

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION
OF
WILLAMETTE DENTAL OF WASHINGTON, INC.
VANCOUVER, WASHINGTON

NAIC CODE 47050
December 31, 2009

Order No. 11-60
Willamette Dental of Washington, Inc.
Exhibit A

SALUTATION

Seattle, Washington

March 18, 2011

The Honorable Mike Kreidler, Commissioner
Washington State Office of the Insurance Commissioner (OIC)
Insurance Building-Capitol Campus
302 Sid Snyder Avenue SW, Suite 200
Olympia, WA 98504

Dear Commissioner Kreidler:

In accordance with your instructions, and in compliance with the statutory requirements of RCW 48.03.010, an examination was made of the corporate affairs and financial records of

Willamette Dental of Washington, Inc.

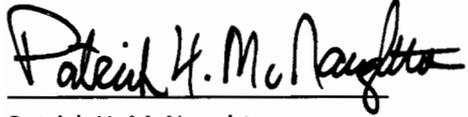
of

Vancouver, Washington

hereinafter referred to as "WDWA," or the "Company" at the location of its administrative office, 6950 NE Campus Way, Hillsboro, Oregon 97124. This report is respectfully submitted showing the financial condition and related corporate matters of WDWA as of December 31, 2009.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of Willamette Dental of Washington, Inc., of Vancouver, Washington. This report shows the financial condition and related corporate matters as of December 31, 2009.



Patrick H. McNaughton
Chief Examiner

3-18-11

Date

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SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2005 through December 31, 2009 and comprises a risk focused review of the books and records of the Company. The examination followed statutory requirements contained in the Washington Administrative Code (WAC), the Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (FCEH). The examination included identification and disposition of material transactions and events occurring subsequent to the date of examination through the end of fieldwork on February 9, 2011.

Corporate records, external reference materials, and various aspects of the Company's operating procedures and financial records were reviewed and tested during the course of this examination and are commented upon in the following section of this report. In addition, the Company's Certified Public Accountant's (CPA's) work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

This examination was performed in compliance with the 2009 NAIC FCEH which requires the examiner to consider the Company's risk management process, corporate governance structure, and control environment. The examiners utilized the information obtained during the examination to assess WDWA's overall potential risks both currently and on an on-going basis, allowing the examiners to focus on the Company's greatest areas of risk, and providing assurance on the Company's financial statements as of the examination date.

INSTRUCTIONS

The examiners reviewed the Company's filed 2009 NAIC Annual Statement as part of the statutory examination. This review was performed to determine if the Company completed the NAIC Annual Statement in accordance with the NAIC Annual Statement Instructions and to determine if the Company's accounts and records were prepared and maintained in accordance with Title 48 RCW, Title 284 WAC, and the NAIC Statements of Statutory Accounting Principles (SSAP) as outlined in the NAIC Accounting Practices and Procedures Manual (AP&P).

The following summarizes the exceptions noted while performing this review:

1. NAIC Annual Statement Errors, Omissions, and Misclassifications

The results of the examination disclosed several instances in which the Company's filing of the 2009 NAIC Annual Statement did not conform to the AP&P and the NAIC Annual Statement Instructions. While the Company needs to correct these practices, none of the following items in this instruction were material to the financial statements and no examination adjustments were necessary.

- a. The Company participates in a tax sharing agreement with Willamette Dental of Idaho (WDID) and Willamette Dental Insurance, Inc. (WDI); however, this was not disclosed in its 2009 NAIC Annual Statement, Notes to Financial Statements, Note 9, Item F, as required by the 2009 NAIC Annual Statement Instructions. The Company needs to disclose the following:
 - A list of names of the entities which the Company's federal income tax return is consolidated.

