STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of American Healthcare, Inc. as of December 31, 2006

ORDER

After full consideration and review of the report of the financial examination of American Healthcare, Inc. for the period ended December 31, 2006, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Douglas M. Ommen, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER American Healthcare, Inc., to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this November 29, 2007.

DOUGLAS M. OMMEN, Director
Department of Insurance, Financial Institutions and Professional Registration

REPORT OF

COMPREHENSIVE FINANCIAL EXAMINATION

AMERICAN

HEALTHCARE, INC.

AS OF

December 31, 2006

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND

PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Springfield, MO
August 30, 2007

Honorable Douglas M. Ommen, Director
Missouri Department of Insurance,
Financial Institutions and Professional Registration
301 West High Street, 6 North
Jefferson City, Missouri 65102-0690

Sir:

In accordance with your financial examination warrant, a comprehensive examination has been made of the records, affairs and financial condition of

American Healthcare, Inc.

hereinafter referred to as such, as the "Company" or as "AHI". The Company's administrative office is located at 333 Park Central East, Suite 323, Springfield, Missouri, 65806, telephone number (417) 877-9111. This comprehensive examination which, commenced on July 9, 2007, and concluded on the above date is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior pre-licensing financial examination of American Healthcare, Inc. was made as of March 31, 2004.

The current comprehensive financial examination covers the period from April 1, 2004, through December 31, 2006. A zone association exam was not performed as the Company is licensed only within the State of Missouri.

This examination also included material transactions and or events occurring subsequent to the examination date of December 31, 2006, which are noted in this report.

Procedures

This comprehensive examination was conducted as of December 31, 2006, using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the State of Missouri prevailed.

The Examiner relied upon information and workpapers supplied by the Company's independent auditor, Jamie L. Seaver, CPA, LLC of Jefferson City, Missouri, for the statutory audit covering the period from January 1, 2006, to December 31, 2006. This information included, but was not limited to, fraud considerations, accrued investment income, unpaid claims and general expenses testing.

Comments – Previous Pre-licensing Exam

Conflict of Interest Statements

The Company should establish procedures ensuring that the Sole Shareholder and the key employees complete Conflict of Interest statements on an annual basis. The key employee's statement should be reviewed for potential conflicts.

Current Finding: The Company does not have a formal conflict of interest statement, however, in 2007 the Officers and Director signed a general statement for the Company stating they are prohibited from holding an Officer or Director position with a competing company.

Corporate Records

The Company should establish procedures to ensure that it adequately documents the major transactions of its Board of Directors in the minutes. This documentation should include the details related to the transactions approved by the Board, and documents approved by the Board attached to the minutes.

Current Finding: The Company's annual meeting minutes state that all actions taken by the Officers in the transaction of the business of the Company are approved. All major transactions not properly documented in the minutes have been addressed later in this report.

Intercompany Transactions

The Company should ensure that a written Management Agreement and Agency Agreement that details the services performed on behalf of the Company by Keno Doty Insurance Agency. Inc. (KDIA), and any fees paid to KDIA, Inc. by the Company are executed prior to or upon the approval and issuance of a Prepaid Dental Plan (PDP) Certificate of Authority. In addition, the Company should ensure that all intercompany transactions are filed with the DIFP.

Current Finding. Comment is no longer applicable, as the Company has since been purchased by an individual and there are no affiliates.

Deposits with the State of Missouri

The Company should ensure that it maintains the deposit with the DIFP at the statutorily required amount of $50,000. The Company should ensure that procedures are in place to monitor the market value of the deposit and increase the deposit for market losses, if necessary.

Current Finding: The Company was found to maintain the deposit in the statutorily required amount of $50,000 for all years under examination. In addition, the Company reported the market value as reported on the Central Bank statement at period end.

Territory and Plan of Operations

If the Company materially alters its marketing/business plan from that which was provided in the application, the revised plan should be submitted to the DIFP for review prior to implementation.

Current Finding: The Company has been acquired by new owners since the previous exam. As the prior business plan has not been located, the Examiner was unable to establish whether there had been significant alterations. The Examiner reviewed the current business plan and did not note any unusual business strategies or marketing promotions that would be in conflict with good business practices or Missouri laws.

Accounts and Records

Pursuant to Section 354.720, RSMo (Annual report), all PDPs shall annually file, on or before March 1, a report verified by at least two principal officers covering the preceding calendar year. The report shall include a financial statement of the Company, including its balance sheet and receipts and disbursements for the preceding year.

