

**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

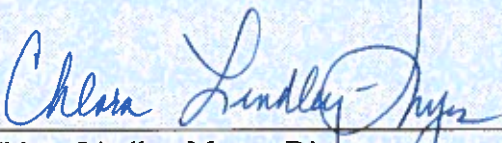
ORDER

After full consideration and review of the report of the financial examination of The Missouri Dental Trust for the period ended September 30, 2017, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, comments previous examination, company history, management and control, territory and plan of operations, reinsurance, financial statements, examination changes, comments on the financial statements, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of The Missouri Dental Trust as of September 30, 2017 be and is hereby ADOPTED as filed and for The Missouri Dental Trust to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement and verify compliance with each item mentioned in the Comments on the Financial Statement and/or Summary of Recommendations section of such report; and (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 03rd day of January, 2019.




Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

Report of
Financial Examination

THE MISSOURI DENTAL TRUST

As of
September 30, 2017



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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November 8, 2018
St. Louis, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

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

The Missouri Dental Trust

hereinafter referred to as such or as the "Trust." The Trust's main office is located at 25254 Walnut Street, Bell City, MO 63735; telephone number (573) 733-4444. This examination began on September 4, 2018 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of The Missouri Dental Trust. The last examination was completed as of September 30, 2012. This examination covers the period of October 1, 2012 through September 30, 2017. This examination also included material transactions or events occurring subsequent to September 30, 2017.

Procedures

This examination was conducted using the guidelines set forth by applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the state of Missouri. Standard examination procedures were modified as necessary under the circumstances.

The examiners relied upon information and workpapers provided by the Trust's independent auditor, Van De Ven, LLC.

SUMMARY OF SIGNIFICANT FINDINGS

The Trust's financial condition is strong. Profitable results during the examination period resulted in an increase in Net Assets from \$126,000 to \$349,000. Additionally the examination found that insurance operations are administered capably by the Trust's Third Party Administrator, Delta Dental of Missouri, who provided requested information promptly and clearly.

Despite the above positive findings, this examination found that the Trust has significant management and control issues, primarily regarding the performance of corporate record-keeping functions. These issues resulted in the failure by management to perform basic corporate governance activities, the failure to provide timely responses to examination requests, and in some instances the failure to provide important documentation at all. It is noted that many of these issues have been ongoing and were also reported during the previous examination.

As a result of these findings, the primary recommendation for this examination is that the Trust appoint a Fiscal Agent whose duties would include performance of corporate governance functions that would address longstanding management and control issues, including those noted above. It is noted that the Trust's Bylaws require the appointment of a Fiscal Agent and specifically state that, in addition to carrying out duties as directed by the Board, the Fiscal Agent is required to be given the responsibility of retaining the Trust's financial records and assets, serving as custodian of official copies of the Trust's Articles, Bylaws, contracts and other permanent records, and preparing agendas and minutes for meetings of the Board. The Bylaws specify the manner by which the Fiscal Agent may be compensated.

SUBSEQUENT EVENTS

There were no significant subsequent events since the examination date.

COMMENTS PREVIOUS EXAMINATION

Because of the Trust's failure to comply with prior Examination Report Comments and Management Letter Recommendations, they are repeated below for this examination.

1. Corporate Records - Minutes

The previous Examination Report included a comment that the minutes of the Board meetings did not indicate that the Board reviewed and approved the prior financial Examination Report. It was recommended that the Board review and approve all examination reports and so indicate in the meeting minutes.

Trust Response

The Trust stated that the officers, trustees and general membership would review and consider approval of the prior Examination Report in a meeting to be held on April 2, 2014, and that copies of the Examination Report were forwarded to each officer, trustee and member of the Trust to allow proper time for review before the meeting.

Current Findings

Despite numerous requests the Trust did not provide copies of minutes for any Board meetings held during the years 2013-2017. As a result it was not possible to verify whether the Trust complied with this comment.

2. *Corporate Records - General*

The previous Examination Report included a comment that the Trust had difficulty providing copies of corporate records for the examination because records were being held at multiple locations and that all corporate records should be maintained in one central location so they are accessible and can be provided for future examinations.

Trust Response

The Trust stated that corporate records were housed in a paper file in the office of the President, Stan J. Seiler, and in a password protected electronic file that could be accessed by any officer or trustee by utilizing the services of Dropbox.com. The response also stated that written procedures for the coordination of future examinations were in the development stage with possible consideration for approval at the June 2014 meeting.