- The substance of the written agreement approved by the Company's Board of Directors (BOD).
 - Description of the allocation method.
- b. Schedule E - Part 3 - Special Deposits of the 2009 NAIC Annual Statement categorized, one special deposit, the First American Prime Obligation Fund for \$162,622, as a "C" for Certificates of Deposit. According to the 2009 Annual Statement Instructions, the category selected should have been "ST" for Cash/Short-Term Investments.
 - c. In the 2009 NAIC Annual Statement, Notes to Financial Statements, Note 9, Item D, the change in deferred tax assets of \$73,048 or 6.67 percent was not included as a significant reconciling item between the Company's reported income tax incurred and the result obtained by applying the federal statutory rate to its pretax net income. Also, the Company incorrectly stated that the effective tax rate for the Relieve Excess Provision was 3.95 percent instead of 1.34 percent. As a result of these two errors, the effective tax rate for the total statutory income tax of \$358,448 was incorrectly stated as 30.05 percent instead of 26 percent.

The Company is instructed to comply with RCW 48.43.097 and RCW 48.44.095 by filing its financial statements in the general form and context approved by the NAIC and WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the AP&P.

2. Custodial Agreement Deficiencies

The Company responded in its 2009 NAIC Annual Statement, General Interrogatory, Question, 26.01 that its custodial agreement with U.S. Bank National Association complied with the FCEH. However, it did not contain several provisions required by the FCEH and RCW 48.13.480. In addition, RCW 48.05.250 requires a company to file a true statement of its financial condition, transactions, and affairs.

The Company is instructed to execute a revised or amended custodial agreement that complies with the FCEH and RCW 48.13.480. The Company is also instructed to comply with RCW 48.43.097 by filing a true statement of its financial condition, transactions and affairs and to follow the NAIC Annual Statement instructions and the AP&P, as required by WAC 284-07-050(2).

3. Security Held by Unauthorized Method

The Company designated UBS Financial Services, Inc. (UBS) to hold a United States Treasury Bill for \$903,000 on behalf of the Company. However, WDWA did not have a written custodial agreement in place with UBS as required by RCW 48.13.460.

The Company is instructed to comply with RCW 48.13.460 by designating authorized custodians to hold securities pursuant to a custody agreement.

4. Investment Income Due and Accrued

The Company does not report investment income due and accrued on Line 12 of the NAIC Annual Statement Asset page. As of December 31, 2009, the Company earned approximately \$1,400 of Dividend and Interest Income which had not been received.

The Company is instructed to comply with RCW 48.43.097, RCW 48.44.095, and WAC 284-07-050(2) in filing its NAIC Annual Statements in accordance with the NAIC Accounting Practices and Procedures Manual, and the NAIC Annual Statement Instructions.

5. Deferred Tax Liability

In 2008, the Company incorrectly reported a Deferred Tax Asset (DTA) for \$106,502 as an admitted asset. Contrary to SSAP 10, paragraph 10, the amount of the gross DTA was not expected to be realized within one year, and therefore, should not have been admitted. In 2009, the Company attempted to correct the error from 2008 by incorrectly recording a Deferred Tax Liability of \$106,502. (See Notes to the Financial Statements No. 2.)

The Company is instructed to comply with RCW 48.43.097, RCW 48.44.095, and WAC 284-07-050(2) in filing its NAIC Annual Statements in accordance with the NAIC Accounting Practices and Procedures Manual, and the NAIC Annual Statement Instructions.

6. Uncollected Premiums Over 90 Days Due

The Company admitted \$41,622 in uncollected premiums which were over 90 days due as of December 31, 2009. However, uncollected premiums over 90 days due are nonadmitted according to SSAP No. 6, paragraph 9.

The Company is instructed to comply with RCW 48.43.097, RCW 48.44.095, and WAC 284-07-050(2) in filing its NAIC Annual Statements in accordance with the NAIC Accounting Practices and Procedures Manual, and the NAIC Annual Statement Instructions.

7. Miscellaneous Investments – Nonadmitted

In order to comply with Special Consent Order No. 117 by limiting its investments in mutual funds to 20 percent of its total assets and to no more than four percent in a single entity, the Company incorrectly reported nonadmitted assets of \$610,000 as of December 31, 2009 that were overstated by \$142,845. The overstatement was caused by incorrectly basing the calculation on net total admitted assets rather than its total assets as of December 31, 2009. (See Notes to the Financial Statements No. 1.)