Current Finding: The Company filed the required annual statements for the years under exam, however, it was noted the Company has consistently filed the required statements late, causing the DIFP to file Subpoenas and Orders to get the required filings.

Financial Reserves

As of March 31, 2004 the Company had the maximum amount of reserves required by Section 354.710 RSMo (Financial reserves). The Company was advised that pursuant to Section 354.710 RSMo, every PDP shall have accumulated reserves in the amount of two percent of its subscription income up to a maximum amount of $150,000. The Company was to ensure that the reserves continue to meet the required level as business develops.

Current Finding: The Company's required reserves are in question, which is noted further in the report. Also, due to Missouri Senate Bill 66, which will go into effect August 28, 2007, the Company's reserve requirement will increase to a minimum of $150,000 due to the fact the Company offers discount dental, prescription, vision, hearing and chiropractic plans, further straining reserves.

HISTORY

General

American Healthcare, Inc., formerly known as, Quality Dental Plans, Inc., was incorporated under the General and Business Corporation Laws of the State of Missouri on August 12, 1998. The Company applied and was approved for a Certificate of Authority to operate as a Prepaid Dental Plan with the Missouri Department of Insurance, Financial Institutions and Professional Registration on July 29, 2004, in accordance with Sections 354.700 to 354.723, Revised Statutes of Missouri (RSMo).

Capital Stock

The Company is authorized to issue 100,000 shares of $1 par value common stock. As of December 31, 2006, 50,000 shares of common stock were issued and outstanding to Douglas Myers, an individual, resulting in a common stock balance of $50,000. Due to continued losses, the Company was in danger of falling below its minimum capital and surplus requirements, therefore, on May 25, 2007 Mr. Myers contributed $75,000 to the Company by purchasing the remaining 50,000 authorized shares at $1 per share and allocating the remaining $25,000 to additional paid in capital.

Management

Douglas Myers is the Sole Shareholder of American Healthcare, Inc. Pursuant to the Bylaws, the Board of Director's may consist of one person; accordingly, Mr. Myers is the sole Director. Douglas Myers also serves as the AHI's President and his wife, Sharon Myers, serves as Vice President and Secretary of the Company.

Conflict of Interest

American Healthcare, Inc. did not have procedures requiring a Conflict of Interest statement to be signed annually by the Sole Shareholder and key employees as of December 31. 2006, however, no conflicts were noted. During the fieldwork of the examination, the Company adopted a Conflict of Interest policy and statement, which was provided to the Examiner.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed as of December 31, 2006. The Articles of Incorporation were amended on August 29, 2002, and on April 6, 2004. The August 29, 2002 amendment changed the name of the Company from Quality Dental Plans, Inc. to its current name. The April 6, 2004 amendment changed the number of Directors for the Board of Directors to one, and increased the number of shares of common stock authorized for issue from 30,000 shares to 100,000 shares. No other amendments were made to the Articles or Bylaws during the period under examination.

The minutes of the Board of Directors' meetings were reviewed for proper approval of corporate transactions. As the prior pre-licensing exam noted, the corporate records did not appear to adequately document the major transactions of the Board. It was also noted that the Board failed to hold a meeting and approve the purchase of all the remaining shares of the Company to Douglas Myers in May 2007. The Company should establish procedures to ensure that it adequately documents the major transactions of the Board in the minutes. This documentation should include the details related to the transactions approved by the Board, with any documents approved by the Board attached to the minutes.

Acquisitions, Mergers and Major Corporate Events

The Company was wholly owned by an individual, Kenochewa Doty, until Mr Doty's death in January 2006 upon which, Mr. Doty's estate retained ownership of the Company. On May 10, 2006, Claude S. Mizell, Personal Representative of the Estate of Kenochewa M. Doty, signed a Stock Purchase Agreement selling all of Mr. Doty's shares in American Healthcare, Inc. to Douglas Myers, contingent upon the approval by the DIFP. In May 2006, Douglas Myers filed a Form A notifying the DIFP of his proposed acquisition of the Company. The sale was approved by the DIFP on June 30, 2006 and closed on July 1, 2006, at which time Mr. Myers took sole ownership of Company.

Surplus Debentures

No surplus debentures were issued or outstanding for the period under examination.

