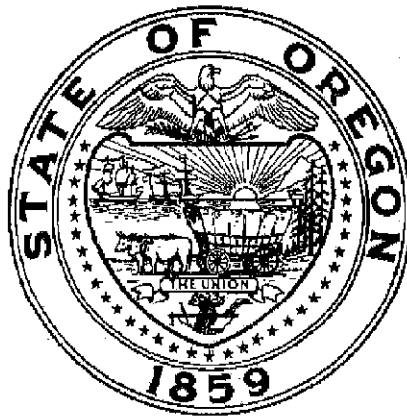


**STATE OF OREGON
DEPARTMENT OF
CONSUMER & BUSINESS SERVICES**

**DIVISION OF FINANCIAL
REGULATION**



REPORT OF FINANCIAL EXAMINATION

OF

**WILLAMETTE DENTAL INSURANCE, INC.
HILLSBORO, OREGON**

AS OF

DECEMBER 31, 2014

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

**WILLAMETTE DENTAL INSURANCE, INC.
HILLSBORO, OREGON**

NAIC COMPANY CODE 52555

AS OF

DECEMBER 31, 2014

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SALUTATION

April 19, 2016

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 and 731.302, respectively, we have examined the business affairs and financial condition of

**WILLAMETTE DENTAL INSURANCE, INC.
6950 NE Campus Way
Hillsboro, Oregon 97124**

NAIC Company Code 52555

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

SCOPE OF EXAMINATION

We have performed our multi-state examination of Willamette Dental Insurance Inc., conducted with the insurance regulators from the states of Idaho and Washington, for the coordinated examination of insurers under Willamette Dental Group. Washington was designated as the lead state. The examination was conducted in conjunction with the examination of three affiliated limited health care service contractors; a separate report of examination will be prepared for each entity. The last examination of this limited health care service contractor was completed as of December 31, 2012. This examination covers the period of January 1, 2013 to December 31, 2014.

We conducted 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 Plan 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.

All accounts and activities of the Plan 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 Plan'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/or the Plan.

COMPANY HISTORY

The Plan is the successor insurer of Willamette Health Service, Inc., a nonprofit limited health care service contractor incorporated on March 12, 1982, and issued a Certificate of Authority by the Oregon Division of Financial Regulation on May 5, 1983, which granted the Plan the authority to transact dental insurance in Oregon pursuant to ORS Chapter 750.

Beginning in 1997, the predecessor company converted to a for-profit corporation using an existing shell company which had been incorporated as Columbia Health Service of Oregon, Inc., on October 26, 1994. Effective December 31, 1999, Willamette Health Service, Inc., was merged into the shell company, which was then renamed Willamette Dental Insurance, Inc. As a result, the Plan acquired all assets and assumed all liabilities and obligations, including the obligations under the existing insurance policies in force. A Certificate of Authority was issued to the Plan on the same date.

On February 24, 2003, the Division of Financial Regulation approved a reorganization, whereby ownership of the Plan was transferred to Willamette Dental of Idaho, Inc. Dr. Eugene Skourtes remained the ultimate controlling person through his ownership of 100% of the direct parent.

Capitalization

The Plan's Articles of Incorporation authorize 1,000 shares of non-par voting common stock. At December 31, 2014, the Plan had 100 shares issued and outstanding, with a stated value of \$10 per share.

Upon conversion as a for-profit company as described above, the surplus value of \$829,505 in the predecessor company was contributed to gross paid in and contributed surplus. No additional contributions were made during the period under examination.

Dividends and Other Distributions

During the period under examination, the Plan did not declare or pay any cash dividends or make any distributions to its shareholder.

CORPORATE RECORDS

Board Minutes

The review of the Board meeting minutes of the Plan did not consistently support the transactions of the Plan and describe the actions taken by its directors. Several inconsistencies were noted in the documentation which made the sequence of events unclear, such as election of a Director, designation of the appointed actuary, approval of budgets including the management and service fees, and approval of all investment transactions. **I recommend the Plan comply with its Bylaws in respect to written consents and comply with ORS 732.320. I further recommend the Plan maintain accurate records of its transactions and file the annual statement using the rules and procedures in the NAIC Annual Statement Instructions and Manual for health insurance companies as required by OAR 836-011-0000 and notify the division as pursuant to ORS 733.210(2).**

I recommend the Plan update its investment policy and comply with ORS 733.730 by requiring the Board to review and approve all investment transactions that are held by the Plan.