The Company is instructed to comply with RCW 48.13.240 and Special Consent Order No. 117 by accurately reporting its assets.

COMMENTS AND RECOMMENDATIONS

1. Business and Information Technology (IT) Strategies

As a result of our review of the IT area, certain internal controls matters were noted that are considered to be ineffective and are not in conformance with industry best practices or with the Control Objectives for Information and related Technology (CoBit) framework standards.

- The Company does not have a formal, written business strategy and IT strategy.
- The Company does not have formal, written IT security policies.
- The Company has not undergone an assessment of its IT risks.
- The Company does not have a formal, written systems development life cycle.
- The department managers do not annually review the system access levels assigned to their staff.

It is recommended the Company adopt formal business and IT strategies, develop formal written IT security policies, complete IT risk assessments, develop a formal written systems development life cycle, and review the system access levels assigned to staff.

2. Business Continuity and Disaster Recovery Plans

As a result of our review of business continuity and disaster recovery plans, certain internal controls matters were noted that are considered to be ineffective and are not in conformance with industry best practices or with CoBit framework standards.

- The Company does not have a formal, written business continuity plan.
- The Company has not undergone a business impact analysis, which is an integral process when preparing a business continuity plan.
- The disaster recovery plan dated July 1, 2007 is not current. The plan should be regularly updated to reflect system and personnel changes.
- The Company has not conducted any tests of its business continuity plan or disaster recovery plan.

It is recommended the Company develop a formal written business continuity plan, conduct a formal business impact analysis, update its disaster recovery plan, and annually test the business continuity and disaster recovery plans. Effective January 1, 2011, WDWA will be required by RCW 48.07.203 and RCW 48.07.205 to create and maintain a business contingency plan.

3. IT Reporting Structure

Currently, IT management reports to the Director of Finance and the Chief Financial Officer. CoBit framework standards recommend the IT department should be separate from operational departments within the Company.

It is recommended the IT Department report directly to the Chief Operating Officer.

4. Conflict of Interest Statements

While the Company does have a written conflict of interest policy, only the BOD completes conflict of interest forms annually.

In addition to the BOD, it is recommended the Company require all officers and key employees to complete an annual conflict of interest form.

5. Succession Planning

The Company does not have a formal succession plan in place for key management positions.

It is recommended that the Company develop succession plans for all senior management officers.

COMPANY PROFILE

Company History

Willamette Dental of Washington, Inc., (formerly known as Columbia Dental of Washington, Inc.) is a Washington corporation organized on November 7, 1995 and registered by the OIC as a Limited Health Care Service Contractor (LHCSC) on May 6, 1996. WDWA markets and administers dental plans to employers and groups in the state of Washington.

Capitalization

As of December 31, 2009, the Company had 10,000 shares of common stock authorized, of which 500 shares are outstanding with a par value of \$100 per share totaling \$50,000. WDWA's capitalization includes the outstanding common stock shares, gross paid in and contributed surplus of \$625,000 and policyholders surplus. Total capital and surplus as of December 31, 2009 was \$7,299,577. Pursuant to RCW 48.44.037, the Company met minimum capital requirements as of December 31, 2009.

Territory and Plan of Operations

The Company provides dental coverage to Washington policyholders under a capitation contract with Willamette Dental Group of Washington (WDGW), an affiliate. WDGW operates a staff model plan whereby all participating dentists are employees. WDGW receives a capitation payment, which is a percentage of premiums, and in turn accepts all the risk of losses including emergency and out of area service claims. As a result, the Company is not exposed to significant loss fluctuations and the Company's losses as a percentage of premiums written can be reasonably predicted.