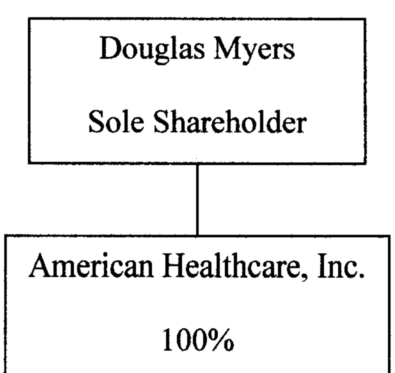
AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

AHI is wholly owned by Douglas Myers. Pursuant to Section 354.702(3) RSMo (Scope of provisions), AHI, conducting business as a PDP, generally is not subject to the laws related to Chapter 382 RSMo (Insurance Holding Company Systems).

Organizational Chart

The following organizational chart illustrates the ownership of AHI as of December 31, 2006.



FIDELITY BOND AND OTHER INSURANCE

AHI is a named insured on a crime insurance policy effective from October 24, 2003 through October 23, 2007. The limit of liability for this policy is $50,000, with a $500 deductible. The coverage is in compliance with the suggested minimum amount of coverage under the NAIC guidelines. However, the Company is not in compliance with RSMo 354.705.1(5) (Certificate of Authority Granted), which requires a fidelity bond be filed with the Director in the amount of $50,000 for each officer responsible for conducting the affairs of the Company. The DIFP will also accept employee crime coverage insurance in the applicable amount. As there are two officers in the Company responsible for conducting the affairs, the Company needs to increase its coverage to $100,000 to be in compliance with RSMo 354.705.1(5).

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

American Healthcare, Inc. offers the following benefits to its full time employees: one week vacation after one year of service and two weeks vacation after two years of service, a total of six paid holidays but no sick pay or retirement benefits. The Company also pays 75% of the employee's health care premium and 100% of dental coverage. It was noted, however, the Company failed to accrue and properly report in the annual statement the employee payroll liability at year end. (See Note 4 to the Financial Statements).

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2006, as reflected below were sufficient in par and market value to meet the deposit requirement for the State of Missouri in accordance with RSMo Section 354.707 (Capital and surplus requirements; deposit required).

Type of Security	Par Value	Market Value	Statement Value
U.S. Treasury Notes	53,000	52,581	52,838
Total	$ 53,000	$ 52,581	$ 52,838

Deposits with Other States

The Company does not have funds on deposit with any other states.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DIFP under Chapter 354 RSMo, (Health Services Corporation-Health Maintenance Organizations-Prepaid Dental Plans), to offer prepaid dental plans to organizations and/or individuals desiring such services. In consideration for the dental coverage that is provided, the covered or eligible subscriber is required to pay for the coverage through periodic payroll deductions, bank drafts or direct billings. As of December 31, 2006, services were provided to approximately 650 members.

Direct premiums written in 2005 and 2006 were $50,900 and $183,934 respectively.

Marketing

AHI offers indemnity dental insurance to its members and also offers a discount plan for prescriptions, chiropractic, vision, hearing and dental services. The Company's target market is the City of Springfield, Missouri and the surrounding areas. The Company has not been actively marketing either of these plans since January 2006, due to the death of the original stockholder and issues with its claims and billing software. During this period the only marketing performed was through its website, brochures and some meetings with potential groups by Douglas Myers.

The Company reported significant losses for the third and fourth quarter of 2006, which has continued into the second quarter of 2007. The Company did provide a business plan that stated it was to achieve revenues of more than $5 million in five years with a net profit after tax of $200,000 and would be profitable in year three with after tax earnings of $100,000. In addition, the business plan states the marketing strategy is to market directly and through independent agents, advertisements in general business publications, direct mail programs and sales contact follow-up. The business plan also referred to brochures and financial statements, however, these items were not included and were not produced for the Examiner. The Company appears not to be following its business plan, as no advertising has been implemented and the Company has a contract with only one broker agency, Jenkins & Associates, which also employs the sole Shareholder and Director, Douglas Myers. It was also noted the Company did not prepare budgets or forecasts until required for its monthly reporting to the DIFP.

While reviewing the Company's 2007 transactions, payments made to Douglas Myers marked as "general agent override", totaling over $7,000 were questioned. Mr. Myers stated he had an agreement with the Company effective January 10, 2006, wherein he would act as Managing General Agent (MGA) of the Company to perform the services of sales and marketing as well as underwriting pricing and practices. However, it was noted the agreement contained no signature lines, was not signed by any of the parties involved and was never filed with the DIFP for approval. In consideration of these duties, per the agreement Mr. Myers was to receive a 5% override of premiums received by AHI rather than a salary. It was also noted in the proposed acquisition document filed by Mr. Myers with the DIFP that he stated he did not anticipate drawing a salary for the foreseeable future and viewed his ownership as a long-term investment, but failed to notify the DIFP of the previous agreement. As the agreement had not been filed or approved by the DIFP, Mr. Myers should cease receiving any payments until such time as he has filed the proper forms and received approval from the DIFP.