A quorum, as defined by the Plan's Bylaws, met at all of the meetings held during the period under review.

The Bylaws authorize an executive committee, but no evidence exists that this committee has ever met and no minutes were provided to the examiners.

The Plan's Board does not directly approve the compensation of its senior officers. Instead, the parent's Board approves an annual budget which includes salaries and compensation reimbursed under the services agreement. This process complies with the provisions of ORS 732.320(3).

Articles of Incorporation

The Plan last amended its Articles of Incorporation on November 22, 2013. The Articles of Incorporation conform to the Oregon statutes.

Bylaws

The Plan last amended its Bylaws on November 22, 2013. The Plan's Bylaws conform to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws, in Article III, state the business and affairs of the corporation shall be managed by its Board of Directors. The amended Article of Incorporation, under Article VI, and the amended Bylaws, in Article III, Section 2, both state the number of directors shall be three.

As of December 31, 2014, the Plan was governed by a three member Board of Directors as follows:

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Member Since</u>
Wee Yuen Chin Beaverton, Oregon	Chief Financial Officer Willamette Dental Insurance, Inc.	2009
Eugene C. Skourtes Beaverton, Oregon	President and CEO Willamette Dental Insurance, Inc.	1999
Norman Wapnick Beaverton, Oregon	Retired Attorney	1999

Officers

Principal officers serving the Plan at December 31, 2014, were:

<u>Officer</u>	<u>Office</u>
Eugene C. Skourtes	President and Secretary
Wee Yuen Chin	Treasurer

Conflict Of Interest

The Board adopted an employee handbook that contains guidelines on confidentiality and reporting of conflicts of interest. The Board members and senior officers annually sign a conflict of interest declaration. From a review of the completed conflict of interest questionnaires, the Plan's personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

Insurance Company Holding System

The following organizational chart shows the relationship within the insurance holding company system:



Description of the entities within the holding company includes as follows:

Willamette Dental Management Corporation (WDM) is an Oregon for-profit corporation formed on August 20, 1996, that provides management and administrative services to its affiliated companies.

Willamette Dental Group, P. C. (WDG) is an Oregon corporation formed on December 27, 1977, to be the dental professional provider for members in the states of Idaho, Oregon, and Washington. This corporation owns 25 percent of:

Exceptional Needs Dental Services, LLC is an Oregon limited liability company formed on October 31, 2014, to provide dental care access to individuals who are functionally impaired, requiring assistance with Activities of Daily Living. The Plan failed to disclose Exceptional Needs Dental Services, LLC as an affiliated party.

Willamette Dental of Idaho, Inc. (WDID) is a licensed health insurer in the state of Idaho.

This corporation owns 100 percent of:

Willamette Dental of Washington, Inc. (WDW), is a Washington for-profit corporation licensed as a limited health care service contractor.

Willamette Dental Insurance Inc. (WDI) is an Oregon for-profit corporation licensed as a limited health care service contractor.

Acorn Corporation is an Oregon for-profit corporation incorporated on August 23, 1991.

ENS Corporation is an Oregon corporation incorporated on April 1, 2004.

Acorn Group LLC is an Oregon limited liability company formed on December 5, 2012.

I recommend the Plan adhere to SSAP No. 25 and disclose all affiliated parties that its affiliates directly or indirectly, own, control, hold with the power to vote, or hold proxies representing 10% or more of the voting interest of the entity in Schedule Y of the annual statement. I also recommend the Plan comply with ORS 732.522 registration statement, to include 25% ownership of Exceptional Needs Dental Services when filing Form B and Form C.

INTERCOMPANY AGREEMENTS

The following contracts or agreements with related parties are in place:

Dental Provider Agreement

The Company has a provider arrangement with WDG whereby the Company remits a capitated fee to WDG for covered dental services. The capitation fee is calculated as a percent of collected premiums.

