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FILED
JAN 25 2007

Department of Insurance
State of Idaho

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE
STATE OF IDAHO

IN THE MATTER OF:)	
)	
Willamette Dental of Idaho, Inc.)	ORDER ADOPTING
)	REPORT OF EXAMINATION
Idaho Certificate of Authority: 3067)	AS OF DECEMBER 31, 2005
NAIC Company Code: 95819)	
)	Docket No. 18-2377-07
)	
)	
)	
)	

The above described Report of Examination of Willamette Dental of Idaho, Inc. (Company) was completed by examiners of the Idaho Department of Insurance (Department), signed the 8th day of January 2007 by the examiner-in-charge, David W. Emery, CFE, FLMI and a verified copy was filed with the Department effective January

8, 2007. The verified report was transmitted to the Company electronically on January 8, 2007 to Mr. Jeffrey Peterson, Director of Finance, with a copy going to Dr. Eugene C. Skourtes, President.

WAIVER

Based upon the Waiver, attached and incorporated herein as Exhibit A, signed by Wee Yuen Chin, Treasurer, dated and received (electronically) January 24, 2007, this is a final order, and the Company has also waived its rights to reconsideration and appeal / judicial review of this order.

ORDER

NOW THEREFORE, after carefully reviewing the above described Report of Examination, attached hereto and incorporated herein as Exhibit B, and good cause appearing therefor, it is hereby ordered that the above described report, which includes the findings, conclusions, comments and recommendations supporting this order, is hereby ADOPTED as the final examination report and as an official record of the Department under Idaho Code § 41-227(5)(a).

DATED and EFFECTIVE at Boise, Idaho this 25th day of January 2007.


William W. Deal, Director
IDAHO DEPARTMENT OF INSURANCE

CERTIFICATE OF SERVICE

I hereby certify that on this 25 day of January, 2007, I caused to be served the foregoing document on the following parties in the manner set forth below:

Dr. Eugene C. Skourtes	_____	certified mail
President & CEO	_____	first class mail
Willamette Dental of Idaho, Inc.	_____	hand delivery
6950 NE Campus Way	_____	facsimile
Hillsboro, Oregon 97124-5611	<u> X </u>	e-mail
e-mail: skourtes@willamettedental.com		

Wee Yuen Chin	_____	certified mail
Treasurer	_____	first class mail
Willamette Dental of Idaho, Inc.	_____	hand delivery
6950 NE Campus Way	_____	facsimile
Hillsboro, Oregon 97124-5611	<u> X </u>	e-mail
e-mail: ychin@willamettedental.com		

Jeffrey Peterson	<u> X </u>	certified mail
Director of Finance	_____	first class mail
Willamette Dental of Idaho, Inc.	_____	hand delivery
6950 NE Campus Way	_____	facsimile
Hillsboro, Oregon 97124-5611	<u> X </u>	e-mail
e-mail: jpeterson@willamettedental.com		

Georgia Siehl, CPA, CFE	_____	certified mail
Bureau Chief / Chief Examiner	_____	first class mail
Idaho Department of Insurance	<u> X </u>	hand delivery
700 W. State St., 3 rd Floor	_____	facsimile
Boise, Idaho 83720-0043	<u> X </u>	e-mail
e-mail: Georgia.Siehl@doi.idaho.com		



William R. Michels, MBA, CPA, CFE
Examination Supervisor
IDAHO DEPARTMENT OF INSURANCE

State of Idaho
DEPARTMENT OF INSURANCE

C.L. "BUTCH" OTTER
Governor

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Phone (208)334-4250
FAX# (208)334-4398

WILLIAM W. DEAL
Director

WAIVER

In the matter of the Report of Examination as of December 31, 2005, of the:

**WILLAMETTE DENTAL OF IDAHO, INC.
8950 EMERALD STREET, SUITE 108
BOISE, IDAHO 83704**

By executing this Waiver, the Company hereby acknowledges receipt of the above-described examination report, verified as of the 8th day of January 2007, and by this Waiver hereby consents to the immediate entry of a final order by the Director of the Department of Insurance adopting said report without any modifications.

By executing this Waiver, the Company also hereby waives:

1. its right to examine the report for up to thirty (30) days as provided in Idaho Code section 41-227(4),
2. its right to make a written submission or rebuttal to the report prior to entry of a final order as provided in Idaho Code section 41-227(4) and (5),
3. any right to request a hearing under Idaho Code sections 41-227(5) and (6), 41-232(2)(b), or elsewhere in the Idaho Code, and
4. any right to seek reconsideration and appeal from the Director's order adopting the report as provided by section 41-227(6), Idaho Code, or elsewhere in the Idaho Code.

Dated this 24 day of January, 2007

WILLAMETTE DENTAL OF IDAHO, INC.

