



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 14-47
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
DELTA DENTAL OF WASHINGTON)	AND ORDER ADOPTING REPORT
Formerly: Washington Dental Service)	OF FINANCIAL EXAMINATION
)	

A Domestic Health Care Service Contractor.

BACKGROUND

An examination of the financial condition of **DELTA DENTAL OF WASHINGTON**, (the Company) as of December 31, 2012, 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 January 28, 2014. 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 15 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 **DELTA DENTAL OF WASHINGTON** 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 48.43.097 by filing its financial statements in the general form and context approved by the NAIC and WAC 284-07-050(2)(a) which requires adherence to the NAIC Annual Statement Instructions and the AP&P. Instruction 1, Examination Report, page 2.
2. The Company is ordered to comply with RCW 48.13.051 and RCW 48.13.041 by revising its Investment Policy (IP) to include all required provisions, and by ensuring that the Board of Directors (BOD) review and approve the IP at least annually. Evidence of the BOD review and approval must be documented in the BOD minutes. Instruction 2, Examination Report, page 3.
3. The Company is ordered to comply with RCW 48.44.037(4) and RCW 48.12.080(2), by recording an adequate estimate for claims unpaid. In addition, the Company is ordered to comply with WAC 284-07-050(2) and the NAIC Annual Statement Instructions which state that the Appointed Actuary must report to the BOD or the Audit Committee annually on the items within the scope of the Actuarial Opinion. Instruction 3, Examination Report, page 3.
4. The Company is ordered to comply with RCW 48.43.097 by filing its financial statements in the form and context approved by the NAIC and WAC 284-07-060(2)(a) which requires adherence to the NAIC Annual Statement Instructions and the AP&P, SSAP No. 4. Instruction 4, Examination Report, page 3.

5. The Company is ordered to comply with RCW 48.31C.040(2)(c)(v) by including all required agreements and contracts in its Form B filings. Instruction 5, Examination Report, page 4.
6. The Company is ordered to comply with RCW 48.43.097 by filing its financial statements in the form and context approved by the NAIC and WAC 284-07-060(2)(a) which requires adherence to the NAIC Annual Statement Instructions and the AP&P. Instruction 6, Examination Report, page 4.
7. It is ordered that the Company consider that the internal audit function report functionally to the Chairperson of the Audit Committee and on a day-to-day basis, report administratively to management. Comments and Recommendations 1, Examination Report, page 4.
8. It is ordered that the Company consider keeping a record of preparer/reviewer sign off to strengthen its control documentation and to evidence proper review and approval of significant transactions that support the balances that feed into the NAIC Annual Statement. Comments and Recommendations 2, 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 12th day of March, 2014.

A handwritten signature in black ink, appearing to read "Mike Kreidler", is written over a faint, illegible background.

MIKE KREIDLER
Insurance Commissioner



RECEIVED

FEB 18 2014

INSURANCE DIVISION
COMMERCIAL GROUP

Date: February 14, 2014

William R. Michels
Deputy Insurance Commissioner
Company Supervision Division
P.O. Box 40255
Olympia, WA 98504-0255

Dear Mr. Michels:

We are responding to your letter dated January 28th, 2014, referencing the examination report covering the period January 1, 2008 through December 31, 2012. Regarding instructions one through six, the Company is in agreement, and will ensure the appropriate adjustments are incorporated into our procedures and annual financial statements.

Upon reviewing the company profile section, we are highlighting two items for consideration on page 7:

Intercompany Agreements:

The Service Level Agreement – Healthentic, identifies the effective date as November 30, 2012. Our records indicate October, 2012.

Management and Control

Ownership

The statement identifies a Board of Trustees as responsible for electing board members. To clarify, this was changed in 2011, with an amendment to the bylaws. Below is our proposed update to the Ownership statement:

“Pursuant to the Company’s Bylaws effective December 9, 2011, any dentist licensed by the state of Washington to engage in the practice of dentistry in this state and who is actively practicing dentistry and who executes a service contract with the Company is eligible for membership in the Company. “Member” means a person holding a membership in the Company. Ten percent of the members in good standing of record constitute a quorum at an annual meeting or a special meeting of the members. An annual meeting of the membership is required to be held each November. The affairs of the Company shall be managed by its Board of Directors, consisting of between nine and thirteen Directors. There are three types of directors: Independent (not from the membership); member directors (member DDS elected by the membership); and one Ex Officio member. Independent Directors, as of Jan. 1 2012, shall comprise a majority. “

Delta Dental of Washington

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Seattle, WA 98115-2157
(206) 522-1300
DeltaDentalWA.com

If you have any questions regarding the above information, don't hesitate to contact me at: 206-528-2368,
jalien@deltadentalwa.com

Very truly yours,

A handwritten signature in cursive script that reads "Jon P. Allen".

Jon P. Allen, CPA
Director of Finance

Cc: James D. Dwyer, President and CEO
Brad A. Berg, Chief Financial & Operating Officer