Intercompany Tax Sharing Agreement

The Intercompany Tax Allocation Agreement executed July 1, 2003, stipulates that the three insurance companies in the group; the Company, WDW, and WDID, be included in a consolidated federal income tax return. Under the terms of the agreement, taxes are calculated and settled using a separate return basis calculation.

Business Service Agreement

The Company has an agreement with WDM under which WDM provides management and administrative services as necessary for the day to day operations of the Company. As compensation for services rendered by WDM to the Company, the Company pays WDM a monthly administrative fee plus all direct expenses actually paid each month by WDM. The amount of the fee is calculated through the budgeting process using membership projections and WDM estimated revenues and expenses. Due to the differences between projected and actual membership, and budgeted and actual expenses, the Plan underpaid \$165,696, which is over the calculated tolerable error of \$150,000. The fee paid to WDM is not fair and reasonable, as required by SSAP 70.

I recommend the Plan revise the Business Service Agreement between WDM and the Plan to include a true-up of the management and service fees at year-end to ensure fees

are fair and reasonable and to comply with SSAP 25, SSAP 70, and ORS 732.574, by allocating shared expenses using information that yields that most accurate results and results in the most fair and reasonable basis. If an estimate is used initially, it must be trued-up utilizing the best information available in order to yield the most accurate results required by SSAP 70.

The Company revised the Business Service Agreement as of October 1, 2014, and failed to notify the director of the Department of Consumer and Business Services within 15 days after the end of the month, as required by ORS 732.554.

I recommend the Plan keep current information required to be disclosed on its registration statement in accordance with ORS 732.554, by reporting all material changes or additions on amended forms to the Department of Consumer and Business Services.

FIDELITY BOND AND OTHER INSURANCE

The examination of insurance coverages involved a review of adequacy of limits and retentions and the solvency of the insurers providing the coverages. The Plan's insurance coverages are provided through insurance policies covering WDMC, and all majority-owned subsidiary companies as a named insured. The group as a whole is insured up to \$1,000,000 per fidelity loss after a \$10,000 deductible and up to \$1,000,000 per loss after a \$10,000 retention against losses from acts of dishonesty and fraud by its employees and agents.

Fidelity bond coverage was found to meet the coverage limits recommended by the NAIC. Other insurance coverages in force at December 31, 2014, were found to be adequate, and are as follows:

Property liability
 Business auto liability
 Workers' compensation
 General liability
 Privacy network protection

Commercial umbrella liability
 Director's and officer's liability
 Errors and omissions
 Earthquake and flood

TERRITORY AND PLAN OF OPERATION

The Plan and its predecessor insurer have written dental business in Oregon since 1983. The business is comprised of commercial plans, government plans, and individual plans. The Plan contracts with WDG for the provision of dental services to the Plan's membership. Pursuant to the provisions of ORS 750.095(2), the Plan's contracting dental office agreement contains a "hold harmless" provision. The hold harmless provision requires, in the event of failure to pay by the Plan for any reason, the contracting dental office shall look solely to the Plan for compensation for covered services and not to the policyholder.

The Plan reported total enrolled members over the past five years as follows:

Line of Business	2014	2013	2012	2011	2010
Individual hospital & medical	0	0	0	0	0
Group hospital & medical	0	0	0	0	0
Medicare supplement	0	0	0	0	0
Vision only	0	0	0	0	0
Dental only	113,676	100,390	91,432	83,880	70,053
FEHPB	0	0	0	0	0
Medicare	0	0	0	0	0
Medicaid	0	0	0	0	0
Other	0	0	0	0	0
Total enrollment	<u>113,676</u>	<u>100,390</u>	<u>91,432</u>	<u>83,880</u>	<u>70,053</u>

During 2014, the Plan reported direct business, as follows:

<u>State</u>	<u>Direct Premiums Written</u>
Oregon	\$43,248,031

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Net Income (Loss)</u>
2010	\$4,777,421	\$ 871,703	\$3,905,718	\$688,123
2011	5,829,254	1,096,387	4,732,867	861,123
2012*	6,603,276	1,072,290	5,528,986	800,045
2013	7,082,201	813,188	6,274,013	665,803
2014*	8,529,012	1,922,792	6,606,220	533,118

