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Washington State
Office of Insurance Commissioner
Chief Accountant

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Plan of
Reorganization and Merger of:

WASHINGTON DENTAL SERVICE
COMPANY, a Washington Health Care
Service Contractor.

NO. 13-0115

DECLARATION OF
RONALD J. PASTUCH

Ronald J. Pastuch, under penalty of perjury under the laws of the State of Washington,
declares as follows:

1. I am the Holding Company Manager in the Company Supervision Division of
the Washington State Office of Insurance Commissioner ("OIC"). I am over the age of
eighteen years old and I am competent to testify in this matter. I make this Declaration based
upon my personal knowledge.

2. I am a graduate of Pacific Lutheran University, where I earned a Bachelor of
Arts Degree in Business Administration in 1988. I received my CPA license in 2003.

3. My previous state employment includes the Washington Department of
Veterans Affairs from 1980 to 1987 in accounting and human resource positions, and the
Office of the Insurance Commissioner from 1987 to 1991 as a staff accountant, from 1991 to

1 1993 as a field Insurance Examiner in the OIC Company Supervision Division, and from
2 1993 to 2006 as a Financial Analyst at various levels within the same division.

3 4. On February 16, 2006, I was appointed the Holding Company Manager in the
4 same division. As the Holding Company Manager, my primary duties consist of reviewing
5 and approving holding company transactions, which include reviewing and recommending
6 OIC staff's position on proposed requests for insurance company acquisitions and mergers,
including disclaimers of control.

7 5. On March 14, 2013, Washington Dental Service ("WDS") filed a plan of
8 reorganization and merger application for approval of the proposed merger between WDS and
9 WDS Merger Sub ("Merger Sub"). WDS is a Washington nonprofit corporation incorporated
10 on October 18, 1954, and began writing business on that same day. WDS Merger Sub is a
11 Washington nonprofit corporation incorporated on July 22, 2009, for the sole purpose to
12 facilitate the proposed merger transaction. DD of Washington is a Washington nonprofit
13 corporation incorporated on July 22, 2009, and is the sole member of Merger Sub. DD of
14 Washington was formed to become a holding company within the WDS holding company
system.

15 6. Included within its plan of reorganization, WDS and Merger Sub will enter
16 into a Plan of Merger Agreement, where WDS would merge with Merger Sub in a reverse
17 merger transaction. After the merger transaction, WDS would become the surviving entity
18 and become a subsidiary of DD of Washington.

19 7. WDS submitted the Plan of Merger Agreement, various exhibits in their
20 application of merger filing, including the fore mentioned Plan of Merger Agreement, Articles
21 of Merger, organizational charts, and copies of its intercompany services agreement between
22 WDS and DD of Washington and agency agreement for paymaster services between WDS
23 and its affiliates. Those agreements were filed under separate Form D filings for prior
approval listed as Exhibits H and I of the reorganization filing. WDS also included a proposed

1 distribution of its common interests of certain subsidiaries to be transferred to DD of
2 Washington after the proposed merger between WDS and Merger Sub.

3 8. On March 26, 2013, the OIC sent a letter to WDS requesting the board of
4 directors consents regarding the proposed merger transaction, and certification of board
5 resolution certified and signed by their corporate secretary.

6 9. On March 28, 2013, WDS provided the company's response to the OIC's
7 March 26, 2013, deficiency letter with copies of board of director's consents regarding the
8 proposed merger transaction, and certification of board resolution certified and signed by their
9 corporate secretary. WDS also provided a revision to the Plan of Merger Agreement and
10 amended bylaws for WDS and Merger Sub.

11 10. On April 3, 2013, OIC sent a letter to the Chief Hearing Officer regarding this
12 plan of reorganization and merger as being complete and requested a hearing to decide on
13 such matter.

14 11. We reviewed the proposed merger transaction according to the requirements of
15 RCW 48.31.010(1) which lists the required documents and conditions where a domestic
16 insurer may merge or consolidate with another insurer.

