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DEC 28 2006
INSURANCE COMMISSIONER
COMPANY SUPERVISION

601 SW SECOND AVENUE, SUITE 2050
PORTLAND, OREGON 97204
(503) 226-6555 TELEPHONE
(503) 226-6466 FACSIMILE

December 22, 2006

VIA UPS

Mike Kreidler, Insurance Commissioner of the State of Washington
5000 Capitol Boulevard,
Tumwater, WA 98501

Attn: Chief Examiner

Re: Amended and Restated Form A Statement Regarding the Acquisition of Control of Northwest Dentists Insurance Company ("NORDIC") by Health Services Group, Inc. ("HSG") and Washington State Dental Association ("WSDA")

Dear Commissioner Kreidler:

On behalf of HSG and WSDA, enclosed please find one copy of the above-captioned Amended and Restated Form A Statement dated December 22, 2006 filed by HSG and WSDA in connection with the proposed acquisition of control of NORDIC. The enclosed Amended and Restated Form A Statement supercedes the Form A Statement filed on October 31, 2006. A copy of the Amended and Restated Form A Statement, including the supplemental information and exhibits described below, have been delivered to NORDIC.

Except as noted below, HSG and WSDA respectfully request that you retain the exhibits filed with the Form A Statement dated October 31, 2006, which exhibits will be deemed to be filed in connection with the Amended and Restated Form A Statement.

We have enclosed one copy of supplemental information and new exhibits referenced in Item 12 of the Amended and Restated Form A Statement as follows:

1. Exhibit 1. The Amended and Restated Stock Purchase Agreement dated December 22, 2006, among Physicians Insurance A Mutual Company ("PI"), HSG and WSDA supercedes the Stock Purchase Agreement dated October 26, 2006 among PI, HSG and WSDA and should be inserted as Exhibit 1 to the Amended and Restated Form A Statement.
2. Exhibit 4. The Biographical Affidavits for the officers and members of the Executive Committee of Oregon Dental Association supplement the Biographical Affidavits previously filed as Exhibit 4 to the Form A Statement dated October 31, 2006.

KENNEDY & KENNEDY LLP

December 22, 2006

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3. Exhibit 6. The Transitional Services Agreement between PI and NORDIC, which was previously delivered to you, should be inserted as Exhibit 6 to the Amended and Restated Form A Statement.

4. Exhibit 15. The Quarterly Statement of Oregon Dental Service for the quarter ended September 30, 2006, which was previously delivered to you, should be inserted as Exhibit 15 to the Amended and Restated Form A Statement.

5. Exhibit 20. Preliminary unaudited financial statements of WSDA for the fiscal year ended September 30, 2006 supplement the audited financial statements of WSDA previously filed as Exhibit 20 to the Form A Statement dated October 31, 2006. The audited financial statements of WSDA for the fiscal year ended September 30, 2006 will be provided to you as soon as practicable after the audit is completed.

6. Exhibit 21. The unaudited financial statements of WSDA for the two-month period ended November 30, 2006 supercede the unaudited financial statements filed as Exhibit 21 to the Form A Statement dated October 31, 2006.

7. Exhibit 30. A loan commitment letter dated November 21, 2006 relating to a bank loan to WSDA, which was previously delivered to you, should be inserted as Exhibit 30 to the Amended and Restated Form A Statement.

8. Exhibit 31. The Healthcare Liability Excess of Loss Reinsurance Proposal dated December 19, 2006 from General Reinsurance Corporation relating to NORDIC's dental professional liability and general liability coverages should be inserted as Exhibit 31 to the Amended and Restated Form A Statement.

Please acknowledge receipt of the Amended and Restated Form A Statement.

Please do not hesitate to contact me or Tom Bikales if you have any questions.

Very truly yours,


James M. Kennedy

JMK:bp

Enclosure

\\Form A Exhibit 22 ltr6.doc

cc: Thomas Bikales

Alan Wicks

AMENDED AND RESTATED
FORM A

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

Northwest Dentists Insurance Company

by

Health Services Group, Inc.,
a subsidiary of Oregon Dental Service

and

Washington State Dental Association

Filed with the Office of the Washington Insurance Commissioner

Dated: December 22, 2006

Notices and Correspondence Concerning This Statement Should Be Addressed to:

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Portland, Oregon 97204
Tel: (503) 226-6555
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ITEM 1. INSURER AND METHOD OF ACQUISITION

The name and address of the insurer are as follows:

Northwest Dentists Insurance Company
1730 Minor Avenue, Suite 1800
Seattle, Washington 98101

Control of Northwest Dentists Insurance Company (“*NORDIC*”) will be acquired pursuant to the purchase of all outstanding shares of capital stock of *NORDIC* by Health Services Group, Inc. (“*HSG*”) and Washington State Dental Association (“*WSDA*”). *NORDIC* has outstanding 15 shares, \$100,000 par value, of common stock (“*Shares*”), of which 11.25 Shares (75 percent) will be purchased by *HSG* and 3.75 Shares (25 percent) will be purchased by *WSDA*. At present, all outstanding shares of common stock of *NORDIC* are owned by Physicians Insurance A Mutual Company (“*PI*”), a Washington mutual insurer.

HSG is a wholly-owned subsidiary of Oregon Dental Service (“*ODS*”), an Oregon nonprofit corporation licensed in Oregon as a health care service contractor.

The terms of the proposed purchase of Shares by *HSG* and *WSDA* are set forth in the Amended and Restated Stock Purchase Agreement (the “*Stock Purchase Agreement*”) dated December 22, 2006 among *PI*, *HSG* and *WSDA*, which is attached as Exhibit 1 to this Statement. The obligations of *PI*, *HSG* and *WSDA* to consummate the transactions contemplated by the Stock Purchase Agreement are conditioned upon approval of the transactions by the Washington Insurance Commissioner. See, Sections 9.4 and 10.4 of the Stock Purchase Agreement.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

The names and addresses of the applicants are as follows:

Health Services Group, Inc.
601 S.W. Second Avenue, 24th Floor
Portland, Oregon 97204
Tel: (503) 228-6554

Washington State Dental Association
1001 Fourth Avenue, Suite 3800
Seattle, Washington 98154
Tel: (206) 448-1914

HSG is the wholly-owned subsidiary of:

Oregon Dental Service
601 S.W. Second Avenue, 24th Floor
Portland, Oregon 97204
Tel: (503) 228-6554

HSG

The principal business activity of HSG is to act as a holding company for its other affiliates (other than ODS) and to manage the business operations of many of its other affiliates. All of the employees within the affiliated companies are employed by HSG in connection with the management services that it provides to other affiliates.

Exhibit 2 to this Statement contains a chart presenting the identities of, and interrelationships among, HSG and all persons known to control or to be controlled by or under common control with HSG. The principal business activity of each affiliate of HSG identified in Exhibit 2 to this Statement is as follows:

Oregon Dental Service

ODS is an Oregon nonprofit corporation licensed as a health care service contractor in the State of Oregon. ODS writes a wide array of prepaid dental plans for employers and governmental entities and also contracts with large self-insured groups for administrative services only. HSG is a wholly-owned subsidiary of ODS.

ODS Health Plan, Inc.

ODS Health Plan, Inc. is an Oregon business corporation licensed as a health care service contractor in the States of Oregon and Washington and as a foreign insurer in the State of Alaska. ODS Health Plan, Inc. writes a wide array of group and individual health insurance plans, including managed care plans, point of service plans, PPO plans, indemnity plans and stop loss insurance (but does not write stop loss insurance in the State of Washington). ODS Health Plan, Inc. also contracts with large self-insured groups for administrative services only. ODS Health Plan, Inc. is a wholly-owned subsidiary of HSG.

Dentists Benefits Insurance Company

Dentists Benefits Insurance Company ("DBIC"), an Oregon stock insurer and a wholly-owned subsidiary of ODS Health Plan, Inc., writes property and casualty insurance for dentists and dental practice entities, including professional liability insurance and business owners property insurance (covering general liability and damage or loss to office premises and contents). Although a substantial portion of its business is based in the State of Oregon, DBIC is admitted as a foreign insurer and has a small market presence in the States of Washington, Idaho, Montana, Alaska, Arizona, Utah, Michigan, Missouri, and Tennessee. *See, Item 5* of this Statement.

BenefitHelp Solutions, Inc.

BenefitHelp Solutions, Inc., an Oregon business corporation and a wholly-owned subsidiary of ODS Health Plan, Inc., provides third-party administrative services for group health insurance plans. BenefitHelp Solutions, Inc. is licensed as a third-party administrator in the State of Oregon.

La Grande Property LLC

La Grande Property LLC, an Oregon limited liability company and a wholly-owned subsidiary of BenefitHelp Solutions, Inc., currently conducts no business activities and owns no property.

