



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 12-258
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
DENTAL HEALTH SERVICES, INC.)	AND ORDER ADOPTING REPORT
)	OF FINANCIAL EXAMINATION
)	

A Domestic Health Care Service
Contractor.

BACKGROUND

An examination of the financial condition of **DENTAL HEALTH SERVICES, INC.**, (the Company) as of December 31, 2011, 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 10, 2012. 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 9 of the report.

DENTAL HEALTH SERVICES, INC.
Order Adopting Financial Examination Report
October 15, 2012

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 **DENTAL HEALTH SERVICES, 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 contained in the examination report on pages 1-2.

1. The Company is ordered to comply with RCW 48.43.097 by filing its financial statements in accordance with the AP&P 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 1.
2. DHS-WA is ordered to comply with RCW 48.13.340 by having all of the investments, acquisitions and disposals authorized or approved by the Board of Directors. Instruction 2, Examination Report, page 2.
3. The Company is ordered to consider implementing a policy requiring Board of Directors members, officers, and key employees to complete annual conflict of interest statements. Comment and Recommendation 1, Examination Report, page 2.
4. The Company is ordered to consider requiring its fiduciary liability and crime insurance policy to also include DHS-WA as a named insured company. Comment and Recommendation 2, Examination Report, page 2.

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 15th day of October, 2012.

A handwritten signature in black ink, appearing to read "Mike Kreidler", written in a cursive style.

MIKE KREIDLER
Insurance Commissioner



Dental Health Services

RECEIVED

SEP 26 2012

INSURANCE COMMISSIONER
COMPANY SUPERVISION

September 21, 2012

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

Dear Mr. Odiorne:

This letter is in response to the various items noted in the draft copy of the Financial Exam conducted on Dental Health Services, Inc. that your office sent to us.

1. The company recorded a net receivable from Dental Health Services of California in the amount of \$34,000 as an offset to administrative expense liability, instead of as a receivable from an affiliate.

We concur with this finding, and on future reports to the OIC will show this as a separate balance sheet item as per instructions.

2. The company reported a different amount for Cash and equivalents in the notes of the statements than reported in the statement itself.

We concur with this finding, and on future reports to the OIC we will verify that the items show the same amount.

3. The Authorization for Investments was not documented in the minutes of the Board of Directors.

We concur with this finding, and a recent meeting of the Board of Directors confirmed the investment policy as well as all investments made. In the future, we will document the discussions and approval of the Board of Directors in regard to Investments. A copy of the minutes of this meeting has been provided to the OIC.

4. The Company does not have a written policy regarding conflicts of interest and compliance by officers and senior management.

We concur with this finding, and we have created and provided to the OIC the Conflict of Interest policy and statements of compliance from the Company's officers and senior management.





5. The fidelity bond did not specifically name the Company as insured under this bond.

We concur with this finding, and during the exam the insurance bond policy was amended to specifically name the company; a copy of this was provided to the OIC.

We want to thank the OIC and in particular the exam team for cooperation and professionalism in the conduct of this Exam.

Sincerely,

Gary Pernell, CEO

