

FORM A

STATEMENT REGARDING THE ACQUISITION OF CONTROL
OF OR MERGER WITH A DOMESTIC INSURER

Dentists Benefits Insurance Company

BY

The Dentists Insurance Company
(Applicant)

Filed with the Department of Consumer and Business Services
of the State of Oregon

July 11, 2016

Name, Title, Address and Telephone Number of Individual to Whom Notices and
Correspondence Concerning This Statement Should Be Addressed:

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The Dentists Insurance Company
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FORM A

Item 1. INSURER AND METHOD OF ACQUISITION

The name and address of the domestic insurer to which this application relates is as follows:

Dentists Benefits Insurance Company
601 SW Second Avenue
Portland, OR 97204

Dentists Benefits Insurance Company (“DBIC”) is presently owned by Moda Health Plan, Inc. (“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 State of Oregon and Alaska.

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, Inc. (“Moda”), a for-profit corporation organized under the laws of Oregon. Moda is a wholly owned subsidiary of Oregon Dental Service (“ODS”), a nonprofit corporation organized under the laws of Oregon. ODA then controls ODS through ODA’s right to appoint the ODS Board of Directors.

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

The Applicant proposes to acquire from Moda Health all the issued and outstanding common stock of DBIC that is owned by Moda Health (the “DBIC Shares”) pursuant to a Stock Purchase Agreement dated June 10, 2016 by and among the Applicant, Moda Health, and Moda (the “Stock Purchase Agreement”). Following the consummation of the transactions contemplated by the Stock Purchase Agreement (the “Closing”), the DBIC Shares will be owned by the Applicant.

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

1. the purchase by the Applicant from Moda of all of the common stock of Northwest Dentists Insurance Company (“NORDIC”), an insurance company domiciled in the State of Washington (the “NORDIC Shares”), that is owned by Moda. NORDIC presently is beneficially owned by Moda, which owns 75% of the outstanding common stock of NORDIC, and by the Washington Dental

Association (“WSDA”), which presently owns the remaining 25% of NORDIC’s outstanding common stock; and

2. the purchase by TDIC Insurance Solutions (“TDICIS”) of all of the issued and outstanding common stock of Dentists Benefits Corporation (“DBC”), an Oregon corporation that acts as an 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.

On or about the date of this filing, the Applicant is filing a Form A Statement Regarding The Acquisition Of Control Of Or Merger With A Domestic Insurer with the Insurance Department of State of Washington seeking approval of its acquisition of 75% of the outstanding common stock of NORDIC.

A copy of the Stock Purchase Agreement is attached hereto as Exhibit A and incorporated herein by this reference.

Item 2. IDENTITY AND BACKGROUND OF THE APPLICANT

The name and address of the Applicant is as follows:

The Dentists Insurance Company
1201 K Street, 14th Floor
Sacramento, CA 95814

The Applicant is a for-profit insurance company domiciled in the State of California that transacts property/casualty business, including professional & dental business liability, commercial property, workers' compensation, and employment practices liability lines of business. The Applicant was organized in 1980 in response to a climate of increasing professional liability insurance premiums to offer affordable coverage to California dentists. The Applicant now serves nearly 18,000 dentists and has earned the endorsement of several state dental associations and societies. The Applicant currently transacts business in 10 states and is licensed to transact business in 40 states.

The Applicant is a wholly-owned subsidiary of CDA Holding Company, Inc. (“CDA Holding Company”), a for-profit corporation domiciled in the State of California that acts as a holding company and has no active business operations. CDA Holding Company is a wholly-owned subsidiary of CDA.

CDA is a not-for-profit corporation domiciled in the State of California and is the ultimate controlling person of the Applicant and, immediately after the Closing, will be the ultimate controlling person of DBIC.

CDA is a membership organization comprised of approximately 26,000 dentists practicing in the State of California that is committed to enhancing the professional lives

of its members. CDA offers to its members a unique set of resources, including education, practice support, advocacy and protection.

An organizational chart showing the identities of and the interrelationships among the Applicant and its affiliates is attached hereto as Exhibit B-1 and incorporated herein by this reference. There are no court proceedings pending involving a reorganization or liquidation with respect to the Applicant or any of its affiliates.

An organizational chart showing the identities of and the interrelationships among the Applicant and its affiliates immediately following the Closing is attached hereto as Exhibit B-2 and incorporated herein by this reference.

