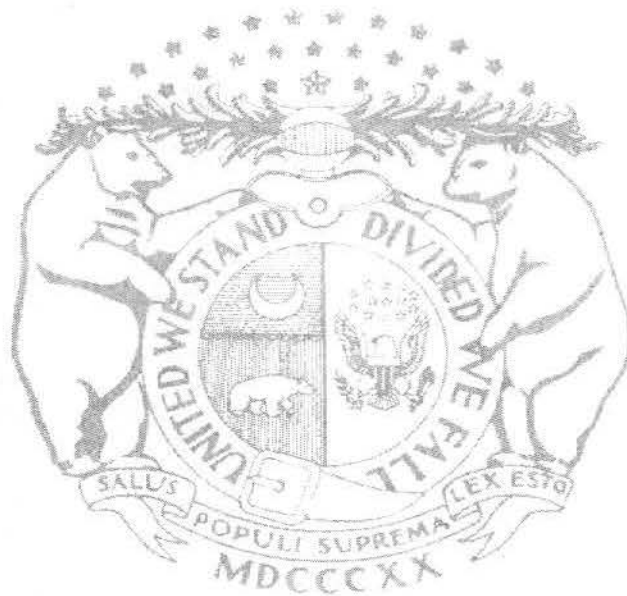


REPORT OF
FINANCIAL EXAMINATION

MISSOURI DENTAL TRUST

AS OF
SEPTEMBER 30, 2008

FILED
APR 23 2009
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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February 23, 2009
St. Louis, MO

Honorable John M. Huff, Director
Missouri Department of Insurance
Financial Institutions & Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Mr. Huff:

In accordance with your financial examination warrant, a full scope financial examination has been made of the records, affairs and financial condition of

Missouri Dental Trust

also referred to as the "Trust". The examination was conducted at the Trust's administrative office at 25254 Walnut Street, Bell City, Missouri, 63735, telephone number (573) 733-4444. This examination began on February 9, 2009, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The last full scope financial examination of the Trust was performed as of September 30, 2004, by an examiner from the state of Missouri.

The current full scope financial examination covers the period from October 1, 2004, through September 30, 2008, and was conducted by an examiner from the state of Missouri.

This examination also included material transactions and/or events occurring after September 30, 2008.

Procedures

This examination was conducted using the guidelines set forth in applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration ("DIFP") and statutes of the state of Missouri.

The workpapers of the Trust's certified public accountant were made available to the examiner. Standard examination procedures were modified as deemed appropriate under the circumstances.

COMMENTS PREVIOUS EXAMINATION

The comments and recommendations made in the prior examination report as of September 30, 2004, are listed below. The Trust's responses to these items and the current findings related to the actions taken by the Trust are also described below.

1. Comment: Comments Prior Examination/Conflict of Interest

"It is recommended that the Trust require Board members to annually complete statements indicating awareness of and compliance with the conflict of interest policy."

Trust response:

"The board members of the Trust will complete a statement indicating awareness of and compliance with the conflict of interest policy. This should be completed by May 15, 2005. The trustees readopted the conflict of interest policy at the April 15, 2005, meeting."

Current findings:

The Trust stated that it had obtained statements annually from all Trustees indicating awareness of and compliance with the conflict of interest policy; however statements were only provided for one of the four years under examination. The Trust should obtain conflict statements annually and should maintain these statements with other corporate records so they can be provided for future examinations.

2. Comment: Comments Prior Examination/Policy Forms and Underwriting

"The Trust was able to provide copies of all participation agreements except for Pilot Grove C-4 School District. It is recommended that the Trust secure a participation agreement with Pilot Grove C-4 School District."

Trust response:

"The Pilot Grove C-4 School District has another name. They sometimes do business under the name of Cooper County C-4. I will determine if a participation agreement has been executed under this name. If one has not, a new one will be sent to the Pilot Grove C-4 School District for completion."