ODS Tower Company

ODS Tower Company, an Oregon business corporation and a wholly-owned subsidiary of HSG, is the sole managing member of Morrison Tower Company LLC. Morrison Tower Company LLC is the sole general partner of Morrison Street Limited Partnership. Morrison Street Limited Partnership owned ODS Tower, a 24 story office tower located at 601 Southwest Second Avenue, Portland, Oregon, which was sold on November 15, 2005. As the sole managing member of Morrison Tower Company LLC, ODS Tower Company controls Morrison Street Limited Partnership. As a result of the sale of ODS Tower, Morrison Tower Company LLC and Morrison Street Limited Partnership currently conduct no business activities and are in the process of liquidation. After such liquidation, it is intended that ODS Tower Company will conduct no business activity and own no property.

ODS Plaza, Inc.

ODS Plaza, Inc., an Oregon business corporation and a wholly-owned subsidiary of HSG, owns and operates ODS Plaza, which is located in Milwaukie, Oregon. Certain business activities of HSG and its affiliates are conducted at ODS Plaza.

Dentists Benefits Corporation

Dentists Benefits Corporation ("*DBC*"), an Oregon business corporation and a wholly-owned subsidiary of HSG, is a licensed insurance producer that sells life, health, property and casualty insurance to dentists and dental practice entities in the States of Oregon, Washington, Idaho, Montana, Alaska, Arizona, Utah, Missouri and Tennessee. DBC is licensed as a nonresident agent in the State of Washington. DBC manages the business of DBIC and will manage the business of NORDIC as discussed in Item 5 of this Statement.

Dentists Management Corporation

Dentists Management Corporation, an Oregon business corporation and a wholly-owned subsidiary of HSG, sells products and services to dental offices in a number of states, including its DAISY proprietary dental office practice management software.

ODS Community Health, Inc.

ODS Community Health, Inc., an Oregon business corporation and a wholly-owned subsidiary of ODS Health Plan, Inc., offers dental and medical coverage under the Oregon Health Plan.

Oregon Dental Association

Oregon Dental Association ("*ODA*"), an Oregon nonprofit corporation, is a trade association for Oregon dentists. ODA is engaged in a wide array of activities on behalf of organized dentistry. The Board of Trustees of ODA serves as the governing body of ODA. The Board of Trustees is comprised of 32 individuals, who are geographically spread throughout the State of Oregon. Each of ODA's 16 component dental societies, geographically representing dentists from the entire State of Oregon, selects one trustee for every 150 voting members. Given the wide geographic representation of the Board of Trustees, an Executive Committee of the Board of Trustees exercises considerable authority with respect to ODA Board activities, including serving as the Board Finance Committee, acting as an advisor to the full Board of Trustees and providing general oversight of the business operations of ODA. The Executive Committee is comprised of ten individuals, consisting of the six officers of the Board of Trustees and four at-large members selected by the full Board of Trustees.

ODA controls ODS, the parent corporation of HSG, and therefore, ODA is the "ultimate controlling person" of HSG under WAC 284-18-340(4). ODS is organized as a mutual benefit corporation under the Oregon Nonprofit Corporation Act and is tax exempt under Section 501(c)(4) of the Internal Revenue Code of 1986, as amended. ODS has no members, and therefore no person has an ownership interest in ODS. Notwithstanding the absence of an ownership interest, ODA has limited rights relating to ODS. ODA, acting by and through its Board of Trustees, has the right to appoint and remove all directors of ODS, other than its President. Under its Restated Articles of Incorporation and Restated Bylaws, ODS has 16 directors, consisting of (i) nine persons who are members in good standing of ODA, (ii) six directors who are not ODA members and (iii) the President of ODS. In addition, upon the dissolution of ODS, ODA is entitled to receive the net residual assets of ODS (after all liabilities are discharged); however, ODA has no authority to initiate or approve the dissolution of ODS. Finally, ODA, acting by and through its Board of Trustees, has the right to approve (but may not initiate) any amendment or restatement of the Restated Articles of Incorporation of ODS (but not the Restated Bylaws of ODS). ODA is not permitted to receive any dividends or other distributions from ODS. Apart from the limited rights of ODA to appoint and remove directors, receive liquidating distributions upon dissolution, and approve the amendment or restatement of the Restated Articles of Incorporation, ODA has no involvement in or control over the business operations of ODS, which are conducted independently and autonomously from ODA. While the Board of Trustees of ODA receives informal reports on the business activities of ODS from time to time, it does not have or exercise any approval rights with respect to the conduct of the business of ODS.

WSDA

WSDA, a Washington nonprofit corporation, is a trade association for Washington dentists. It has over 3,800 members, representing over 80 percent of the practicing dental professionals in the State of Washington. WSDA is engaged in a wide array of activities on behalf of organized dentistry, under the direction of its Board of Directors. There are 17 component dental societies in the State of Washington which, by geographic boundaries, cover the state. The WSDA House

of Delegates is comprised of members representing the respective component societies. Typically, it meets once each year to approve WSDA's budget, to elect directors and to provide guidance and policy to WSDA. NORDIC has been the sponsored property and casualty insurer of WSDA since 1989. Pursuant to an Agreement for Endorsement dated January 1, 1998, WSDA has been receiving an endorsement fee for endorsing NORDIC's professional liability and property and casualty coverages. The Agreement for Endorsement will be terminated upon the closing of the proposed acquisition.

Exhibit 3 to this Statement contains a chart presenting the identities of, and interrelationships among, WSDA and all persons known to control or to be controlled by or under common control with WSDA. Washington Dentists' Insurance Agency, Inc. ("*WDIA*"), a wholly-owned subsidiary of WSDA, is a licensed Washington insurance agent that sells life and disability insurance in the State of Washington to Washington dentists and dental practice entities. The licensed agents affiliated with WDIA are salaried. At present, WDIA is licensed to sell life, disability, property and casualty insurance.

The charts attached as Exhibits 2 and 3 to this Statement indicate the percentage of voting securities of each such person that is owned or controlled by HSG or WSDA, as appropriate, or by any other such person. Except for the control of ODS by ODA, which is described above, control of all such persons is maintained by the ownership or control of voting securities. The charts indicate the type of organization and the jurisdiction of domicile of each person. No court proceedings involving a reorganization or liquidation are pending with respect to any such person.

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

Health Services Group, Inc. The current officers and directors of HSG are as follows:

Current Officers

<u>Name</u>	<u>Title</u>
Robert Gootee	President and Chief Executive Officer
Andrew Franklin	Senior Vice President and Secretary
Jonathan Jurevic	Senior Vice President and Treasurer
Carlton McLeod	Senior Vice President
William Ten Pas, D.M.D.	Senior Vice President
Kraig Anderson	Vice President
Bill Hockett	Vice President
Csaba Mera, M.D.	Vice President
Tracie Murphy	Vice President
Robin Richardson	Vice President
Marty Stewart	Vice President
Mary Lou True	Vice President

Current Directors

Karen Anderegg
Tracy Andrus
Wayne Barichello, D.M.D.
Jon Carnahan
George Darke, D.D.S.
Robert Gootee
David Howerton, D.M.D.
Mark Jensen, D.M.D.
Jay Lamb, D.M.D.
Michael McKeel, D.M.D.
Patrick Nearing, D.M.D.
George Passadore
Kenneth Peterson, D.M.D.
John Stevason
Chuck Wingard, D.M.D.

Oregon Dental Service. The current officers and directors of ODS are as follows:

Current Officers

<u>Name</u>	<u>Title</u>
Robert Gootee	President and Chief Executive Officer
Andrew Franklin	Senior Vice President and Secretary
Jonathan Jurevic	Senior Vice President and Treasurer

Current Directors

Karen Anderegg
Tracy Andrus
Wayne Barichello, D.M.D.
Jon Carnahan
George Darke, D.D.S.
Robert Gootee
David Howerton, D.M.D.
Mark Jensen, D.M.D.
Jay Lamb, D.M.D.
Michael McKeel, D.M.D.
Patrick Nearing, D.M.D.
George Passadore
Kenneth Peterson, D.M.D.
John Stevason
Chuck Wingard, D.M.D.

Oregon Dental Association. The current officers and members of the Executive Committee of ODA are as follows:

Current Officers

<u>Name</u>	<u>Title</u>
Sean Benson, D.D.S.	President
Thomas Pollard, D.M.D.	President-Elect
James Catt, D.M.D.	Vice President
Teri Barichello, D.M.D.	Secretary-Treasurer
Fred Bremner, D.M.D.	Editor
Rickland Asai, D.M.D.	Speaker of the House

Current Members of the Executive Committee

Sean Benson, D.D.S.
Thomas Pollard, D.M.D.
James Catt, D.M.D.
Teri Barichello, D.M.D.
Fred Bremner, D.M.D.
Rickland Asai, D.M.D.
K. David Carneiro, D.M.D.
Gregory Jones, D.M.D.
Judd Larson, D.D.S.
Renee Watts, D.D.S.