Growth of Company

The Company's growth, as reported in its filed NAIC Annual Statements, is illustrated below:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	
2009	\$5,349,688	\$466,576	\$4,883,112	
2008	5,184,363	374,326	4,810,037	
2007	4,767,297	300,113	4,467,184	
2006	4,157,139	241,940	3,915,199	
2005	3,817,945	665,586	3,152,359	

<u>Year</u>	<u>Premiums Earned</u>	<u>Net Underwriting Gain (Loss)</u>	<u>Net Investment Gain (Loss)</u>	<u>Net Income</u>
2009	\$42,315,908	\$1,057,695	\$ 39,869	\$ 739,116
2008	39,743,424	881,291	83,106	653,583
2007	23,239,718	809,125	176,527	661,905
2006	22,681,383	917,679	94,196	692,400
2005	21,284,620	848,584	28,649	512,875

Affiliated Companies

The Company is 100 percent owned by Willamette Dental of Idaho, Inc., which is under common control with the corporations listed below. The ultimate controlling person of the insurance holding companies is Eugene C. Skourtes.

Eugene C. Skourtes, Inc., P.S., d.b.a. Willamette Dental Group Washington, a Washington corporation that is the dental professional provider for Washington State members.

Willamette Dental Management Corporation, an Oregon corporation that provides management and administrative services to affiliated companies.

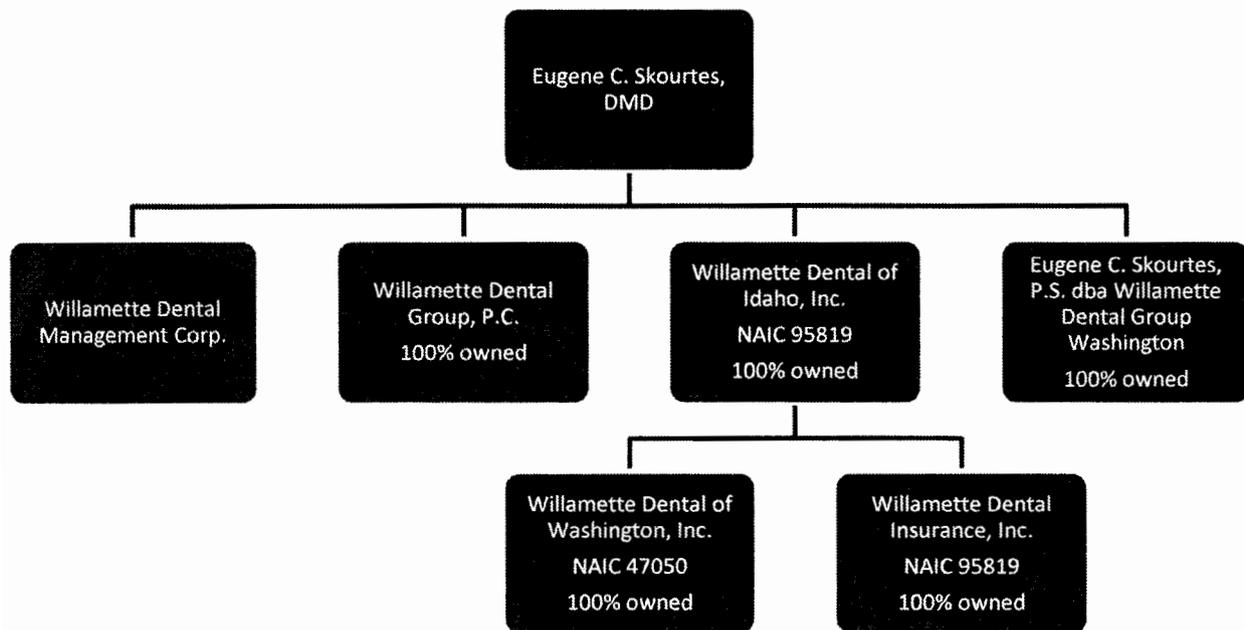
Willamette Dental Group, P.C. (WDG), is an Oregon corporation that is the dental professional provider for members in the states of Idaho and Oregon.