The Company has been made aware that as of August 28, 2007 new laws go into effect that will have an impact on the discount plans it offers, and result in higher surplus requirements. Due to the fact the discount plans add needed cash flow, the Company is undecided whether to discontinue the plans or try to find the additional surplus needed to continue offering the discount plans.

Policy Forms & Underwriting

Advertising & Sales Material

Treatment of Policyholders

The Company's provider contracts and underwriting guidelines were reviewed and approved by the Managed Care Section of the Missouri Department of Insurance, Financial Institutions and Professional Registration.

REINSURANCE

American Healthcare, Inc. did not have any reinsurance contracts in effect during the period under examination. There are no plans in the immediate future to obtain reinsurance coverage.

ACCOUNTS AND RECORDS

Independent Auditor

The financial statements of the Company were audited for the year ended December 31, 2005 by the CPA firm of Davis, Lynn & Moots, PC, 3628 South Avenue, Springfield, Missouri 65807. The 2006 financial statements were audited by Jamie L. Seavers, CPA, LLC, 1620 Southridge Drive, Suite A, Jefferson City, Missouri 65109. Both independent auditors concluded that the financial statements of the Company, in all material aspects, presented fairly the financial position of the Company, its results and operations and its cash flows in conformity with the accounting practices prescribed by the Missouri Department of Insurance, Financial Institutions and Professional Registration. No insurance business was conducted in the 2004 year.

Company's Actuary

For all years under examination, except 2004, the actuarial assumptions and methods used by the Company in determining loss reserves, actuarial liabilities and other related actuarial items were reviewed and certified by Thomas Handley, FSA, MAAA of the firm Lewis and Ellis. There was no actuary opinion for 2004 as there was no insurance business conducted in that year. The actuary concluded that the loss reserves, actuarial liabilities and other related items carried during the period under examination, made a good and sufficient provision for all unpaid claims and other actuarial liabilities of the Company and under the terms of its contracts and agreements and met the requirements of the insurance laws of the State of Missouri.

Reporting and Accounting Errors

The Company's claims, billings and accounts payable are handled in-house by specific employees. The Company's monthly accounting and financial statements are prepared by an outside CPA. Review and testing of annual statement line items noted several errors in accounting and reporting items, prepared by the outside CPA:

- Bank reconciliations were improperly performed, by subtracting the general ledger amount from the bank statement amount and labeling the difference as outstanding checks, resulting in substantial adjustments to the operating and claim checking accounts. (See Note 1 in the Notes to the Financial Statements).
- Bond interest was not properly accrued and reported as required by SSAP 34, nor was bond amortization calculated and reported using the scientific interest method as required by SSAP 26. (See Note 2 in the Notes to the Financial Statements).
- The statutory deposit was not properly reported in Schedule E – Part 3, and also as a short term investment on Schedule DA – Part 1, as required in the annual statement instructions.
- Premiums, Discount Revenue, Deferred Revenue and Advance Premiums were not properly calculated and reported in accordance with the requirements of SSAP 54. (See Note 6 in the Notes to the Financial Statements)
- Unpaid claims received as of December 31, 2006, but not yet paid were not included in the unpaid claims reported in the annual statement as required by SSAP 55. (See Note 3 in the Notes to the Financial Statements).
- There was no liability reported for claim adjustment expenses, which is required by SSAP 85. (See Note 5 in the Notes to the Financial Statements).
- Liabilities for accrued expenses for the year end payroll liability, December accounting fees and commissions were not reported in the annual statement, as required by SSAP 5. (See Note 4 in the Notes to the Financial Statements).
- The outside CPA was unable to reconcile the equity section of the trial balances provided by him to the equity section of the annual statements prepared by him under examination.
- The outside CPA erroneously debited the retained earning account in the amount of $8,500 to increase the additional paid in capital account. (See Note 7 in the Notes to the Financial Statements).

It is strongly recommended the Company retain a qualified insurance accountant to perform all of its accounting functions.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2006, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the annual statement and/or comments regarding such are made in the "Notes to the Financial Statements", which follow the financial statements. (The failure of any column of numbers to add to its respective total is due to rounding or truncation).