Washington State Dental Association. The current officers and directors of WSDA are as follows:

Current Officers

<u>Name</u>	<u>Title</u>
Stephen Hardymon	Executive Director
Rhonda Savage, D.D.S.	President
Dexter Barnes, D.D.S.	President-Elect
David Houton, D.D.S.	Vice President
James Ribary, D.D.S.	Secretary-Treasurer
Dan Middaugh, D.D.S.	Immediate Past President

Current Directors

Rhonda Savage, D.D.S.
Dexter Barnes, D.D.S.
David Houton, D.D.S.

James Ribary, D.D.S.
Dan Middaugh, D.D.S.
John Ames, D.D.S.
Bryan Anderson, D.D.S.
David Cummins, D.D.S.
Bryan Edgar, D.D.S.
Susan Hollinsworth, D.D.S.
David Minahan, D.D.S.
Gregory Ogata, D.D.S.
Rick Ouhl, D.D.S.
Steven Waite, D.D.S.
Douglas Walsh, D.D.S.
Danny Warner, D.D.S.
Rodney Wentworth, D.D.S.

Set forth in Exhibit 4 to this Statement are the biographical affidavits completed by the current officers and directors of HSG, ODS and WSDA, respectively, and the current officers and members of the Executive Committee of ODA. None of the current officers or directors of HSG, ODS or WSDA and none of the current officers and members of the Executive Committee of ODA has been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

As set forth in Section 2.2 of the Stock Purchase Agreement, the purchase price (the "*Purchase Price*") will be equal to the sum of (i) NORDIC's statutory capital and surplus at the Closing, plus (ii) \$1,000,000. Pursuant to Section 2.2.5 of the Stock Purchase Agreement, \$500,000 of the purchase price will be allocated to the noncompetition covenant of PI (set forth in Section 13.1 of the Stock Purchase Agreement), and the balance of the Purchase Price will be allocated to the purchase of Shares by HSG and WSDA, respectively. Using NORDIC's statutory capital and surplus of \$7,042,711 as of September 30, 2006 as an approximation of NORDIC's statutory capital and surplus as of December 31, 2006, HSG and WSDA anticipate that the Purchase Price will be approximately \$8,000,000. The Purchase Price will be allocated between HSG and WSDA in proportion to their stock ownership of NORDIC (*i.e.*, 75 percent of the Purchase Price will be paid by HSG, and 25 percent of the Purchase Price will be paid by WSDA). The Purchase Price will be funded by HSG from its internal cash resources. WSDA intends to fund its share of the Purchase Price partially from its internal cash resources and intends to borrow between \$1,000,000, and \$1,075,000 as described below. The nature and amount of the total consideration to be paid by HSG and WSDA, respectively, in connection with the proposed acquisition were determined by arms' length negotiations.

At the closing of the transactions contemplated by the Stock Purchase Agreement (the "*Closing*"), which is anticipated to occur on February 28, 2007, HSG and WSDA, collectively, will pay to PI 70 percent of NORDIC's statutory capital and surplus as of December 31, 2006 (the "*Pre-Closing Statutory Capital and Surplus*"), plus \$500,000. The remaining 30 percent of the Pre-Closing Statutory Capital and Surplus plus \$800,000 will be deposited by HSG and WSDA into a holdback account at a financial institution mutually agreed upon by PI, HSG and

WSDA. At the Closing, payments to PI and deposits into the holdback account will be made by wire transfer.

Within ten business days after the Purchase Price is finally determined, the remaining balance of the Purchase Price, reduced by a \$500,000 holdback, will be paid to PI out of the holdback account, and the remainder of the purchase price, if any, will be paid by HSG and WSDA in the proportion of their stock ownership. If PI receives an overpayment of the Purchase Price, it will repay such amount to HSG and WSDA not later than 30 days after the Purchase Price is finally determined. Interest at the rate earned in the holdback account will be paid on amounts owing to PI or to HSG and WSDA after the Closing.

Not later than 40 days after the Closing, PI will deliver to HSG and WSDA financial statements (the "*Closing Financial Statements*") of NORDIC for the period from January 1, 2007 to the Closing that are prepared in accordance with statutory accounting practices applied on a consistent basis and special accounting procedures (the "*Special Accounting Procedures*"). The Special Accounting Procedures are set forth in Exhibit A of the Stock Purchase Agreement. The Closing Financial Statements will be accompanied by a calculation of the Purchase Price and supporting documentation. If HSG and WSDA fail to object in writing within 30 days after the receipt of the Closing Financial Statements and the Purchase Price calculation and related information, the determination of the Purchase Price will be binding upon HSG and WSDA. If HSG and WSDA object to the Closing Financial Statements or the Purchase Price calculation within 30 days after receipt of such information, then a dispute resolution process will be invoked in accordance with Section 2.2.3(d) of the Stock Purchase Agreement. A nationally recognized independent accounting firm (the "*Neutral Arbitrator*") mutually satisfactory to PI, HSG and WSDA will be engaged to resolve such dispute. The costs and expenses related to review by the Neutral Arbitrator will be borne one-half by PI and one-half by HSG and WSDA, unless the Neutral Arbitrator determines that a party acted unreasonably in connection with the Purchase Price calculation, in which event the Neutral Arbitrator will have authority to require such party to pay that portion of the costs and expenses that the Neutral Arbitrator deems appropriate.

On or before January 31, 2007, PI will deliver to HSG and WSDA unaudited financial statements of NORDIC for the fiscal year ending December 31, 2006. On or before February 15, 2007, PI will deliver to HSG and WSDA updated financial statements of NORDIC for the fiscal year ending December 31, 2006 in the form to be filed with the Office of the Washington Insurance Commissioner as part of NORDIC's Annual Statement. Within 40 days after the Closing, PI will deliver to HSG and WSDA financial statements of NORDIC for the fiscal year ending December 31, 2006 audited by Deloitte & Touche LLP in accordance with statutory accounting practices applied on a consistent basis and the reserve liabilities set forth in the Pre-Closing Actuarial Reports.

On or before January 24, 2007, PI will cause to be prepared and delivered to HSG and WSDA actuarial reports of NORDIC's reserve liabilities as of December 31, 2006 (the "*Pre-Closing Actuarial Reports*"). The Pre-Closing Actuarial Reports will be prepared by Tillinghast in accordance with the actuarial policies, procedures and principles of NORDIC applied on a consistent basis with prior years. For the period from December 31, 2006 to the Closing, NORDIC will establish reserve liabilities for new claims and incidents and adjust its reserve

liabilities for existing claims and incidents consistently with NORDIC's past reserving practices, and will deliver on a weekly basis to HSG and WSDA notice of such new claims or incidents and new or adjusted reserve liabilities (the "Reserve Notices"). If, prior to the Closing, HSG or WSDA rejects in writing, for any reason, the Pre-Closing Actuarial Reports or the treatment of reserve liabilities pursuant to any Reserve Notices, the Stock Purchase Agreement will be terminated. The dispute resolution process described in the preceding paragraph will not pertain to NORDIC's reserve liabilities unless PI has breached its obligation with respect to the consistent application of NORDIC's actuarial policies, procedures and principles or the determination of reserve liabilities used in the Purchase Price calculation in accordance with the Special Accounting Practices.

A portion of the Purchase Price will be held back pending the determination of PI's indemnification obligations under the Stock Purchase Agreement. The amount of \$500,000 will be deposited into the holdback account at a financial institution mutually agreed upon by PI, HSG and WSDA. Disbursements from the holdback account will be made in accordance with Section 12.7 of the Stock Purchase Agreement.

WSDA intends to borrow between \$1,000,000 and \$1,075,000 from a commercial bank with respect to its purchase of the Shares. WSDA will use its internal cash resources to fund its remaining share of the Purchase Price. A commitment letter dated November 21, 2006 from a commercial bank (the "Bank Commitment Letter") is attached as Exhibit 30 to this Statement. The bank loan (the "Bank Loan") will be for a term of five years, with a fixed interest rate based on the five-year Federal Home Loan Bank Index, plus an additional spread. On November 21, 2006, the date of the Bank Commitment Letter, the interest rate would have been 6.61 percent per annum. The interest rate will be established on the closing of the Bank Loan, but will not exceed 7.10 percent per annum. Although the Bank Loan matures in five years, payments of principal and interest will be determined on the basis of a seven year amortization, with a balloon payment at maturity. Accordingly, based on borrowing the maximum amount (\$1,075,000) at the maximum interest rate (7.10 percent), payments of principal and interest of approximately \$195,000 per year will be required on the Bank Loan. As described in the Bank Commitment Letter, WSDA will have to pay a small origination fee and maintain a bank account with the lender, and the Bank Loan will be subject to compliance with a debt service coverage ratio. The Bank Loan will be secured by (i) an assignment of WDIA commission income and dividends from NORDIC, (ii) an assignment of WSDA membership dues and (iii) a blanket security interest on WSDA's assets (excluding the Shares). WSDA will not pledge or otherwise secure the Bank Loan with the 3.75 Shares purchased under the Stock Purchase Agreement. WSDA will deliver to the Office of the Washington Insurance Commissioner, when available, copies of its loan documentation, including the loan agreement, promissory note and security agreement. WSDA intends to request that the identity of its lender be kept confidential.