Willamette Dental of Idaho, Inc., a licensed health insurer in the state of Idaho. This corporation owns 100 percent of the following insurance subsidiaries:

Willamette Dental of Washington, Inc., a Washington corporation

Willamette Dental Insurance, Inc., an Oregon corporation

The following organization chart is taken from WDWA's filed 2009 NAIC Annual Statement:



Intercompany Agreements

As of December 31, 2009, the Company had the following intercompany agreements in force:

- **Dental Provider Agreement**

The Company has a provider arrangement with WDGW whereby the Company remits a capitated fee to WDGW 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, WDID, and WDI, 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 Services Agreement**

The Company has an agreement with WDMC under which WDMC provides management and administrative services as necessary for the day to day operations of the Company. As compensation for services rendered by WDMC to the Company, the Company pays WDMC a monthly fee plus all direct expenses actually paid each month by WDMC.

MANAGEMENT AND CONTROL

Board of Directors

BOD as of December 31, 2009:

Eugene C. Skourtes, DMD	Chair
Wee Yuen Chin	

Officers

Officers as of December 31, 2009:

Eugene C. Skourtes, DMD	President, Secretary
Wee Yuen Chin	Treasurer

Conflict of Interest

The Company requires conflict of interest statements to be completed and signed by the BOD for disclosure of any potential conflicts. Other key employees do not sign the statement annually. (See Comment and Recommendation No. 3.) The signed statements are reviewed annually by the BOD for conflicts. No conflicts were noted in our review.

Fidelity Bond and Other Insurance

The Company has fidelity insurance that meets the NAIC recommended minimum coverage levels. Additionally, WDWA has coverages for commercial general liability, employee benefit liability, automobile liability, employment contingent liability, workers' compensation, professional liability, and umbrella.

Officers', Employees', and Agents' Welfare and Pension Plans

WDWA does not have any direct employees. Officers and employees are employed either by WDMC or WDI. All salaries, pension plans, and bonuses are paid by WDMC or WDI. As such, no obligations to employees for pension or retirement plans are necessary for the Company.

CORPORATE RECORDS

Our review of the minutes of the BOD indicated that the minutes supported the transactions of the Company and the actions taken by its officers. All BOD meetings were conducted with a quorum present. The Articles of Incorporation and Bylaws were amended in 2002 to change the Company's name.

UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The following exhibit reflects WDWA's loss experience from 2005 through 2009:

Year	Total Revenue (1)	Total Expenses (2)	Medical Loss Ratio =(2)/(1)
2009	\$42,315,908	\$38,831,470	91.8%
2008	39,743,424	36,589,272	92.1%
2007	23,239,718	20,898,393	89.9%
2006	22,681,383	20,473,453	90.3%
2005	21,295,398	19,134,333	89.9%

The Company has a provider arrangement with WDGW whereby the Company remits a capitated fee to WDGW for covered dental services. The capitation fee is calculated as a percent of collected premiums. The medical expenses above only reflect capitation fees.

REINSURANCE

The Company does not participate in reinsurance arrangements. The reinsurance function is not utilized since the entire risk for claims is transferred to WDGW through the provider arrangement described above.

STATUTORY DEPOSITS

WDWA maintained the following statutory deposit as of December 31, 2009:

<u>State</u>	<u>Type</u>	<u>Book Value</u>	<u>Fair Value</u>
Washington	Money Market Fund	\$162,622	\$162,622

ACCOUNTING RECORDS AND INFORMATION SYSTEMS

The Company maintains its accounting records on a Generally Accepted Accounting Principles (GAAP) accrual basis of accounting and adjusts to Statutory Accounting Principles (SAP) basis for NAIC Annual Statement reporting. The Company was audited annually by the certified public accounting firm of Perkins & Company, P.C. The Company received an unqualified opinion for all years under review. The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the planning and testing phase of the examination and no exceptions or significant weaknesses were noted.

The Company's IT environment was reviewed during the planning and testing phase of the examination, focusing on the following Control Objectives for Information and related Technology (COBIT) Framework domains:

- Plan and Organize
- Acquire and Implement
- Deliver and Support
- Monitor and Evaluate

The IT system and controls were evaluated to gain an understanding of general IT control risks and assess the effectiveness of these controls to determine if appropriate mitigating and internal controls have been implemented to reduce residual risk to appropriate levels. Several control weaknesses were noted during the examination. (See Comments and Recommendations No. 1 and 2).

