In the Matter of the Form A Application for the Proposed Acquisition of Control and Control of:

NORTHWEST DENTISTS INSURANCE COMPANY,

by:

THE DENTISTS INSURANCE COMPANY, Applicant.

Kristofer Graap, under penalty of perjury under the laws of the State of Washington, declares as follows:

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

2. On July 12, 2016, The Dentists Insurance Company, ("TDIC" or "Applicant") filed an application for approval of the proposed acquisition of control of Northwest Dentists Insurance Company ("NORDIC") on its application form ("Form A") dated July 11, 2016. At the time of filing, TDIC proposed acquiring the 75% of NORDIC stock owned by Moda, Inc. ("Moda").

3. On July 25, 2016, I requested additional information and clarifications specific to the Form A filing, regarding Applicant's proposed acquisition of control of NORDIC.
4. On August 17, 2016, the Applicant responded fully to the July 25, 2016 correspondence. All requested items were submitted at that time, with the exception of several biographical affidavits. The biographical affidavits were not yet available at that time but would be forthcoming. As of November 1, 2016, the Applicant submitted all of the biographical affidavits.

5. On October 24, 2016, TDIC filed an Amendment to its Form A application. The Amendment was necessary to reflect the redemption of all shares of NORDIC by its current minority owner, Washington State Dental Association ("WSDA"), to Moda. This would allow TDIC to purchase 100% of the outstanding shares of NORDIC. This redemption would be effectuated through a Redemption Agreement between WSDA and Moda, along with a Letter Agreement between WSDA, Moda, and the Applicant TDIC. Copies of the First Amendment to the Stock Purchase Agreement, the Redemption Agreement, and the Letter Agreement were submitted with the Amendment to the Form A application.

6. I have reviewed and analyzed these submittals regarding the Form A. I performed my analysis under the criteria and conditions set forth in Order No. 16-0176 and RCW 48.31B.015. My analysis is that:
   a. After the change of control, NORDIC would be able to satisfy the requirements for the issuance of a registration to write its current lines of business in Washington. NORDIC currently holds a Certificate of Authority, and is authorized to write property, casualty, surety, vehicle, and marine coverages in Washington. Following the acquisition, NORDIC will have at least three million dollars ($3,000,000) in capital, and three million dollars ($3,000,000) in surplus, satisfying the requirement of RCW 48.05.340.
   b. The effect of the proposed acquisition would not lessen competition in the State of Washington or tend to create a monopoly therein. TDIC has concluded that because the Applicant and its affiliates have zero market share in each line of insurance written by NORDIC in the state of Washington, there will be no increase in market share in any
market as an immediate result of the proposed acquisition. TDIC also concluded that the
proposed acquisition, if consummated, would not substantially lessen competition or create a
monopoly in the state of Washington in violation of the competitive standards set forth in
RCW 48.31B.015. I reviewed the submitted materials and agree with TDIC's analysis.

c. The financial condition of TDIC, the acquiring party, is not such as
might jeopardize the financial stability of NORDIC, or prejudice the interests of its
policyholders. This is evidenced by the audited financial statements of TDIC for the last five
years, and statutory annual statements as submitted to the California Department of Insurance.
These financial statements, along with data and analysis available from the National
Association of Insurance Commissioners, indicate that TDIC has sufficient capital and surplus,
income, and cash flow. As of December 31, 2015, TDIC held $178,359,144 in total capital
and surplus.

d. The Applicant has stated no plans, nor are we aware of any plans, to
liquidate NORDIC, sell NORDIC's assets, consolidate or merge it with any other entity, or to
make any other material change in its business or corporate structure or its management that
are unfair and unreasonable to NORDIC's policyholders or not in the public interest.

e. We verified the competence, experience, and integrity of those persons
who would control the operation of NORDIC through a review of the submitted biographical
affidavits and independent third-party verifications of the directors and officers of TDIC, and
of the trustees of TDIC's sole owner California Dental Association. We did not find any
criminal history associated with any named individual.

f. We found no evidence that the proposed acquisition would be likely to
be hazardous or prejudicial to the Washington insurance-buying public. Following the
proposed acquisition, there would be no material change to the operation of NORDIC as a
Washington domestic Property and Casualty insurer.
7. As of the date of this Declaration, my recommendation, in the absence of any substantial evidence that the proposed acquisition would be detrimental to NORDIC, its policyholders, or the Washington insurance-buying public, is to approve the proposed acquisition as contemplated under RCW 48.31B.015.

SIGNED this 18th day of January 2017.

Kristofer Graap
Holding Company Specialist
Office of the Insurance Commissioner
CERTIFICATE OF MAILING

The undersigned certifies under the penalty of perjury under the laws of the state of Washington that I am now and at all times herein mentioned, a citizen of the United States, a resident of the state of Washington, over the age of eighteen years, not a party to or interested in the above-entitled action, and competent to be a witness herein.

On the date given below I caused to be served the foregoing DECLARATION OF RONALD J. PASTUCH AND DECLARATION OF KRISTOFER GRAAP on the following individuals in the manner as indicated below:

**Via Email and Personal Delivery**
- William Pardee, Presiding Officer
- OIC Hearings Unit
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- Tumwater, WA 98501
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**Via Email and US Mail**
- Alison Sandman, Chief Legal Officer
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- Tom Bikales
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SIGNED this 20th day of January, 2017, at Tumwater, Washington.

Christine M. Tribb, Paralegal
Office of the Insurance Commissioner
Legal Affairs