ITEM 5. FUTURE PLANS OF INSURER

In general, HSG and WSDA intend that NORDIC's business will be conducted consistently with its historical operations. The objectives of HSG and WSDA will be to improve NORDIC's financial performance and increase the number of Washington dentists and dental practice entities insured by NORDIC.

At present, NORDIC's business is managed by PI. PI provides all services that enable NORDIC to conduct its business, including underwriting, claims processing, marketing, financial management and reporting, investment management, information systems, strategic planning and administrative services. Before the Closing, PI and NORDIC will terminate the Management Agreement and Power of Attorney dated September 25, 1991, and NORDIC no longer will be a party to the Tax Allocation Agreement dated January 1, 1999 among PI and its affiliates. See, Sections 4.9(f) and 13.7 of the Stock Purchase Agreement.

At the Closing, NORDIC will enter into a Management Agreement (the "*Management Agreement*") with DBC, in the form of Exhibit 5 to this Statement. Under the Management Agreement, DBC will provide the following services and oversight with respect to NORDIC: marketing; underwriting; claims processing; financial management and reporting; reinsurance; investment management; information systems; strategic planning; and general administration. At present, DBC performs the same management services for DBIC. Under the Management Agreement, DBC may delegate certain functions to HSG. The services performed by DBC under the Management Agreement will be consistent with and subject to the policies established by the Board of Directors of NORDIC. NORDIC will pay its direct expenses (*i.e.*, amounts incurred by NORDIC that are owed to an unrelated third party and are attributable to its business and affairs), including, but not limited to, audit fees, actuarial fees, legal fees, regulatory assessments, investment advisory fees, custodial charges and rent. Under the Management Agreement, DBC will be paid a management fee equal to 25 percent of NORDIC's gross earned premiums as reimbursement for all other expenses, excluding direct expenses, paid or incurred by DBC for the benefit of NORDIC in connection with the management services performed by DBC; expenses included within DBC's management fee are compensation, benefits and payroll taxes of employees and expenses related to the use of personal property, software and management information systems. The Management Agreement requires accurate and verifiable accounting of all intercompany activities between NORDIC and DBC, including intercompany loans, and the reconciliation of all transactions on a monthly basis. The Management Agreement does not have an expiration date and continues until it is terminated. Termination of the Management Agreement will occur (i) by the mutual agreement of HSG and NORDIC, (ii) without cause, upon 60 days' prior notice by NORDIC or one year's prior notice by DBC, (iii) upon a failure to remedy a material breach or (iv) upon initiation of regulatory action regarding the Management Agreement.

After the Closing, Cary Ecker, who currently acts as NORDIC's general manager, and Evelyn Moriarty, who currently oversees NORDIC's claims processing functions, will be employed.

At the Closing, NORDIC will enter into a Transitional Services Agreement (the "*Transitional Services Agreement*") with PI, in the form of Exhibit 6 to this Statement. The Transitional Services Agreement provides that PI will provide short-term assistance and services with respect to the transfer of tangible property and general, operational know-how from PI and its employees to HSG and its employees with respect to the management of NORDIC's business by DBC. The Transitional Services Agreement sets forth the details relating to such transitional issues as the transfer and conversion of electronic data, the integration of financial, regulatory and reporting systems into the systems of DBC and HSG and the delivery of physical assets,

including books and records, from PI to HSG. The Transitional Services Agreement also provides for general cooperation between the parties on post-closing transitional issues.

At the Closing, NORDIC will enter into an Agency Agreement (the "Agency Agreement") with WDIA, in the form of Exhibit 7 to this Statement. Under the Agency Agreement, WDIA will be NORDIC's exclusive agent for the sale of dental professional liability insurance and property and casualty insurance to dentists and dental practice entities in the State of Washington. As soon as practicable after the Closing, NORDIC will use commercially reasonable efforts to terminate in accordance with Washington law its agreements with other producers with which it has a business or contractual relationship in the State of Washington, except to the extent that NORDIC and WDIA mutually agree upon the continuation of such producer relationships. WDIA will not be NORDIC's agent in the States of Oregon and Montana; the future appointment of WDIA by NORDIC in the State of Idaho is subject to further discussions between HSG and WSDA. Notwithstanding the exclusive agency relationship in the State of Washington, NORDIC, at its expense, will retain the right to sell insurance on a direct basis to dentists and dental practice entities in the State of Washington, subject to NORDIC's obligation to continue to pay commissions to WDIA in the same manner and amount as if WDIA had placed such business. Under the Agency Agreement, after 2007, WDIA is entitled to receive commissions at the rate of five percent for existing business and renewals and ten percent during the first year for new business. For 2007, NORDIC will pay to WDIA an annual fee of \$200,000, paid quarterly in arrears and prorated to reflect the portion of the 2007 calendar year that the Agency Agreement is in effect; such amount will be in lieu of commissions, except for new business and renewal business (if there is a gap in coverage) for which the regular commission schedule will apply. WDIA will solicit policyholders and prospective policyholders, pursue marketing initiatives and perform other customary services of an insurance agent, and DBC will be responsible for all underwriting, billing and collection of premiums and claims processing. The Agency Agreement has no expiration date and continues until it is terminated. The Agency Agreement terminates automatically upon the termination or revocation of applicable licenses, a change of ownership or control, abandonment, fraud, insolvency, bankruptcy, dissolution, gross or willful misconduct, breach of fiduciary duty, material breach (which is uncured for more than 30 days) of the Agency Agreement or termination of the Shareholder Agreement. Upon the termination of the Agency Agreement, WDIA is subject to competitive restrictions that preclude for three years the sale of professional liability, property or casualty insurance to the policyholders of NORDIC or other dentists or dental practice entities. Under the Agency Agreement, all expirations and renewal rights belong to NORDIC. As a result of the Agency Agreement, the Agreement For Endorsement dated January 1, 1998 between WSDA and NORDIC will be terminated at the Closing.

At present, HSG and WSDA anticipate that the underwriting and claims operations of NORDIC will be conducted consistently with its historic operations.

NORDIC utilizes a common renewal date of January 1 for all of its policies. Because the Closing will occur after January 1, 2007, all policies for the 2007 calendar year will have been renewed before the Closing. Accordingly, the premium rates and policy forms filed with the Office of the Washington Insurance Commissioner prior to the Closing will be applicable to the policy renewals on January 1, 2007. NORDIC's premium rate increase that was recently approved by the Office of the Washington Insurance Commissioner will become effective for

renewals occurring on and after January 1, 2007. In the future, premium rates will be approved by the Board of Directors of NORDIC and will change based on actuarial recommendations, competitive conditions and other factors. At present, HSG and WSDA do not anticipate making any material changes to NORDIC's insurance policies after the Closing; however, NORDIC will periodically review its policy forms and coverage obligations and may decide to implement changes in accordance with applicable law.

NORDIC's existing reinsurance treaty for dental professional liability and general liability coverage will terminate at the Closing based upon the change of control of NORDIC. This Statement will constitute notice by NORDIC of the termination of such reinsurance treaty pursuant to RCW 48.05.530 and 48.05.535. At present, HSG has engaged Aon Re, Chicago, Illinois, to act as NORDIC's reinsurance intermediary after the Closing. The obligations of HSG and WSDA to consummate the transactions contemplated by the Stock Purchase Agreement are conditioned upon the availability of reinsurance on terms satisfactory to HSG and WSDA. See, Section 9.6 of the Stock Purchase Agreement.

HSG has received a Healthcare Liability Excess of Loss Proposal from General Reinsurance Corporation (the "*Gen Re Reinsurance Proposal*"), which HSG is willing to accept on behalf of NORDIC. The Gen Re Reinsurance Proposal is attached as Exhibit 31 to this Statement.

The existing Quota Share Contract (the "*Quota Share Contract*"), that reinsures NORDIC's BOP coverage will continue after the Closing and will terminate on its expiration date of June 30, 2007. Under the Quota Share Contract, 70 percent of the risk is reinsured with five Lloyd's underwriting members, and 30 percent of the risk is retained by NORDIC. The existing quota share reinsurance treaty that reinsures NORDIC's employment practice liability coverage also will continue after the Closing and will terminate on December 31, 2007. Under the reinsurance treaty, 50 percent of the employment practices liability risk is reinsured with eight Lloyd's underwriting members, and 50 percent of the risk is retained by NORDIC.

