

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, 2019

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

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HILLSBORO, OREGON**

NAIC COMPANY CODE 52555

AS OF

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SALUTATION

March 4, 2021

Honorable Andrew Stolfi, Director,
Department of Consumer and Business Services
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Director:

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 "Plan." The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our regular, multi-state, full-scope examination of Willamette Dental Insurance, Inc., conducted with the insurance regulators from the states of Idaho and Washington. The examination was coordinated with the insurers in the Willamette Dental Group, with the State of Washington designated as the lead state. The examination was conducted in conjunction with the examination of two affiliated 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 for the period ending December 31, 2014. This examination covers the period of January 1, 2015, through December 31, 2019.

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 were separately communicated to other regulators and 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 the issuance of 1,000 shares of non-par voting common stock. At December 31, 2019, the Plan reported 100 shares issued and outstanding, with a stated par 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 to Stockholders and Other Distributions

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

CORPORATE RECORDS

Board Minutes

The review of the Board meeting minutes of the Plan did not consistently support the transactions of the Plan, nor adequately describe the actions taken by its directors. Several inconsistencies were noted in the documentation which made the sequence of events unclear, such as appointing the external auditor and approving the external audit. In addition, the Plan's appointed actuary did not report to and present the Actuarial Opinion and the Actuarial Memorandum to the Board of Directors. These actions were not recorded in the minutes to the Board.

I recommend the Plan to comply with ORS 732.578(4) and OAR 836-011-0223(2) regarding Board requirements of CPA audits, and ORS 731.574 and OAR 836-011-0000 regarding actuarial reports.

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 was provided to the examiners that this committee has ever met.

The Plan's 2019 statutory audit engagement letter with its Certified Public Accountant (CPA), Perkins & Company, P.C., include a limitation of liability clause. OAR 836-011-0160(1)(b) does not allow the Director to recognize a person or firm as a qualified independent CPA if the person or firm has directly or indirectly entered into an agreement of indemnity, or release or limitation from liability, with respect to each respective insurer's audit.

I recommend the Plan comply with OAR 836-011-0160(1)(b) by ensuring that future contracts with its CPA for the audit engagement do not contain an agreement of indemnity, a hold harmless provision, nor a release or limitation from liability with respect to the audit of the Plan.

Articles of Incorporation

The Plan's restated Articles of Incorporation were most recently amended on November 22, 2013.

The Articles of Incorporation conformed to the Oregon Insurance Code.

Bylaws

The Plan's Bylaws were last restated on November 22, 2013. The Bylaws conformed 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, 2019, 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 Constantine Skourtes * Beaverton, Oregon	President and CEO Willamette Dental Insurance, Inc.	1999
Norman Wapnick Beaverton, Oregon	Retired Attorney	1999

*Chairman

The Insurance Code requires at least one third of the Board of Directors be representatives of the public who are not practicing doctors, employees, or trustees of a participant hospital. The Plan was in compliance with ORS 750.015. The Directors as a group had experience in law, insurance, accounting and management, in accordance with the provisions of ORS 731.386.

Officers

Principal officers serving at December 31, 2019, were as follows:

