



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 08-110
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
DENTAL HEALTH SERVICES)	AND ORDER ADOPTING REPORT
)	OF FINANCIAL EXAMINATION
)	
A Domestic Health Care Service)	
Contractor.)	

BACKGROUND

An examination of the financial condition of **DENTAL HEALTH SERVICES** (the Company) as of December 31, 2006, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of registration as a limited 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 July 10, 2008. 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.



CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **DENTAL HEALTH SERVICES** 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.

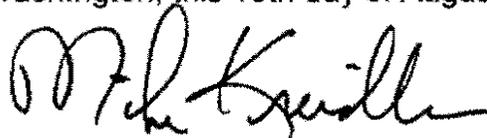
The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-5.

1. The Company is ordered to comply with RCW 48.44.100 and file an accurate statement of its financial condition, transactions, and affairs; with RCW 48.43.097 which requires the filing of its financial statements in accordance with the AP&P; and with WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the AP&P. Instruction 1, Examination Report, page 3.
2. Pursuant to RCW 48.44.037 and RCW 48.44.039, the Company is ordered to meet its minimum net worth requirements. Instruction 2, Examination Report, page 3.
3. The Company is ordered to comply with RCW 48.43.097 which requires the filing of its financial statements in accordance with the AP&P; WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the AP&P; and WAC 284-07-060(2)(a) which requires each health carrier to include with its annual statement an SAO setting forth the actuary's opinion related to the insurer's reserves and other actuarial items, that is prepared in accordance with the NAIC Annual Statement Instructions and the AP&P. Instruction 3, Examination Report, page 3.

4. The Health Carrier Holding Company Act requires that cost sharing agreements between affiliates be in writing and on file with the commissioner. The Company is ordered to comply with RCW 48.31C.050(2)(d) and notify the commissioner in advance and in writing of its intention to enter into transactions and agreements with affiliated companies within the health carrier holding company system. Instruction 4, Examination Report, page 4.
5. It is ordered that the Company consider preparing a formal, written business continuity plan that addresses 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 the NAIC. Comments and Recommendations 1, Examination Report, page 4.
6. It is ordered that the Company consider writing, testing, and implementing a disaster recovery plan that includes appropriate escalation procedures to resolve operational failures in a timely manner, as recommended by NAIC guidelines. Comments and Recommendations 2, Examination Report, page 4.
7. It is ordered that the Company consider utilizing the recommended content for the SAO as written in the 2006 NAIC Annual Statement Instructions. Comments and Recommendations 3, Examination Report, page 5.
8. It is ordered that the Company consider completing a written policy requiring BOD members, officers, and key employees to complete annual conflict of interest forms. It is also ordered that the Company consider developing procedures to review potential conflicts when disclosed. Comments and Recommendations 4, Examination Report, page 5.

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 13th day of August, 2008.



MIKE KREIDLER
Insurance Commissioner



Dental
Health
Services

July 29, 2008

Mr. James T. Odiome, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
Office of Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

Dear Mr. Odiome:

This is in response to the Examination of Dental Health Services, Inc. as of December 31, 2006 as conducted by your staff.

Just a few brief comments on the exam report:

1. On page 6, there appears to be a typo on premiums earned for 2004.
2. On page 8, I joined Dental Health Services as of January 15th, 2007. I was responsible for the annual reporting as of 12-31-06, but was not an officer on that date.
3. On page 11, it mentions a specific amount of rate increase. To preserve client confidentiality, could the wording be changed to something along the lines of:

...called for a rate increase for premiums sufficient to cover the costs of providing dental services to the group, along with greater capitation.....

Again, I would like to thank the department and your examination team for their professionalism in conducting the examination.

Please call me at 562.276.1158 if you have any questions.

Sincerely,

Michael P. Fenton, CPA
Chief Financial Officer
Dental Health Services Inc.
mfenton@dentalhealthservices.com

CC: Patrick H. McNaughton, Chief Examiner