*Per examination

LOSS EXPERIENCE

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

<u>Year</u>	<u>(1) Total Revenues</u>	<u>(2) Total Hospital and Medical</u>	<u>(2)/(1) Simple Medical Loss Ratio</u>	<u>(3) Claim Adjustment and General Expenses</u>	<u>(2)+(3)/(1) Combined Loss Ratio</u>
2010	\$29,749,356	\$27,224,372	91.5%	\$1,525,676	96.6%
2011	32,454,503	29,696,865	91.5%	1,524,382	96.2%
2012*	35,126,912	32,155,290	91.5%	1,506,872	95.8%
2013	37,859,523	34,590,584	91.4%	2,278,139	97.4%
2014*	43,306,080	39,596,715	91.4%	2,635,704	97.5%

*Per examination

A combined loss incurred and expense to premium ratio of more than 100% would indicate an underwriting loss. The Plan reported no underwriting losses in the last five years.

REINSURANCE

Assumed

None.

Ceded

The Plan does not have reinsurance since the entire risk for claims is transferred to WDG through the provider arrangement described above. The Oregon Division of Financial Regulation allows, under Director's Bulletin 96-2, the transfer of risk to a nonlicensed entity if the capitation is internal to a policy of insurance that is delivered by the health care service contractor.

In view of the Plan's adjusted capital and surplus of \$6,606,220 at December 31, 2014, it does not maintain risk on anyone subject in excess of ten percent of its surplus to policyholders, in compliance with ORS 731.504

ACCOUNTS AND RECORDS

In general, the Plan's records and source documentation supported the amounts presented in the Plan's December 31, 2014, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170.

STATUTORY DEPOSIT

As of the examination date, the Plan maintained a \$55,000 (par value) US Treasury bond on deposit at the Division of Financial Regulation, which meets the requirements of ORS 750.045(2). The deposit was verified from the records of the Oregon Division of Financial Regulation. The statutory deposit was properly listed in the 2014 annual statement on Schedule E – Part 3.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were three recommendations made in the 2012 report of examination, however, no adjustments were made to surplus as a result of the examination findings. In a follow-up report prepared September 25, 2013, the Division of Financial Regulation concluded the Plan was in compliance with each of the recommendations.

SUBSEQUENT EVENTS

There were no items subsequent to the examination date that would have an impact on the financial statements.

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, 2014. 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 statements. These statements include:

- Statement of Assets
- Statement of Liabilities, Capital and Surplus
- Statement of Revenue and Expenses
- Reconciliation of Surplus since the Last Examination

WILLAMETTE DENTAL INSURANCE, INC.
ASSETS
As of December 31, 2014

Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	\$ 482,410	\$ -	\$ 482,410	
Cash, cash equivalents and short-term investments	<u>7,045,045</u>	<u>-</u>	<u>7,045,045</u>	
Subtotal, cash and invested assets	<u>\$ 7,527,455</u>	<u>\$ -</u>	<u>\$ 7,527,455</u>	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	721,176	-	721,176	
Receivable from parent, affiliates and subsidiaries	<u>280,381</u>	<u>-</u>	<u>280,381</u>	
Total Assets	<u>\$ 8,529,012</u>	<u>\$ -</u>	<u>\$ 8,529,012</u>	

WILLAMETTE DENTAL INSURANCE, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2014

Liabilities, Surplus and other Funds	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	\$ 0	\$ -	\$ 0	1
Aggregate health policy reserves	57,256	-	57,256	1
Premiums received in advance	130,459	-	130,459	
General expenses due or accrued	48,081	-	48,081	
Current FIT payable	503,263	-	503,263	
Net deferred tax liability	36,688	-	36,688	
Amounts withheld or retained for account of others	699,637	-	699,637	
Amounts due to parent, subsidiaries and affiliates	281,712	165,696	447,408	
Total Liabilities	<u>\$ 1,757,096</u>	<u>\$ 165,696</u>	<u>\$ 1,922,792</u>	
Aggregate write-in for special surplus funds	\$ 376,000	\$ -	\$ 376,000	
Common capital stock	1,000	-	1,000	
Gross paid in and contributed surplus	829,505	-	829,505	
Unassigned funds (surplus)	5,565,411	(165,696)	5,399,715	
Surplus as regards policyholders	6,771,916	(165,696)	6,606,220	
Total Liabilities, Surplus and other Funds	<u>\$ 8,529,012</u>	<u>\$ -</u>	<u>\$ 8,529,012</u>	

