

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER



OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of	)	No. G06-40
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
<b>WILLAMETTE DENTAL OF</b>	)	AND ORDER ADOPTING REPORT
<b>WASHINGTON, INC.</b>	)	OF
	)	EXAMINATION

A Registered Health Care Service Contractor.

**BACKGROUND**

An examination of the financial condition of **WILLAMETTE DENTAL OF WASHINGTON, INC.** (the Company) as of December 31, 2004, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of registration as a health care service contractor. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Company for its comments on September 28, 2006. The Company's response to the report is attached to this order only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and the submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

**FINDINGS**

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 16 of the report.

WILLAMETTE DENTAL OF WASHINGTON, INC.  
Order Adopting Examination Report  
November 27, 2006

Mailing Address: P.O. Box 40255 • Olympia, WA 98504-0255  
Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501



## CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **WILLAMETTE DENTAL OF WASHINGTON, INC.** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions and Comments and Recommendations prior to the date of this order. The Instructions and Comments and Recommendations in the report are appropriate responses to the matters found in the examination.

## ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-6.

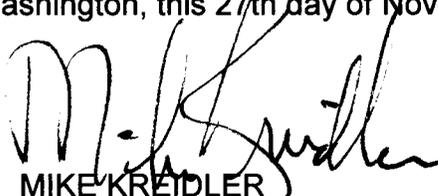
1. The Company is ordered to comply with RCW 48.31C.040(2)(c)(v) by including affiliate agreements in Form B; with RCW 48.31C.050(1) by disclosing the terms of those agreements in Form D; and, with RCW 48.31C.050(2)(d) by properly notifying the Commissioner prior to entering into management agreements, service contracts and cost-sharing arrangements with affiliates. Instruction 1, Examination Report, page 2.
2. The Company is ordered to document its compliance with RCW 48.31C.050(2), SSAP 25, paragraph 16, and SSAP Appendix A-440, by having the Company's Board of Directors follow all contract terms, by reviewing all agreements yearly, and documenting its review and approval in the BOD minutes or alternatively change the contracts to require management to document its review and approval. Instruction 2, Examination Report, page 2.
3. The Company is ordered to comply with RCW 48.44.050 and WAC 284-07-050 by keeping accurate records and maintaining adequate controls, by creating written procedures for premium billing and collection, and by ensuring that the procedures are being followed. Instruction 3, Examination Report, page 3.

4. The Company is ordered to comply with RCW 48.44.040 which states, "No registrant shall change any rates, modify any contract, or offer any new contract, until he has filed a copy of the changed rate schedule, modified contract, or new contract with the insurance commissioner" and WAC 284.43.920(a) which states a carrier is required to file every contract form and any modification thereof, and every rate schedule and any changes thereof before being offered to the public. Instruction 3, Examination Report, page 3.
5. The Company is ordered to follow the NAIC Annual Statement Instructions and the NAIC Accounting Practices and Procedures Manual as required by the Commissioner under RCW 48.43.097 and WAC 284-07-050 by settling intercompany receivables and payables separately with each company in the group as required by SSAP No. 64, paragraph 2. Instruction 4, Examination Report, page 3.
6. The Company is ordered to comply with RCW 48.44.050 and WAC 284-07-050 by keeping accurate records, to update its accounting procedures so that historical reports of paid claims can be compiled from its database and to comply with the terms of the contract by recognizing the paid and unpaid claims and reimbursements on its accounting records and statements. Instruction 5, Examination Report, page 4.
7. The Company is ordered to comply with RCW 48.43.097, RCW 48.44.095, and WAC 284-07-050(2) in filing its NAIC Annual Statements in accordance with the NAIC Accounting Practices and Procedures Manual, and the NAIC Annual Statement Instructions. Instruction 6, Examination Report, page 4.
8. It is ordered that the Company consider bringing its fidelity insurance coverage to within a range of \$200,000 and \$225,000. Comments and Recommendations 1, Examination Report, page 5.
9. It is ordered that the Company consider creating a master contract and amending the master contract as changes are made. Amending a contract makes the changes obvious and easier to track. This methodology should also reduce administrative costs by eliminating the requirement that the contracts be submitted for approval every year when there is no change in the contract. Comments and Recommendations 2, Examination Report, page 6.

10. It is ordered that the Company consider implementing a business contingency plan to address the continuation of all significant business activities, including financial functions, telecommunication services and data processing services, in the event of a disruption of normal business activities, as recommended by NAIC guidelines. Comments and Recommendations 3, Examination Report, page 6.
11. It is ordered that the Company consider preparing formal written procedures for a disaster recovery plan that includes relocation of data processing operations to a specific alternative site and appropriate escalation procedures to resolve operational failures in a timely manner and that the procedures be tested regularly to ensure that data processing operations can be restored in a timely manner, as recommended by NAIC guidelines. Comments and Recommendations 4, Examination Report, page 6.
12. It is ordered that the Company consider including in the Board of Directors' minutes an acknowledgement that the conflict of interest statements have been completed by all appropriate persons and potential conflicts of interest have been disclosed. Comments and Recommendations 5, Examination Report, page 6.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 27th day of November, 2006.

  
MIKE KREIDLER  
Insurance Commissioner

BY FAX - 360-586-2022



Willamette Dental  
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Hillsboro, OR 97124

Administration • 503-952-2000  
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October 31, 2006

Mr. James T. Odiorne  
Deputy Insurance Commissioner  
State of Washington  
Office of Insurance Commissioner  
PO Box 40255  
Olympia, WA 98504-0255

Re: Financial Examination Report for Willamette Dental of Washington, Inc. as of  
December 31, 2004

Dear Mr. Odiorne:

We are in receipt of the final draft of the Financial Examination of Willamette Dental of Washington, Inc. as of December 31, 2004. As discussed earlier with your staff, the company has no additional comments regarding this report.

The Financial Examination report listed six items under the Instructions section of the report. Willamette Dental of Washington, Inc. has taken corrective action on all six of these items and we expect the company will be in compliance with all these instructions by the end of this year.

The report also has five items under the Comments and Recommendations section. Of these five comments, two have been addressed. The recommendation to increase the fidelity insurance coverage to between \$200,000 and \$225,000 has been addressed by the company increasing the fidelity coverage to \$250,000. Secondly, the recommendation regarding conflict of interest disclosures has been addressed and will become part of the Board of Directors meetings. The remaining recommendation items are being reviewed for a final resolution.

Should you or your staff have any additional questions or comments regarding this report, please let us know.

Sincerely,

Wee Yuen Chin  
Treasurer  
Willamette Dental of Washington, Inc.