Current findings:

The Trust provided a copy of the participation agreement with the Pilot Grove C-4 School District as well as copies of agreements with all new members that joined the Trust during the examination period.

3. Comment: Corporate Records

"It is recommended that the Board secure a quorum at all meetings where the business of the Trust will be transacted."

Trust response:

"I think there is a misunderstanding. The Trustees meet as needed to make policy changes, set rates for the trust, and monitor the activities of the trust, but the superintendents of the participating schools are invited to have a part in the monthly meetings. There may not have been a quorum of Trustees at each of the monthly meetings, but in the open meetings every member is a voting participant. The president of the trustees or another officer runs the monthly meetings. The normal monthly business of the trust is completed at these meetings but no policy issues are addressed. The monthly bills are paid and there is usually only one bill each month. This is one way we keep all the participants informed about the operation of the trust. There is usually a majority of members at the open monthly meetings. I do not know which six meetings are referred to in the report but I do not remember one in which a quorum was not present. In the future, the trust will secure a quorum of the trustees at these monthly meetings within the general membership to transact business."

Current findings:

The Trust Bylaws provide that seven members shall constitute a quorum. Quorums were secured for all meetings during the examination period except for the meeting held on May 10, 2005, at which six members were present. The Board should secure a quorum at all meetings where the business of the Trust is transacted.

HISTORY

General

The Trust was formed in May 1988 under the provisions of Chapter 537 RSMo (Risk Management for Public Entities) for the purpose of providing dental care benefits for eligible and participating employees of members of the Trust. Membership in the Trust is restricted to public school districts located in southeast Missouri. The Trust commenced operations in July 1988, at which time 15 school districts formed the Trust. There were 17 member school districts in the Trust as of September 30, 2008.

Capital Stock

The Trust is a not-for-profit entity and has no capital stock.

Dividends

The Trust has not declared or paid any dividends since inception.

Management

The affairs of the Trust are managed by the Board of Trustees. Trustees are elected at the annual meeting of the membership to serve three-year terms. The Trust Bylaws state that the number of the board of trustees shall be seven in number. As of September 30, 2008, the Board of Trustees was comprised of the following six members:

| <u>District</u> | <u>Representative</u> |
|-------------------|-----------------------|
| Advance R-IV | Mike Redman |
| Bell City R-II | Rhonda Niemczyk |
| East Prairie R-II | Scott Downing |
| Scott County -IV | Don Moore |
| Southland C-9 | Raymond Lasley |
| Woodland R-IV | Dennis Parham |

The Trust should comply with the requirements of its Bylaws by appointing a seventh member to the Board of Trustees.

Officers serving at September 30, 2008, were as follows:

| <u>Name</u> | <u>Title</u> |
|-----------------|--------------|
| Raymond Lasley | President |
| Scott Downing | Secretary |
| Rhonda Niemczyk | Treasurer |

Conflict of Interest

The Trust has a conflict of interest policy that applies to members of the Board of Trustees. The prior examination report recommended that the Trust require Trustees to complete statements annually indicating awareness of and compliance with this policy. The Trust stated that it had obtained such statements annually; however statements were only provided for one of the four years under examination. The Trust should obtain statements annually from its Trustees indicating awareness of and compliance the Conflict of Interest Policy, and should maintain these statements with other corporate records so they can be provided for future examinations.

Corporate Records

The minutes of the Board of Trustees meetings and of the General Membership meetings held during the examination period were reviewed. The minutes appear to properly support and approve the transactions and events for the period under examination. The Board meeting minutes do not indicate that the Board reviewed and approved the financial examination report as of October 31, 2004. The Board should review and approve all examination reports and so indicate in the meeting minutes.

No changes were made during the examination period to either the Articles of Association or to the Bylaws.

The Trust Bylaws require the presence of seven members, in person or by proxy, to constitute a quorum at Board meetings. The minutes indicate that quorums were present for all Board meetings during the current period under examination except for the May 10, 2005, meeting, at which six members were present. The Board should secure quorums at all meetings where the business of the Trust will be transacted.