Wee Yuen Chin

Name (print)

Wee Yuen Chin

Name (signature)

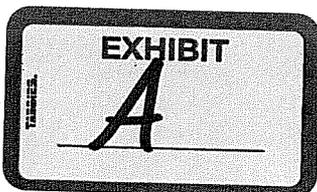
Treasurer

Title

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STATE OF IDAHO
DEPT OF INSURANCE



DEPARTMENT OF INSURANCE

STATE OF IDAHO

REPORT OF EXAMINATION

of the

WILLAMETTE DENTAL OF IDAHO, INC.

as of

December 31, 2005

EXHIBIT

B

TABLER

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State of Idaho
DEPARTMENT OF INSURANCE

C.L. "BUTCH" OTTER
Governor

700 West State Street, 3rd Floor
P.O. Box 83720
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WILLIAM W. DEAL
Director

Boise, Idaho
January 8, 2007

The Honorable William W. Deal
Director of Insurance
State of Idaho
700 West State Street
P. O. Box 83720
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Section 41-219(1), Idaho Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2005 of:

WILLAMETTE DENTAL OF IDAHO, INC.

**8950 EMERALD STREET, SUITE 108
BOISE, IDAHO 83704**

hereinafter referred to as the "Company", at its offices in Boise, Idaho.

The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

This examination covers the period January 1, 2001 through December 31, 2005. The examination was conducted at the Boise, Idaho office of Willamette Dental of Idaho, Inc. by examiners from the state of Idaho. The examination was conducted in accordance with Section 41-219(1), Idaho Code, the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*, and the NAIC *Accounting Practices and Procedures Manual*. We performed our testing in order to achieve a confidence level commensurate with the risk assessed through utilization of the NAIC *Examiners Handbook*. Verification and valuation of assets, determination of liabilities and reserves, and an analysis and review of such other accounts and records as appropriate to the examination were also performed.

A Letter of Representation was signed by the Company attesting to the Company's ownership of all assets and to the nonexistence of unrecorded liabilities or contingent liabilities.

There was some reliance placed on the 2005 certified public accountant's statutory audit report and work papers during the examination of the Company. Reliance was also placed on the review done of the Information Systems Questionnaire by the State of Washington Office of Insurance Commissioner for the Company's subsidiary, Willamette Dental of Washington, Inc. The reliance was felt to be warranted since the companies use the same system.

PRIOR EXAMINATION

The prior examination was conducted by the State of Idaho and covered the period from September 11, 1998 through December 31, 2000.

The Comments and Recommendations contained in that Report and the Company's response to those comments and recommendations were as follows:

Conflict of Interest

It is recommended that the Company have conflict of interest questionnaires completed by the Board of Directors and key personnel annually.

Company Response

Going forward, the Conflict of interest questionnaires will be completed by the Board of Directors and key personnel annually.

Contracts and Agreements – Other Agreements with Affiliates

It is recommended that the Company obtain proper signatures for these agreements and file copies with the Department as required by Idaho Code Section 41-3806(2).

Company Response

Proper signatures for agreements are being obtained and copies of signed agreements will be forwarded under separate cover as soon as they are available

Minutes of Meetings

It is recommended that the Company procure proper signatures on their “Consent of Shareholders of Columbia Dental of Idaho, Inc. In Lieu of Meeting” each year.

It is recommended that the Board of Directors approve all investment transactions as required by Idaho Code Section 41-704.

It is recommended that the president/secretary attend the Board of Directors’ meetings, either in person or through some other form of communication media and have the minutes note how he participated in the meetings.

Company Response

Proper signatures on the “Consent of Shareholders of Columbia Dental of Idaho, Inc. in Lieu of Meeting” are being procured.

Going forward, the Board of Directors will be approving all investment transactions as required by Idaho Code Section 41-704. Columbia Dental of Idaho, Inc. invests in Treasury Bills which are rolled forward annually in September. The Board of Directors will approve this roll forward starting in 2002.

Dr. Eugene C. Skourtes, the president and secretary of Columbia Dental of Idaho, Inc. is making every effort to attend the Board of Directors’ meetings either in person or through some form of communication media.

Amounts Due from Affiliates

It is recommended that the Company seek reimbursement from Denkor for all overpayments and periodically review the fees to make certain that they are being charged in accordance with the Business Services Agreement.

Company Response

Denkor Dental Management Corp. has made partial payments toward the receivable and the fees are being reviewed periodically to make certain that they are being charged in accordance with the Business Services Agreement.

Cash and Short-term Investments

It is recommended that the negative cash accounts be netted with the positive cash balances on Schedule E and the Asset page in future annual statements as required by the Accounting Practices and Procedures Manual. (This recommendation also applies to the Liability – Accounts Payable.

It is recommended that the Company report accrued interest income on the proper line in the future annual statements.

It is recommended that the Company reverse any entries made following GAAP principles for unrealized capital gains prior to preparing the statutory annual statements in the future.

Company Response

Starting with the first quarter 2002 Financial Statement negative cash accounts will be netted with positive cash balances on Schedule E and the Asset page. This recommendation toward the Liability – Accounts Payable has also been noted for future reference.

Columbia Dental of Idaho, Inc.'s accrued interest income will be reported on the proper line starting with the first quarter of 2002 Financial Statements.

Reversal of any entries made following GAAP principles for unrealized capital gains prior to preparing the statutory annual statements has been noted for future reference.