At present, the principal office of NORDIC is located at PI's principal office. HSG is currently looking for suitable office space for NORDIC to lease after the Closing. If HSG cannot find suitable office space by the Closing, NORDIC will temporarily maintain its principal office at WSDA's principal office until suitable space is leased in the greater Seattle area. After the Closing, NORDIC will maintain its principal office, including access to its books and records at the principal office, in accordance with RCW 48.07.020.

The governance of NORDIC is described in the Shareholder Agreement (the "*Shareholder Agreement*") dated October 26, 2006 between HSG and WSDA, which is attached as Exhibit 8 to this Statement. Section 6 of the Shareholder Agreement sets forth the voting agreement between HSG and WSDA regarding the election and removal of directors of NORDIC. Under the Shareholder Agreement, NORDIC will be managed by a Board of Directors of seven members, four of whom will be designated by HSG and three of whom will be designated by WSDA.

The Board of Directors of NORDIC initially will be comprised of the following designees of HSG and WSDA:

HSG Designees

Robert Gootee
Karen Anderegg
Jay Lamb, D.M.D.
William Ten Pas, D.M.D.

WSDA Designees

Douglas Walsh, D.D.S.
Mark Walker, D.D.S.
James Ribary, D.D.S.

The initial officers of NORDIC will be the following individuals:

<u>Name</u>	<u>Title</u>
Robert Gootee	President and Chief Executive Officer
Andrew Franklin	Senior Vice President and Secretary
Jonathan Jurevic	Senior Vice President and Treasurer
Chris Verbiest	Vice President
Thomas Bikales	Assistant Secretary

Set forth in Exhibit 9 to this Statement are the biographical affidavits completed by the persons who will serve as the initial directors and officers of NORDIC. None of the initial directors or officers of NORDIC has been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years.

As soon as practicable after the Closing, HSG and WSDA will cause Restated Articles of Incorporation, in the form of Exhibit 10 to this Statement, and Restated Bylaws, in the form of Exhibit 11 to this Statement, to become effective.

Under the Restated Articles of Incorporation, the affirmative vote of the holders of 60 percent or more of the Shares entitled to vote will be required with respect to (i) a transaction involving NORDIC that is subject to the shareholder approval requirements of RCW Chapter 23B.11 or 23B.12, including, without limitation, a merger, a share exchange, or a sale of all or substantially all of the assets, (ii) an amendment or restatement of the Restated Articles of Incorporation of NORDIC or (iii) the dissolution of NORDIC. In accordance with RCW 48.07.050, the affirmative vote of the holders of a majority of the Shares will be required to remove one or more directors with cause, and the affirmative vote of the holders of at least 67 percent of the Shares will be required to remove one or more directors without cause; however, the consent of the shareholder who designated the director is required under the Shareholder Agreement prior to the director's removal. In all other respects, if a quorum exists, actions by the shareholders of NORDIC will be approved if the votes cast in favor of the action exceed the votes cast opposing the action. Subject to the Shareholder Agreement, directors of NORDIC will be elected by a plurality of the votes cast, and no cumulative voting will be permitted.

Under the Restated Bylaws and the Shareholder Agreement, actions of the Board of Directors of NORDIC will be taken on the affirmative vote of four or more of the directors. Notwithstanding the foregoing, however, any conflict of interest transaction will be subject to the approval of the disinterested directors or shareholders of NORDIC to the extent required by Washington law. Except for the Management Agreement, each contract between NORDIC and

HSG (or an affiliate of HSG) must be approved by the Board of Directors of NORDIC, with at least one director designated by WSDA approving such contract. *See*, Section 9.3 of the Shareholder Agreement. Except for the Agency Agreement, each contract between NORDIC and WSDA (or an affiliate of WSDA) must be approved by the Board of Directors of NORDIC, with at least one director designated by HSG approving such contract. *See*, Section 9.3 of the Shareholder Agreement. If a deadlock arises from such approval requirements that causes or will cause irreparable injury to NORDIC be suffered or threatened, HSG and WSDA have agreed in the Shareholder Agreement to mediate in good faith under the supervision of Arbitration Service of Portland, Inc.

The Board of Directors may at any time make a capital call to require the shareholders of NORDIC to contribute additional capital to NORDIC if the Board of Directors concludes that the capital call is necessary or appropriate because the capitalization of NORDIC is inadequate for regulatory purposes or other reasons. Moreover, at least one director designated by HSG and one director designated by WSDA will be required to approve the capital call if and only if it results from (i) NORDIC transacting insurance in a state other than Washington, Idaho, Oregon or Montana, (ii) NORDIC writing lines of insurance other than professional liability insurance and property and casualty insurance or (iii) NORDIC selling insurance to persons or entities that are not dentists or dental practice entities. In the event of a capital call by the Board of Directors of NORDIC, WSDA's capital contributions will be limited to \$400,000, in the aggregate, unless it decides to make an additional capital contribution. If WSDA does not contribute its entire proportionate share of any additional capital contributed to NORDIC, HSG and WSDA will engage the Portland, Oregon office of Willamette Management Associates, Inc. to determine the fair market value of each Share using recognized valuation practices, without applying discounts for minority interest, lack of marketability or other matters and without applying a premium for controlling interest; in that event NORDIC will issue that number of additional Shares to HSG and WSDA, as the case may be, that equals (i) the amount of the additional capital contributed by such shareholder, divided by (ii) the fair market value per Share determined by Willamette Management Associates, Inc.

After the Closing, except with the mutual agreement of HSG and WSDA, NORDIC will engage only in the business of transacting professional liability insurance and property and casualty insurance for dentists and dental practice entities in the States of Washington and Idaho; provided, however, that NORDIC will be authorized to renew the limited number of insurance policies that it has issued for dentists and dental practice entities in the States of Oregon and Montana, but will not be authorized to write new insurance business in such states. Any decision by NORDIC (i) to sell insurance in any other state, (ii) to sell insurance other than professional liability insurance or property and casualty insurance or (iii) to sell insurance to persons or entities who are not dentists or dental practice entities must be approved by the Board of Directors of NORDIC, with at least one director designated by HSG and one director designated by WSDA voting in favor of such decision.

After the Closing, DBIC will be authorized to renew its existing professional liability insurance and property and casualty insurance business for dentists and dental practice entities in the States of Washington and Idaho, but will not be authorized to generate new business with respect to such lines of insurance. In addition, DBIC will be authorized to transact professional liability insurance and property and casualty insurance for dentists and dental practice entities in

Oregon, Montana and all other states (except the States of Washington and Idaho) without limitation or restriction.

With respect to the impact of the proposed acquisition on competition in the State of Washington, the market share of NORDIC and DBIC with respect to each line of business written in the State of Washington was calculated in accordance with the standards set forth in RCW 48.31B.020. The source of the data for each insurer was the annual statement of each insurer. With respect to the total market, the source of the data was the State of Washington, Office of the Insurance Commissioner, Washington Premiums and Loss Ratio, Recapitulation by Line of Business.

The combined market share of NORDIC and DBIC does not exceed five percent of the total market with respect to either of the two lines of insurance transacted by the insurers (*i.e.*, medical malpractice and commercial multiple peril (liability portion)). Set forth below is the historical market and market share for NORDIC for the past five years for each line of insurance, and the historical market and market share for DBIC from its commencement of business in the State of Washington for each line of insurance:

Medical Malpractice

<u>Year</u>	<u>NORDIC</u>		<u>DBIC</u>	
	<u>Market</u>	<u>Market Share</u>	<u>Market</u>	<u>Market Share</u>
2001	\$2,111,090	1.59%		
2002	2,246,301	1.43		
2003	2,346,419	1.41	\$ 668	.0004%
2004	2,471,525	1.33	2,479	.0013
2005	2,534,764	1.37	4,349	.0023

Commercial Multiple Peril (Liability Portion)

<u>Year</u>	<u>NORDIC</u>		<u>DBIC</u>	
	<u>Market</u>	<u>Market Share</u>	<u>Market</u>	<u>Market Share</u>
2001	\$76,585	.037%		
2002	77,396	.034		
2003	78,784	.031		
2004	81,525	.03	\$ 875	.0003%
2005	89,793	.031	3,304	.0011

In a letter dated November 27, 2006, the Office of the Washington Insurance Commissioner advised that the Washington dental professional liability insurance market may be highly concentrated based on the combined market share of the four largest licensed insurers -- NORDIC, Ace American Insurance Company, National Union Fire Insurance Company of Pittsburgh and Fortress Insurance Company. The letter stated that the combined market share of the four largest insurers was 91.5 percent in 2003, 90.6 percent in 2004, 93.7 percent in 2005 and

94.1 percent in 2006. The letter also stated that NORDIC was the leading dental professional liability insurer in the State of Washington over the past five years according to information extracted from the NAIC database.