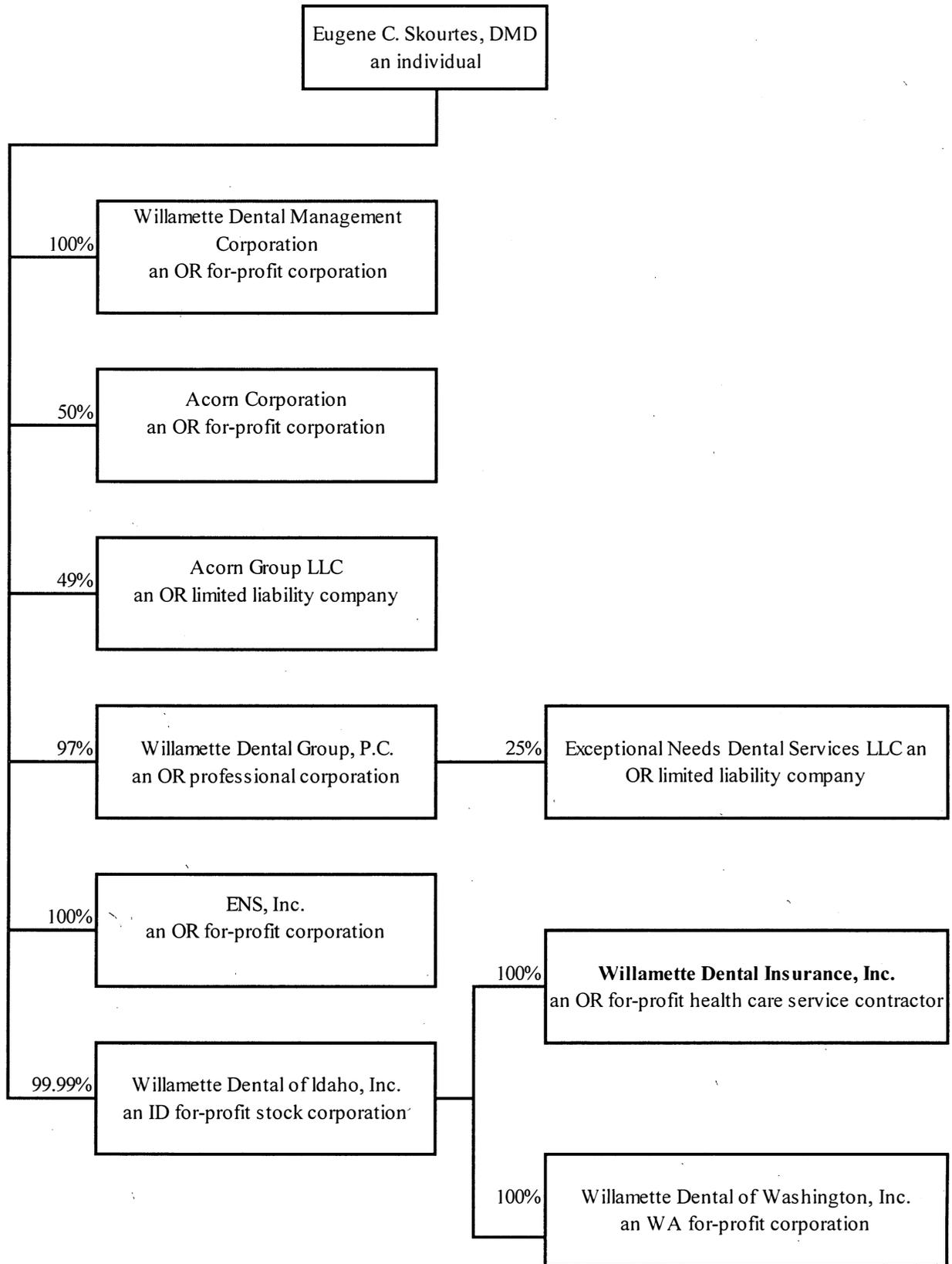
<u>Name</u>	<u>Title</u>
Eugene C. Skourtes	President & Secretary
Wee Yuen Chin	Treasurer

Conflict of Interest

The Plan's 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

An insurance holding company registration statement was filed by the Plan in accordance with the provisions of ORS 732.552, ORS 732.554, and OAR 836-027-0020(1). The following condensed organizational chart depicts the relationships of the Plan within the holding company system:



A description of each of the entities above is as follows:

Dr. Eugene C. Skourtes, DMD is the ultimate controlling person for the Willamette Dental Group.

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.

Acorn Corporation is an Oregon for-profit corporation incorporated on August 23, 1991. Dr. Skourtes owns 50% of this corporation.

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

Acorn Group LLC is an Oregon limited liability company used to hold real estate properties, formed on December 5, 2012. It holds property in the three states in which WDGPC leases dental space. Dr. Skourtes has a 49% ownership of this LLC.

Willamette Dental Group, P. C. (WDGPC) 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. It is home to full-service dentistry including specialty treatments such as endodontics, periodontics, pediatric dentistry, dental implants, and orthodontia for the entire family. WDGPC also provides patients the convenience of purchasing retail products and prescriptions from all office locations. This corporation owns 25 percent of:

Exceptional Needs Dental Services, LLC (ENDS) is an Oregon limited liability company formed on October 31, 2014, to provide dental care access to individuals who are functionally impaired, or requiring assistance with Activities of Daily Living.

Willamette Dental of Idaho, Inc. (WDID) is an Idaho C corporation, which was formed and licensed by the Idaho Department of Insurance as a limited managed care organization in 1998. In 2002 the Company changed its name from Columbia Dental of Idaho, Inc. to the present name. WDID markets and administers dental plans to employers, groups and patients in the state of Idaho. In addition to the Plan, this corporation owns 100 percent of:

Willamette Dental of Washington, Inc. (WDW) is a Washington C corporation, licensed by the Washington Office of Insurance Commissioner as a Limited Health Care Service Contractor since 1996. Formerly known as Columbia Dental of Washington, Inc., WDW markets and administers dental plans to employers and groups in the state of Washington.