Current Findings

The Trust has not complied with this recommendation. It was again found that corporate records were held in multiple locations resulting in difficulty in providing copies for this examination. Corporate records were not provided in a timely manner for this examination, and in some instances were not provided at all. Additionally, no written procedures were developed for the coordination of examinations as described in the Trust's response to the prior examination comments.

3. *Corporate Records – Written Plan / Policy*

The previous Examination Report included a comment that management did not appear to have an appropriate level of understanding regarding the basic transactions of the Trust and relied heavily on its Third Party Administrator, Delta Dental of Missouri, to provide documentation and explanations required during the examination process. The prior Report recommended that the Trust develop written policies / procedures for the basic transactions of the Trust, both for the benefit of general record retention and for use in future DIFP examinations.

Trust Response

The Trust did not include a response to this comment on the response letter to the DIFP, dated March 25, 2014, on which it responded to the other Examination Report comments and management letter recommendations.

Current Findings

Several requests were made to the Trust for a response to this Examination Report comment but the Trust did not respond to any of these requests.

4. *Bank Account - Signors*

The previous Management Letter noted that the Trust only had one authorized signor for its bank account and recommended that the Trust consider appointing a second signor for emergency situations. The Management Letter also recommended that, because of limited separation of duties, the Trust should consider instituting a policy requiring a second signature on checks above a certain dollar amount, such as \$1,500.

Trust Response

The Trust responded that it had, as of the date of its response, already appointed a second signor for emergency situations and that Officers and Trustees would meet monthly to review the monthly financial report and approve any and all expenditures.

Current Findings

The Trust has not complied with this recommendation. The bank signature card provided for this examination continues to show only one signor and the Trust did not provide documentation during the examination that verifies that Officers and Trustees now meet monthly to review the monthly financial report. Officers reported during this examination that the Board only meets once each year.

5. *Financial Statements – Audit Function*

The previous Management Letter noted that the Trust relies on a Certified Public Accountant (CPA) to compile its financial statements and that the Trust's nature is such that the Board is composed of individuals with limited professional exposure to financial reporting procedures and principles, and that these factors were potential causes for the Board's failure to detect misstatements identified during the examination process. A recommendation was made that the Trust consider seeking additional services from a CPA that include analysis of financial reports.

Trust Response

The Trust's response was that its appointed CPA, Vandeven LLC, would be available at each meeting to assist in the analysis of the monthly financial reports and guide the actions of the Trust's officers and trustees.

Current Findings

The Trust did not provide a status update for this recommendation and did not provide copies of minutes for any Board meetings held during the examination period. Therefore this examination could not determine whether the Trust has addressed this recommendation. Additionally the Trust restated its Bylaws during the examination period and the revised Bylaws require that the Board appoint a CPA to perform an annual financial audit and to assist in the oversight of finances. No CPA firm has been appointed to perform an annual audit. Vandeven LLC continues to provide a compilation of financial statements rather than an audit as required by the Bylaws.

COMPANY 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 its members. Chapter 537.620 states that companies formed under these statutes are not considered to be insurance companies under the laws of Missouri, and that coverage provided is not deemed to constitute the transaction insurance business. Chapter 537.635 RSMo requires that business be conducted so as to preclude any distribution of income or profit.

Membership in the Trust consists of public school districts, which are primarily located in southeast Missouri. The Trust began operations in July 1988 with membership consisting of 15 school districts. Membership as of September 30, 2017 increased to 17 school districts.

Corporate Records

The Trust's Articles of Association and Bylaws were reviewed. Both were totally restated in 2017, making numerous and significant revisions. The Trust did not provide documentation showing that either the restated Articles or the restated Bylaws were submitted to the DIFP as required by Chapter 537.640 RSMo, which states that any existing association formed under this Chapter must, at the time it files for renewal of its license, file any amendments to its Articles of Association or Bylaws which have been adopted in the preceding year.

The restated Articles included the following changes:

- Fiscal year end changed from September 30 to June 30.
- Registered Agent changed to Mickes O'Toole LLC.

The Examination found that the Trust has not make operational changes necessary to change its fiscal year end to June 30. These include preparing financial reports as of June 30 and holding annual members meetings in the first quarter of the fiscal year.