HSG and WSDA understand that the respective market shares of NORDIC and Fortress Insurance Company have been increasing in recent years, and the market share of National Union Fire Insurance Company of Pittsburgh has been decreasing in recent years. Nevertheless, HSG and WSDA believe that the dental insurance market is highly competitive and that NORDIC's competitors and potential competitors are dynamic and very capable of posing a serious threat to NORDIC's existing and prospective policyholder base.

Entry into the Washington dental insurance market is not difficult. DBIC encountered no barriers or problems in entering the Washington dental insurance market; its market share remains small because its premium rates are significantly higher than the premium rates of NORDIC and several other insurers. Similar to DBIC's experience, other dental professional liability insurers that have dominant market shares in other states, such as CNA in Idaho and Alaska, The Cincinnati Insurance Company in Montana and The Dentists Insurance Company in the State of California would face no barriers to entry in Washington. However, to gain market share in the State of Washington, they would have to be willing to sell insurance at rates comparable to or lower than other competing insurers. Many of NORDIC's existing and prospective competitors have significantly greater capitalization than NORDIC that would enable them to aggressively cut their rates to attract dentists and dental practice entities.

Medical professional liability insurers also can easily enter the dental professional liability insurance market because professional liability coverages for physicians and dentists are substantially similar, and the insurance expertise is readily transferable between the professions. As a result, CNA and Medical Protective have recently begun offering professional liability insurance to Washington dentists. In some cases, oral surgeons and other dental professionals are employed by medical groups or hospitals that purchase professional liability insurance from medical professional liability insurers. In this respect, it should be noted that the noncompetition restriction applicable to PI in Section 13.1 of the Stock Purchase Agreement does not pertain to dentists or dental practice entities that practice within a physician group, hospital or similar entity insured by PI.

In addition, there is considerable competition from specialized risk retention groups that sell dental professional liability insurance to Washington dentists under the Liability Risk Retention Act of 1986. For example, many oral surgeons purchase professional liability insurance from OMS National Insurance Company, a risk retention group, and many orthodontists purchase professional liability insurance from The AAO Insurance Company, a risk retention group.

While PI believes that endorsements have value in attracting policyholders, organized dentistry is not the only influence on dentists with respect to the purchase of endorsed insurance products. For example, NORDIC currently insures between 40 and 50 percent of the dentists who are members of the Seattle/King County Dental Association despite the fact that the Association has endorsed the dental professional liability insurance offered by Fireman's Fund.

Similarly, WSDA's endorsement of NORDIC's insurance policies has not precluded NORDIC's competitors from insuring a significant number of WSDA members.

HSG and WSDA believe that dentists and dental practice entities are sensitive to price changes, and accordingly, the amount of premium is a very important factor in a dentist's decision as to whether and from whom to purchase dental professional liability insurance. Direct market forces, such as competitive rates and excellent service, are matters that individual dentists can evaluate very well, especially from year to year as renewal decisions are made. Although unconfirmed, PI believes that the premium rates of Fortress Insurance Company may be lower than NORDIC's premium rates for 2007 based on comments received from NORDIC policyholders regarding their renewal quotes.

The market for the BOP coverage offered by NORDIC is not specialized and is not required to be written by a professional liability insurer. Accordingly, all insurers writing commercial property and casualty insurance are potential competitors of NORDIC with respect to such coverage. The breadth of the commercial lines market in the State of Washington assures a competitive market for the business owner's property coverage offered by NORDIC.

At present, NORDIC insures approximately 2,300 dentists, and DBIC insures twelve dentists. Establishing the market shares of NORDIC, DBIC and other insurers in the dental insurance market is somewhat problematic because the size of the total market is uncertain. PI estimates the total number of insurable dentists at approximately 3,375. Yet, State of Washington records obtained by WSDA reflect 5,648 active licensed dentists at November 14, 2006, of which 4,473 reside in the State of Washington. Furthermore, information is not readily available on dentists insured by risk retention groups and other alternative markets. Despite the difficulty in estimating the exact market shares of NORDIC and DBIC, the acquisition of NORDIC by HSG and WSDA will have only a negligible impact on market concentration because DBIC's twelve policyholders represent only 0.52 percent of NORDIC's policyholders and less than 0.21 percent of the total active licensed dentists in the State of Washington. By virtue of DBIC's negligible market share, there is no prima facie evidence of violation of the competitive standard set forth in RCW 48.31B.020(4).

In summary, the dental insurance market remains highly competitive. At present, there are no access problems or cost problems for Washington dentists, and insurers and risk retention groups can readily enter the Washington dental insurance market. DBIC's minimal market presence in the State of Washington, WSDA's minority interest in NORDIC, and WDIA's agency appointment under the Agency Agreement are not expected to cause any material increase on NORDIC's future market share. HSG and WSDA believe that NORDIC's future market share will be dependent, in significant part, upon its premium rates, which, in turn, will be based both on NORDIC's loss experience and expense levels in the future and, in the event that rate increases are warranted, on the willingness of WSDA to agree to such increases even in the face of challenges from its constituent members.

Based on the foregoing historical data for NORDIC and DBIC with respect to their respective markets and market shares and the minimal market presence of DBIC in the State of Washington, HSG and WSDA do not believe that the proposed acquisition substantially lessens competition or tends to create a monopoly in the State of Washington. Accordingly, RCW

48.30.250 should not (i) bar the purchase of Shares by HSG, (ii) restrict the management authority of DBC with respect to NORDIC's business or (iii) preclude certain persons from concurrently being directors or officers of NORDIC and DBIC.

Under Section 13.1 of the Stock Purchase Agreement, PI has agreed not to sell professional liability insurance, business premises insurance or other property or casualty insurance to dentists or dental practice entities or solicit business from NORDIC's policyholders anywhere in the United States for three years after the Closing. PI's noncompetition restriction does not pertain to dentists or dental practice entities that practice within a physician group, hospital or similar business entity that purchases insurance from PI.

To achieve NORDIC's business purposes, HSG and WSDA contemplate that there may be extended periods during which there will be no dividend distributions. Dividends, if any, will be paid at such times and in such amounts as the Board of Directors of NORDIC deems appropriate, subject to any restrictions imposed under Washington law.

Except as provided in this Statement, HSG and WSDA have no present plan or proposal to (i) cause NORDIC to declare an extraordinary dividend, (ii) liquidate NORDIC, (iii) sell any assets of NORDIC (other than such sales of assets as may be contemplated in the ordinary course of business), (iv) merge NORDIC with any person or persons or (v) make any other change in the business operations, corporate structure or management of NORDIC. No liabilities or potential liabilities will be transferred to or assumed by NORDIC.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

Pursuant to the Stock Purchase Agreement, HSG and WSDA will directly acquire all of the outstanding shares of capital stock of NORDIC. Under the Stock Purchase Agreement, HSG will purchase 11.25 Shares (75 percent), and WSDA will purchase 3.75 Shares (25 percent). The purchase price and terms of the purchase of the Shares by HSG and WSDA were determined by arms' length negotiations with PI and are described in Item 4 of this Statement.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

As set forth in this Statement, HSG will legally and beneficially own 11.25 Shares (75 percent), and WSDA will legally and beneficially own 3.75 Shares (25 percent).

Pursuant to Section 4 of the Shareholder Agreement, WSDA will be granted two options to increase its ownership of Shares. Under the first option (the "*First Option*"), WSDA may purchase from HSG either (i) five percent of the Shares (including any other equity securities of NORDIC) then outstanding or (ii) ten percent of the Shares (including any other equity securities of NORDIC) then outstanding. The First Option may be exercised by WSDA only by giving written notice to HSG between January 1, 2012 and March 1, 2012 that specifies the number of Shares that WSDA will purchase. The purchase price for each Share purchased pursuant to the exercise of the First Option will be equal to (i) the product of (A) 1.15, multiplied by (B) the shareholders' equity of NORDIC at December 31, 2011 determined in accordance with GAAP, divided by (ii) the number of Shares outstanding on December 31, 2011:

Under the second option (the "Second Option"), WSDA may purchase from HSG either (i) five percent of the Shares (including any other equity securities of NORDIC) then outstanding if WSDA purchased five percent of the outstanding Shares pursuant to the exercise of the First Option or did not exercise the First Option or (ii) ten percent of the Shares (including any other equity securities of NORDIC) then outstanding if WSDA did not exercise the First Option. If WSDA purchased ten percent of the outstanding Shares pursuant to the exercise of the First Option, the Second Option will be void and without any legal effect. The Second Option may be exercised by WSDA only by giving written notice to HSG between January 1, 2017 and March 1, 2017 that specifies the number of Shares that WSDA will purchase. The purchase price (the "Second Option Purchase Price") for each Share purchased pursuant to the exercise of the Second Option will be equal to (i) the product of (A) 1.15, multiplied by (B) the shareholders' equity of NORDIC at December 31, 2016 determined in accordance with GAAP, divided by (ii) the number of Shares outstanding on December 31, 2016. If either WSDA or HSG rejects in writing the Second Option Purchase Price on or before March 15, 2017, the purchase price for the Shares purchased pursuant to the exercise of the Second Option will be determined by the Portland, Oregon office of Willamette Management Associates, Inc. as of December 31, 2016, without the application of discounts for minority interest, lack of marketability or other matters.

