

REPORT OF EXAMINATION  
OF  
THE DENTISTS INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2016

Filed on June 1, 2018

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San Francisco, California  
April 26, 2018

Honorable Dave Jones  
Insurance Commissioner  
California Department of Insurance  
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

THE DENTISTS INSURANCE COMPANY

(hereinafter also referred to as the Company) at its home office located at 1201 K Street, 17<sup>th</sup> Floor, Sacramento, CA 95814.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2012. This examination covered the period from January 1, 2013 through December 31, 2016.

The examination was conducted in accordance with the National Association of Insurance Commissioners *Financial Condition Examiners Handbook (Handbook)*. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated, both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report, but separately communicated to other regulators and/or the Company.

### COMPANY HISTORY

The Company was formed by member dentists of the California Dental Association (CDA) on November 1, 1979 and began transacting business on July 1, 1980. The Company received approval from the California Department of Insurance to amend its Certificate of Authority to write Workers' Compensation Insurance on January 26, 2011. The Company began writing workers' compensation business in the state of California on April 1, 2011.

The Dentists Service Company (TDSC) was added to the holding company structure effective November 17, 2014. TDSC was formed to help CDA members become more competitive and efficient in the business side of dentistry.

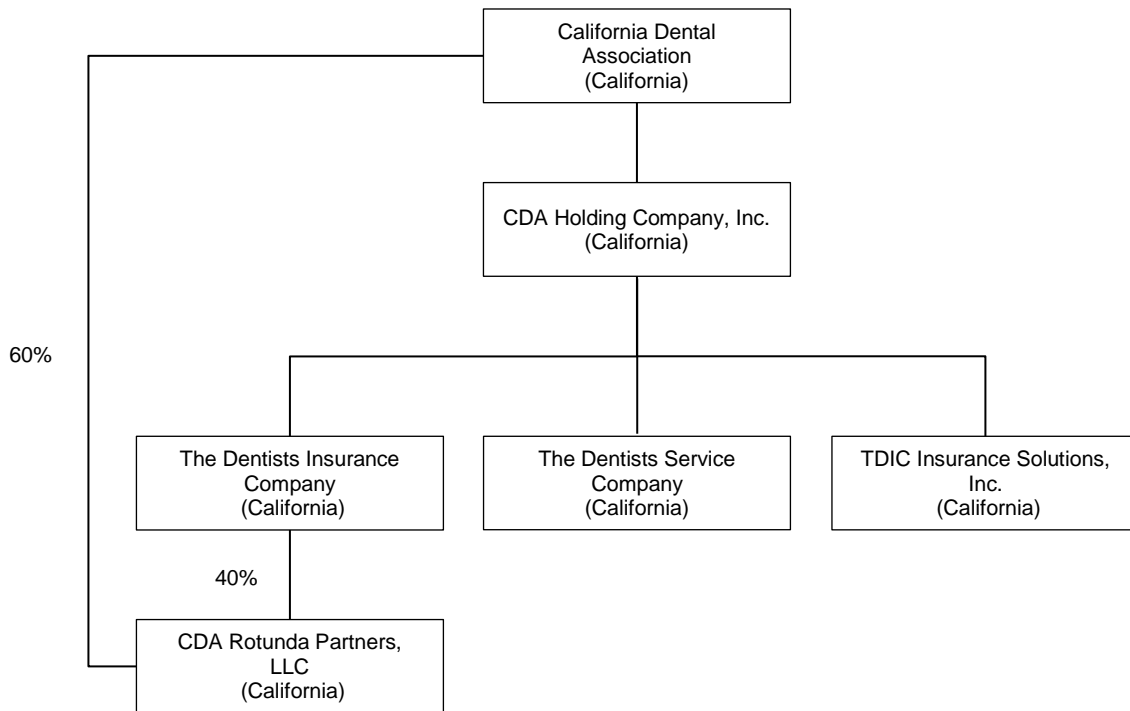
### Dividends

The Company declared and paid the following ordinary cash dividends to its immediate parent, CDA Holding Company, Inc., during the examination period:

<u>Year</u>	<u>Total</u>
2013	\$3.7 million
2014	\$2.5 million
2015	\$2.1 million
2016	\$11.5 million

MANAGEMENT AND CONTROL

The Company is a member of a holding company system in which the California Dental Association (CDA) is the ultimate controlling entity. Following is an abridged organizational chart as of the examination date (all ownership is 100% unless otherwise indicated):