17 Those conditions are listed as follows:

18 a. The plan of merger or consolidation must be submitted to and be approved
19 by the commissioner in advance of the merger or consolidation. That plan of merger was
20 filed on March 28, 2013;

21 b. The plan of merger is to be fair, equitable, and consistent with law, and that
22 no reasonable objection exists. WDS will be the surviving entity and Merger Sub will be the
23 merged (disappearing) entity. Merger Sub will merge all of its assets, corporate books and
records with WDS as a result of this proposed merger;

c. No director, officer, or member, or subscriber of any such insurer, except as
is expressly provided by the plan of merger, shall receive any fee, commission, other

1 compensation, or valuable compensation whatsoever, for in any manner aiding, promoting or
2 assisting in this proposed merger according to affidavits of WDS and Merger Sub signed
3 March 27 and 28, 2013, respectively;

4 d. Any merger as to the incorporated domestic insurer shall in other respects be
5 governed by the general laws of this state relating to business corporations. We reviewed the
6 Washington Nonprofit Corporations and Associations Act regarding mergers pursuant to
7 chapter 24.03 RCW. We also reviewed those statutory requirements within that chapter
8 according to the plan of merger, merger of subsidiary, articles of merger, and the effect of
9 merger with domestic entities.

10 12. According to RCW 24.03.195(1), where the members of any merging
11 corporation have voting rights with regard to the question, the board of directors of such
12 corporation shall adopt a resolution approving the proposed plan and directing that it be
13 submitted to a vote at a meeting of members having voting rights. The proposed plan shall be
14 adopted upon receiving at least two-thirds of the votes which members present at such
15 meeting are entitled to cast. Merger Sub's board of directors adopted the resolution and DD of
16 Washington, the sole member of Merger Sub, approved the plan of reorganization and merger
17 on February 8, 2013.

18 13. According to RCW 24.03.195(2), where a merging corporation has no
19 members with voting rights with regard to the question, a plan of merger shall be adopted at a
20 meeting of the board of directors of such corporation upon receiving the vote of a majority of
21 the directors in office. Since WDS stated in the resolution that there are no members with
22 voting rights with regard to the question, the WDS board of directors adopted the resolution
23 regarding the approval of the plan of reorganization and merger on February 8, 2013.

14 14. According to RCW 24.03.200(1), the articles of merger are to incorporate the
15 plan of merger and a statement whether that the merger was duly approved by the
16 shareholders of each corporation. WDS and Merger Sub submitted a copy of the proposed

1 Articles of Merger. According to section 2 of those Articles, the sole member of the
2 disappearing corporation (Merger Sub) having voting rights with regard to the question
3 approved the Plan of Merger on February 8, 2013. According to section 3 of those Articles,
4 since prior to the merger WDS had no members having voting rights with regard to the
5 question, its board of directors approved the Plan of Merger on February 8, 2013. According
6 to section 4 of those Articles, the board of directors of DD of Washington approved the Plan
7 of Merger on February 8, 2013. DD of Washington will become the sole member of WDS.
8 According to section 5 of the Articles, the corporate name of WDS will be changed by
9 operation of the merger to Delta Dental of Washington.

Those Articles now meet the statutory requirements of RCW 24.03.195 and 24.03.200.

10 15. The OIC is satisfied that the proposed Articles of Merger submitted for OIC
11 consideration meet the statutory requirements according to the above statutes. Those proposed
12 articles of merger are sufficient for approval by the Chief Hearing Officer.

13 16. WDS has submitted all necessary documents to the OIC in connection with the
14 proposed merger. The OIC is satisfied with the necessary documents meeting the statutory
15 requirements for a merger according to RCW 48.31.010. The OIC recommends the presiding
16 officer to approve the merger of WDS and Merger Sub.

17 17. From a procedural standpoint, the OIC requires that notice of the plan of
18 reorganization and merger be given to the public via the Internet (on the Insurance
19 Commissioner's website). On March 26, 2013, the OIC posted a notice on the Insurance
20 Commissioner's website concerning the proposed plan of reorganization, a true and correct
21 copy of which is attached hereto as Exhibit "A". On April 26, 2013, the OIC posted notice on
22 the Insurance Commissioner's website concerning the hearing regarding the plan of
23 reorganization and proposed merger of WDS and Merger Sub with information about the
OIC's hearing process, a true and correct copy of which is attached hereto as Exhibit "B".
Such notice included information regarding the hearing, via the Notice of Hearing and

1 announcement posted on the website. The Notice of Hearing was filed on April 29, 2013. On
2 May 1, 2013, the OIC posted the same information from the April 26 notice on the Insurance
3 Commissioner's blog, a true and correct copy of which is attached hereto as Exhibit "C". We
4 understand that notice will remain posted on the website from the date of this Declaration to
5 the date of the hearing.