ASSETS

	LEDGER ASSETS	ASSETS NOT ADMITTED	NET ADMITTED ASSETS
Cash and short-term investments (Note 1)	$ 124,414		$ 124,414
Investment income due and accrued (Note 2)	559		559
Electronic data processing equipment	14,728	14,728	-
Aggregate write-ins other assets	5,981	5,981	-
Total Assets	**$ 145,682**	**$ 20,709**	**$ 124,973**

LIABILITIES, CAPITAL AND SURPLUS

	Covered Current Year	Uncovered Current Year	Total Current Year
Claims unpaid (Note 3)	$ 24,259		$ 24,259
General expenses due and accrued (Note 4)	6,550		6,550
Unpaid claim adjustment expenses (Note 5)	728		728
Advance premiums (Note 6)	1,337		1,337
Aggregate write-ins for liabilities (Note 6)	1,146		1,146
Total Liabilities	**$ 34,020**		**$ 34,020**
Common stock	50,000		50,000
Gross paid in and contributed surplus (Note 7)	1,500		1,500
Unassigned funds (Note 7)	39,453		39,453
Total Capital and Surplus	**$ 90,953**		**$ 90,953**
Total Liabilities, Capital & Surplus	**$ 124,973**		**$ 124,973**

SUMMARY OF OPERATIONS

Net premium income	$	184,299
Aggregate write-ins for other non-health revenues		19,419
Total Revenue		**203,718**
Hospital/medical benefits		115,064
Total Hospital/Medical Benefits		**115,064**
Claims adjustment expenses		71,059
General administrative expenses		51,103
Total Underwriting Deductions		**122,162**
Net Underwriting Gain or (Loss)		**(33,508)**
Net investment income earned		1,007
Net income(loss) before federal & foreign income taxes		(32,501)
Federal and foreign income taxes incurred		0
Net Income (Loss)	**$**	**(32,501)**

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, 2005		116,284
Net income or (loss)		(32,501)
Change in nonadmitted assets		6,014
Prior period adjustments		1,156
Net change in capital and surplus for the year		**(25,331)**
Capital and Surplus end of reporting period	**$**	**90,953**

NOTES TO THE FINANCIAL STATEMENTS

Cash and Short-Term Investments (Note 1) $ 124,414

The Cash and Short-Term Investment's line item reflects an increase to the operating checking account of $4,743 due to transfers made to the claims account, which never took place; deposits that were not recorded; automatic deductions from the account not recorded in the general ledger; a decrease to the claims checking account reflecting transfers from the operating account that did not take place; a reclass of the Central Bank checking account balance that was included in the total bond book value in error; and adjustments for bond amortization.

Investment Income Due and Accrued (Note 2) $ 559

The Company purchased a US Treasury Note in October, 2006 and failed to recognize the interest paid at time of purchase as accrued, nor was the interest earned from the purchase to the end of the period calculated and reported, in accordance with SSAP 26. This change results in an increase to surplus.

Claims Unpaid (Note 3) **$ 24,259**

The claims unpaid line item was increased in total by $16,123, to properly report claims received at the end of the year, but not reported in the annual statement. The amount reported in the annual statement was only the IBNR calculation performed by the actuary. The actuary stated he had requested the unpaid claims information as of December 31, 2006, but never received the information, and therefore, calculated only the IBNR portion of unpaid claims. This change results in a substantial decrease to surplus.

General expenses (Note 4) **$ 6550**

The general expenses liability was increased by $5,371. The Company failed to report accrued liabilities for approximately two weeks of employee payroll at year end in the amount of $3,207, December commissions to a contracted insurance agency of $929 and December accounting fees in the amount of $1,235.

Unpaid Claim Adjustment Expenses (Note 5) **$ 728**

The Company failed to report any estimated unpaid claim adjustment expense for the unpaid claims reported in the annual statement. Per SSAP 55, an estimate is to be calculated and reported in the annual statement based on past experience and history. Based upon conversations with the actuary, this percentage is considered reasonable at 3% of the unpaid claims reported. This change results in a decrease to surplus.

