



OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of	)	No. 13-145
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
<b>NORTHWEST DENTISTS INSURANCE</b>	)	AND ORDER ADOPTING REPORT
<b>COMPANY</b>	)	OF FINANCIAL EXAMINATION
	)	

A Domestic Insurer.

**BACKGROUND**

An examination of the financial condition of **NORTHWEST DENTISTS INSURANCE COMPANY**, (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 authority as a stock insurer. 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 April 17, 2013. 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 10 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 Northwest Dentists Insurance Company 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 1-2.

1. The Company is ordered to comply with RCW 48.05.073 and WAC 284-07-050(2) by computing unearned premium in accordance with the NAIC AP&P Manual, specifically SSAP No. 53(7). Instruction 1, Examination Report, page 1.
2. The Company is order to consider implementing a policy requiring IT management report directly to the President and Chief Executive Officer (CEO). Comment and Recommendation 1, 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 9th day of May, 2013.



MIKE KREIDLER  
Insurance Commissioner



NORTHWEST DENTISTS  
INSURANCE COMPANY

April 26, 2013

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

RE: Financial Examination Report of Northwest Dentists Insurance Company  
As of December 31, 2011

Dear Mr. Odiorne:

Thank you for the opportunity to provide comments and responses to the draft of the above referenced report. The following are our responses to the instructions, comments and recommendations contained in the Report of the Financial Examination of Northwest Dentists Insurance Company, NAIC #32417, as of December 31, 2011. The instructions, comments and recommendations are numbered in accordance with the items in the original report.

### INSTRUCTIONS

#### **1. Computation of the Unearned Premium Reserve**

The Company's method for computing its unearned premium reserves is not in accordance with an acceptable method as specified in SSAP No. 53(7) of the AP&P. According to SSAP No. 53(7), either the Daily Pro Rata Method or Monthly Pro Rata Method shall be used for computation of the unearned premium reserve.

**The Company is instructed to comply with RCW 48.05.073 and WAC 284-07-050(2) by computing unearned premiums in accordance with the NAIC AP&P Manual, specifically SSAP No. 53(7).**

*Company Response:*

*The Company will revise its processes and procedures to ensure it complies with SSAP No. 53(7) effective immediately, which will be reflective beginning with the quarterly statement filing as of June 30, 2013.*



**COMMENTS AND RECOMMENDATIONS**

**1. Information Technology (IT) Reporting Structure**

Currently, IT management reports to the Chief Financial Officer. Control Objectives for Information and Related Technology (COBIT) framework standards recommend that the IT department be separate from operational departments within the Company.

**It is recommended that IT management report directly to the President and Chief Executive Officer (CEO).**

*Company Response:*

*We understand the basis for the recommendation from the COBIT framework and will take this recommendation into consideration as we evaluate the reporting structure of the Company's management team.*

Sincerely,



David W. Evans  
*Senior Vice President and Chief Financial Officer  
Northwest Dentists Insurance Company*