+C)/A</u> <u>Combined</u> <u>Ratio</u>
2009	\$6,265,781	\$5,471,352	87.3%	\$3,038,815	135.85%
2010*	238,727	222,668	93.3%	193,014	174.10%
2011	376,899	236,600	62.8%	175,256	109.30%
2012	374,554	203,541	54.3%	175,208	101.10%
2013*	418,186	176,314	42.2%	200,597	90.10%

*Per examination

A combined claims and expense to premiums ratio more than 100% indicates an underwriting loss, which the Plan experienced in four of the past five years.

ACCOUNTS AND RECORDS

All records were made available to the examiners in compliance with the provisions of ORS 733.170. Assets are maintained in accordance with the provisions of ORS 732.245; however, the following examination issues were noted:

Accounting

The 2013 health annual statement instructions published by the NAIC have not been followed in all cases. Several errors were found during the examination. **I recommend the Plan follow the NAIC Annual Statement Instruction Manual for Health in preparing its annual statements filed with the Oregon Insurance Division per the requirements of ORS 733.170 and ORS 733.210.**

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were three recommendations made as a result of the prior examination as of December 31, 2010. In a follow up report dated January 28, 2014, the Oregon Insurance Division determined the Plan complied with two of the three recommendations. To date, the Plan has not submitted a Form D filing in conjunction with a proposed Management and Staffing Agreement and remains out of compliance.

FINANCIAL STATEMENTS

The following financial statements show the financial condition of Advantage Dental Plan, Inc., as of December 31, 2013

Statement of Assets, Liabilities, Capital and Surplus
Statement of Revenues and Expenses
Reconciliation of Surplus Since the last Examination

ADVANTAGE DENTAL PLAN, INC.
ASSETS, LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2013

Assets	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Cash, cash equivalents and short-term investments	\$ 1,499,528	\$ 25,000	\$ 1,524,528	1
Aggregate write-ins for invested assets	<u>0</u>	<u>-</u>	<u>0</u>	
Subtotal, cash and invested assets	<u>\$ 1,499,528</u>	<u>\$ 25,000</u>	<u>\$ 1,524,528</u>	
Investment income due and accrued	119	-	119	
Receivable from parent, affiliates and subsidiaries	25,000	(25,000)	-	1
Health care receivable	44,677	(19,678)	25,000	2
Aggregate write-ins for other than invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Total Assets	<u>\$ 1,569,325</u>	<u>\$ (19,678)</u>	<u>\$ 1,549,647</u>	
 Liabilities, Capital and Surplus				
Claims unpaid	\$ 6,219	\$ 9,121	\$ 15,340	3
Unpaid claims adjustment expenses	108	506	614	3
Amounts due to parent, subsidiaries and affiliates	<u>22,275</u>	<u>-</u>	<u>22,275</u>	
Total Liabilities	<u>28,602</u>	<u>9,627</u>	<u>38,229</u>	
Common capital stock	1,000,000	-	1,000,000	
Gross paid in and contributed surplus	1,176,151	-	1,176,151	
Unassigned funds (surplus)	<u>(635,428)</u>	<u>(29,305)</u>	<u>(664,733)</u>	3
Total capital and surplus	<u>1,540,723</u>	<u>(29,305)</u>	<u>1,511,418</u>	
Total Liabilities, Capital and Surplus	<u>\$ 1,569,325</u>	<u>\$ -</u>	<u>\$ 1,549,647</u>	

