MIKE KREIDLER
STATE INSURANCE COMMISSIONER

DECLARATION OF MAILING
I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to parties listed below
DATED this 9th day of Feb 2007, at Tumwater, Washington.
Signed: Wendy Galloway

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT
Fax: (360) 664-2782

Phone: (360) 725-7000

FILED

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Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

Wendy Galloway
Paralegal
(360) 725-7002
Wendyg@oic.wa.gov.

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Acquisition of:	**G2007-13**
NORTHWEST DENTISTS INSURANCE COMPANY, a Washington Domiciled Property & Casualty Insurer By HEALTH SERVICES GROUP, INC., & WASHINGTON DENTAL ASSOCIATION.	**NOTICE OF HEARING ON PROPOSED ACQUISITION**

TO:

Gary Morse, Esq.
Physician Insurance
1730 Minor Avenue, Suite 1800
Seattle, Washington 98101

James M. Kennedy, Esq.
Kennedy & Kennedy, LLP
601 SW Second Avenue, Suite 2050
Portland, Oregon 97204

Alan Wicks, Esq.
Kirkpatrick & Lockhart Preston Gates Ellis LLP
925 Fourth Avenue, Suite 2900
Seattle, Washington 98104-1158

Thomas J. Bikales, Director, Legal and Reg. Affairs
Health Services Group Inc/Oregon Dental Services
The ODS Companies
601 S.W. Second Avenue
Portland, Oregon 97204-3156

COPY TO: Mike Kreidler, Insurance Commissioner
Michael G. Watson, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner, Company Supervision Div.
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Thomas Rowland, Staff Attorney, Legal Affairs Division
Ronald Pastuch, Holding Company Manager, Company Supervision
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

This matter concerns the proposed acquisition of Northwest Dentists Insurance Company, Incorporated (NORDIC) by Health Services Group, Inc. and Washington State Dental Association.

The insurer proposed to be acquired, NORDIC, is a Washington domiciled property and casualty insurer. All outstanding shares of the common stock of NORDIC are owned by Physician Insurance (PI), a Washington mutual insurer. While NORDIC is authorized by the Washington State Insurance Commissioner under Certificate of Authority No. 1783 to transact general casualty, property, marine & transportation, vehicle and surety insurance in the state of Washington, it currently limits itself primarily to the transaction of liability insurance in the dental industry and to property insurance with primary focus on dental offices and property.

One proposed purchaser, Health Services Group, Inc. (HSG), an Oregon business corporation, is the wholly-owned subsidiary of Oregon Dental Service, an Oregon nonprofit corporation licensed in Oregon as a health care service contractor. In turn, Oregon Dental Service is controlled by Oregon Dental Association, an Oregon nonprofit corporation.

The second proposed purchaser, Washington State Dental Association (WSDA), is a Washington nonprofit corporation.

An abbreviated organizational chart of Oregon Dental Association and its relevant insurance subsidiaries, and an abbreviated organizational chart of Washington State Dental Association as of May 2006, are included in the below referenced Form A which accompanied this request for approval and are by this reference incorporated herein.

On October 31, 2006, HSG and WSDA, hereinafter the Applicants, by and through their counsel, James M. Kennedy, Esq. of Kennedy & Kennedy, LLP of Portland, Oregon, and Alan Wicks, Esq. of Kirkpatrick & Lockhart Preston Gates Ellis LLP of Seattle, Washington, filed a preacquisition notification with the Insurance Commissioner (Form "A" Statement Regarding the Acquisition of Control of a Domestic Insurer), requesting approval for this proposed acquisition. On December 28, 2006, the Applicants filed an Amended and Restated Form A dated December 22, 2006, which by its terms superseded the Form A filed on October 31, 2006. On January 19, 2006, the Applicants filed Amendment No. 2 to Form A. All stated documents, with all attachments, have been filed herein and are part of the hearing file; however it is 1) the Amended and Restated Form A dated December 22, 2006 and filed December 28, 2006 and 2) the

Amendment No. 2 to Form A dated January 19, 2007, and filed on January 19, 2007, (together referred to below as "Form A") which are the subject of this proceeding.

