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BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

HEARINGS UNIT
OFFICE OF
INSURANCE COMMISSIONER

In the Matter of:

Docket No. 16-0176

The Form A Application for the Proposed
Acquisition of Control of:

**DECLARATION OF KEVIN C. ROACH
ON BEHALF OF THE DENTISTS
INSURANCE COMPANY**

**NORTHWEST DENTISTS INSURANCE
COMPANY,**

and

The Form E Preacquisition Notification Form
Regarding the Potential Competitive Impact
Of the Proposed Acquisition of Control of:

**NORTHWEST DENTISTS INSURANCE
COMPANY,**

By

**THE DENTISTS INSURANCE
COMPANY.**

I, Kevin C. Roach, hereby declare under penalty of perjury as follows:

1. I am an officer of The Dentists Insurance Company ("TDIC" or "Applicant"), holding the title of Chief Financial Officer. I am authorized to give this Declaration by the powers vested in me under my duties on behalf of TDIC.

2. I first became employed by TDIC in October of 2005. My duties have included, among other things, oversight of financial solvency, reporting, and insurance regulatory matters,

as well as financial, operational, and corporate governance considerations with respect to mergers and acquisitions.

3. In my capacity as Chief Financial Officer of TDIC, I have financial and managerial oversight responsibilities for TDIC.

4. I present this Declaration to the Office of the Insurance Commissioner on behalf of the Applicant to show the evidence supporting the approval of the above-entitled action in compliance with Washington Revised Code §48.31B.015 and in support of the Form A Statement and attached exhibits submitted to the Washington Office of the Insurance Commissioner (the "OIC") on July 11, 2016, as amended by Amendment No. 1 of the Form A Statement submitted to the OIC on October 24, 2016. As explained in the Form A Statement and Amendment No. 1 of the Form A Statement, Applicant proposes to acquire control of Northwest Dentists Insurance Company (the "Transaction").

DESCRIPTION OF APPLICANT

5. As described in the Form A Statement, Applicant is a for-profit insurance company organized under the laws of California that transacts property/casualty insurance business, including professional & dental business liability, commercial property, workers' compensation, and employment practices liability lines of business. The Applicant currently transacts business in 10 states and is licensed to transact business in 40 states.

6. The Applicant was organized in 1980 in response to a climate of increasing professional liability insurance premiums to offer affordable coverage to California dentists. The Applicant now serves nearly 18,000 dentists and has earned the endorsement of several state dental associations and societies.

7. The Applicant is a wholly-owned subsidiary of CDA Holding Company, Inc. ("CDA Holding Company"), a for-profit corporation organized under the laws of California that acts as a holding company and has no active business operations. CDA Holding Company is a wholly-owned subsidiary of the California Dental Association ("CDA").

8. CDA is a not-for-profit corporation organized under the laws of California and is the ultimate controlling person of the Applicant.

9. CDA is a membership organization comprised of approximately 27,000 dentists licensed in the State of California that is committed to enhancing the professional lives of its members and their patients. CDA offers to its members a unique set of resources, including education, practice support, advocacy, and protection.

DESCRIPTION OF THE PARTIES TO THE TRANSACTION

10. Northwest Dentists Insurance Company ("NORDIC") is organized under the laws of Washington and was incorporated in Washington on May 5, 1989.

11. NORDIC is licensed as a Washington insurance company that is authorized to transact property/casualty insurance business and provides professional, property, and general liability insurance coverage for Washington and Idaho dentists.

12. NORDIC presently is beneficially owned by Moda, Inc. ("Moda"), which owns 75% of the outstanding common stock of NORDIC ("Moda Shares"), and by the Washington State Dental Association ("WSDA"), which owns 25% of the outstanding common stock of NORDIC ("WSDA Shares").

13. Moda is a for-profit corporation organized under the laws of Oregon that is a member of an insurance holding company system whose ultimate controlling person is the Oregon Dental Association ("ODA"). ODA is a non-profit corporation organized under the laws of

Oregon and is a membership organization comprised of dentists practicing in the State of Oregon. ODA serves as the ultimate controlling person of a health care system that primarily operates in the States of Oregon and Alaska.

14. Moda has no current operations and serves as a supporting organization to the ODA holding company system. Moda is a wholly owned subsidiary of Oregon Dental Service (“ODS”), a nonprofit corporation organized under the laws of Oregon. ODA then controls ODS through ODA’s right to appoint the ODS Board of Directors.

15. WSDA is a membership organization comprised of dentists practicing in the State of Washington that promotes oral health by developing innovative public policy solutions and working with community organizations, government agencies, and legislators to strengthen the dental safety net and reduce barriers to care.