Advance Premiums **$ 1,337**
Deferred Revenue (Note 6) **$ 1,146**

The Company failed to properly calculate and classify advance premium and deferred revenue amounts. The portion of annual premiums paid but not yet earned on the prepaid dental plan were not properly calculated and reported as advance premiums. Automatic clearing house (ACH) deposits received in December for January coverage of the prepaid dental plan were erroneously reported as earned net premium. Annual deferred revenues from the discount plan were also found to be incorrectly calculated and the ACH deposits received in December for January coverage were also reported as earned discount plan revenue. The 2005 year advance and deferred revenues were not properly allocated to the 2006 year earned premium and discount revenue. The Company corrected and filed an amended the 2005 year return, but failed to adjust the trial balance to reflect the amendments made to the annual statement. A prior period adjustment in the amount of $1,155 was made to correct this error. This change results in an increase to surplus.

Unassigned funds **($ 8,500)**
Additional paid in surplus (Note 7) **$ 8,500**

The Company's outside CPA erroneously debited the unassigned funds account to increase the additional paid in surplus account to $10,000. Upon investigation it was found that no additional funds had actually been contributed to the Company by the owner, and no dividend had been declared that would allow a deduction from unassigned funds to additional paid in surplus. The correction of this error does not result in any change to the surplus account.

EXAMINATION CHANGES

Capital and Surplus per the Annual Statement, December 31, 2006:		
Common Stock	$	50,000
Gross paid in and contributed surplus		10,000
Unassigned Funds		54,280
Total Capital and Surplus Per Company		**114,280**
Examination Changes*		
Net Increase to Cash and Short-term Investments (Note 1)		72
Increase to investment income due and accrued (Note 2)		559
Increase Claims Unpaid (Note 3)		(16,123)
Increase General expenses (Note 4)		(5,371)
Increase Unpaid claim adjustment expenses (Note 5)		(728)
Increase Advance premium (Note 6)		(1,337)
Increase Deferred revenue (Note 6)		(399)
Total Examination Changes		**(23,327)**
Capital and Surplus Per Examination, December 31, 2006:		
Common Stock		50,000
Gross paid in and contributed surplus (Note 7)		1,500
Unassigned Funds (Note 7)		39,453
Total Capital and Surplus Per Examination, December 31, 2006	**$**	**90,953**

*Does not include any reclassification changes, which have zero net effect on capital and surplus.

Pursuant to Section 354.707.1 RSMo (Capital and surplus requirements; deposit required), the Company must have a capital level of at least $50,000 and a surplus level of at least $50,000, in order to commence or continue business as a prepaid dental plan. Per the Examination changes, the Company is found to be in violation of RSMo 354.707.1 as of December 31, 2006. However, it is noted that the sole shareholder, Douglas Myers, contributed an additional $75,000 in May 2007 which was allocated to the purchase of the remaining 50,000 authorized shares of common stock and $25,000 to gross paid in and contributed surplus.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Corporate Records (Page 5)
The Company should establish procedures to ensure that all major transactions are discussed and approved by the Board, and that it adequately documents the major transactions of the Board in the minutes. This documentation should include the details relating to the transactions approved by the Board and documents approved by the Board attached to the minutes.

Fidelity Bond (Page 7)
The Company should increase its employee crime coverage to $100,000 liability to meet the requirements of RSMo 354.705.1(5) (Certificate of Authority Granted).

Cash and Short-term Investments (Page 10)
The Company should establish procedures ensuring that bank reconciliations are properly performed on a monthly basis, bond interest is properly accrued and reported within the period, and bond amortization is calculated and reported using the scientific interest method in accordance with SSAP's 26 and 34.

Premiums and Other Revenue calculations and reporting (Page 10)
The Company needs to ensure premiums and other revenue are recognized when earned, and deferred revenue and advance premiums are properly calculated and reported in accordance with SSAP 55.

Claims unpaid and Unpaid claim adjustment expenses (Page 10)
The Company needs to ensure that all unpaid claims received but not yet paid at the end of the reporting period are properly reported in the annual statement. The Company also needs to establish procedures for reporting unpaid claim adjustment expenses associated with the unpaid claims reported for the period that are reasonably estimated and reported in accordance with SSAP 55.

General Expenses (Page 10)
The Company needs to ensure that all liabilities at the end of a period are properly accrued and reported in the financial statements, in accordance with SSAP 5.

Accounts and Records (Page 10)
The Company needs to ensure that a qualified insurance accountant is obtained for its accounting needs and that all items required to be reported in the annual statement on various exhibits and schedules are reported in accordance with the annual statement instructions and the NAIC Accounting Practices and Procedures Manual.

Territory and Plan of Operations (Pages 8 – 9)

The Company needs to ensure that it properly markets and increases membership in order to maintain sufficient levels of capital and surplus to meet Revised Statute requirements for a prepaid dental plan.