The fourteen members of the Board of Directors, who are elected annually, manage the business and affairs of the Company. The following are members of the board and principal officers of the Company serving at December 31, 2016:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Teri L. Barichello, DMD Portland, Oregon	Chief Dental Officer Moda Health
Daniel G. Davidson, DMD <sup>(a)</sup> San Francisco, California	Dentist/Owner Daniel Davidson, DMD Dentistry
Dennis C. De Tomasi, DDS Sutter, California	Retired
Gary L. Dougan, DDS, MPH Long Beach, California	Dentist/National Dental Director Liberty Dental Plan.
Peter A. DuBois San Francisco, California	Executive Director California Dental Association
Kenneth M. Jones San Francisco, California	Retired
Kevin M. Keating, DDS, MS <sup>(b)</sup> Fair Oaks, California	Dentist Endodontics Associates Dental Group
Steven J. Kend, DDS <sup>(a)</sup> Torrance, California	Dentist/Owner Steven J. Kend, DDS, Inc.
Natasha A. Lee, DDS <sup>(c)</sup> San Francisco, California	Dentist/Owner Better Living Through Dentistry
Carliza A. Marcos, DDS San Carlos, California	Dentist/Owner Marcos & Marcos, DDS
Carol J. McCutcheon, DDS <sup>(c)</sup> Los Gatos, California	Dentist/Owner Carol J. McCutcheon, DDS, Inc./Campbell Smile.
Sanjay Patel, DDS Concord, California	Dentist/Owner Sanjay Patel, DDS Family Dentistry

### Directors (continued)

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Kevin K. Stockton Meadow Vista, California	Self-employed Consultant
Mark I. Taira, DDS Los Angeles, California	Dentist/Owner Mark I. Taira, DDS, Mary M. Murakawa, DDS Cosmetic, General, and Family Dentistry

### Principal Officers

<u>Name</u>	<u>Title</u>
Peter A. Dubois	President and Chief Executive Officer
Irwin F. Giles	Chief Operating Officer
Kevin C. Roach	Chief Financial Officer
Jennifer L. George	Chief Marketing Officer
Tom J. Osteen <sup>(d)</sup>	Chief Information Officer
Carrie E. Gordon	Chief Strategy Officer
Alison P. Sandman	Chief Legal Officer and Corporate Secretary
Brad D. Reager	Vice President, Claims & Risk Management
Dora L. Earls	Vice President, Underwriting

The following changes in management and board occurred subsequent to the examination date:

- (a) Effective December 31, 2017, Steven J. Kend, DDS stepped down as Chairman of the Board and now serves as the Secretary and Treasurer. Daniel G. Davidson, DMD took over as Chairman of the Board effective January 1, 2018.
- (b) Kevin M. Keating, DDS left the Board effective December 31, 2017. Clelan G. Ehrler, DDS and Richard J. Nagy, DDS were added to the Board effective January 1, 2018.
- (c) Natasha A. Lee, DDS and Carol J. McCutcheon, DDS left the Board effective December 31, 2016. Douglas N. Christiansen, DDS and Ann L. Steiner, DMD were added to the Board on January 1, 2017.
- (d) Tom Osteen, Chief Information Officer (CIO) left the Company effective June 26, 2017 and was replaced by William P. Gibson, on an interim basis, on January 2, 2018. The Company is still searching for a permanent CIO.

## Management Agreements

First Restated Sublease Agreement: Effective January 17, 2010, the Company entered into a First Restated Sublease Agreement (Agreement) with its ultimate parent, the California Dental Association (CDA). Under the terms of the Agreement, the Company pays CDA a base monthly rent of \$2.90 per square foot of the Company's rentable square footage plus a pro rata share of the operating costs for the premises. The Agreement was approved by the California Department of Insurance (CDI) on September 22, 2010. Total rent paid by the Company to CDA under this Agreement in 2013, 2014, 2015, and 2016 was \$433,411, \$437,157, \$450,126 and \$452,005, respectively.

Lease Agreement: Effective April 17, 2015, the Company entered into a Lease Agreement (Agreement) with CDA Rotunda Partners, LLC (CDA RP), an affiliate that is 40% owned by the Company and 60% owned by CDA. Under the terms of the Agreement, CDA RP will lease to the Company an additional floor in the same building it currently occupies. The initial term of the lease is for one year and continues on a month-to-month basis thereafter. Monthly rent for the suite is \$2,469.50 for 898 square feet of rentable space. The CDI issued a non-disapproval letter to the Company for this Agreement on April 8, 2015. Total rent paid by the Company to CDA RP under this Agreement in 2015 and 2016 was \$19,321 and \$26,153, respectively.