WILLAMETTE DENTAL INSURANCE, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2014

Revenue	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Net premium income	\$ 43,248,031	\$ -	\$ 43,248,031	
Aggregate write-ins for health care related revenues	58,049	-	58,049	
Total revenue	43,306,080	-	43,306,080	
Hospital and Medical:				
Hospital/medical benefits	0	-	0	
Other professional services	39,596,715	-	39,596,715	
Outside referrals	0	-	0	
Emergency room and out-of-area	0	-	0	
Prescription drugs	0	-	0	
Incentive pool, withhold adjustments and bonus amounts	0	-	0	
Subtotal	39,596,715	-	39,596,715	
Less:				
Net reinsurance recoveries	0	-	0	
Total medical and hospital	39,596,715	-	39,596,715	
Non-health claims	0	-	0	
Claim adjustment expenses	0	-	0	
General administrative expenses	2,635,704	-	2,635,704	
Increase in reserves for life and accident and health contracts	0	-	0	
Total underwriting deductions	42,232,419	-	42,232,419	
Net underwriting gain or (loss)	1,073,661	-	1,073,661	
Net investment income earned	9,219	-	9,219	
Net realized capital gains (losses)	35,042	-	35,042	
Net investment gains (losses)	44,261	-	44,261	
Net gain or (loss) from agents' or premium balances charged off	0	-	0	
Aggregate write-ins for other income or expense	0	-	0	
Federal income taxes incurred	584,804	-	584,804	
Net investment (loss)	\$ 533,118	\$ -	\$ 533,118	

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

	2014	2013
Surplus as regards policyholders, December 31, previous year	<u>\$ 6,274,013</u>	<u>\$ 5,528,986</u>
Net income	533,118	665,803
Change in net unrealized capital gains or (losses)	7,424	65,559
Change in net unrealized foreign exchange capital gains	-	-
Change in net deferred income tax	-	-
Change in non-admitted assets	(42,639)	13,666
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)	-	-
Adjustment made by Examination	(165,696)	
Aggregate write-ins for gains and losses in surplus	<u>-</u>	<u>(1)</u>
Change in surplus as regards policyholders for the year	<u>332,207</u>	<u>745,027</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 6,606,220</u>	<u>\$ 6,274,013</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Actuarial Reserves

A review of the unpaid claims and claim adjustment expense reserves for the Plan was performed by Scott Fitzpatrick, FSA, MAAA, health actuary for the Washington State Office of the Insurance Commissioner (OIC). As part of the OIC review, Mr. Fitzpatrick examined the Actuarial Report Supporting Statements as of December 31, 2014, prepared by the Plan's consulting actuary, Lynn F. Dong, FSA, MAAA, Principal & Consulting Actuary of Milliman Inc., and determined the following:

	<u>Actuarial Liability</u>
Claims Unpaid	\$ 0
Accrued Medical Incentive Pool and Bonus Payments	0
Unpaid Claims Adjustment Expenses (CAE)	0
Aggregate Health Policy Reserves	57,256
Premium Deficiency Reserves	-
Total Actuarial Liabilities	<u>\$ 57,256</u>
Other Items	
Premiums Received in Advance	130,459
Liability for Amounts Held Under Uninsured Plans	0
Amounts Receivable Relating to Uninsured Plans	0
Accrued Retrospective Premiums	0
Amounts Recoverable from Reinsurers	0
Health Care and Other Amounts Receivable	0

The appointed actuary opined that the reserves for unpaid claims and CAE carried by the Plan as of December 31, 2014, were reasonable. The OIC health actuary concurred that the reserves of the Plan were fairly stated as of December 31, 2014.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Page

- 6 I recommend the Plan comply with its Bylaws in respect to written consents and comply with ORS 732.320. I further recommend the Plan maintain accurate records of its transactions and file the annual statement using the rules and procedures in the NAIC Annual Statement Instructions and Manual for health insurance companies as required by OAR 836-011-0000 and notify the Division as pursuant to ORS 733.210(2).