If HSG gives a notice to WSDA that triggers the right of first offer described in Item 8 of this Statement, then the First Option or the Second Option, to the extent that they have not expired, will be accelerated. See, Section 4.8 of the Shareholder Agreement.

Neither the First Option nor the Second Option may be transferred or encumbered; however, WSDA may transfer the options to an affiliate of WSDA if all Shares held by WSDA have been transferred to such affiliate, subject to any approval of the Washington Insurance Commissioner that is required.

The First Option and the Second Option may not be exercised by WSDA and will become void if WSDA has breached the Shareholder Agreement in any material respect prior to the period during which the First Option or the Second Option, as the case may be, may be exercised, and WSDA has not cured such breach to the reasonable satisfaction of HSG within 30 days.

Except for such options of WSDA to acquire additional Shares, no other person, including any person controlling, controlled by or under common control with HSG or WSDA or listed in Item 3 of this Statement, beneficially owns or has a right to acquire any Shares, any other voting securities of NORDIC or any securities that may be converted into voting securities of NORDIC.

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

Neither HSG nor WSDA will transfer any Shares, whether now owned or later acquired, or any right or interest in Shares, without the prior written consent of the shareholders owning all of the outstanding Shares. See, Section 2 of the Shareholder Agreement. This restriction is not applicable to (i) the right of first offer (described below), (ii) the First Option and the Second Option described in Item 7 of this Statement or (iii) a merger or share exchange involving NORDIC or a sale of all or a substantial portion of NORDIC's assets.

Section 3 of the Shareholder Agreement sets forth a right of first offer procedure pursuant to which HSG or WSDA, if it desires to sell any Shares to a non-affiliate, must deliver a notice to the other shareholder stating the desire to sell the Shares, the number of Shares to be sold and the purchase price and payment terms for which it proposes to sell the Shares. Within sixty (60) days after receipt of such notice, the other shareholder can either elect to purchase all of such Shares or decline to purchase any of such Shares (but cannot elect to purchase some, but not all, of such Shares). If the other shareholder makes a timely election to purchase all of such Shares, the Shares will be sold to the other shareholder at the purchase price and on the payment terms set forth in such notice. If the other shareholder does not timely elect to purchase all of such Shares, then the shareholder initiating the right of first offer procedure may sell all of such Shares (but not less than all of such Shares) to any person, subject to any necessary regulatory approvals, at a price and upon payment terms no more favorable than those set forth in the notice to the other shareholder; provided, however, that such sale must occur within one year. Any person (other than HSG or WSDA) purchasing such Shares will not be bound by the Shareholder Agreement. The right of first offer procedure is not applicable to a merger or share exchange involving NORDIC or a sale of all or substantially all of NORDIC's assets.

Except as provided in the Stock Purchase Agreement or the Shareholder Agreement and discussed in this Statement, there are no contracts, arrangements or understandings, directly or indirectly, relating to any voting securities or NORDIC that involve HSG or WSDA, any person controlling, controlled by or under common control with HSG or WSDA, or any person listed in Item 3 of this Statement, including, but not limited to, transfer of any Shares or other securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

There have been no purchases, direct or indirect, during the twelve calendar months preceding the filing of this Statement of any voting securities of NORDIC which were effected by HSG or WSDA, any person controlling, controlled by or under common control with HSG or WSDA or any person listed in Item 3 of this Statement.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

In 2005 and early 2006, WSDA engaged in discussions with The Dentists Insurance Company ("*TDIC*"), a California professional liability insurer, with respect to the purchase of all outstanding shares of common stock of NORDIC by an entity jointly owned by WSDA and TDIC. Such discussions terminated in April, 2006.

The Nonbinding Letter of Intent dated July 12, 2006 among PI, HSG and WSDA is attached as Exhibit 12 to this Statement.

The Nonbinding Term Sheet dated July 17, 2006 between HSG and WSDA is attached as Exhibit 13 to this Statement.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

There are no agreements, contracts or understandings made with any broker-dealer as to solicitation of voting securities of NORDIC for tender.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

The following documents are attached as exhibits to this filing:

- Exhibit 1. Amended and Restated Stock Purchase Agreement dated December 22, 2006 among PI, HSG and WSDA.
- Exhibit 2. Organizational chart of HSG and its affiliates.
- Exhibit 3. Organizational chart of WSDA and its affiliates.
- Exhibit 4. Biographical affidavits of the officers and directors of HSG, ODS and WSDA and the officers and members of the Executive Committee of ODA.
- Exhibit 5. Management Agreement between DBC and NORDIC.
- Exhibit 6. Transitional Services Agreement between PI and NORDIC.
- Exhibit 7. Agency Agreement between WDIA and NORDIC.
- Exhibit 8. Shareholder Agreement dated October 26, 2006 between HSG and WSDA.
- Exhibit 9. Biographical affidavits of persons who will become directors and officers of NORDIC.
- Exhibit 10. Restated Articles of Incorporation of NORDIC.
- Exhibit 11. Restated Bylaws of NORDIC.
- Exhibit 12. Nonbinding Letter of Intent dated July 12, 2006 among PI, HSG and WSDA.
- Exhibit 13. Nonbinding Term Sheet dated July 17, 2006 between HSG and WSDA.
- Exhibit 14. Audited financial statements (statutory basis) of ODS and consolidating financial statements (GAAP basis) for its affiliates for the years ended December 31, 2001, December 31, 2002, December 31, 2003, December 31, 2004 and December 31, 2005.
- Exhibit 15. Quarterly Statements of ODS for the periods ended March 31, 2006, June 30, 2006 and September 30, 2006.
- Exhibit 16. Unaudited financial statements (GAAP basis) of HSG for the years ended December 31, 2001, December 31, 2002, December 31, 2003, December 31, 2004 and December 31, 2005.
- Exhibit 17. Unaudited financial statements (GAAP basis) of HSG for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006.

- Exhibit 18. Unaudited financial statements (GAAP basis) of affiliates of HSG (other than ODS) for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006.
- Exhibit 19. Audited financial statements of ODA for the years ended December 31, 2001, December 31, 2002, December 31, 2003, December 31, 2004 and December 31, 2005.
- Exhibit 20. Audited financial statements of WSDA for the fiscal years ended September 30, 2001, September 30, 2002, September 30, 2003, September 30, 2004, and September 30, 2005 and draft financial statements of WSDA for the fiscal year ended September 30, 2006. THE AUDITED FINANCIAL STATEMENTS OF WSDA FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006 WILL BE PROVIDED WHEN AVAILABLE.
- Exhibit 21. Unaudited financial statement of WSDA for the two month period ended November 30, 2006.
- Exhibit 22. Financial projections for NORDIC for 2007, 2008, 2009, 2010 and 2011. CONFIDENTIAL; FILED UNDER SEPARATE COVER.
- Exhibit 23. ODS annual reports for 2004 and 2005.
- Exhibit 24. Certified copy of resolutions of the Board of Directors of HSG.
- Exhibit 25. Certified copy of resolutions of the Board of Directors of WSDA.
- Exhibit 26. Oregon Secretary of State Certificate of Existence for HSG
- Exhibit 27. Oregon Secretary of State Certificate of Existence for ODS.
- Exhibit 28. Oregon Department of Consumer and Business Services Certificate for ODS.
- Exhibit 29. Washington Secretary of State Certificate of Existence for WSDA.
- Exhibit 30. Loan Commitment Letter dated November 21, 2006.
- Exhibit 31. Healthcare Liability Excess of Loss Reinsurance Proposal dated December 19, 2006 from General Reinsurance Corporation.

ITEM 13. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Section 4, Chapter 462, Laws of 1993, Robert G. Gootee has caused this application to be duly signed on its behalf in the City of Portland and State of Oregon on the 22nd day of December, 2006.

HEALTH SERVICES GROUP, INC.