ADVANTAGE DENTAL PLAN, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2013

Revenue	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Net premium income	\$ 104,109	\$ -	\$ 104,109	
Change in unearned premium reserves and reserves for rate credit	-	-	-	
Fee-for-service	-	-	-	
Risk revenue	-	-	-	
Aggregate write-ins for health care related revenues	<u>314,077</u>	<u>-</u>	<u>314,077</u>	
Total revenue	418,186	-	418,186	
Hospital and Medical:				
Hospital/medical benefits	95,334	-	95,334	
Other professional services	-	-	-	
Outside referrals	-	-	-	
Emergency room and out-of-area	-	-	-	
Prescription drugs	-	-	-	
Aggregate write-ins for other hospital and medical	80,979	-	80,979	
Incentive pool, withhold adjustments and bonus amounts	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal	176,314	-	176,314	
Less:				
Net reinsurance recoveries	<u>-</u>	<u>-</u>	<u>-</u>	
Total medical and hospital	176,314	-	176,314	
Non-health claims	-	-	-	
Claim adjustment expenses	-	-	-	
General administrative expenses	200,597	-	200,597	
Increase in reserves for life and accident and health contracts	<u>-</u>	<u>-</u>	<u>-</u>	
Total underwriting deductions	376,911	-	376,911	
Net underwriting gain or (loss)	<u>41,275</u>	<u>-</u>	<u>41,275</u>	
Net investment income earned	24,548	-	24,548	
Net realized capital gains (losses)	<u>-</u>	<u>-</u>	<u>-</u>	
Net investment gains (losses)	24,548	-	24,548	
Net gain or (loss) from agents' or premium balances charged off	-	-	-	
Aggregate write-ins for other income or expense	<u>-</u>	<u>-</u>	<u>-</u>	
Federal income taxes incurred	<u>-</u>	<u>-</u>	<u>-</u>	
Net income	<u>\$ 65,823</u>	<u>\$ -</u>	<u>\$ 65,823</u>	

ADVANTAGE DENTAL PLAN, INC.
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31,

	2013	2012	2011
Capital and surplus December 31, previous year	<u>\$ 1,461,476</u>	<u>\$ 1,408,604</u>	<u>\$ 1,473,163</u>
Net income	65,823	25,231	14,796
Change in net unrealized capital gains or (losses)	-	-	-
Change in net unrealized foreign exchange capital gain or (loss)	-	-	-
Change in net deferred income tax	-	-	-
Change in non-admitted assets	16,809	27,641	20,705
Change in provision for 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	-	-	-
Distributions to parent (cash)	-	-	-
Change in treasury stock	-	-	-
Examination adjustment	(32,690)	-	-
Aggregate write-ins for gains and losses in surplus	<u>-</u>	<u>-</u>	<u>(100,060)</u>
Change in surplus as regards policyholders for the year	<u>49,942</u>	<u>52,872</u>	<u>(64,559)</u>
Capital and surplus December 31, current year	<u>\$ 1,511,418</u>	<u>\$ 1,461,476</u>	<u>\$ 1,408,604</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Investments

At year-end 2013, the Plan held no long term investments in its investment portfolio. All invested assets were in certificates of deposit and bank accounts held in various banks and credit unions, and two US Treasury Bills.

As of December 31, 2013, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits, and the Plan was in compliance with ORS 733.580.

Investment transactions were approved by the finance committee and its actions were approved by the Board of Managers pursuant to ORS 733.740.

The examiners received a confirmation in the amount of \$25,000 from Pacific Continental Bank at December 31, 2013. As a result, a reclassification was made to increase cash by \$25,000 and decrease receivables from parent, subsidiaries and affiliates by \$25,000.

Note 2 – Healthcare Receivables

The December 31, 2013, balance was comprised of; 1) TPA fees due from PacificSource Health Plans (\$4,746) under an expired TPA agreement, and 2) fees due from PacificSource Health Plans under a Dental Services Panel Agreement (\$39,932). The TPA fee was not collected by the Plan, and the examiners noted \$25,000 of the dental provider fee was collected in March, 2014.

The examiners determined \$19,678 of the receivable amount was nonadmissible, as it had not been collected prior to March 31, 2014, resulting in a corresponding decrease in surplus.