Amended Tax Allocation Agreement: Effective December 31, 2014, the Company entered into a Tax Allocation Agreement (Agreement) with its immediate parent, CDA Holding Company, Inc. (CDA HCI), and two affiliates, The Dentists Service Company (TDSC) and TDIC Insurance Solutions, Inc. (TDIC IS). This Agreement replaces the previous Tax Allocation Agreement that was in effect since January 25, 2000. Under the terms of the Agreement, CDA HCI will file a consolidated federal tax return for the group and the tax liability is allocated to each company on a separate federal income tax return basis. Additionally, each company is allocated any tax benefit due to its income tax losses or any other credits when utilized by the consolidated tax group. The



CDI issued a non-disapproval letter to the Company for this Agreement on February 23, 2015.

On January 12, 2018, the Company entered into a Revised Tax Allocation Agreement (Agreement) to add the following four newly acquired entities as parties to the Agreement: Dentists Benefits Insurance Company, Dentists Benefits Corporation, Northwest Dentists Insurance Company, and Arnold Dental Supply Company, Inc. The Agreement will apply to the tax year ending December 31, 2017 and all subsequent tax periods. The CDI issued a non-disapproval letter to the Company for this Agreement on February 8, 2018.

Revised Service Agreement: Effective January 1, 2014, the Company entered into a Revised Service Agreement (Agreement) with its ultimate parent, CDA. This Agreement replaces the Service Agreement that was in effect since January 1, 2007. Under the terms of the Agreement, CDA will provide the Company with the following services: sponsorship; advertising partnerships and scientific session exhibit opportunities; government relations services; legal; human resources; financial services; investment; information technology; marketing; mailroom; print shop; website; and advertising. Compensation for the aforementioned services is at actual cost and payable monthly. The CDI issued a non-disapproval letter to the Company for this Agreement on February 13, 2014. The total fees paid by the Company under this Agreement in 2013, 2014, 2015 and 2016 were \$4,011,867, \$4,540,933, \$4,807,484 and \$5,221,815, respectively.

Amended and Restated Service Agreement: Effective January 1, 2014, the Company entered into an Amended and Restated Service Agreement (Agreement) with TDIC IS. This Agreement replaces the Service Agreement that was in effect since April 1, 2009. Under the terms of this Agreement, TDIC IS provides the following services: policyholder services; sales; sales and distribution management; and new application and policy changes. The Company provides TDIC IS with the services of its President and Chief Executive Officer and executive support services. Compensation for the

aforementioned services is at actual cost and payable monthly. The CDI issued a non-disapproval letter to the Company for this Agreement on February 13, 2014. The total fees paid by the Company under this Agreement in 2013, 2014, 2015 and 2016 were \$4,718,115, \$4,553,159, \$5,361,892 and \$5,455,751, respectively.

Subsequently, on January 12, 2018, the Agreement was amended to replace the services provided by the Company's President and Chief Executive Officer to TDIC IS with services provided the Company's Chief Operating Officer. The amendment also reflects new services added to the Agreement, retroactive to January 1, 2017. The Agreement was filed and is currently under review by the CDI.

#### Commitments and Contingent Liabilities

The Company's subsidiary, CDA Rotunda Partners, LLC (CDA RP), has a ground lease with Health Property Associates (HPA), an unrelated third party. Under the terms of the HPA ground lease, the Company has guaranteed CDA RP's performance of obligations, covenants and agreements, including the future minimum lease payments to be paid under the lease. The Company entered into this guaranty of lease obligations with HPA on September 13, 2002. The minimum annual payments under the ground lease are \$767,672. CDA RP has the option to purchase the land under the lease on December 1, 2039.

#### Intercompany Loans

On March 17, 2009, the Company made a loan to CDA RP, an affiliate, for a lobby remodel of the 1201 K street building, which is the location of the Company's headquarters. The terms of the loan are such that the principal balance of \$1.6 million will be paid to the Company over ten years at a fixed annual interest rate of 5.82 percent. The outstanding balance at December 31, 2016 was \$444,874.

On July 17, 2016, the Company agreed to loan its immediate parent, CDA HCI, \$9.0 million as a multi-draw note. During 2016, \$2.8 million was borrowed and subsequently repaid. The loan was cancelled on December 30, 2016.