The Trust had difficulty providing copies of corporate records for this examination because records were being held at multiple locations. The Trust should maintain all corporate records in one central location so that they are accessible and can be provided for future examinations.

AFFILIATED COMPANIES

The Trust does not have any affiliates and thus is not subject to Chapter 382 RSMo (Insurance Holding Companies).

FIDELITY BOND AND OTHER INSURANCE

The Trust's Treasurer is covered under a blanket employee dishonesty policy issued by Missouri United School Insurance Council. The limit of coverage is \$1,000,000. This coverage exceeds the minimum amount of fidelity insurance recommended by the National Association of Insurance Commissioners. The Trust does not own any real or personal property and has no requirements for other coverage.

EMPLOYEE BENEFITS

The Trust does not have employees. All services are provided by an outside vendor under an administrative services contract as described in the "Service Providers" section of this report.

STATUTORY DEPOSITS

The Trust is not required to establish a statutory deposit with the state of Missouri or any other states.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Trust is licensed by the Missouri Department of Insurance, Financial Institutions and Professional Registration under Chapter 537 RSMo, Risk Management for Public Entities. Membership in the Trust is restricted to school districts located in southeast Missouri. At September 30, 2008, there were 17 member school districts in the Trust.

Policy Forms & Underwriting; Advertising and Treatment of Policyholders

Members of the Trust are required to sign an "Employee Benefit Plan and Trust Participation Agreement" upon entering the Trust. The agreement outlines the duties of each party and describes the methods of withdrawal from or termination of the Trust. The agreement also allows for additional assessments if necessary to fund the Trust's obligations.

The Trust has only one plan benefit document that is issued to all member school districts. The dental benefits provided include basic dental care, orthodontic services and other various services. The deductibles and co-payments vary with the type of service provided. The plan benefit document provides an annual maximum benefit of \$1,200 per participant and \$2,400 per family, except for orthodontic services, which has a lifetime maximum benefit of \$1,000 per participant.

The Trust is not required under Chapter 537 RSMo to submit its policy forms or premium rates to the Missouri Department of Insurance, Financial Institutions and Professional Registration, nor is it required to maintain a log of complaints submitted to the Trust by its members.

Service Providers

The Trust entered into a contract with a third party administrator, Delta Dental of Missouri (Delta Dental), on July 1, 1991. Delta Dental provides the following services for the Trust:

- Premium billing
- Claims adjudication
- Monthly claims accounting
- Preparation and issuance of employee benefit plans

The administrative fees paid to Delta Dental are based on the number of individual and family memberships. For the fiscal year ending September 30, 2008, fees were paid at \$2.55 per month for each individual membership and \$6.09 per month for each family membership. The total fees paid during the examination period under this contract were as follows:

| <u>Year Ending</u> | <u>Service Fee</u> | <u>Percentage of Premiums</u> |
|--------------------|--------------------|-------------------------------|
| 9/30/2005 | \$46,296 | 13.1% |
| 9/30/2006 | \$44,446 | 9.5% |
| 9/30/2007 | \$58,840 | 11.3% |
| 9/30/2008 | \$63,156 | 10.6% |

Advertising & Sales Materials

The Trust does not advertise in newsletters or journals, nor does it actively solicit school districts to become members.

REINSURANCE**Assumed**

None

Ceded

None

ACCOUNTS AND RECORDS**General**

The Trust maintains its financial records on a cash basis. The Trust does not maintain a general ledger. The fiscal-year financial statements are compiled by its CPA, Van De Ven, LLC. Van De Ven records year-end accrual entries. Workpapers of the September 30, 2008, compilation were reviewed and used as deemed appropriate during the course of the examination.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Trust as of September 30, 2008, and the results of operations for the fiscal period then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Trust and noted in the workpapers for each individual financial statement item.