DESCRIPTION OF TRANSACTION

16. On July 11, 2016, Applicant submitted the Form A Statement and attached exhibits (“Original Form A”) to the OIC. On October 24, 2016, Applicant submitted Amendment No. 1 to the Form A Statement and attached exhibits to the OIC (“Amendment No. 1 to Form A”). The Original Form A and Amendment No. 1 to Form A (collectively, “Form A Statement”) are incorporated herein by reference.

17. As indicated in the Original Form A, Applicant and Moda entered into a Stock Purchase Agreement dated June 10, 2016, which provides for Applicant’s purchase of the Moda Shares. At the time the Original Form A was filed, the Applicant, Moda, and WSDA expected that WSDA would retain ownership of the WSDA Shares.

18. As indicated in Amendment No. 1 to Form A, NORDIC and WSDA subsequently entered into a Redemption Agreement dated October 24, 2016 under which NORDIC will redeem

the WSDA Shares one day prior to the consummation of the transactions contemplated by the Stock Purchase Agreement (the "Redemption"). In addition to the Redemption Agreement, the Applicant, Moda and WSDA entered into a Letter Agreement reflecting the terms of the Redemption Agreement.

19. Further, the parties to the Stock Purchase Agreement entered into a letter agreement dated October 24, 2016 in which they agreed to enter into a First Amendment to the Stock Purchase Agreement ("SPA Amendment") upon the consummation of the Redemption. The SPA Amendment will amend certain provisions of the Stock Purchase Agreement to reflect the consummation of the Redemption and to revise certain definitions relating to purchase price adjustments.

20. As a result of the Redemption and following the consummation of the transactions contemplated by the Stock Purchase Agreement, as amended by the SPA Amendment (the "Closing"), Applicant's purchase of Moda's beneficial ownership interest in NORDIC at the Closing will result in the Applicant acquiring 100% of the issued and outstanding common stock of NORDIC. Immediately after the Closing, NORDIC will be the direct wholly-owned subsidiary of the Applicant and the indirect wholly-owned subsidiary of CDA.

REQUIREMENTS OF WASHINGTON REVISED CODE §§ 48.31b.015 & 48.31B.020

21. On July 11, 2016, Applicant delivered a copy of the Form A Statement to NORDIC and Moda. On October 24, 2016, Applicant delivered a copy of Amendment No. 1 to the Form A Statement to NORDIC and Moda.

22. On January 9, 2017, the Washington Insurance Commissioner ("Commissioner") provided a Notice of Hearing to Applicant stating that a public hearing concerning the Transaction would take place on January 30, 2017. On January 19, 2017, Applicant provided a copy of the

Notice of Hearing to Moda and NORDIC more than seven days prior to the hearing in accordance with Washington Revised Code §§ 48.31b.015(4)(b).

23. I am not aware of Applicant or any of its employees, officers or directors or of its affiliates having received complaints, concerns, or any other communications regarding the Transaction.

24. Below, I present facts demonstrating that each of the six requirements set forth in Washington Revised Code §§ 48.31b.015(4)(a) is satisfied and that the Transaction will not violate the standards set forth in RCW § 48.31b.020(4)(a).

Requirement 1: NORDIC Will Continue to Satisfy The Requirements For Issuance Of A License As An Insurance Company Authorized to Transact Property/Casualty Insurance Business. Wash. Rev. Code § 48.31b.015(4)(a)(i).

25. NORDIC currently is licensed by the OIC as an insurance company authorized to transact property/casualty insurance business. As demonstrated through its license, NORDIC currently satisfies the minimum requirements for licensure as an insurance company authorized to transact property/casualty insurance business under Washington law.

26. As indicated in the Form A Statement, Applicant does not plan to effect any change in NORDIC's business, corporate structure, management or general plan of operations that would have any adverse impact on the ability of NORDIC to continue to satisfy the requirements of the Washington Revised Code for the issuance of a license as an insurance company authorized to transact property/casualty insurance business, the operations of which are as described above.

27. Finally, NORDIC currently is well-capitalized to satisfy its obligations and will take no steps that would impair its ability to continue to meet its obligations.

Requirement 2: The Transaction Will Not Substantially Lessen Competition Or Create A Monopoly In Insurance In Washington. Wash. Rev. Code §§ 48.31b.015(4)(a)(ii), 48.31B.020(4)(a).

28. The effect of the Transaction will not substantially lessen competition in the insurance industry nor will it create a monopoly in property/casualty insurance business in Washington.

29. On August 17, 2016, Applicant submitted to the OIC a Form E Statement Preacquisition Notification Form regarding the potential competitive impact of the Transaction and attached exhibits ("Form E"). As indicated in the Form E, Applicant does not transact any insurance business in the State of Washington. Further, none of the Applicant's affiliates are insurance companies.

30. 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 Transaction. Accordingly, the Transaction will 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.020(4).