SUBSEQUENT EVENTS

There were no material events impacting the Company between the examination date and the last day of our fieldwork on February 9, 2011.

FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS

All previous report instructions and recommendations were corrected and satisfactorily addressed.

FINANCIAL STATEMENTS

The following financial statements show the financial condition of Willamette Dental of Washington, Inc., as of December 31, 2009:

Assets, Liabilities, Capital and Surplus

Statement of Revenue and Expenses

Five Year Reconciliation of Surplus

Analysis of Changes in Financial Statements Resulting from the Examination

Willamette Dental of Washington, Inc.
Assets, Liabilities, Capital and Surplus
December 31, 2009

	<u>Balance Per Company</u>	<u>Examination Adjustment</u>	<u>Balance Per Examination</u>	<u>Notes</u>
Assets				
Common stocks	\$835,102	\$142,845	\$977,947	1 & 3
Cash and short-term investments	3,821,733		3,821,733	1 & 3
Subtotal, cash and invested assets	<u>4,656,835</u>	<u>142,845</u>	<u>4,799,680</u>	
Uncollected premiums and agents' balances in course of collections	503,945		503,945	
Current federal and foreign income tax recoverable and interest thereon	49,728		49,728	
Receivables from parent, subsidiaries and affiliates	139,180		139,180	
Total Assets	<u>\$5,349,688</u>	<u>\$142,845</u>	<u>\$5,492,533</u>	
Liabilities, Capital and Surplus				
Losses	\$0	\$0	\$0	
Premiums received in advance	73,791		73,791	
General expenses due or accrued	56,121		56,121	
Net deferred tax liability	166,502	(166,502)	0	2
Amount due to parent, subsidiaries and affiliates	170,162		170,162	
Total Liabilities	<u>466,576</u>	<u>(166,502)</u>	<u>300,074</u>	
Common capital stock	50,000		50,000	
Gross paid in and contributed surplus	625,000		625,000	
Unassigned funds (surplus)	4,208,112	309,347	4,517,459	1 & 2
Total capital and surplus	<u>4,883,112</u>	<u>309,347</u>	<u>5,192,459</u>	
Total Liabilities, Capital and Surplus	<u>\$5,349,688</u>	<u>\$142,845</u>	<u>\$5,492,533</u>	

Willamette Dental of Washington, Inc.
Statement of Revenue and Expenses
For the Year Ended December 31, 2009

	<u>Balance Per Company</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>	<u>Notes</u>
Member months	1,367,239		1,367,239	
Net premium income	\$42,315,908	\$0	\$42,315,908	
Total revenues	42,315,908	0	42,315,908	
Hospital and Medical:				
Other professional services	38,831,470		38,831,470	
Subtotal	38,831,470	0	38,831,470	
Less:				
Total hospital and medical	38,831,470		38,831,470	
General administrative expenses	2,426,743		2,426,743	
Total underwriting deductions	41,258,213	0	41,258,213	
Net underwriting gain or (loss)	1,057,695	0	1,057,695	
Net investment income earned	39,869	0	39,869	
Net investment gains or (losses)	39,869	0	39,869	
Net income or (loss) after capital gains tax and before all other federal income taxes	1,097,564	0	1,097,564	
Federal and foreign income taxes incurred	358,448		358,448	
Net income (loss)	\$739,116	\$0	\$739,116	
CAPITAL AND SURPLUS ACCOUNT				
Capital and surplus prior reporting year	\$4,810,037	\$0	\$4,810,037	
Net income (loss)	739,116		739,116	
Change in net unrealized capital gains (losses) less capital gains tax	171,551		171,551	
Change in net deferred income tax		166,502	166,502	2
Change in nonadmitted assets	(703,454)	142,845	(560,609)	1
Aggregate write-ins for gains of (loss) in surplus	(134,138)		(134,138)	
Net change in capital and surplus	73,075	309,347	382,422	
Capital and surplus end of reporting period	\$4,883,112	\$309,347	\$5,192,459	