### TERRITORY AND PLAN OF OPERATION

The Company writes primarily professional liability, commercial property, and workers' compensation coverage exclusively to dentists and dental practices. The Company's principal line of business is medical malpractice insurance for dental professionals and policies are issued on a claims-made basis. The Company also offers an extended reporting endorsement to its medical malpractice policyholders that is issued on an occurrence basis and allows coverage to continue after the policyholder dies, becomes disabled or retires.

The Company also writes commercial multiple-peril insurance covering office buildings, business personal property and premises liability, worker's compensation, employment practices liability, and cyber suite liability coverage. Business is produced through direct underwriting by its affiliate, TDIC Insurance Solutions, Inc., and through independent agents.

The Company is the endorsed dental medical malpractice insurance carrier for the following dental associations: California Dental Association, Alaska Dental Society, Inc., Hawaii Dental Association, Illinois State Dental Society, Nevada Dental Association, New Jersey Dental Association, and Pennsylvania Dental Association.

As of December 31, 2016, the Company was licensed to write property and casualty insurance in the following states:

Alaska	Indiana	Montana	South Carolina
Arizona	Iowa	Nebraska	South Dakota
Arkansas	Kansas	Nevada	Tennessee
California	Louisiana	New Jersey	Texas
Colorado	Maryland	New Mexico	Utah
Connecticut	Massachusetts	North Dakota	Vermont
Georgia	Michigan	Ohio	Washington
Hawaii	Minnesota	Oklahoma	West Virginia
Idaho	Mississippi	Oregon	Wisconsin
Illinois	Missouri	Pennsylvania	Wyoming

In 2016, the Company wrote a total of \$68.1 million in direct written premiums. Of that amount, \$32.9 million (48.2%) were for medical malpractice, followed by \$18.8 million (27.6%) for workers' compensation, and \$16.4 million (24.1%) for commercial multiple peril.

During 2016, premiums were written primarily in California at \$60.4 million (87.9%), followed by \$1.7 million (2.5%) in Illinois, \$1.6 million (2.4%) in Hawaii, \$1.5 million (2.2%) in Pennsylvania, and the remaining \$2.9 million was written in Alaska, Arizona, Nevada, New Jersey, Minnesota, and North Dakota.

### REINSURANCE

#### Assumed

The Company did not assume any reinsurance during the examination period.

## Ceded

The following is a summary of the principal ceded reinsurance treaties in-force as of December 31, 2016:

<u>Type of Contract</u>	<u>Reinsurer's Name</u>	<u>Company's Retention</u>	<u>Reinsurer's Maximum Limits</u>
Property – Per Risk Excess of Loss	<u>Authorized:</u> Allied World Insurance Company; Hannover Ruck SE; Mapfre Re, Compania De Reaseguros, S.A.; Partner Reinsurance Company of U.S.; QBE Reinsurance Corporation; SCOR Reinsurance Company; TOA Reinsurance Company of America; The Underwriters at Lloyd's: Syndicate #4444 and #2001	<u>1st Layer</u> \$1 million, each loss, each risk  <u>2nd Layer</u> \$5 million, each loss, each risk	<u>1st layer</u> \$4 million xs \$1 million  <u>2nd Layer</u> \$5 million xs \$5 million
Property – Catastrophe Excess of Loss	<u>Authorized:</u> Allied World Insurance Company; Hannover Ruck SE; Mapfre Re, Compania De Reaseguros, S.A.; QBE Reinsurance Corporation; The Underwriters at Lloyd's: Syndicate #2001, #510, #1880 and #2014  <u>Unauthorized:</u> American Agricultural Insurance Company	<u>1st Layer</u> \$1 million, each and every loss occurrence  <u>2nd Layer</u> \$5 million, each and every loss occurrence	<u>1st Layer</u> \$3.5 million xs \$1.5 million  <u>2nd Layer</u> \$12 million xs \$5 million
Property - Facultative	<u>Authorized:</u> XL Catlin Reinsurance America and Swiss Reinsurance America Corporation	Various CA locations – \$7 million  Various HI locations – \$7 million  450 Sutter in CA – \$15 million  1441 Kapiolani in HI – \$15 million	\$8 million xs \$7 million  \$8 million xs \$7 million  \$21 million xs \$15 million  \$13 million xs \$15 million