Change in Nonadmitted Assets

It is recommended that the Company properly record increases or decreases to not admitted assets through Net Worth.

Company Response

Columbia Dental of Idaho, Inc properly recorded increases to non-admitted assets through Net Worth on the 2001 Annual Statement and will do so in the future as well.

Accrued Interest

It is recommended that the Company not report accrued interest expense as a liability on its statutory financial statements.

Company Response

Columbia Dental of Idaho, Inc has not reported accrued interest expense as a liability on its statutory financial statements on the 2001 Annual Statement and will continue to do so in the future.

HISTORY AND DESCRIPTION

The Company was incorporated on July 22, 1998 under the laws of the State of Idaho. Effective September 11, 1998, the Director of the Idaho Department of Insurance issued a Certificate of Authority to transact business, in this State, as a disability, managed care only company. The Company is a limited managed care company offering dental care services as provided in Idaho Code Section 41-3903(13). The Idaho Department of Insurance required the Company to maintain a premium to surplus ratio of 7 to 1 with a minimum of \$50,000 as per Section 41-3905(2), Idaho Code. They further agreed that a minimum capital and surplus requirement of \$200,000 would be reached no later than three years after the issuance of the certificate of authority. Effective December 2, 2002, the Company changed its name from Columbia Dental of Idaho, Inc to Willamette Dental of Idaho, Inc.

On May 9, 2003, the Idaho Department of Insurance approved the acquisition by the Company of Willamette Dental Insurance, Inc. (an Oregon insurer) and Willamette Dental of Washington, Inc. (a Washington insurer). The Company was authorized to issue 50,000 new shares of stock to Dr. Eugene Skourtes, the ultimate owner of the Company, in exchange for all the shares of stock of these affiliates.

This acquisition was deemed to be a merger for purposes of Idaho Code Section 41-715(2). The investment in these affiliates may be recorded as a statutory asset without limitation.

CAPITAL STOCK AND PAID-IN SURPLUS

The Company's Articles of Incorporation authorized the issuance of 50,000 shares of common stock with a \$1.00 par value. Each Director was a stockholder of the Company, satisfying the requirements of Section 41-2835(3), Idaho Code. The Directors each purchased a qualifying share of capital stock at book value. Effective July 1, 2003 the Idaho Code was amended to delete the requirement that the directors of a stock insurer shall be a stockholder. However, the Directors of the Company continue to maintain their stock.

The activity in the capital structure since inception of the Company is shown in the following schedule:

<u>Year</u>	<u>Shares Issued</u>	<u>Surplus Paid in or Contributed</u>
1998	50,000 (1)	
1999		\$ 220,000 (2)
2003	_____ (3)	<u>\$3,120,076</u> (3)
 Totals	 <u>50,000</u>	 <u>\$3,340,076</u>

- (1) Initial sale includes one share to each of the 5 Directors. The remaining 49,995 shares are owned by Eugene C. Skourtes, Trustee, U/A/D 04/23/92, the Eugene C. Skourtes Revocable Trust.
- (2) Dr. Eugene Skourtes contributed \$220,000 in surplus during 1999 to help cover some of the initial operating losses incurred by the Company.
- (3) Willamette Dental Insurance, Inc. and Willamette Dental of Washington, Inc. were acquired with a total value of \$3,120,076, which represents the statutory book values of these companies. This is in accordance with SSAP 46, paragraph 7(b)(i) and no goodwill was involved in the acquisition. The Company issued Dr. Skourtes 124,483 shares of stock for this transaction.

The Company should have recorded the 124,483 shares of capital stock issued on the balance sheet. Since the par value of these shares is \$1, the Company should have recognized an additional \$124,483 of common capital stock and reduced the gross paid-in and contributed surplus by the same amount. The total common capital stock should then be \$174,483 and the paid-in or contributed surplus total should be \$3,215,593. It is recommended that the Company make the proper adjustments to its common capital stock and paid-in or contributed surplus.

SURPLUS DEBENTURES

Effective December 30, 1999, the Company began issuing Surplus Notes to Denkor Dental Management Corporation of Beaverton, Oregon. (Denkor Dental Management Corporation was renamed Willamette Dental Management Corporation in 2003) The notes were being used to offset the losses incurred through the quarter ending December 31, 1999. The Board of Directors passed a Corporate Resolution to Borrow on December 30, 1999. The Resolution allowed the Company to

borrow up to \$300,000 at any one time. At the same time the directors of Denkor Dental Management Corporation authorized their company to lend up to \$300,000 at any one time to Columbia Dental of Idaho, Inc. The two companies also signed a Surplus Loan Agreement. This Agreement outlines the terms of the various borrowings that include:

Term: The agreement shall be indefinite until all indebtedness of the Company to Denkor Dental Management Corporation has been performed in full and the parties terminate the agreement in writing.

Rate: The loans shall bear interest at the rate of 6% per annum.

Payment: The Company will repay the loan in full, with accrued interest, 24 months from the date of each successive note subject to the approval of the Idaho Department of Insurance.

Prepayment: The Company may prepay without penalty, subject to its compliance with the terms of the surplus note with subordination and prior approval requirements of the agreement.