Item 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

The following individuals are Directors and Executive Officers of the Applicant:

Directors: Teri Barichello, DMD
Daniel Davidson, DMD
Dennis DeTomasi, DDS
Gary Dougan, DDS, MPH
Peter DuBois, ex-officio (non-voting)
Kenneth Jones
Kevin Keating, DDS, ex-officio
Steven Kend, DDS
Natasha Lee, DDS, ex-officio
Carliza Marcos, DDS
Carol McCutcheon, DDS
Sanjay Patel, DDS
Kevin Stockton
Mark Taira, DDS

Executive Officers: Peter DuBois – President & CEO
Kevin Roach – CFO
Kevin Keating, DDS – Secretary & Treasurer
Alison Sandman – Assistant Secretary
Todd Lewis – Assistant Treasurer

As previously indicated, CDA Holding Company is the sole shareholder of the Applicant. The following individuals are Directors and Executive Officers of CDA Holding Company:

Directors: Peter DuBois
Kevin Keating, DDS
Kenneth Wallis, DDS
George Maranon, DDS

Executive Officers: Peter DuBois – CEO
Kevin Keating, DDS – Secretary
Kenneth Wallis, DDS – Chair
Kevin Roach – CFO
Alison Sandman – Assistant Secretary
Todd Lewis – Assistant Treasurer

As previously indicated, CDA is the ultimate controlling person of the Applicant and CDA Holding Company. As a not-for-profit organization, CDA does not issue any voting securities and has no shareholders (controlling or otherwise).

The following individuals are Trustees and Executive Officers of CDA:

Trustees: David Anson, DDS
Richard Barnes, DDS
Nanette Benedict, DDS
Brenda Buzby, DDS
Michael Cadra, DDS
Adrian Carrington, DDS
Alan Cascio, DDS
Douglas Christiansen
Alma Clark, DDS
Martin Courtney, DDS
Jean Creasey, DDS
Gerald Danielson, DDS
Gail Duffala, DDS
William Evans, DMD, MD
Mark Fagan, DDS
Nava Fathi, DDS
Alan Felsenfeld, DDS
Richard Graham, DDS
John Hall, DDS
Kenneth Harrison, DDS
Irene Hilton, DDS, MPH
Terrence Jones, DDS
Sam Kennedy, DDS
M. Kholaki, DDS
Scott Kim, DDS
Stephen Lojeski, DDS
George Maranon, DDS
Carliza Marcos, DDS
Michael Marshall, DDS
Gerald Middleton, DDS
Bijan Modjtahedi, DDS
Richard Nagy, DDS

Melanie Parker, DDS
Sanjay Patel, DDS
Bert Rouleau, DMD
Deepinder Sahota, DDS
James Sanderson, DDS
Lynn Sayre-Carstairs, DMD
Charlotte Senseny, DMD
Scott Smith, DDS
Ariane Terlet, DDS
Sharine Thenard, DDS, MS
Parisa Zarbafian, DDS

Executive Officers: Kenneth Wallis, DDS – President
Clelan Ehrler, DDS – President -Elect
Natasha Lee, DDS – Vice President
R. Del Brunner, DDS – Secretary
Kevin Keating, DDS – Treasurer
Walter Weber, DDS – Immediate Past President
Peter DuBois – Executive Director
Kevin Roach – CFO

Present occupation and employment information for each Director and Executive Officer of the Applicant and CDA Holding Company and for each Trustee and Executive Officer of CDA is set forth in his or her Biographical Affidavit collectively marked as Exhibit C. Exhibit C contains confidential and personal information of the individuals identified therein, and the Applicant requests that such information be maintained in confidence by the Department. Additionally, information regarding material occupations, positions, offices, or employment during the past five years of each such individual, including information regarding any required licensing by or registration with any government agency, is set forth in the Biographical Affidavits.

Except as otherwise disclosed in the Biographical Affidavits, none of the Directors or Executive Officers of the Applicant or CDA Holding Company and none of the Trustees or Executive Officers of CDA have ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last 10 years.

The Applicant has engaged Owens OnLine, Inc. to provide independent third party background checks for each Director and Executive Officer of the Applicant and CDA Holding Company and for each Trustee and Executive Officer of CDA. Owens OnLine will submit the background checks to the Oregon Department of Consumer and Business Services.

Item 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

As more fully set forth in the Stock Purchase Agreement, and subject to the terms and conditions set forth therein, the total consideration payable to Moda and Moda Health Plan, Inc. (collectively, the “Sellers”) by the Applicant and TDIC Insurance Solutions (collectively, the “Purchasers”) will consist of:

1. \$34,000,000 *less* an amount equal to the Sweep Account Payable (the “Purchase Price”), approximately \$3,900,000 of which will be paid into an escrow account at the Closing, with the remainder payable in cash by Purchasers to Sellers at the Closing or, with respect to certain Transaction Expenses, not later than three (3) days prior to the Closing. The Purchase Price is subject to certain post-Closing adjustments described in the Stock Purchase Agreement; and
2. An amount equal to the Sweep Account Payable determined as of the date of the Closing. The Sweep Account Payable is that certain intercompany payable by DBC in favor of Moda, which is estimated to be \$450,000 as of the date of the Closing, with respect to the eDIMS system. Purchasers shall pay the Sweep Account Payable to Moda immediately after the Closing.