INTERCOMPANY AGREEMENTS

The following agreements are in place:

Dental Provider Agreement

Effective January 1, 2017, the Plan entered into a agreement with WDG. Under the agreement, the Plan 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 Plan, 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. The payments are due on a quarterly basis.

Business Service Agreement

The Plan entered into a agreement with WDMC, effective of October 1, 2014, and first amended on August 1, 2016. WDMC will provide business, management and administrative services, support service, financial record keeping and reporting, and other business services as necessary for the day to day operations of the Plan. Further the Business services to be provided by WDMC specifically includes; accounting and financial records, marketing materials and advertising, underwriting, billing and collection, payment of WDI expenses, tax matters, clerical supplies and services and licenses and permits. As compensation for services rendered by WDMC to the Plan, the Plan pays WDMC a monthly administrative fee plus all direct expenses actually paid each month by WDMC. The amount of the fee is calculated through the budgeting process using membership projections and WDMC estimated revenues and expenses.

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, with all majority-owned subsidiary companies as a named insured.

The group as a whole is insured up to \$2,000,000 per fidelity loss after a \$25,000 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, 2019, were found to be adequate, and included:

Property liability
 Business auto liability
 Errors and omissions
 Earthquake and flood

Commercial umbrella liability
 Management liability
 General liability
 Cyber liability

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	2019	2018	2017	2016	2015
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	164,820	157,060	145,405	134,641	121,919
FEHBP	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>164,820</u>	<u>157,060</u>	<u>145,405</u>	<u>134,641</u>	<u>121,919</u>

During 2019, the Plan reported direct business only in the State of Oregon, totaling \$75,252,258.

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</u>
2015	\$ 9,091,024	\$ 1,619,547	\$ 7,471,477	\$ 705,021
2016	9,503,182	1,538,517	7,964,665	489,126
2017	10,915,783	1,847,682	9,068,101	956,657
2018	11,370,543	1,355,576	10,014,967	1,043,563
2019 *	14,099,941	2,061,869	12,038,072	1,887,001

*Per examination

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the Plan over the past five years. The amounts were obtained 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) Medical Loss Ratio</u>	<u>(3) Claim Adjustment and General Expenses</u>	<u>(2)+(3)/(1) Combined Loss Ratio</u>
2015	\$ 47,175,519	\$ 43,067,806	91.3%	\$ 2,709,097	97.0%
2016	53,348,201	48,678,591	91.2%	3,655,607	98.1%
2017	59,838,400	54,756,163	91.5%	3,530,038	97.4%
2018	67,458,389	61,786,294	91.6%	4,237,509	97.9%
2019 *	75,310,037	68,877,689	91.5%	4,111,860	96.9%

*Per examination

A combined claims and expense to premium ratio in excess of 100% typically indicates an underwriting loss. The Plan reported underwriting gains in each of the past five years.

REINSURANCE

The Plan does not have reinsurance since the entire risk for claims is transferred to WDG through the capitated provider arrangement described above. The Oregon Division of Financial Regulation allows, under Director's Bulletin 96-2, the transfer of risk to a non-licensed 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 \$12,038,072 at December 31, 2019, 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, 2019, 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 \$54,938 (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 2019 annual statement on Schedule E – Part 3.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were five recommendations made in the 2014 report of examination, however, no adjustments were made to surplus as a result of the examination findings.

SUBSEQUENT EVENTS

On March 11, 2020, the Novel Coronavirus Disease, COVID-19, was declared a pandemic by the World Health Organization. On March 13, 2020, a national emergency was declared in the United States concerning the COVID-19 outbreak. After those developments, the Company shifted its

workforce to a remote work-from-home model, that company management has predicted will last through at least the end of 2020. The change has not immediately impacted company financials but could see future cost fluctuations related to infrastructure, employee expenses related to productivity, and network/security expenses.

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 Plan for the period ending December 31, 2019. 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 Capital and Surplus Since the last Examination

WILLAMETTE DENTAL INSURANCE, INC.
ASSETS
As of December 31, 2019

Assets	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Bonds	\$ 1,948,724	\$ -	\$ 1,948,724	1
Common stocks	1,857,927	-	1,857,927	1
Cash, cash equivalents and short-term investments	9,442,325	-	9,442,325	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal, cash and invested assets	<u>13,248,976</u>	<u>-</u>	<u>13,248,976</u>	
Investment income due and accrued	38,571	-	38,571	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	812,394	-	812,394	
Aggregate write-ins for other than invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Total Assets	<u>\$ 14,099,941</u>	<u>-</u>	<u>\$ 14,099,941</u>	

WILLAMETTE DENTAL INSURANCE, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2019