By: Robert G. Gootee
Robert G. Gootee
President and Chief Executive Officer

Attest:

Therese Blalock
Signature of Officer

Assistant Secretary
Title

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated December 22, 2006 for and on behalf of Health Services Group, Inc.; that he is the President and Chief Executive Officer of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

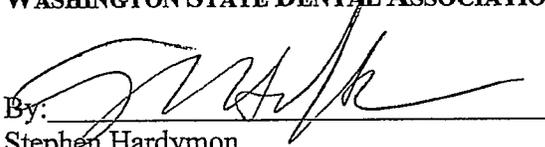
(Signature) Robert G. Gootee
Robert G. Gootee

ITEM 13. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Section 4, Chapter 462, Laws of 1993, Stephen Hardymon has caused this application to be duly signed on its behalf in the City of Seattle and State of Washington on the 22nd day of December, 2006.

WASHINGTON STATE DENTAL ASSOCIATION

By: 
Stephen Hardymon
Executive Director

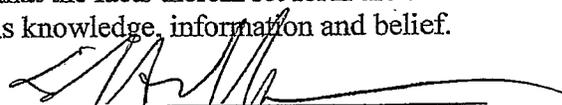
Attest:


Signature of Officer

President elect USDA
Title

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated December 22nd 2006 for and on behalf of Washington State Dental Association; that he is the Executive Director of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

(Signature) 
Stephen Hardymon

AMENDMENT NO. 2 TO
FORM A

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

Northwest Dentists Insurance Company

by

Health Services Group, Inc.,
a subsidiary of Oregon Dental Service

and

Washington State Dental Association

Filed with the Office of the Washington Insurance Commissioner

Dated: January 19, 2007

Notices and Correspondence Concerning This Statement Should Be Addressed to:

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This Amendment No. 2 amends the Amended and Restated Form A dated December 22, 2006 by adding the following disclosures to Item 5 (Future Plans of Insurer) before the last three paragraphs in Item 5.

~~In general, HSG and WSDA have been unable to determine the specific market shares of NORDIC's competitors with respect to the Washington dental market because dental professional liability insurance and BOP coverage sold to dentists and dental practice entities are not broken out in statutory filings. Other industry sources of information contacted by HSG and WSDA, such as A.M. Best Company, do not compile such information at present. However, information is available for those competitors whose Washington business is exclusively written for the dental market. In its most recent quarterly statement, OMS National Insurance Company, a risk retention group which writes dental professional liability insurance for oral surgeons, reported total premiums written of \$524,792 in the State of Washington for the nine-month period ended September 30, 2006 for dental professional liability insurance. In its most recent quarterly statement, AAO Insurance Company, a risk retention group which writes dental professional liability insurance for orthodontists, reported total premiums written of \$100,392 in the State of Washington for the nine-month period ended September 30, 2006 for dental professional liability insurance. In its most recent quarterly statement, Fortress Insurance Company, whose business is primarily devoted to the dental market, had total premiums written of \$218,418 in the State of Washington for the nine-month period ended September 30, 2006 for dental professional liability insurance. In addition, DBIC reported total premiums written of \$10,468 in the State of Washington for the nine-month period ended September 30, 2006 for dental professional liability insurance.~~

~~It is not possible to determine the exact premiums written by NORDIC's other competitors for dental professional liability insurance because they are combined with the premiums for other insurance in the statutory financial statements. However, the Quarterly Statements for the period ended September 30, 2006 reveal the following total written premiums for NORDIC's other competitors in the State of Washington, which may be helpful in gauging the size of their respective books of dental professional liability insurance:~~

Insurer	Description of Insurance in Supplement A to Schedule T of Quarterly Statement	Total Premiums Written in Washington for Nine-Month Period Ended September 30, 2006
Ace American Insurance Company	Malpractice insurance for "other health care professionals"	\$736,104
CNA*	Malpractice insurance for "other health care professionals, including dentists"	\$810,952

Fireman's Fund Insurance Company*	Malpractice insurance for "other health care professionals, including dentists"	\$137,073
National Union Fire Insurance Company of Pittsburgh	Malpractice insurance for "other health care professionals, including dentists"	\$474,315
The Cincinnati Insurance Company	Malpractice insurance for "other health care professionals"	0
The Dentists Insurance Company	Malpractice insurance for "other health care professionals"	0
The Medical Protective Company	Malpractice insurance for "other health care professionals, including dentists"	\$176,901
Washington Casualty Company**	Malpractice insurance for "other health care professionals, including dentists"	0

*HSG and WSDA understand that in 2007 CNA will renew the dental business previously insured by Fireman's Fund Insurance Company based on CNA's recent appointment of Pacific Underwriters Corporation, a Washington agent controlling such dental business.

**Although the Quarterly Statement of Washington Casualty Company reflects no written premium for "other health care professionals, including dentists", HSG and WSDA understand that Washington Casualty Company insures dental clinics, the written premium for which may be imbedded in the \$2,133,618 of written premium for "other health care facilities".

It is difficult to predict the proactive or reactive posture of NORDIC's competitors with respect to the proposed acquisition of NORDIC by HSG and WSDA. HSG and WSDA believe that NORDIC's competitors will remain as formidable as in the past. Based on the sensitivity of dentists and dental practice entities to premium increases, HSG and WSDA are concerned with the potential adverse effect of recent rate increases (an approximate 13.5 percent rate increase effective on January 1, 2006 and 11.0 percent rate increase effective on January 1, 2007). PI has reported to HSG and WSDA that, despite significant criticism of the rate increases by dentists,

substantially all of NORDIC's policyholders renewed their policies at the January 1, 2007 renewal date.

HSG and WSDA contemplate that substantial benefits will inure to NORDIC and Washington dentists and patients from the proposed acquisition of NORDIC, including the following:

1. **Management.** NORDIC will be managed by DBC in a manner that is substantially similar to DBC's management of DBIC. As a result of DBC's active management style and aggressive risk management program, DBIC's loss ratios have ranged from 21 percent to 39 percent during the last five years. Because the dental market is the primary business of HSG and its affiliates and because WSDA's primary focus is the advancement of the interests of dentists, both HSG and WSDA believe that greater attention and resources will be devoted to NORDIC's business and its policyholder base in the future.

2. **Familiarity with Dentistry.** HSG and WSDA have extensive experience with the needs and objectives of dentists. Consequently, they believe that coverage and services can be uniquely tailored to the particular requirements of the dental profession.

3. **Market Stability.** Because the business of HSG and WSDA is primarily devoted to dentists and organized dentistry, it is extremely unlikely that they will cause NORDIC to withdraw from or significantly diminish its presence in the Washington dental market in the future. It is unlikely that other national or multiline insurers will be as committed to the Washington dental market because their market presence may be dependent upon market conditions, Washington's litigation environment, minimum revenue thresholds and profitability. In Washington and other states, the availability of a similar line of insurance -- medical professional liability insurance -- has been periodically constrained by the withdrawal of insurers confronted with adverse market conditions. Consequently, the acquisition of NORDIC by HSG and WSDA may provide greater assurance to Washington dentists that they will have a stable source of professional liability coverage in the future.

4. **Economies of Scale.** HSG and WSDA anticipate that economies of scale can be achieved as a result of DBC's management of both NORDIC and DBIC. Although the economies of scale are difficult to quantify at this time, they are anticipated to be realized from reinsurance, computer and management information systems, risk management and marketing. The acquisition will permit DBC's fixed costs to be spread over greater premium revenues.

5. **WSDA and the Dental Profession.** The proposed acquisition also is anticipated to benefit WSDA and, as a result, WSDA's constituents, dentists throughout the State of Washington, will be well served. As discussed above, the market stability afforded by the proposed acquisition provides greater assurance to Washington dentists of the availability of dental professional liability insurance in the future. WSDA's membership levels and revenues are supported by the continuation of a stable practice environment for Washington dentists. Moreover, the proposed acquisition and governance structure enable WSDA to have greater influence than it currently has regarding the insurance needs of its constituents. In addition, NORDIC's appointment of WDIA as its exclusive agent provides a more stable source of income and an increased level of income for WSDA that will enable WSDA to augment services to its

members. WSDA's ongoing endorsement of NORDIC, and its new role as a shareholder of NORDIC, preserve NORDIC's presence in the Washington dental market over time. This should give Washington dentists, including those insured by other companies, some assurance of access to insurance written on a fair and competitive basis. The Northwest relationship between Oregon and Washington also may serve over time to keep premium rates that are reflective of the claims experience in these local markets, as distinct from the larger national market.

6. **Patients.** HSG and WSDA believe that the proposed acquisition will result in public benefit. Any reduction in claims from DBC's risk management program will increase patient safety. Furthermore, the enhanced market stability provided by the proposed acquisition will provide greater assurance regarding the availability and delivery of dental services to patients in the State of Washington.