As stated in the Form A, the Applicants propose to acquire control of NORDIC by purchasing all outstanding shares of capital stock of NORDIC. Specifically, NORDIC has outstanding 15 shares, $100,000 par value, of common stock, 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 NORDIC are owned by Physicians Insurance A Mutual Company (PI), a Washington mutual insurer. The terms of the proposed purchase of shares by HSG and WSDA are set forth in the Amended and Restated Stock Purchase Agreement dated December 22, 2006, among PI, HSG and WSDA, which is attached as Exhibit 1 to the subject Form A and duly filed herein.

As above, pursuant to RCW 48.31B.015(1) and (2), on December 28, 2006, the Applicants filed a preacquisition notification with the Insurance Commissioner ("Amended and Restated Form A" Statement Regarding the Acquisition of Control of a Domestic Insurer dated December 22, 2006) which by its terms superseded the original Form A, and on January 19, 2007, the Applicants filed Amendment No. 2 to Form A. All documents, with attachments, shall be entered as evidence herein. Said Form A, as later supplemented, includes 1) substantial information and agreements concerning this proposed acquisition as required by RCW 48.31B.015(2) and in accordance with RCW 48.31B.020(3)(a); and 2) information and agreements relative to the issues which must be the subject of findings pursuant to RCW 48.31B.015(4).

Pursuant to RCW 48.31B.015(4), the Insurance Commissioner shall approve an acquisition of a domestic insurer unless, after a public hearing thereon, it is found: 1) that after the change of control, the domestic insurer would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed; 2) that the effect of the acquisition of control would be substantially to lessen competition in insurance in this state or tend to create a monopoly therein; 3) that the financial condition of an acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interests of its policyholders; 4) that the plans or proposals that the acquiring party has to liquidate the insurer, sell its assets, consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest; 5) that the competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the acquisition or control; or 6) that the acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

Toward this end, the parties are advised that the Insurance Commissioner is expected to testify as to whether he has given reasonable advance notice to the public of the hearing scheduled herein and whether he has received any objections or other input relative to this proposed transaction. The Insurance Commissioner is also expected to testify as to the conclusions he has reached during his examination of the subject Form A, and from his knowledge of the parties to this proposed transaction, insofar as they relate to the above stated issues 1) through 6).

Duly authorized representatives of HSG and WSDA are expected to testify as to the above stated issues 1) through 6) and as to whether HSG or WSDA has received any objections to the proposed transaction.

Finally, a duly authorized representative of the NORDIC is expected to testify as to the above stated issues 1), 2) and 6) and as to whether NORDIC has received any objections to the proposed transaction.

While live testimony from the parties will be taken during the hearing as to the above identified issues, written declarations from those parties are requested. Further, oral opening statements and oral closing arguments from the Applicants are expected and a written closing argument is requested.

YOU ARE HEREBY NOTIFIED that a hearing will be held commencing at 9 a.m., Pacific Standard Time, on Monday, February 26, 2007, in the Office of the Insurance Commissioner, 5000 Capitol Boulevard, Tumwater, Washington 98501, to consider the acquisition of Northwest Dentists Insurance Company Incorporated by Health Services Group, Inc. and Washington State Dental Association.

The hearing will be held under the authority granted the Insurance Commissioner by Chapter 48.04 RCW and specifically RCW 48.31B.015 and shall have as its purpose consideration of HSG and WSDA's request for approval of its proposed acquisition of control of NORDIC.

The Insurance Commissioner has not taken, and will not take, any position on this matter prior to entry of the Findings of Facts, Conclusions of Law and Final Order to be entered after hearing.

YOU ARE FURTHER NOTIFIED that all interested individuals and entities may submit comments on, or objections to, this proposed acquisition to the undersigned. Said comments or objections, which will be included in the hearing record and will be considered by the undersigned prior to her making her final decision, must be submitted by 5:00 p.m., Pacific Standard Time on Friday, February 23, 2007, by fax, U.S. Mail, personal delivery, or email. The fax number of the undersigned is (360) 664-2782, her mailing address is PO Box 40255, Olympia, WA 98504-0255, her delivery address is 5000 Capitol Boulevard, Tumwater, Washington 98501, and the e-mail address for her paralegal is Wendyg@oic.wa.gov. **Further, pursuant to RCW 48.31B.015(4)(b), any person whose interest is or might be affected may present evidence, examine and cross-examine witnesses, and offer oral and written arguments, and in connection therewith may conduct discovery proceedings as authorized by Title 34 RCW.**

Finally, all parties may participate in the hearing. They may examine witnesses and fully respond and present evidence and argument on all issues involved, as required by the Administrative Procedure Act. The hearing will be governed by the Administrative Procedure Act, Chapter 34.05 RCW, and the model rules of procedure contained in Chapter 10-08 WAC. A party who fails to attend or participate in any stage of the proceeding may be held in default in accordance with Chapter 34.05 RCW.