	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	\$ -	\$ -	\$ -	2
Accrued medical incentive pool and bonus amounts	-	-	-	
Unpaid claims adjustment expense	-	-	-	2
Aggregate health policy reserves	69,380	-	69,380	2
Premiums received in advance	12,700	-	12,700	
General expenses due or accrued	77,420	-	77,420	
Current FIT payable	462,669		462,669	
Net deferred tax liability	82,967		82,967	
Amounts withheld or retained for the account of others	1,053,601		1,053,601	
Amounts due to parent, subsidiaries and affiliates	303,132		303,132	
Aggregate write-ins for liabilities	<u>-</u>	<u>-</u>	<u>-</u>	
Total Liabilities	<u>\$ 2,061,869</u>	<u>\$ -</u>	<u>\$ 2,061,869</u>	
Aggregate write-ins for special surplus funds	\$ 1,155,000	\$ -	\$ 1,155,000	
Common capital stock	1,000		1,000	
Gross paid-in and contributed capital	829,505	-	829,505	
Unassigned funds (surplus)	<u>10,052,567</u>	<u>-</u>	<u>10,052,567</u>	
Surplus as regards policyholders	<u>\$ 12,038,072</u>	<u>-</u>	<u>\$ 12,038,072</u>	
Total Liabilities, Surplus and other Funds	<u>\$ 14,099,941</u>	<u>-</u>	<u>\$ 14,099,941</u>	

WILLAMETTE DENTAL INSURANCE, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2019

	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Revenue				
Net premium income	\$ 75,252,258	\$ -	\$ 75,252,258	
Fee for service	798	-	798	
Aggregate write-ins for health care related revenues	<u>56,981</u>	<u>-</u>	<u>56,981</u>	
Total revenue	<u>75,310,037</u>	<u>-</u>	<u>75,310,037</u>	
Hospital and Medical:				
Hospital/medical benefits	-	-	-	
Other professional services	68,877,689	-	68,877,689	
Outside referrals	-	-	-	
Emergency room and out-of-area	-	-	-	
Prescription drugs	-	-	-	
Aggregate write-ins for other hospital and medical	-	-	-	
Incentive pool, withhold adjustments and bonus amounts	-	-	-	
Subtotal	<u>68,877,689</u>	<u>-</u>	<u>68,877,689</u>	
Less:				
Net reinsurance recoveries	<u>-</u>	<u>-</u>	<u>-</u>	
Total medical and hospital	68,877,689	-	68,877,689	
Non-health claims	-	-	-	
Claim adjustment expenses	-	-	-	
General administrative expenses	4,111,860	-	4,111,860	
Increase in reserves for life and accident and health contracts	<u>-</u>	<u>-</u>	<u>-</u>	
Total underwriting deductions	<u>72,989,549</u>	<u>-</u>	<u>72,989,549</u>	
Net underwriting gain or (loss)	<u>2,320,488</u>	<u>-</u>	<u>2,320,488</u>	
Net investment income earned	99,812	-	99,812	
Net realized capital gains (losses)	<u>72,368</u>	<u>-</u>	<u>72,368</u>	
Net investment gains (losses)	172,180	-	172,180	
Net gain or (loss) from agents' or premium balances charged off	-	-	-	
Aggregate write-ins for other income or expense	-	-	-	
Federal income taxes incurred	<u>605,667</u>	<u>-</u>	<u>605,667</u>	
Net income	<u>\$ 1,887,001</u>	<u>\$ -</u>	<u>\$ 1,887,001</u>	

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

	2019	2018	2017	2016	2015
Surplus as regards policyholders, December 31, previous year	<u>\$ 10,014,967</u>	<u>\$ 9,068,101</u>	<u>\$ 7,964,665</u>	<u>\$ 7,471,477</u>	<u>\$ 6,771,916</u>
Net income (loss)	1,887,001	1,043,563	956,657	489,126	705,021
Change in net unrealized capital gains or (losses)	192,592	(117,379)	82,026	28,396	(13,807)
Change in net deferred income tax	-	-	-	-	-
Change in non-admitted assets	(56,488)	20,682	64,753	(24,335)	8,348
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	-	-	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-	1	(1)
Change in surplus as regards policyholders for the year	<u>2,023,105</u>	<u>946,866</u>	<u>1,103,436</u>	<u>493,188</u>	<u>699,561</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 12,038,072</u>	<u>\$ 10,014,967</u>	<u>\$ 9,068,101</u>	<u>\$ 7,964,665</u>	<u>\$ 7,471,477</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At December 31, 2019, the Plan’s long-term bond investments were in US obligations. The Company had no exposure to mortgaged-backed and asset-backed securities. Common stocks consisted of a number of mutual funds and money market funds. The Plan reported cash in a checking account, a US Treasury Bill and short-term investments held in three money market funds.