Note 3 – Claims Unpaid and Claims Adjustment Expenses

The DCBS Health Actuary David N. Ball, FSA, MAAA, performed an examination of the Company's claims unpaid and unpaid claims adjustment expense liabilities as of December 31, 2013. The scope of his examination included a review of the Company's claims run-out through March 31, 2014, lag completion factor methodology, and adding an additional ten percent for conservatism. Unpaid claim adjustment expenses were calculated based on a four percent factor for the estimated claims unpaid. Based on these procedures, Mr. Ball concluded the following:

	<u>My Estimate</u>	<u>Annual Statement</u>
Claims Unpaid	\$15,340	\$6,219
Accrued Medical Incentive Pool and Bonus Payments	-	-
Unpaid Claims Adjustment Expenses (CAE)	614	108
Premium Deficiency Reserves	-	-
Total Actuarial Liabilities	<u>\$15,954</u>	<u>\$6,327</u>

Mr. Ball's total estimate exceeded the Plan's estimate by \$9,627, a difference of 152.1%, indicating a reserve deficiency. As a result, the examiners increased the unpaid claims and unpaid claims adjustment expenses and reduced stated surplus by a similar amount.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following is a summary of recommendations made in this report of examination:

Page

- 6 I recommend the Plan include the deposit on Schedule E – Part 3 of the annual statement in accordance with the NAIC Annual Statement Instruction Manual for Health in preparing its annual statements filed with the Oregon Insurance Division pursuant to the requirements of ORS 733.170 and ORS 733.210.
- 8 I recommend the Plan include on the Jurat page the officers of the Board of Managers not only as officers, but also as directors or trustees, in accordance with the NAIC Annual Statement Instruction Manual for Health pursuant to the requirements of ORS 733.170 and ORS 733.210.
- 12 I recommend the Plan file a Form D with the Insurance Division to seek approval to enter into the Management and Staffing Agreement pursuant to ORS 732.552(1)(c)(E) and OAR 836-027-0160. I further recommend the Plan file a Form D with the Insurance Division any time it enters into a new agreement with affiliates.
- 15 I recommend the Plan follow the NAIC Annual Statement Instruction Manual for Health in preparing its annual statement filed with the Oregon Insurance Division per the requirements of ORS 733.170 and ORS 733.210.

CONCLUSION

During the three-year period covered by this examination, the Plan's surplus increased from \$1,473,163, as presented in the December 31, 2010, report of examination, to \$1,511,418, as shown in this examination report. Assets, liabilities and surplus are compared below:

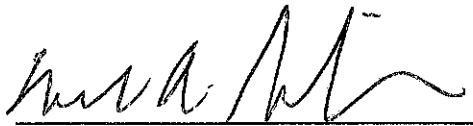
	December 31,		
	<u>2013</u>	<u>2010</u>	<u>Change</u>
Assets	\$1,549,647	\$1,767,558	\$(217,911)
Liabilities	<u>38,229</u>	<u>294,395</u>	<u>256,166</u>
Surplus	<u>\$1,511,418</u>	<u>\$1,473,163</u>	<u>\$ 38,255</u>

ACKNOWLEDGMENT

The cooperation and assistance extended by the officers and contract employees of the Plan during the examination process are gratefully acknowledged.

In addition to the undersigned, Timothy R. Hurley, CFE, insurance examiner, and David N. Ball, FSA, MAAA, Life & Health Actuary, for the State of Oregon, Department of Consumer and Business Services, Insurance Division, participated in the examination.

Respectfully submitted,



Mark A. Giffin, CFE
Insurance Examiner
Insurance Division
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Mark A. Giffin, CFE, being duly sworn, states as follows:

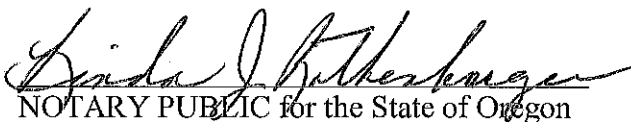
1. I have authority to represent the state of Oregon in the examination of Advantage Dental Plan, Inc.
2. The Insurance Division of the Department of Consumer and Business Services of the state of Oregon is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report. The examination of Advantage Dental Plan, Inc., was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.



Mark A. Giffin, CFE
Insurance Examiner
Insurance Division
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this 18 day of September, 2014.


NOTARY PUBLIC for the State of Oregon

My Commission Expires: 3/22/2017