The Insurance Commissioner will be represented by Thomas Rowland, Esq., Staff Attorney with the Legal Affairs Division, Office of the Insurance Commissioner, 5000 Capital Blvd., Tumwater, WA 98501, (360) 725-7181 or TomR@oic.wa.gov. HSG and WSDA will be represented by James M. Kennedy, Esq., of Kennedy & Kennedy, LLP, 601 S.W. Second Avenue, Suite 2050, Portland, Oregon 97204, (503) 226-6555 or jkennedy@kennedy-kennedylaw.com, and Alan Wicks, Esq. of Kirkpatrick & Lockhart Preston Gates Ellis LLP, 925 Fourth Avenue, Suite 2900, Seattle, Washington 98104-1158, (206) 370-7802 or alan.wicks@klgates.com. NORDIC will be represented by Gary Morse, Esq., of Physicians Insurance, 1730 Minor Avenue, Suite 1800, Seattle, Washington 98101, (206) 343-6532 or gary@phyins.com.

Based upon a delegation of authority from the Insurance Commissioner, the undersigned will conduct the hearing and will make the final decision and enter the final order relative to this matter without input from the Insurance Commissioner or his staff or any other individual who has knowledge of the issues herein, except as will be presented as evidence in the hearing. Her address is Office of the Insurance Commissioner, P.O. Box 40255, Olympia, WA 98504-0255 and her telephone number is (360) 725-7105. All questions or concerns should be directed to Wendy Galloway, paralegal to the undersigned, who may be reached at the telephone, e-mail and fax number specified above.

On February 8, 2007, the undersigned held a first prehearing conference in this matter. The Insurance Commissioner appeared pro se by and through Thomas Rowland, Esq. HSG and WSDA were represented by James M. Kennedy, Esq. and Alan Wicks, Esq. NORDIC was represented by Gary Morse, Esq. During said first prehearing conference, the undersigned identified the parties and statutes involved, reviewed procedure to be expected at hearing and issues required to be addressed by the parties, and responded to all questions and concerns of the parties. As stated above, should any party have any further questions or concerns prior to the hearing date, they are advised to telephone or e-mail Wendy Galloway, paralegal to the undersigned, for assistance or to schedule a second prehearing conference if necessary.

Pursuant to WAC 10-08-040(2) and in accordance with ch. 2.42 RCW, if a limited English-speaking or hearing impaired or speech impaired party or witness needs an interpreter, a qualified interpreter will be appointed. There will be no cost to the party or witness therefore, except as may be provided by ch. 2.42 RCW. Following this Notice is a form you may use to advise the Chief Hearing Officer of your need for an interpreter.

ENTERED at Tumwater, Washington, this 9th day of February, 2007, pursuant to Title 48 RCW and specifically RCW 48.31B.015, Title 34 RCW, and regulations applicable thereto.

PATRICIA D. PETERSEN
Presiding Officer
Chief Hearing Officer

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000

OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT

Fax: (360) 664-2782

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

Wendy Galloway
Paralegal
(360) 725-7002
wendyg@oic.wa.gov

To request an interpreter, complete and mail this form to:

Chief Hearing Officer
Office of Insurance Commissioner
P.O. Box 40255
Olympia, Washington 98504-0255

REQUEST FOR INTERPRETER

I am a party or witness in Matter No. _____, before the Insurance Commissioner. I NEED AN INTERPRETER and request that one be furnished.

Please check the statements that apply to you:

☐ I am a non-English-speaking person. I cannot readily speak or understand the English language. My primary language is _____ (insert your primary language). I need an interpreter who can translate to and from the primary language and English.

☐ I am unable to readily understand or communicate the spoken English language because:

- ☐ I am deaf.
- ☐ I have an impairment of hearing.
- ☐ I have an impairment of speech.

[Please state below or on the reverse side any details which would assist the commissioner or presiding officer in arranging for a suitable interpreter, or in providing appropriate mechanical or electronic amplification, viewing, or communication equipment.]

Date: _____ Signed: _____

Please print or type your name: _____
Address: _____
_____
Telephone: _____