During the examination period, the Company issued additional surplus notes. The Company received all the proper approvals from the Idaho Department of Insurance prior to the issuance of each of the notes.

The following is a listing of the surplus notes the Company has issued through December 31, 2005:

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
12/30/99	\$ 175,000	6%
03/28/00	275,000	6%
06/30/00	250,000	6%
11/01/00	300,000	6%
12/11/00	200,000	6%
03/26/01	275,000	6%
06/28/01	200,000	6%
09/30/01	300,000	6%
09/30/01	100,000	6%
03/30/03	250,000	6%
08/31/03	300,000	6%
TOTAL	\$2,625,000	
06/30/05	(175,000)	Approved for repayment of 12/30/99 note by the Idaho Department of Insurance
	\$2,450,000	

Subsequent to the examination period, the Company received authorization from the Idaho Department of Insurance for the repayment of the following surplus note:

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
06/30/00	\$ 250,000	6%

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system, as defined in Section 41-3801, Idaho Code. Eugene C. Skourtes is the ultimate controlling person. The affiliates of the holding company system (and the amount of Dr. Skourtes' direct ownership) include the following:

Controlled by Ownership
Willamette Dental Management Corporation (75% owned corporation in Oregon)
Willamette Dental Group, P.C. (100% owned professional corporation in Oregon)
Eugene C. Skourtes, P.S. dba Columbia Dental Group (100% owned professional service corp. in Washington)
McClusky, Petruzelli, Skourtes Real Estate (33% owned partnership in Oregon)
Acorn Corporation (50% owned corporation in Oregon)
ENS Corporation (100% owned corporation in Oregon)
Willamette Dental of Idaho, Inc. (100% owned corporation in Idaho)

Wholly owned subsidiaries of Willamette Dental of Idaho, Inc.:

Willamette Dental Insurance, Inc. (100% owned corporation in Oregon)
Willamette Dental of Washington, Inc. (100% owned corporation in Washington)

The Company's Form B Holding Company Registration Statements for the period under examination were reviewed. The most recent filing was dated May 15, 2006, which appears to be current and valid.

The management and control of the Company is guided by a Board of Directors consisting of five persons. Idaho code states that in no event shall the number of directors be less than five nor more than fifteen.

The Annual Meeting of the shareholders shall be held on the first Monday of February. The regular meeting of the Board of Directors shall be the same day and at the same location as the Annual Meeting of the shareholders.

Special Meetings of the Board may be called by the President of the Company or upon the petition of any directors upon proper call in accordance with the Bylaws.

Directors and Officers

The following persons were serving as directors and officers at December 31, 2005:

Directors:

<u>Name</u>	<u>Business Address</u>
Eugene Skourtes	Beaverton, OR
Stephen Petruzelli	Beaverton, OR
Diane Golder	Boise, ID
Wendy Tippetts	Boise, ID
Douglas Taylor	Boise, ID

Officers:

Eugene Skourtes	President
Eugene Skourtes	Secretary
Wee Yuen Chin	Treasurer
Stephen Petruzelli	Sr. Vice President

Article IV, Section (1) of the Bylaws state that the officers of the Corporation shall be a President and a Secretary, and may have other officers as the Board of Directors may prescribe including a Vice-President and a Treasurer. Any two or more offices may be held by the same person.

Committees

The Bylaws authorize the Board of Directors, by resolution, to designate two or more of its members to constitute an Executive Committee. As of December 31, 2005 the minutes do not reflect that the Executive Committee has been established.

Conflict of Interest

Each of the Directors completed a conflict of interest questionnaire of the Company. The only conflicts noted were for the President/Secretary and the Vice President. These conflicts reflected their position with Willamette Dental Insurance, Inc., Willamette Dental of Washington and their ownership position with Willamette Dental Management Corporation. They do not believe it would impair their independence of judgement or influence the decision or actions concerning the Company. It appeared these conflict of interest questionnaires were sufficient.

Contracts and Agreements

As of December 31, 2005, the Company was party to a number of agreements. The major agreements are summarized as follows:

(1) Business Services Agreement

This agreement between the Company and an affiliate, Willamette Dental Management Corporation (WDMC), became effective on January 1, 2004. Under the terms of this agreement, WDMC agrees to provide complete management and administrative services to the Company. The services provided include, but are not limited to, recruitment of dentists and paraprofessionals,

marketing, underwriting, collection of premiums, accounting, and processing and payment of claims.

WDMC is compensated for all office expenses actually paid by WDMC for the Company plus a management fee of \$10,000 per month. These fees shall cover all costs, not limited to but including management fees, sales and advertising expenses, policy forms and supplies, and all other expenses, other than costs or expenses specified or allowed elsewhere in this agreement.

The fees are to be paid by the Company on a monthly basis within 5 days following the end of the month.

The agreement was initially for ten years and then automatically renews for successive one-year periods thereafter. The agreement has an arbitration clause and may be mutually terminated in writing on a date specified in such written agreement.