ASSETS

| | |
|--------------|-------------------|
| Cash | <u>\$ 125,771</u> |
| Total Assets | <u>\$ 125,771</u> |

LIABILITIES, NET ASSETS AND OTHER FUNDS

| | |
|----------------------------------|-------------------|
| Claim Reserves | \$ 41,789 |
| Accounts Payable | <u>5,120</u> |
| Total Liabilities | \$ 46,909 |
| Net Assets (Surplus) | <u>\$ 78,862</u> |
| Total Liabilities and Net Assets | <u>\$ 125,771</u> |

STATEMENT OF INCOME

REVENUES

| | |
|-----------------|--------------|
| Premiums earned | \$ 598,177 |
| Interest income | <u>2,500</u> |
| Total Revenues | \$ 600,677 |

EXPENSES

| | |
|-----------------------------------|--------------|
| Claims incurred | \$ 474,116 |
| Administrative insurance services | 63,156 |
| Legal and accounting | <u>2,104</u> |
| Total Expenses | \$ 539,376 |

| | |
|------------|------------------|
| Net income | <u>\$ 61,301</u> |
|------------|------------------|

CHANGE IN NET ASSETS

| | |
|-------------------------|------------------|
| Prior Year Net Assets | \$ 17,561 |
| Net Income | <u>61,301</u> |
| Current Year Net Assets | <u>\$ 78,862</u> |

NOTES TO FINANCIAL STATEMENTS

None

EXAMINATION CHANGES

None

GENERAL COMMENTS AND/OR RECOMMENDATIONS

1. Comments Prior Examination / Conflict of Interest Pages 2 / 4
The Trust should obtain conflict of interest statements annually from its Trustees and should maintain these statements with other corporate records so they can be provided for future examinations.

2. Comments Prior Examination / Corporate Records Pages 3 / 5
The Board should secure a quorum at all meetings where the business of the Trust is transacted.

3. Management Page 4
The Trust should comply with the requirements of its Bylaws by appointing a seventh member to the Board of Trustees.

4. Corporate Records Page 4
The Board meeting minutes do not indicate that the Board reviewed and approved the financial examination report as of October 31, 2004. The Board should review and approve all examination reports and so indicate in the meeting minutes.

5. Corporate Records Page 5
The Trust had difficulty providing copies of corporate records for this examination because records were being held at multiple locations. The Trust should maintain all corporate records in one central location.

SUBSEQUENT EVENTS

None

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers of Missouri Dental Trust during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Richard J. Hayes, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Trust, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiner found reasonably warranted from the facts.

Richard J. Hayes
Richard J. Hayes, CFE, FLMI
Examiner-in-Charge
Department of Insurance, Financial Institutions and
Professional Registration

Sworn to and subscribed before me this 18 day of Feb, 2009.

My commission expires:

Trudy Prewitt
Notary Public

TRUDY PREWITT
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: April 15, 2011
Commission Number: 07499644

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with the National Association of Insurance Commissioners procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael R. Shadowens
Michael R. Shadowens, CFE
Audit Manager, St. Louis
Department of Insurance, Financial Institutions and
Professional Registration

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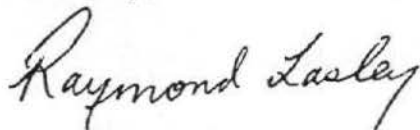
**Missouri Dental Trust
C/o Bell City School
25254 Walnut Street
Bell City, MO 63735**

April 1, 2009

Responses to General Comments and/or Recommendations

1. A Conflict of Interest statement will be signed annually by each Trustee and kept in one central location.
2. There has been a quorum at all meetings where the business of the trust is transacted. There will continue to be a quorum at all meetings where the business of the trust is transacted.
3. A seventh board member will be selected at the April 2009 meeting.
4. The board did review the October 31, 2004 financial examination. The minutes of future meetings will indicate the review and approval of any reports.
5. The corporate records will be maintained in a central location.

Sincerely,



Raymond Lasley
President