6 18. The Notice of Hearing informs and advises all interested parties that any
7 individual or entity is permitted to submit comments on, or objections to, this proposed
8 merger. The Notice of Hearing states that any questions or concerns should be directed to Ms.
9 Kelly A. Cairns, Paralegal to the OIC Chief Presiding Officer.

10 19. As of the date of this Declaration, I personally have not received any
11 comments, questions, or objections through letter, correspondence, email, or phone, nor am I
12 aware of any comments, questions, or objections having been received by the OIC Chief
13 Presiding Officer.

14 SIGNED this 6th day of May, 2013.

15 
16 _____
17 Ronald J. Pastuch
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"EXHIBIT A"

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2013 Public and hearing notices**April 2013**

- | [Rule-making hearing: R 2012-14 Security breach notification \(PDF, 125KB\) - 04/25/13](#)
- | [Rule-making hearing: R 2012-17 Essential health benefits designation \(PDF, 225KB\) - 04/23/13](#)
- | [Rule-making hearing: R 2013-01 Health product geographic rating area factor and designation \(PDF, 119KB\) - 04/23/13](#)
- | [Rule-making hearing: R 2012-31 Life settlements \(PDF, 153KB\) - 04/23/13](#)

March 2013

- | [Public notice on Washington Dental Service plan of reorganization and merger - 3/26/13](#) *
- | [Rule-making hearing: R 2012-28 Carrier allocation account requirements \(PDF, 128 KB\), - 03/26/13](#)
- | [Judicial hearing: 13-0035 Darryl L. Strom's request for hearing on denial of license \(PDF, 109KB\) - 3/26/13](#)
- | [Public hearing set to decide CUL's request to buy Western United Life - 3/06/13](#)
- | [Judicial hearing: 12-0341 David P. Dunning's request for hearing on order revoking license \(PDF, 113KB\) - 3/04/13](#)

February 2013

- | [Public hearing set to decide Catholic Health Initiative's request to buy Soundpath Health, Inc. - 2/20/13](#)
- | [Judicial hearing: 12-0241 Robert P. Sorrell's request for hearing on suspension and fine \(PDF, 114KB\) - 2/07/13](#)

January 2013

Updated 03/27/2013

"EXHIBIT A"

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Washington Dental Service Plan of Reorganization and Merger

Washington Dental Service filed an application for its plan of reorganization and merger transaction that includes a proposed reverse merger of Washington Dental Service with and into a DD of Washington subsidiary to become a subsidiary of an existing holding company.

Washington Dental Service is a Washington domiciled nonprofit company operating as a health care service contractor incorporated in 1955. DD of Washington was formed in 2009 as a Washington domiciled nonprofit corporation under chapter 24.03 RCW for the purpose of becoming a holding company through a proposed reorganization. Its subsidiary, WDS Merger Sub, was also established in 2009 as a Washington domiciled nonprofit corporation under chapter 24.03 RCW for the sole purpose to facilitate the proposed reverse merger transaction so that DD of Washington would become the direct owner of Washington Dental Service.

The proposed transaction also includes:

- 1) The corporate name changes for the current Washington Dental Service to Delta Dental of Washington, and DD of Washington to Washington Dental Service;
- 2) Delta Dental of Washington would convert from a chapter 24.03 corporation to a chapter 24.06 corporation under Washington laws, and;
- 3) The ownership of subsidiaries that is currently held by the old Washington Dental Service (the health care service contractor) would transfer through an extraordinary distribution (dividend) to the new Washington Dental Service (the newly controlling holding company). Encara Corporation will remain as a 20 percent owned subsidiary of the health care service contractor.