Willamette Dental of Washington, Inc.
Five Year Reconciliation of Surplus
For the Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Capital and Surplus, December 31, previous year	\$4,810,037	\$4,467,184	\$3,915,199	\$3,152,359	\$2,626,625
Net income or (loss)	739,116	653,583	661,905	692,400	512,875
Change in net unrealized capital gains(losses) less capital gains tax	171,551	(144,229)	(67,111)	59,368	14,976
Changes in net deferred income tax		(166,502)	(42,936)	11,201	(12,161)
Changes in nonadmitted assets	(703,454)	0	127	(127)	1,063
Aggregate write-ins for gain or (losses) in surplus	(134,138)	1	0	(2)	8,981
Net change in capital and surplus	<u>73,075</u>	<u>342,853</u>	<u>551,985</u>	<u>762,840</u>	<u>525,734</u>
Capital and Surplus, December 31, current year	<u>\$4,883,112</u>	<u>\$4,810,037</u>	<u>\$4,467,184</u>	<u>\$3,915,199</u>	<u>\$3,152,359</u>

Willamette Dental of Washington, Inc.
Analysis of Changes in Financial Statements Resulting from the Examination
December 31, 2009

	<u>Balance</u>			<u>Increase</u>	
	<u>Per</u>	<u>Balance Per</u>		<u>(Decrease)</u>	
	<u>Company</u>	<u>Examination</u>	<u>Notes</u>	<u>in Surplus</u>	<u>Total</u>
Capital and Surplus, December 31, 2009 - per Annual Statement					\$4,883,112
Assets					
Common stocks	\$835,102	\$977,947	1	\$142,845	
Liabilities					
Net deferred tax liability	(166,502)		2	166,502	
Change in surplus					<u>309,347</u>
Capital and Surplus, December 31, 2009 - per Examination					<u><u>\$5,192,459</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1. Mutual Funds

Increase mutual funds by \$142,845, which represents the amount by which WDWA nonadmitted, in excess, miscellaneous investments in attempting to comply with RCW 48.13.240, and Special Consent Order No. 117 by limiting its investments in NAIC non-exempt listed mutual funds to 20 percent of its assets and no more than four percent in a single entity. The Company incorrectly used Net Admitted Assets rather than Assets before Nonadmitted Assets resulting in a lower threshold. (See Instruction No. 7.)

2. Deferred Tax Liability

Decrease Net Deferred Tax Liability by \$166,502, as the amount does not represent a future tax liability resulting from temporary differences between the statutory accounting value of liabilities and their value for tax purposes. (See Instruction No. 5.)

3. Special Consent

The Company holds a special consent, issued by the state of Washington, with an effective date of June 30, 2009, and subsequently renewed effective January 1, 2010, that allows the Company to own and purchase mutual funds if certain statutory requirements have been met. WDWA is allowed to acquire and hold no more than four percent of its assets in single entities that are NAIC non-exempt listed mutual funds. This special consent is subject to an aggregate limitation of the lesser of twenty percent of WDWA's assets or fifty percent of its surplus over its minimum required surplus, for all common stocks and NAIC non-exempt listed mutual funds. As of December 31, 2009, WDWA's mutual fund investments represented 20.9 percent of its admitted assets.

The Company has no additional special consents, permitted practices, or orders from the state of Washington.

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Willamette Dental of Washington, Inc., and its affiliates during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; John Jacobson, AFE, CISA, AES, Automated Examination Specialist; Timothy F. Hays, CPA, JD, Investment Specialist; Tarik Subbagh, MSBA, CPA, CFE, Property and Casualty Field Supervising Examiner; Katy Bardsley, Financial Examiner; and, Colleen Jansen, Administrative Assistant 4, all from the Washington State Office of the Insurance Commissioner, participated in the examination and in the preparation of this report.

Respectfully submitted,



Albert Karau Jr., CPA, CFE
Examiner-in-Charge
State of Washington

