



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 09-45
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
WASHINGTON DENTAL SERVICE)	AND ORDER ADOPTING REPORT
)	OF FINANCIAL EXAMINATION
)	
A Domestic Health Care Service Contractor.)	

BACKGROUND

An examination of the financial condition of **WASHINGTON DENTAL SERVICE** (the Company) as of December 31, 2007, 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, and instructions was transmitted to the Company for its comments on March 27, 2009. 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 14 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 **WASHINGTON DENTAL SERVICE** and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions prior to the date of this order. The Instructions in the report are appropriate responses to the matters found in the examination.

ORDER

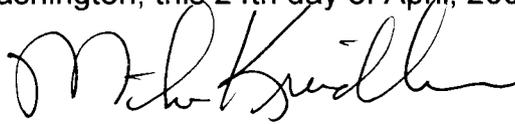
The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-4.

1. The Company is ordered to file an accurate statement of its financial condition, transactions, and affairs in compliance with RCW 48.43.097, which requires the filing of its financial statements in accordance with the NAIC AP&P Manual, and with WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions. Instruction 1, Examination Report, page 3.
2. The Company is ordered to comply with RCW 48.31C.050 and WAC 284-18A-420 by filing a Form D with fair and reasonable terms as defined in SSAP 70, paragraph 8. Instruction 2, Examination Report, page 3.
3. The Company is ordered to comply with RCW 48.31C.040 and WAC 284-18A-370 to properly disclose all existing inter-company services agreements annually, and all investment transactions as necessary. Instruction 3, Examination Report, page 3.
4. The Company is instructed to file an accurate statement of its financial condition, transactions, and affairs in compliance with RCW 48.43.097, which requires the filing of its financial statements in accordance with the NAIC AP&P and pursuant to WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions. Instruction 4, Examination Report, page 4.

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 24th day of April, 2009.

A handwritten signature in black ink, appearing to read "Mike Kreidler". The signature is fluid and cursive, with a large initial "M" and "K".

MIKE KREIDLER
Insurance Commissioner

James D. Dwyer
President and CEO

April 8, 2009

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INSURANCE COMMISSIONER
COMPANY SUPERVISION

Mr. James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
Office of the Insurance Commissioner
5000 Capitol Blvd.
Tumwater, Washington 98501

RE: Financial Examination Report of Washington Dental Service (the "Company") as of December 31, 2007

Dear Mr. Odiorne:

We have reviewed the report issued March 27, 2009, of the financial examination referenced above. This letter serves as acknowledgement of the facts presented, and response to issues identified.

Our reply to the instructions is set forth below:

1a. Depreciation of Electronic Data Processing (EDP) Equipment

Reply: The Company concurs with the finding, and is depreciating EDP equipment as prescribed in SSAP 79.

1b. Retrospectively Rated Contract Premium Disclosure

Reply: The Company concurs with the finding, and will disclose the net premium of retrospectively rating contracts.

1c. Claim Expenses and Claim Adjustment Expenses

Reply: The Company concurs with the finding, and will include capitation encounter payments as other claim adjustment expense.

1d. Unpaid Claims Adjustment Expenses

Reply: The Company concurs with the finding, and will exclude unpaid claim adjustment expenses on ASC contracts from its liability for unpaid claim adjustment expense.

Mr. James T. Odiorne, CPA, JD
April 8, 2009
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1e. Reclassification of Cash to Receivables/Payables for Securities

Reply: The Company concurs with the finding, and will appropriately record year-end security sales.

1f. Reclassification of General Expenses Due and Accrued

Reply: The Company concurs with the finding, and will record refunds due to policyholders in accordance with 2007 NAIC Annual Statement instructions.

1g. Filing Exempt – Reporting, Rating, and Monitoring

Reply: The Company concurs with the finding, and will monitor the ratings provided by the outside contractor to ensure compliance with the NAIC Securities Valuation Office.

2. Prior Approval of Form D filing – Inter-company Services Agreement

Reply: The Company concurs with the finding, and will update and file a current Form D for the Inter-company service agreement between the Company and Washington Dental Service Foundation, LLC

3. Form B Disclosure – Health Carrier Holding Company System Annual Registration Statement

Reply: The Company concurs with the finding, and will disclose on its annual Form B filing the investments in affiliates, and the inter-company service agreements between the Company and Washington Dental Service Foundation, LLC, and between the Company and the Institute for Oral Health.

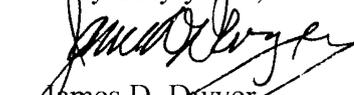
4. Custodial Agreement

Reply: The Company concurs with the finding, and will ensure its current custodial agreement is in compliance with NAIC Annual Statement Instructions.

We appreciate the opportunity to address the Findings and Instructions presented. Additionally, I'm pleased to say that the staff of the OIC were very professional and courteous during the examination process.

If you have further questions, don't hesitate to contact me.

Very truly yours,


James D. Dwyer
President & CEO