In the end, the new Washington Dental Service (formally DD of Washington), as a controlling holding company, would be the direct owner of Delta Dental of Washington (formally Washington Dental Service), the health care service contractor, and would directly and indirectly control its current subsidiaries within its new holding company system.

The boards of directors of both companies have approved the "Agreement and Plan of Merger." The commissioner must approve the proposed transaction before it can be completed. Corporate documents regarding the transaction are available.

History of the process

In March 2013, we received the application for the transaction. We are reviewing that application and will later send the application to the OIC Hearings Unit. The judge will schedule a hearing to decide on the proposed merger.

Copies of the proposed transaction will later be available on the Commissioner's website or provided through a public disclosure request.

"EXHIBIT A"

What we look at

In all proposed mergers, the companies must file an application that details:

- | A plan of merger including corporate documents supporting the proposed merger;
- | Financial information for both companies;
- | The effect of the merger on the current Washington policyholders;
- | Any changes in their business plan; and
- | Any market competition impacts.

Evaluation criteria

Under state law (RCW 48.31.010), the commissioner must approve the merger unless:

- | The plan of merger is not fair, equitable, or consistent with law; or
- | A reasonable objection exists.

Updated 04/03/2013

See also

- | Companies in receivership
- | Administrative hearings
- | Company changes

Need more help?

- | Call 360-725-7211
- | Email Ron Pastuch
- | Email Company Supervision

"EXHIBIT B"

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2013 Public and hearing notices**May 2013**

- | [Public notice - Hearing set to consider WDS Reorganization and Merger Plan- 05/9/13](#) *
- | [Judicial hearing: 13-0014 Joseph M. Tobey's request for hearing on order revoking license \(PDF, 116KB\) - 05/13/13](#)

April 2013

- | [Judicial hearing: 13-0043 Maria Diaz Alvarez's request for hearing on order revoking license \(PDF, 121KB\) - 04/29/13](#)
- | [Rule-making hearing: R 2012-14 Security breach notification \(PDF, 125KB\) - 04/25/13](#)
- | [Rule-making hearing: R 2012-17 Essential health benefits designation \(PDF, 225KB\) - 04/23/13](#)
- | [Rule-making hearing: R 2013-01 Health product geographic rating area factor and designation \(PDF, 119KB\) - 04/23/13](#)
- | [Rule-making hearing: R 2012-31 Life settlements \(PDF, 153KB\) - 04/23/13](#)
- | [Judicial hearing: 13-0069 Boys and Girls Clubs of Benton and Franklin Co. re imposition of fine \(PDF, 110KB\) - 04/17/13](#)

March 2013

- | [Public notice on Washington Dental Service plan of reorganization and merger - 3/26/13](#)
- | [Rule-making hearing: R 2012-28 Carrier allocation account requirements \(PDF, 128 KB\), - 03/26/13](#)
- | [Judicial hearing: 13-0035 Darryl L. Strom's request for hearing on denial of license \(PDF, 109KB\) - 3/26/13](#)
- | [Public hearing set to decide CUL's request to buy Western United Life - 3/06/13](#)
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February 2013

- | [Public hearing set to decide Catholic Health Initiative's request to buy Soundpath Health, Inc. - 2/20/13](#)

"EXHIBIT B"

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Notice

Mike Kreidler
Washington state Insurance Commissioner

Contact Ron Pastuch: 360-725-7211

04/25/2013

Hearing set to consider WDS Reorganization and Merger Plan

OLYMPIA, Wash. — The Insurance Commissioner has scheduled a hearing on May 9, 2013, at 10:00 a.m. Pacific Standard Time in his Olympia, Washington office to consider whether he should approve or deny the request for the merger of Washington-based Washington Dental Services (WDS).

WDS filed an application for its plan of reorganization and merger transaction that includes a proposed reverse merger of Washington Dental Service with and into a DD of Washington subsidiary to become a subsidiary of an existing holding company.

The OIC provided information about the WDS reorganization plan on March 26, 2013 on the [Commissioner's website](#).

To view filed documents and information about the hearing process, go to [Washington Dental Service #13-0115](#). Those documents include the Notice of Hearing, the Reorganization Plan, board resolutions, organizational charts, and other requests for transactions filed in this proceeding.