A comparison of the investments classes over the past five years is as follows:

<u>Year</u>	<u>A</u> <u>Bonds</u>	<u>B</u> <u>Common</u> <u>Stocks</u>	<u>C</u> <u>Cash and</u> <u>Short-Term</u>	<u>Ratio</u> <u>A/</u> <u>Total Assets</u>	<u>Ratio</u> <u>B/</u> <u>Total Assets</u>	<u>Ratio</u> <u>C/</u> <u>Total Assets</u>
2015	\$ -	\$ 476,585	\$ 8,130,503	0.0%	5.2%	89.4%
2016	-	539,775	8,252,478	0.0%	5.7%	86.8%
2017	-	651,647	8,809,785	0.0%	6.0%	80.7%
2018	1,948,240	1,526,249	6,299,065	17.1%	13.4%	55.4%
2019*	1,948,724	1,857,927	9,442,325	13.8%	13.2%	67.0%

* Balance per examination

As of December 31, 2019, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits, in compliance with ORS 733.580. The Board formally approved the investment transactions in each of the years under review, as required by ORS 733.730.

Effective January 26, 2005, the Plan entered into a custodial agreement with US Bank, NA. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (l).

Note 2 – Actuarial Reserves

A review of the unpaid claims and claim adjustment expense reserves for the Plan was performed by Ms. Amy Peach, FSA, MAAA, health actuary for the Washington State Office of the Insurance Commissioner (OIC). As part of her review, Ms. Peach examined the Actuarial Report Supporting Statements as of December 31, 2019, prepared by the Plan's consulting actuary, Lynn F. Dong, FSA, MAAA, Principal & Consulting Actuary of Milliman Inc., and determined the following:

	Exam Estimate	Annual Statement
Claims Unpaid	\$ -	\$ -
Accrued Medical Incentive Pool and Bonus Payments	-	-
Unpaid Claims Adjustment Expenses (CAE)	-	-
Aggregate Health Policy Reserves	69,380	69,380
Premium Deficiency Reserves	-	-
Total Actuarial Liabilities	\$ 69,380	\$ 69,380

The Plan's appointed actuary opined that the reserves for unpaid claims and CAE carried by the Plan as of December 31, 2019, were reasonable. The OIC health actuary concurred that the reserves of the Plan were fairly stated as of December 31, 2019.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following is a summary of the recommendations made as a result of this examination.

Page:

- 6 I recommend the Plan to comply with ORS 732.578(4) and OAR 836-011-0223(2) regarding Board requirements of CPA audits, and ORS 731.574 and OAR 836-011-0000 regarding actuarial reports.
- 7 I recommend the Plan comply with OAR 836-011-0160 (1)(b) by ensuring that future contracts with its CPA for the audit engagement do not contain an agreement of indemnity, a hold harmless provision, or a release or limitation from liability with respect to the audit of the Plan.

CONCLUSION

During the five year period covered by this examination, the surplus of the Plan has increased from \$6,606,220, as presented in the December 31, 2014, report of examination to \$12,038,072, as shown in this report. The comparative assets and liabilities are:

	December 31,		
	<u>2019</u>	<u>2014</u>	<u>Change</u>
Assets	\$ 14,099,941	\$ 8,529,012	\$ 5,570,929
Liabilities	<u>2,061,869</u>	<u>1,922,792</u>	<u>139,077</u>
Surplus	<u>\$ 12,038,072</u>	<u>\$ 6,606,220</u>	<u>\$ 5,431,852</u>

ACKNOWLEDGMENT

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

We would also like to thank the following for their participation in this coordinated examination:

Idaho Department of Insurance

Jessie Adamson, CFE, Financial Examiner and Examiner-In-Charge (EIC)

Washington Office of the Insurance Commissioner

Tarik Subbagh, CFE, Supervising Financial Examiner

Amy Peach, FSA, MAAA, Health Actuary

Randy Fong, CFE, Financial Examiner and EIC

Cynthia Clark, Financial Examiner

Zairina Othman, Financial Examiner

Respectfully submitted,

/s/ Tho Le

Tho Le, CFE, APIR

Senior Insurance Examiner

Division of Financial Regulation

Department of Consumer and Business Services

State of Oregon

AFFIDAVIT

STATE OF OREGON)

County of Marion)

Tho Le, CFE, 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.

/s/ Tho Le

Tho Le, CFE, APIR
Senior Insurance Examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this 13 day of July , 2021.

/s/ Sara Warburton

Notary Public in and for the State of Oregon

My Commission Expires: 12/17/21