<u>Type of Contract</u>	<u>Reinsurer's Name</u>	<u>Company's Retention</u>	<u>Reinsurer's Maximum Limits</u>
Workers' Compensation – Excess of Loss	<u>Authorized:</u> Arch Reinsurance Company; Hannover Ruck SE; Markel Global Reinsurance Company; Partner Reinsurance Company of U.S.; The Underwriters at Lloyd's: Syndicate #2001, #1084, #2003, #780, #2014, #2987 and #435	\$1 million, plus 50% of \$4 million xs \$1 million	50% of \$4 million xs \$1 million
Workers' Compensation – Catastrophe Excess of Loss	<u>Authorized:</u> Arch Reinsurance Company; Hannover Ruck SE; Markel Global Reinsurance Company; Partner Reinsurance Company of U.S.; The Underwriters at Lloyd's: Syndicate #2001, #1084, #2003, #780, #2014, #2987 and #435	\$5 million	\$10 million xs \$5 million
Medical Professional Liability – Excess of Loss	<u>Authorized:</u> Hannover Ruck SE; Hiscox Agency Limited (Hiscox 3624 at Lloyd's); Odyssey Reinsurance Company; QBE Reinsurance Corporation; SCOR Reinsurance Company; XL Bermuda Ltd.; The Underwriters at Lloyd's: Syndicate #2001, #2003, #2014, #1458, #780, #2987, #1084 and #435	<u>1st layer</u> \$1 million  <u>2nd Layer</u> \$5 million	<u>1st layer</u> \$4 million xs \$1 million  <u>2nd Layer</u> \$5 million xs \$5 million

## FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance and present the financial condition of the Company for the period ending December 31, 2016. The accompanying comments to the amounts reported in the annual statements should be considered an integral part of the financial statements. There were no examination adjustments made to the financial statements as a result of the examination.

Statement of Financial Condition as of December 31, 2016

Underwriting and Investment Exhibit for the Year Ended December 31, 2016

Reconciliation of Surplus as Regards Policyholders from December 31, 2012  
through December 31, 2016

Statement of Financial Condition  
as of December 31, 2016

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 155,247,809	\$	\$ 155,247,809	
Common stocks	113,956,083		113,956,083	
Cash and short-term investments	45,840,377		45,840,377	
Other invested assets	(988,685)		(988,685)	
Receivables for securities	1,000,000		1,000,000	
Investment income due and accrued	1,823,914		1,823,914	
Uncollected premium and agents' balances in the course of collection	287,926		287,926	
Deferred premiums and agents' balances and installments booked but deferred and not yet due	9,195,603		9,195,603	
Amounts recoverable from reinsurers	375,610		375,610	
Current federal and foreign income tax recoverable and interest thereon	440,949		440,949	
Electronic data processing equipment and software	13,959,032	13,959,032	0	
Furniture and equipment	38,303	38,303	0	
Aggregate write-ins for other than invested assets	<u>1,354,392</u>	<u>1,354,392</u>	<u>0</u>	
 Total assets	 <u>\$ 342,531,313</u>	 <u>\$ 15,351,728</u>	 <u>\$ 327,179,585</u>	
 <u>Liabilities, Surplus and Other Funds</u>				
Losses			\$ 53,671,811	(1)
Loss adjustment expenses			31,417,637	(1)
Other expenses			1,737,435	
Taxes, licenses and fees			39,762	
Net deferred tax liability			8,962,073	
Unearned premiums			26,084,322	
Advance premium			3,246,036	
Dividends declared and unpaid:				
Stockholders			2,593,867	
Policyholders			585,519	
Ceded reinsurance premiums payable			727,896	
Funds held by company under reinsurance treaties			76,351	
Payable to parent, subsidiaries and affiliates			2,766,673	
Aggregate write-ins for liabilities				
Unearned premiums- death, disability, and retirement			<u>16,600,000</u>	(1)
 Total liabilities			 148,509,383	
 Common capital stock		5,000,000		
Gross paid in and contributed surplus		1,000,000		
Unassigned funds (surplus)		<u>\$ 172,670,202</u>		
 Surplus as regards policyholders			 <u>178,670,202</u>	
 Total liabilities, surplus and other funds			 <u>\$ 327,179,585</u>	



Underwriting and Investment Exhibit  
for the Year Ended December 31, 2016

Underwriting Income

Premiums earned		\$ 62,477,512
Deductions:		
Losses incurred	\$ 30,321,576	
Loss adjustment expenses incurred	18,734,370	
Other underwriting expenses incurred	17,267,367	
Aggregate write-ins for underwriting deductions	<u>(1,500,000)</u>	
Total underwriting deductions		<u>64,823,313</u>
Net underwriting loss		\$ (2,345,801)