(2) Intercompany Tax Sharing Agreement

This agreement between the Company and its two subsidiaries, Willamette Dental of Washington, Inc. and Willamette Dental Insurance, Inc., became effective on July 1, 2003. Under the terms of this agreement, the affiliates agree to file a consolidated federal tax return. Each company will be liable for its appropriate share of the taxes to be computed as if each individual company was a separate entity. The subsidiaries shall pay the Company on a quarterly basis no later than the due date of the estimated quarterly payment. The Idaho Department of Insurance found no objection to the agreement on July 1, 2004.

(3) Dental Provider Agreement

This agreement between the Company and an affiliate, Willamette Dental Group, P.C. (WDG), became effective on January 1, 2004. Under the terms of this agreement, WDG agrees to provide dental providers to perform all covered dental services for the Company. The services provided include, but are not limited to, diagnostic, preventative, restorative, periodontic, oral surgery and orthodontic.

The Company paid for the services through a capitation plan based upon a percentage of gross premiums. Each subscriber group of the Company could have a different percentage. In absence of a specific agreement, the percentage would be eighty-five percent. The capitation payment shall be paid no later than the 15th of the month following the month the premium is received.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

The original Articles of Incorporation were filed with the Idaho Secretary of State on July 22, 1998. Effective September 11, 1998, the Director of the Idaho Department of Insurance approved the Articles of Incorporation and the Company's Bylaws. Effective December 2, 2002, the Company amended its Articles of Incorporation and its Bylaws to change its name from Columbia Dental of Idaho, Inc. to Willamette Dental of Idaho, Inc. No other amendments have been made to either the Articles of Incorporation or the Bylaws as of December 31, 2005, except as noted below under "Minutes of Meetings."

Minutes of Meetings

A review of the minutes of the meetings of the members, Board of Directors for the period under examination indicated compliance with the Articles of Incorporation and Bylaws, the annual elections of the Board of Trustees and Officers, acceptance of CPA's Annual Reports, and investment transactions. The meetings were well attended and the minutes were duly signed. The February 28, 2002 minutes showed acknowledgement of the receipt, review and acceptance of the examination report as of December 31, 2000.

The Company prepared one "Joint Consent and Statement of Action Without Meetings of the Shareholders and Board of Directors of Willamette Dental of Idaho, Inc." on April 28, 2004. The consent authorized the amendment to the Articles of Incorporation to change the authorized number of shares of stock to be increased to 174,483. The Company procured all proper signatures on their "Joint Consent." However, there is no indication that this change to the Articles of Incorporation has been filed with the Idaho Department of Insurance as required by Idaho Code Section 41-2826(2). It is recommended that the Company immediately file the amendment to its Articles of Incorporation with the Idaho Department of Insurance.

FIDELITY BOND AND OTHER INSURANCE

Insurance coverage for the protection of the Company has been maintained through the period under examination. Coverage in effect December 31, 2005 is summarized as follows:

The Company is a named insured on a Commercial Crime Policy that covers dishonest or fraudulent acts by employees up to \$250,000 with a \$250 loss deductible.

The Company also is a named insured on a Commercial General Liability that provides coverage for product-completed operations, personal and advertising injury, damage to premises rented and medical expense.

The fidelity coverage meets the suggested minimum limits recommended by the NAIC. The insurance companies providing the coverage to the Company are authorized in the State of Idaho.

The certification signed by management acknowledged that no losses had been suffered due to dishonest or fraudulent acts.

PENSION AND INSURANCE PLANS

The Company has no employees, and its affiliate, Willamette Dental Management Corporation, provides all personnel and necessary services through a management agreement. The agreement was summarized in a previous section of the report under the caption "Contracts and Agreements."

TERRITORY AND PLAN OF OPERATION

The Company is licensed in the State of Idaho as a domestic limited managed care insurer. The business written is group dental coverage for participating groups, and individual dental coverage.

The Company currently has appointed 257 agents/agencies. A listing of active and terminated agents furnished by the Department of Insurance was reconciled to the Company files.

The Company has maintained its Home Office in Boise, Idaho since 1999. The Company has opened several offices throughout the State of Idaho for handling patients. All insurance operations are performed at the Boise Office.

STATUTORY AND SPECIAL DEPOSITS

As of December 31, 2005, the Company had provided the following deposits in trust for the State of Idaho, through the office of the Director of the Department of Insurance, in order to comply with Section 41-316A and Section 41-3905(7), Idaho Code.

<u>Description</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
U. S. Treasury	\$55,000	\$56,171	\$56,171

GROWTH OF THE COMPANY

The Company's Growth for the years indicated, as taken from its Annual Statements (or as adjusted by the examination report) is shown in the following schedule:

<u>Year</u>	<u>Admitted</u>			
	<u>Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Net Income</u>
2000 *	150,398	96,238	54,160	(966,465)
2001	710,315	43,258	667,057	(187,139)
2002	224,368	85,844	138,524	(480,277)
2003	4,517,573	128,046	4,389,527	(390,135)
2004	5,899,965	108,632	5,791,333	616,321
2005 *	6,935,654	358,937	6,576,717	125,125

* As determined by Examination

LOSS EXPERIENCE

The ratios of medical and hospital expenses to total revenues, as reported in the Company's Annual Statements for the five-year period ending December 31, 2005 are reported below:

<u>Year</u>	<u>Total Revenue</u>	<u>Total Medical and Hospital Expenses</u>	<u>Ratio to Total Revenue</u>
2001	\$480,735	\$546,542	113.7%
2002	1,002,726	917,491	91.5%
2003	3,167,096	2,537,320	80.1%
2004	2,794,234	2,289,658	81.9%
2005	3,872,434	3,172,340	81.9%

REINSURANCE

As of December 31, 2005 the Company had not ceded any business to any reinsurer.