Within sixty (60) days after the date of the Closing, the Purchasers will prepare and deliver to representatives of the Sellers the allocation of the Purchase Price among the NORDIC Shares, the DBIC Shares and the DBC Shares.

The Purchase Price less the Sweep Account Payable will be paid by the Purchasers with cash on hand, and no part thereof will be financed. The Purchase Price was reached through arm’s length negotiations between the Purchasers and Seller.

Item 5. FUTURE PLANS OF INSURER

The Applicant has no present plans or proposals to cause DBIC to declare an extraordinary dividend, to liquidate DBIC, to sell the assets of DBIC or to merge DBIC with any person or persons, or, except as described in the Confidential DBIC Business Plan marked as Exhibit D (together with Exhibits D-1 through D-2), to make any other material change in DBIC’s business operations or corporate structure or management. Exhibits D and D-1 through D-2 contain confidential and proprietary information of the Applicant and will be filed confidentially under separate cover.

Item 6. VOTING SECURITIES TO BE ACQUIRED

The total number of shares of DBIC to be acquired is 1,000 shares of common stock, par value \$3.00 per share, which represents all of the issued and outstanding shares of DBIC. As a result of transactions contemplated by the Stock Purchase Agreement, at the closing the Applicant will become the owner of all of the issued and outstanding shares of DBIC.

The terms of the purchase were reached through arm's length negotiations between the Applicant and Moda.

Item 7. OWNERSHIP OF VOTING SECURITIES

Other than the proposed purchase of the Shares of DBIC by the Applicant pursuant to the Stock Purchase Agreement, there are no securities of DBIC that are beneficially owned or concerning which there is a right to acquire beneficial ownership by the Applicant, its affiliates or any person identified in Item 3.

Item 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Other than the Stock Purchase Agreement and the transactions contemplated therein, there exists no contract, arrangement or understanding with respect to any voting security of DBIC in which the Applicant, its affiliates or any person identified in Item 3 is involved, including, but not limited to, transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, or the giving or withholding of proxies.

Item 9. RECENT PURCHASES OF VOTING SECURITIES

There has been no purchase of any voting securities of DBIC by the Applicant, its affiliates or any person identified in Item 3 during the twelve calendar months preceding the filing of this Form A Statement.

Item 10. RECENT RECOMMENDATIONS TO PURCHASE

Other than the proposed acquisition by the Applicant of the Shares of DBIC pursuant to the Stock Purchase Agreement, there have been no recommendations to purchase of any voting security of DBIC made by the Applicant, its affiliates or any person identified in item 3, or by anyone based upon interviews or at the suggestion of the Applicant, its affiliates or any person identified in Item 3 during the twelve calendar months preceding the filing of this Form A Statement.

Item 11. AGREEMENTS WITH BROKER-DEALERS

None of the Applicant, its affiliates or any person identified in item 3 has any agreement, contract, or understanding with any broker-dealer as to the solicitation of voting securities of DBIC for tender.

Item 12. FINANCIAL STATEMENTS AND EXHIBITS

Attached hereto are the following Exhibits:

- Exhibit A: Stock Purchase Agreement
- Exhibit B-1: Pre-Closing Organizational Chart
- Exhibit B-2: Post-Closing Organizational Chart
- Exhibit C: Biographical Affidavits for Directors and Executive Officers for Applicant and for Trustees and Executive Officers for CDA - Confidential
- Exhibit D: Confidential DBIC Business Plan (filed with Exhibit D-1 under separate cover)
 - Exhibit D-1: Three-Year Financial Statement Projections for DBIC
 - Exhibit D-2: Three-Year Financial Statement Projections for Applicant
- Exhibit E-1: Audited Annual Financial Statements of the Applicant for the year ended December 31, 2011
- Exhibit E-2: Audited Annual Financial Statements of the Applicant for the year ended December 31, 2012
- Exhibit E-3: Audited Annual Financial Statements of the Applicant for the year ended December 31, 2013
- Exhibit E-4: Audited Annual Financial Statements of the Applicant for the year ended December 31, 2014
- Exhibit E-5: Audited Annual Financial Statements of the Applicant for the year ended December 31, 2015

Item 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen business days after the end of the month in which the acquisition of control occurs.

[Remainder of Page Left Intentionally Blank. Signature and Certification Page follow.]

Item 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Under the requirements of ORS 732.517 to 732.592, The Dentists Insurance Company has caused this application to be duly signed on its behalf in the City of Sacramento and State of California on the 11th day of July, 2016.

THE DENTISTS INSURANCE COMPANY
(Name of Applicant)

Attest: 
Peter A. DuBois, President & CEO

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated July 11th, 2016, for and on behalf of The Dentists Insurance Company, that he is the CFO of such company, and that he is authorized to execute and file the instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.


Kevin Roach, CFO