The Company is directed to complete a comprehensive business plan including financial projections for three to five years and submit it to the DIFP for review. In addition, the Company is directed to prepare budgets and forecasts and to prepare variance reports showing the differences between budgeted and actual amounts to assist in monitoring the Company's on going financial condition. These reports should be reviewed and approved at the Board of Directors' meetings with the Board taking a more active role in monitoring and directing the Company.

The Company needs to ensure that all agreements entered into with management are properly executed and filed with the DIFP, as required.

The Company also needs to ensure that it increases its capital and surplus to meet the requirements for a discount plan, which will be effective starting August 28, 2007, per Missouri Senate Bill 66, or cease such business.

SUBSEQUENT EVENTS

An analysis of benefits and salaries paid to Douglas and Sharon Myers from January 1, 2007, through June 30, 2007 found the couple to have been paid approximately $40,892 of total revenue earned during that period. As the total losses reported in the second quarter 2007 was ($ 76,112), it appears payments to the Myers are excessive.

Per financial statements provided by the Company to the DIFP, the Company reported a further net loss of $9,377 in July 2007 resulting in an ending capital and surplus balance of approximately $96,288. Therefore, as of July 31, 2007, the Company's capital and surplus was approximately $4,000 below the minimum $100,000 required by 354.707 RSMo.

It was further noted that as of August 28, 2007, the Company's capital and surplus requirements will increase to $150,000 as a result of provisions in Senate Bill 66, which will take effect as of that date relating to discount plans offered by the Company. In conversations with the DIFP, Mr. Myers has indicated that the Company is reluctant to cancel the discount plans, as the Company cannot afford to lose the cash flow brought in from the discount plans.

The Company should take steps immediately to increase its capital and surplus levels to the minimums required by 354.707 RSMo. In addition, the Company should immediately take the steps necessary to further increase its capital and surplus to the levels required by Senate Bill 66, or discontinue offering its discount plans in order to avoid the additional capital and surplus requirements. Failure by the Company to meet minimum capital and surplus requirements could result in actions by the DIFP including revocation or suspension of the Company's Certificate of Authority as authorized by 354.702 RSMo.

CONCLUSION

The Company is directed to provide a Business Plan with financial projections for three to five years to the DIFP, obtain the necessary capital to meet the minimum requirements and immediately obtain a qualified insurance accountant.

American Healthcare, Inc. should remain on monthly reporting until such time as the DIFP decides the Company is stable and has sufficient capital and surplus to exceed the requirements of 354.707 RSMo and Missouri Senate Bill 66.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of American Healthcare, Inc. during the course of this comprehensive examination is hereby acknowledged and appreciated. In addition to the undersigned, Angela Campbell, CFE, IS examiner for the DIFP, participated in the examination.

VERIFICATION

State of Missouri)
)
County of)

I, Barbara A. Bartlett, CPA, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the Examiner finds reasonably warranted from the facts.

Barbara A. Bartlett

Barbara A. Bartlett, CPA, CFE
Examiner-in-Charge
Missouri DIFP

Sworn to and subscribed before me this 31st day of August, 2007.

My commission expires: 03-17-2008

BEVERLY M. WEBB
Notary Public - Notary Seal
STATE OF MISSOURI
Clay County
My Commission Expires March 17, 2008

Beverly M. Webb

Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Frederick G. Heese

Frederick G. Heese, CPA, CFE
Audit Manager and
Chief Examiner
Missouri DIFP

American Healthcare Inc.

(417) 877-9111 333 Park Central East, Ste 323 Springfield, MO 65806 Fax (417) 887-6743

RECEIVED NOV 16 2007 DEPT. OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

November 9, 2007

Frederick G. Heese, CFE, CPA
Chief Financial Examiner & Acting Division Director
301 West High Street, Room 530
Jefferson City, MO 65102-0690

Dear Mr. Heese

Enclosed is the response to the Examination Report of American Healthcare, Inc. (AHI) for the period ending December 31, 2006. We do however, wish our responses and/or rebuttal to be included in the report as a public document.

When the company transferred ownership on July 1, 2006, our thought was it would be in the best interest of the company to continue the relationship with the same outside accounting firm that had been with the company since it's conception as a Pre-Paid Dental Plan; however, the Auditor from DIFP found many errors, including late filings, and strongly suggested that AHI change to an accounting firm that specialized in insurance accounting.

AHI changed accounting firms effective 1 October 2007.