INSURANCE PRODUCTS AND RELATED PRACTICES

Policy Forms and Underwriting Practices

The Company offers a group dental coverage in Idaho only. A listing of policy forms and the Certificate and Summary Plan (given to each subscriber) filed with the Department of Insurance was compared to the forms provided to the examiners by the Company without exception. The Company retains 100% of each risk.

The Company's issuing procedures concerning new and renewal contracts appeared to be timely handled. The policyholder files were examined for the Company's treatment of additions and deletions to the original policy with no anomalies noted. The issuing agents' appointments were verified and the proposed premiums were examined without exception.

Treatment of Policyholders

Claims

A sample of the claims incurred during the year 2005 was reviewed during the course of this examination. The review indicated that the claims were being settled properly and that payments were being made in a timely manner.

Complaints

The Company maintains a complaint register pursuant to Section 41-1330, Idaho Code that was reviewed during the examination. There were no complaints that were filed with the Idaho Department of Insurance during the period under examination. Supporting documentation indicated appropriate follow-up and resolution had been achieved.

A review of the Company's fraudulent claim procedure indicated their compliance with Section 41-290, Idaho Code.

Advertising and Sales Material

The Company does not advertise any of its products or rate information and does not utilize radio or television in its promotion of business. The Company does provide an enrollment packet to prospective groups. The enrollment packet has been filed with the Idaho Department of Insurance.

ACCOUNTS AND RECORDS

General Accounting

The Company maintains an electronically posted general ledger and a number of subsidiary journals and records. Trial balances were prepared from its general ledger for the current year under examination, which were reconciled with the current annual statements.

Independent Accountants

For the years 2001 and 2002, the Company was included with Willamette Dental Management Corporation and other affiliates that retained

Pricewaterhouse Coopers, LLP
1300 SW fifth Avenue, Suite 3100
Portland, OR 97201-5638

to perform an independent audit of the Company's records. In 2003 the Company changed auditors to

Perkins and Company, P.C.
1211 SW Fifth Avenue, Suite 1000
Portland Oregon 97204

The 2003, 2004 and 2005 auditor's reports were reported in accordance with statutory accounting principles.

The CPA's workpapers were relied upon in some instances and noted accordingly in respective workpapers.

Actuarial Opinion

The claims liabilities were examined by James L. Reed, consulting actuary with Milliman & Robertson, Inc. of Seattle, Washington. The actuary, using standard actuarial procedures, then determined the appropriate liabilities and issued a statement of opinion. The opinion stated that the amounts of the liabilities:

- a. meet the requirements of the insurance laws of Idaho;
- b. are computed in accordance with commonly accepted actuarial standards consistently applied and fairly stated in accordance with sound actuarial principles; and
- c. are based on actuarial assumptions relevant to contract provisions and appropriate to purpose for which the statement was prepared.

The identified actuarial items are listed as follows:

Incurred But Not Paid Liability	\$8,095
Aggregate Health Policy Reserves	\$13,519
2006 Premiums Paid in December 2005	\$23,031

The Aggregate Health Policy Reserves consist of the amount established by the Company for its unearned premiums as required by SSAP 54, paragraph 9.

SUBSEQUENT EVENTS

Surplus Notes

As noted under Capital Stock and Paid-In Surplus, the Company should have recorded the 124,483 shares of capital stock issued on the balance sheet. The total common capital stock should then be \$174,483 and the gross paid-in or contributed surplus total should be \$3,215,593. A recommendation was made that the Company make the proper adjustments to its common capital stock and paid-in or contributed surplus. The Company responded that it would make these changes starting with the third quarter 2006 Quarterly Statement.

FINANCIAL STATEMENTS

The financial section of this report contains the following statements and exhibits:

Assets as of December 31, 2005

Liabilities, Capital and Surplus as of December 31, 2005

Statement of Revenue and Expenses, For the Year Ending December 31, 2005

Capital and Surplus Account, For the Year Ending December 31, 2005

Reconciliation of Examination Changes to the Balance Sheet

Reconciliation Of Capital and Surplus, December 31, 2001, to December 31, 2005

ASSETS

As of December 31, 2005

	<u>Ledger Assets</u>	<u>Assets not Admitted</u>	<u>Examination Adjustments</u>	<u>Admitted Assets</u>
Bonds	\$ 0	\$ 0	\$ 0	\$ 0
Stocks:				
Preferred stocks	0	0	0	0
Common stocks	5,407,933	0	0	5,407,933
Real estate:				
Properties occupied by the company	0	0	0	0
Properties held for sale	0	0	0	0
Cash and short-term investments	938,296	0	0	938,296
Interest income due and accrued	0	0	0	0
Uncollected premiums in course of Collection	182,628	0	0	182,628
Deferred premiums booked but deferred and not yet due	0	0	0	0
Amounts recoverable from reinsurers	0	0	0	0
Funds held by or dep. w/ reinsurance co.	0	0	0	0
Other amounts receivable – reinsurance	0	0	0	0
Current federal income tax recoverable	406,762	0	0	406,762
Net deferred tax asset	119,411	119,411	0	0
Guaranty funds receivable or on deposit	0	0	0	0
Electronic data processing equipment	0	0	0	0
Furniture and equipment	0	0	0	0
Receivable from parent	35	0	0	35
Other assets nonadmitted	0	0	0	0
Leasehold improvements	0	0	0	0
Other assets	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>0</u>
 Total Assets	 <u>\$7,070,065</u>	 <u>\$134,411</u>	 <u>\$ 0</u>	 <u>\$6,935,654</u>

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2005

		<u>Examination Adjustments</u>	
Claims unpaid			\$ 8,095
Accrued medical incentive pool; and bonus amounts			0
Unpaid claims adjustment expenses			0
Aggregate health policy reserves			13,519
Aggregate life policy reserves			0
Property/casualty unearned premium reserves			0
Aggregate health claim reserves			0
Premiums received in advance			23,031
General expenses due or accrued			39,889
Current federal and foreign income tax payable			0
Net deferred tax liability			0
Ceded reinsurance premiums payable			0
Amounts withheld or retained for the account of others			0
Remittance and items not allocated			0
Borrowed money			0
Amounts due to parent, subsidiaries and affiliates			274,403
Payable for securities			0
Funds held under reinsurance treaties			0
Liability for amounts held under uninsured A&H plans			0
Aggregate write-ins for other liabilities			<u>0</u>
Total Liabilities			<u>\$358,937</u>
Common capital stock	50,000	124,483	174,483
Gross paid in and contributed surplus	3,340,076	(124,483)	3,215,593
Surplus notes			2,450,000
Unassigned funds (surplus)			<u>\$ 736,641</u>
Total Capital and Surplus			<u>\$6,576,717</u>
Total Liabilities, Surplus and Other Funds			<u><u>\$6,935,654</u></u>

STATEMENT OF REVENUE AND EXPENSES

For the Year Ending December 31, 2005

	<u>Per</u> <u>Company</u>	<u>Exam</u> <u>Adjustment</u>	<u>Per</u> <u>Examination</u>
Net premium income	\$3,872,434	\$ 0	\$3,872,434
Change in unearned premium reserve	0	0	0
Fee-For-Service	0	0	0
Risk revenue	0	0	0
Aggregate write-in for other health revenue	0	0	0
Aggregate write-in for non-health revenues	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenue	<u>\$3,872,434</u>	<u>0</u>	<u>\$3,872,434</u>
Hospital and Medical:			
Hospital/medical benefits	0	0	0
Other professional services	3,172,340	0	3,172,340
Outside Referrals	0	0	0
Emergency room and out-of-area	0	0	0
Prescription drugs	0	0	0
Aggregate write-in for other hosp/medical	0	0	0
Incentive pool, withhold adj-bonus amounts	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	3,172,340	0	3,172,340
Less:			
Net reinsurance recoveries	<u>0</u>	<u>0</u>	<u>0</u>
Total Hospital and medical	3,172,340	0	3,172,340
Non health claims (net)	0	0	0
Claims adjustment expenses	0	0	0
General administrative expense	460,350	0	460,350
Increase in reserves for life/A&H contracts	<u>0</u>	<u>0</u>	<u>0</u>
Total underwriting deductions	3,632,690	0	3,632,690
Net underwriting gain or (loss)	<u>239,744</u>	<u>0</u>	<u>239,744</u>
Net investment income	933	0	933
Net realized capital gains	<u>0</u>	<u>0</u>	<u>0</u>
Net Investment gains (losses)	933	0	933
Net gain or (loss) agts' or prem balances	0	0	0
Aggregate write-in other income or expense	(57,678)	0	(57,678)
Net income or (loss after capital gains and before all other federal income taxes	<u>182,999</u>	0	<u>182,999</u>
Federal and foreign income taxes incurred	<u>57,874</u>	<u>0</u>	<u>57,874</u>
Net Income (Loss)	<u>\$125,125</u>	<u>\$0</u>	<u>\$125,125</u>

CAPITAL AND SURPLUS ACCOUNT

For the Year Ending December 31, 2005

	<u>Per Examination</u>
Capital and surplus, December 31, previous year	<u>\$5,791,333</u>
Net income	\$ 125,125
Change in valuation basis of aggregate policy and claim reserves	0
Change in net unrealized capital gains or (losses)	860,663
Change in net deferred income tax	0
Change in nonadmitted assets	(24,294)
Change in provision for reinsurance	0
Change in surplus notes	(175,000)
Capital changes:	
Paid in	0
Surplus adjustments:	
Paid in	0
Aggregate write-ins for gains and losses in surplus:	<u>(1,110)</u>
Net change in capital and surplus	<u>\$ 785,384</u>
Capital and surplus, December 31, current year	<u>\$6,576,717</u>