Investment Income

Net investment income earned	\$ 8,155,196	
Net realized capital gains	<u>5,208,785</u>	
Net investment gain		13,363,981

Other Income

Net gain from agents' or premium balances charged off	<u>\$ 33,393</u>	
Total other income		33,393
Net income, before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		11,051,574
Dividends to policyholders		845,281
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		10,206,293
Federal and foreign income taxes incurred		<u>(1,482,148)</u>
Net income		<u>\$ 11,688,440</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2015		\$ 178,359,144
Net income	\$ 11,688,440	
Change in net unrealized capital losses	2,092,469	
Change in net deferred income tax	3,085,109	
Change in nonadmitted assets	(5,004,234)	
Change in provision for reinsurance	70,140	
Dividends to stockholders	<u>(11,593,867)</u>	
Change in surplus as regards policyholders for the year		<u>311,058</u>
Surplus as regards policyholders, December 31, 2016		<u>\$ 178,670,202</u>

Reconciliation of Surplus as Regards Policyholders  
from December 31, 2012 through December 31, 2016

Surplus as regards policyholders, December 31, 2012			\$ 156,938,057
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net income	\$ 37,447,317	\$	
Change in net unrealized capital losses	15,801,719		
Change in net deferred income tax	3,807,232		
Change in nonadmitted assets		15,130,664	
Dividends to stockholders	<u>                    </u>	<u>20,193,459</u>	
Total gains and losses	<u>\$ 57,056,268</u>	<u>\$ 35,324,123</u>	
Net increase in surplus as regards policyholders			<u>21,732,145</u>
Surplus as regards policyholders, December 31, 2016			<u>\$ 178,670,202</u>

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Losses, Loss Adjustment Expenses and Unearned Premiums – Death, Disability and Retirement

A Casualty Actuary from the California Department of Insurance reviewed the Summary of Estimated Unpaid Indemnity (Losses) and Loss Adjustment Expense (LAE) as of December 31, 2016, and the Provision for Future Utilization of Death, Disability and Retirement (DD&R) Benefit as of December 31, 2016 prepared by the Company's independent actuary, and concurred that the Company's reserves for Losses, LAE and DD&R as of December 31, 2016 are reasonable and have been accepted for the purpose of this examination.

### SUBSEQUENT EVENTS

On February 28, 2017, the Company finalized the acquisition of two property and casualty insurance companies: Dentists Benefits Insurance Company (DBIC), domiciled in Oregon, and Northwest Dentists Insurance Company (NORDIC), domiciled in Washington. These companies provide medical professional liability and commercial multi-peril products to dentists primarily in the states of Oregon and Washington. The transaction was accounted for as a statutory purchase. The cost of the acquisition was \$38.3 million and the resulting goodwill recorded was \$14.9 million.

On January 12, 2018, the Company entered into three separate Management Services Agreements (Agreements) with DBIC, NORDIC, and Dentists Benefits Corporation (DBC), an affiliate and wholly owned subsidiary of TDIC Insurance Solutions, Inc., effective March 1, 2017. Under the terms of these Agreements, the Company's Chief Operating Officer (COO) shall serve as the COO of DBIC, NORDIC, and DBC. The Company will also provide compliance and quality assurance services to those companies. Compensation for the above services is at actual cost and payable

monthly. The Agreements were filed and are currently under review by the California Department of Insurance.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

### Current Report of Examination

None.

### Previous Report of Examination

Accounts and Records – Information Systems Controls (Page 11): It was recommended the Company evaluate the recommendations that were presented and make appropriate changes to strengthen its information systems controls. The Company has made the appropriate changes.

Comments on Financial Statement Items – Cash and Short-term Investments (Page 16): It was recommended the Company properly report its assets in accordance with Statement of Statutory Accounting Principles (SSAP) No. 4. The Company has complied with this recommendation.

Comments on Financial Statement Items - Uncollected Premiums and Agents' Balances (Page 16): It was recommended the Company separately report receivables not yet due under annual statement line, "Deferred premiums, agents' balances in the course of collection" in accordance with the Annual Statement Instructions. It was also recommended the Company nonadmit uncollected premium balances over ninety days in accordance with SSAP No. 6. The Company has complied with these recommendations.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

/S/

Donavan Han, CFE  
Examiner-In-Charge  
Senior Insurance Examiner, Specialist  
Department of Insurance  
State of California

/S/

Ber Vang, CFE, AES, CISA  
Senior Insurance Examiner, Supervisor  
Department of Insurance  
State of California