If approved, WDS would become a subsidiary under a new holding company system. WDS will later change its corporate name to Delta Dental of Washington.

The public is notified that all interested parties may submit letters of support or concerns or objections and/or may participate in the hearing by appearing in person or by telephone at no charge.

###

"EXHIBIT B"

<p>Washington Dental Service 13-0115</p>	<p>Plan of Reorganization and Merger</p>	<p>Pending Hearing set for May 9, 2013 at 10 a.m.</p>	<p>Notice of Hearing (204KB) Receipt of plan (70KB) OIC transmittal (37KB) Correspondence re supplemental information (47KB) Secretary's Certificate of Resolutions (Washington Dental Service) (897KB) Secretary's Certificate of Resolutions (WDS Merger Sub) (796KB) Plan of reorganization and merger (189KB) Reorganization plan exhibits A-D (5MB) Reorganization plan exhibits E-K (4.2MB)</p>
<p>Weatherbee, Frederick D05-16</p>	<p>Appeal OIC's Revocation of Insurance Agent's License</p>	<p>License Revoked</p>	<p>Reconsideration Request Final Decision Notice of Hearing Demand for Hearing Order Revoking License</p>
<p>Wendt, Cameron M. D05-15</p>	<p>Appeal OIC's Revocation of Insurance Agent's License</p>	<p>License Revoked</p>	<p>Final Decision Notice of Hearing Demand for Hearing Order Revoking License</p>
<p>Western General Insurance Co. D06-150 OAH: 2006-INS-0010</p>	<p>Appeal OIC's Proposed Order/Fine</p>	<p>Proceedings Terminated</p>	<p>Final Decision Initial Order Notice of Hearing Demand for Hearing Notice of Intent</p>
<p>Western United Life Assurance Company Proposed acquisition by Central United Life Insurance Company 13-0033</p>	<p>Form A application for proposed acquisition</p>	<p>Acquisition approved March 21, 2013</p>	<p>Final order approving proposed acquisition (244KB) Arkansas approval of records and book keeping in Texas (99KB) Western United Life's prefiled testimony; closing statement (131KB) Central United Life's prefiled testimony; opening and closing statements (323KB) Declaration of Ronald J. Pastuch (320KB) Notice of Hearing (267KB)</p>

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"EXHIBIT C"

Washington State Office of the INSURANCE COMMISSIONER UPDATES

Mike Kreidler
Insurance Commiss.

Consumer help and news from Washington's insurance regulator

[Blog home](#) [OIC website \(www.insurance.wa.gov\)](#) [Get help with an insurance problem](#)

Wednesday, May 1, 2013

May 9 hearing set to consider Washington Dental Service reorganization and merger plan

Insurance Commissioner Mike Kreidler has scheduled a hearing for 10 a.m. on May 9, 2013, in Olympia to consider whether he should approve or deny the request for the merger of Washington-based Washington Dental Services (WDS).

WDS has filed an application for its plan of reorganization and merger transaction that includes a proposed reverse merger of Washington Dental Service with and into a DD of Washington subsidiary to become a subsidiary of an existing holding company.

Here's a summary of the proposal, including background, history, and a brief explanation of the hearings process and what we look at. If the proposal is approved, WDS would become a subsidiary under a new holding company system. WDS would later change its corporate name to Delta Dental of Washington.

To view filed documents and information about the hearing process, go to Washington Dental Service #13-0115. (Scroll down a bit after clicking on that link.) Those documents include the notice of hearing, the reorganization plan, board resolutions, organizational charts, and other requests for transactions filed in this proceeding.

The hearing is open to the public. Any interested parties may submit letters of support or concerns or objections and/or may participate in the hearing by appearing in person or by telephone at no charge. For street address or directions on dialing in by phone (as well as more background on the proposal), please see the hearing order.

Posted by Rich R. at OIC at 1:55 PM

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Washington state Commissioner Mik



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Got a question? Contact WInsuranceblog@oi (You can also find us on Facebook.)

If you have an insurance question or question -- and live in Washington state -- call at 1-800-562-6900.

If you need help but elsewhere, please contact the state's insurance department. Here's a map with co