RECONCILIATION OF EXAMINATION CHANGES

TO THE BALANCE SHEET

Total Capital and Surplus per the Company			\$6,576,717	
	<u>Per</u> <u>Company</u>	<u>Per</u> <u>Exam</u>	<u>Increase</u> <u>(Decrease)</u> <u>by Reclass</u>	<u>Increase</u> <u>(Decrease)</u> <u>by Exam</u>
<u>Assets</u>				
 <u>LIABILITIES</u>				
 <u>Capital and Surplus</u>				
Common Capital Stock	\$50,000	\$174,483	\$124,483	
Gross Paid In and Contributed	\$3,340,076	\$3,215,593	\$(124,483)	
Net increase (decrease) in Net Worth			\$ 0	\$0 \$0
Total Capital and Surplus per Examination				\$6,576,717

RECONCILIATION OF CAPITAL AND SURPLUS
December 31, 2001 through December 31, 2005

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Capital and Surplus, Beginning of Year	\$ 54,160	\$667,057	\$138,524	\$4,389,527	\$5,791,333
Net Income (Loss)	(221,610)	(480,277)	(390,135)	616,321	125,125
Net Unrealized Gains and Losses	0	(1,113)	577,305	851,002	860,663
Increase (Decrease) in Common Stock	0	0	0	0	0
Increase (Decrease) in Contributed Capital	0	0	3,120,076	0	0
Increase (Decrease) in Surplus Notes	875,000	0	550,000	0	(175,000)
Change in Net Deferred Income Tax	0	0	699,022	(353,724)	0
Change in Nonadmitted Assets	(40,493)	(47,143)	(305,265)	296,861	(24,294)
Aggregate Write-in for gains/(losses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(8,654)</u>	<u>(1,110)</u>
Net Change in Capital and Surplus	612,897	(528,533)	4,251,003	1,401,806	785,384
Capital and Surplus, End Of Year	<u>\$667,057</u>	<u>\$138,524</u>	<u>\$4,389,527</u>	<u>\$5,791,333</u>	<u>\$6,576,717</u>

NOTES TO THE FINANCIAL STATEMENT

<u>Note 1</u>	<u>Common Capital Stock</u>	<u>\$174,483</u>
	<u>Gross Paid-In or Contributed Surplus</u>	<u>\$3,215,593</u>

As noted under Capital Stock and Paid-In Surplus, the Company should have recorded the 124,483 shares of capital stock issued on the balance sheet. The total common capital stock should then be \$174,483 and the gross paid-in or contributed surplus total should be \$3,215,593. A recommendation was made that the Company make the proper adjustments to its common capital stock and paid-in or contributed surplus.

SUMMARY, COMMENTS, AND RECOMMENDATIONS

Summary

The results of this examination disclosed that as of December 31, 2005, the Company had admitted assets of \$6,935,654, liabilities of \$358,937, and capital and surplus of \$6,576,717. This amount meets minimum requirements as determined by the Idaho Department of Insurance.

Comments and Recommendations

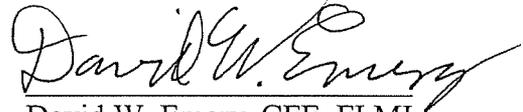
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|----|---|
| 5 | <u>Capital Stock and Paid-In Capital</u> - It is recommended that the Company make the proper adjustments to its common capital stock and paid-in or contributed surplus. |
| 10 | <u>Minutes of Meetings</u> – It is recommended that the Company immediately file the amendment to its Articles of Incorporation with the Idaho Department of Insurance. |

CONCLUSION

The courteous assistance and cooperation extended by the officers and employees of the Company during the course of this examination is acknowledged and appreciated. Additionally, the cooperation and assistance of the Washington State Office of Insurance Commissioner, regarding the IT review, was appreciated.

Respectfully submitted,

A handwritten signature in cursive script that reads "David W. Emery". The signature is written in black ink and is positioned above the printed name and title.

David W. Emery, CFE, FLMI
Senior Insurance Examiner
Department of Insurance
State of Idaho

AFFIDAVIT OF EXAMINER

State of Idaho
County of Ada

David W. Emery, being duly sworn, deposes and says that he is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that he has made an examination of the affairs and financial condition of Willamette Dental of Idaho, Inc. for the period from January 1, 2001 through December 31, 2005, including subsequent events, that the information contained in the report consisting of the foregoing pages is true and correct to the best of his knowledge and belief, and that any conclusions and recommendations contained in the report are based on the facts disclosed in the examination.

David W. Emery
David W. Emery, CFE, FLMI
Examiner-in-Charge
Department of Insurance
State of Idaho

Subscribed and sworn to before me the 8th day of January, 2007, at Boise, Idaho

Debbi Judd
Notary Public

My commission Expires: 7/30/2010