Requirement 3: The Financial Condition Of Applicant Will Not Jeopardize the Financial Stability Of NORDIC Or Prejudice The Interests Of NORDIC's Policyholders. Wash. Rev. Code § 48.31b.015(4)(a)(iii).

31. The financial condition of the Applicant will not jeopardize the financial stability of NORDIC or prejudice the interests of NORDIC's policyholders. Additionally, Applicant is aware of no information suggesting that its financial condition would prejudice the interests of NORDIC's policyholders.

32. Applicant instead believes that the financial condition and resources of Applicant and of CDA, Applicant's ultimate controlling person, will strengthen the financial stability of NORDIC and will enhance the interests of NORDIC's policyholders.

33. The audited consolidated financial statements of CDA reflect its strong financial condition. Per its financial statements for the year ending December 31, 2015, CDA had net assets of \$234,790,254, revenue of \$104,447,522 and net income of \$3,186,824.

34. Further, the capital and surplus and net income for the Applicant, as reported in the Applicant's Quarterly Statement as of September 30, 2016, are \$181,122,497 and \$2,767,079, respectively. Accordingly, Applicant's financial condition will provide further financial stability for NORDIC's policyholders.

Requirement 4: The Transaction Is Fair And Reasonable To NORDIC's Policyholders And Is In The Interest Of The Public. Wash. Rev. Code § 48.31b.015(4)(a)(iv).

(a) The Terms Of The Transaction Are Fair And Reasonable To The Policyholders of NORDIC And Are In The Interest of the Public.

35. The terms and conditions of the Transaction, as described above, are fair and reasonable to the policyholders of NORDIC and are in the interest of the public.

36. Because of Applicant's commitment to the dental provider community, the Transaction will benefit NORDIC's members and policyholders specifically and the insurance buying public in general. NORDIC will be better positioned to satisfy the needs of dentists in Washington and Idaho by leveraging the Applicant's current commitment to and understanding of the dental provider community and its insurance needs.

37. In addition, through the Transaction, NORDIC will continue to provide its policyholders with strong insurance support as a member of the CDA insurance holding company

system. Applicant believes that the financial condition and resources of CDA and the Applicant will strengthen the financial stability of NORDIC.

38. Further, the basis and terms of the Transaction, including the nature and amount of consideration, were determined by arm's-length negotiations between the respective management and representatives of Moda, NORDIC, and the Applicant.

39. After extensive deliberations, the Board of Directors of Applicant and Board of Directors of the CDA Holding Company unanimously approved the Transaction.

(b) Applicant Has No Plans With Regard To NORDIC That Are Unfair Or Unreasonable.

40. Applicant has no present plans or proposals following the closing of the Transaction to cause NORDIC to declare any extraordinary dividend, to liquidate NORDIC, to sell any material portion of the assets of NORDIC, to merge it with any other person or persons or to make any other material change in NORDIC's business, corporate structure, management or general plan of operations.

41. Further, following the closing of the Transaction, NORDIC will maintain its separate corporate existence and will be a wholly-owned subsidiary of Applicant.

42. If any such changes were to occur following the closing of the Transaction, such changes would be communicated to the OIC as appropriate and as required by law, and would be effected in compliance with all applicable statutory and regulatory requirements.

Requirement 5: The Competence, Experience and Integrity Of Those Who Will Control NORDIC Following The Closing Of The Transaction Indicate That The Transaction Is In The Best Interests Of NORDIC's Policyholders And In The Public Interest. Wash. Rev. Code § 48.31b.015(4)(a)(v).

43. The competence, experience, and integrity of those persons who will directly control NORDIC following the Closing of the Transaction are such that it would be in the

interest of NORDIC's policyholders and the public to permit the Transaction. Applicant submitted detailed, confidential biographical materials for each of the post-acquisition officers, directors, and trustees in connection with the Form A Statement, none of which indicate a lack of trustworthiness, competence, experience, or integrity on the part of the officers, directors, or trustees. In addition, my personal experience with these individuals has led me to believe that they all have the requisite competence and expertise to successfully operate and control the operations of NORDIC in a manner that is consistent with the interests of the policyholders and the public.

Requirement 6: The Transaction Is Not Likely to Be Hazardous Or Prejudicial To The Insurance Buying Public. Wash. Rev. Code § 48.31b.015(4)(a)(vi).

44. Applicant is confident that following the closing of the Transaction, NORDIC will be better positioned to satisfy the needs of dentists in Washington and Idaho by leveraging the Applicant's current commitment to and understanding of the dental provider community and its insurance needs. In addition, current and future dental community members will benefit from ensured continuity and stability in the products, services, and benefits available to them.

45. As a result, the Transaction will benefit NORDIC's policyholders specifically and the insurance buying public in general.

I state under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated and Signed this 20th day of January 2017 at Sacramento, California.



Kevin C. Roach, Chief Financial Officer
The Dentists Insurance Company