- 7 I recommend the Plan update its investment policy and comply with ORS 733.730 by requiring the Board to review and approve all investment transactions that are held by the Plan.

- 10 I recommend the Plan adhere to SSAP No. 25 and disclose all affiliated parties that its affiliates directly or indirectly, own, control, hold with the power to vote, or hold proxies representing 10% or more of the voting interest of the entity in Schedule Y of the annual statement. I also recommend the Plan comply with ORS 732.522 registration statement, to include 25% ownership of Exceptional Needs Dental Services when filing Form B and Form C.

- 11 I recommend the Plan revise the Business Service Agreement between WDM and the Plan to include a true-up of the Management & Service Fee at year-end to ensure fees are fair and reasonable and to comply with SSAP 25, SSAP 70, and ORS 732.574, by allocating shared expenses using information that yields that most accurate results and results in the most fair and reasonable basis. If an estimate is used initially, it must be trued-up utilizing the best information available in order to yield the most accurate results required by SSAP 70.

- 12 I recommend the Plan keep current information required to be disclosed on its registration statement in accordance with ORS 732.554, by reporting all material changes or additions on amended forms to the Department of Consumer and Business Services.

CONCLUSION

During the three year period covered by this examination, the surplus of the Plan has increased from \$5,528,986, as presented in the December 31, 2012, report of examination to \$6,606,220, as shown in this report. The comparative assets and liabilities are:

	<u>2014</u>	<u>December 31,</u> <u>2012</u>	<u>Change</u>
Assets	\$8,529,012	\$6,603,276	\$1,925,736
Liabilities	<u>1,922,792</u>	<u>1,074,290</u>	<u>848,502</u>
Surplus	<u>\$6,606,220</u>	<u>\$5,528,986</u>	<u>\$1,077,234</u>

ACKNOWLEDGMENT

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

In addition to the undersigned, Heather DeShores, MPA, MAFM, and Keilei Yambaw, AFE, insurance examiners for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in this examination. We would also like to thank the following for their participation in this coordinated examination:

Idaho Department of Insurance

Lois Haley, CFE, Financial Examiner and EIC

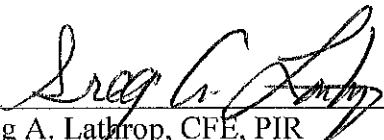
Washington Office of the Insurance Commissioner

Tarik Subbagh, CFE, Supervising Financial Examiner

Katy Bardsley, CPA, CFE, Financial Examiner and EIC

Terry Gates, CPA, Financial Examiner

Respectfully submitted,



Greg A. Lathrop, CFE, PIR
Supervising Financial Examiner
Department of Consumer and Business Services
State of Oregon

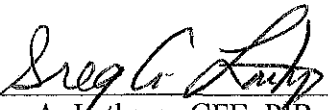
AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Greg A. Lathrop, CFE, PIR, being duly sworn, states as follows:

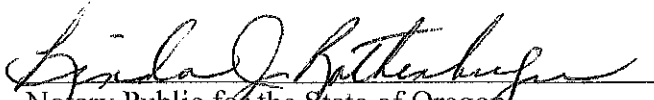
1. I have authority to represent the state of Oregon in the examination of Willamette Dental Insurance, Inc., Hillsboro, Oregon.
2. The Division of Financial Regulation of the Department of Consumer and Business Services of the State of Oregon is accredited under the National Association of Insurance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

The affiant says nothing further.

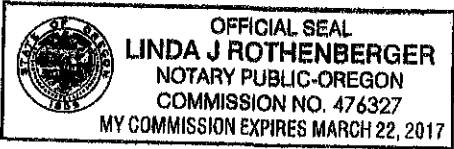


Greg A. Lathrop, CFE, PIR
Supervising Financial Examiner
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to me this 1st day of June, 2016.



Notary Public for the State of Oregon



My Commission Expires: 3/22/2017