COMMENTS – Previous Pre-licensing Exam

Page 3 – Intercompany Transactions

Doesn't need to be on this report – due to the fact the comment is not applicable.

Page 3 – Deposits with the State of Missouri

Procedures are in place to monitor the market value of the deposit and increase the deposit for market losses, if necessary.

Doesn't need to be on this report – due to the fact their were no findings.

Page 4 – Financial Reserves

AHI has ensured that the reserves met the required level. AHI has elected to terminate the Discount Dental Plan due to the reserve requirements brought about by Missouri Senate Bill 66.

As indicated in your letter we have addressed the General comments and/or Recommendations on Page 15.

Corporate Records (Page 5):

Procedures have been established for the Company's annual meeting minutes and state that all major transactions and actions are discussed and approved by the Board. Minutes taken by the Officers in the transaction of the business of the company are approved and include the details related to the transactions; approved by the Board and any documents approved by the Board attached to the minutes.

Fidelity Bond (Page 7):

American Healthcare, Inc. has increased its coverage to $100,000 liability to meet the requirement the requirements of RSMo 354.705.1(5) (Certificate of Authority Granted). This was effective 12:01 a.m. September 7, 2007.

Cash and Short-term Investments (Page 7):

American Healthcare, Inc. has established procedures and ensures that bank reconciliation's are performed on a monthly basis.

The Auditor from DIFP found many errors, including late filings, and strongly suggested that AHI change to an accounting firm that specialized in insurance accounting.

American Healthcare, Inc. has taken the suggestion of the Department of Insurance and has changed CPA's and elected to go with a qualified insurance accountant that specializes in Insurance accounting.

AHI changed accounting firms effective 1 October 2007.

Premiums and Other Revenue calculations and reporting (Page 10):

AHI has selected a qualified insurance accountant that specializes in Insurance accounting. **AHI changed accounting firms effective 1 October 2007.**

Claims unpaid and Unpaid adjustments expenses (Page 10):

This has been implemented by utilizing a new Lag report that is given to the qualified outside accounting firm.

American Healthcare, Inc. has taken the suggestion of the Department of Insurance and has changed CPA's and elected to go with a qualified insurance accountant that specializes in Insurance accounting.

AHI changed accounting firms effective 1 October 2007.

General Expenses (page 10):

American Healthcare, Inc. has taken the suggestion of the Department of Insurance and has changed CPA's and elected to go with a qualified insurance accountant that specializes in Insurance accounting.

AHI changed accounting firms effective 1 October 2007.

Accounts and Records (Page 10):

AHI appreciates the advise given regarding future operations and will work closely with the DIFP to consult and address the issues mentioned.

American Healthcare, Inc. has taken the suggestion of the Department of Insurance and has changed CPA's and elected to go with a qualified insurance accountant that specializes in Insurance accounting.

AHI changed accounting firms effective 1 October 2007.

Territory and Plan of Operations (Page 8-9):

Brochures and financial statements were provided to the Examiner.

The marketing strategy, as stated to the Auditor, was delayed until the company felt it could offer the best services at reasonable prices to potential clients. The company's primary goal was to make sure billing issues were resolved before large scale marketing was to be implemented. Issues have been resolved and marketing efforts began once the audit was completed.

The Auditor from DIFP found many errors, including late filings, and strongly suggested that AHI change to an accounting firm that specialized in insurance accounting.

American Healthcare, Inc. has taken the suggestion of the Department of Insurance and has changed CPA's and elected to go with a qualified insurance accountant that specializes in Insurance accounting.

AHI changed accounting firms effective 1 October 2007.

The company has eliminated all salary, overrides, and medical insurance to the officers of the company to reduce expenditures. AHI has elected to make dramatic cost cutting efforts to eliminate the DIFP's concerns.

The company has terminated the (MGA) agreement as requested by the DIFP

AHI has ensured that the reserves meet the required level. AHI has elected to terminate the Discount Dental Plan due to the reserve requirements brought about by Missouri Senate Bill 66.

Conclusion (Page 17):

AHI has provided a Business Plan with financial projections for 3 years to the DIFP, and has met the minimum requirements of necessary capital. AHI has also obtained a qualified insurance accountant.

AHI appreciates the advise given regarding future operations and will work closely with the DIFP to consult and address the issues mentioned.

Doug Myers

Doug Myers

Attachments:
- Copy of Business Plan – awaiting approval
- Brochure for American Healthcare, Inc.
- Sample of Policy Handbook
- Copy of Insurance change for Fidelity Bond