The restated Bylaws include the following requirements:

- Annual Board meeting within three months of the fiscal year-end.
- Four regular Board meetings each fiscal year, two occurring in each half of the year.
- Appointment of a Fiscal Agent with the following responsibilities:
 - retain the Trust's financial records and assets,
 - serve as liaison to coordinate with insurance brokers, insurance companies and all other parties deemed necessary to serve the Trust's purposes,
 - serve as custodian of the official copies of the Articles of Association and Bylaws, amendments, contracts, official documents and other permanent records of the Trust,
 - prepare agendas and minutes for all Board meetings,
- Appoint a CPA to assist in oversight of finances and perform an annual financial audit.
- Presentation of overall claims reports at each board meeting.
- Presentation of updated financial statement at each board meeting.
- Annual Financials must be provided to each member each fiscal year. Financials must be prepared by an appointed CPA, prepared in accordance with generally accepted accounting principles.
- Restated Bylaws and future amendments must to be submitted to DIFP for approval.

The Examination found that the Trust has not comply with any of the above items.

Meeting Minutes

Only one set of minutes for Board meetings was provided for review during this examination, and that was for a meeting held on October 2, 2018, more than a year after the end of the examination period. The minutes for this meeting only documented attendance and the passing of Resolutions, but did not reflect that the Board engaged in deliberations of Trust transactions and events.

As stated above, the restated Bylaws require the Trust's Board to hold an annual meeting in the first three months of the fiscal year, and hold four regular meetings each fiscal year, two during the first half of the fiscal year and two during the second half. The Trust has not complied with these meeting requirements.

MANAGEMENT AND CONTROL

Board of Directors

The restated Articles of Association state that Trust policies shall be determined by an Executive Board consisting of a representative from each of the participating political subdivision members. Therefore the board increased from 9 to 17 members at the time that the restated Articles became effective. The Executive Board serving as of September 30, 2017, consisted of the following:

Gerard Vandeven, President
Zalma R-V School District

Ken Latham, Vice-President
Chaffee R-II School District

Adrian Eftink, Secretary
Oak Ridge R-VI School District

Matt Asher, Treasurer
Bell City R-II School District

Shannon Garner
Advance R-IV School District

Kenny Copley
Delta C-7 School District

Mellisa Heath
Delta R-V School District

Lesli Jones
East Prairie R-II School District

Brett Reutzel
Fredericktown R-I School District

Brad Hagood
Neelyville R-IV School District

Adam Friga
Oran R-III School District

Joey Watkins
Pemiscot County R-III School District

Doug White
Pemiscot County School District

Ashley Groepper
Pilot Grove C-4 School District

Fara Jones
Scott County R-IV School District

Tom Gotsch
Southland C-9 School District

Mike Kiehne
Woodland R-IV School District

Officers

The officers appointed and serving as of September 30, 2017, were as follows:

President	Gerard Vandeyen
Vice President	Ken Latham
Secretary	Adrian Eftink
Treasurer	Matt Asher

Management and Control Issues

The general level of control demonstrated by management during this examination was inadequate. This was shown by the unpreparedness for this examination evidenced by the failure to address prior examination issues, failure to provide responses to current examination responses and the general lack of understanding of the Trust's operating and corporate governance functions. Corporate documents continued to be located in different locations making them difficult to locate and provide. Many basic corporate functions were not performed such as the failure to hold a Board meeting for approximately eighteen months and / or failure to document meetings with minutes. Additionally there was no response by management to major corporate changes such as the change in the fiscal year and the increase in the number of members on the board. Most of these issues would be

resolved by the appointment of a Fiscal Agent as required by the Bylaws, and assigning duties to the Fiscal Agent that the Bylaws stipulate.

Conflict of Interest

A review of the conflict of interest disclosure statements obtained during the examination period revealed that the Trust did not obtain conflict of interest statements from each of the members of the Board each year. Only four statements were obtained in 2017.

Holding Company, Subsidiaries and Affiliates

The Trust was formed as a Chapter 537 RSMo entity and holding company statutes do not apply to those entities.

TERRITORY AND PLAN OF OPERATION

The Trust is licensed by the Missouri DIFP under Chapters 537.620 – 537.650 RSMo, (Self Insured Political Subdivision Assessable). Membership in the Trust is restricted to political subdivisions of the State of Missouri. There were 17 members in the Trust as of September 30, 2017. All were school districts located primarily in southeast Missouri. Each member is required to maintain 75% enrollment of eligible employees in the insurance program provided by the Trust.

New members of the Trust are required to provide data necessary to determine their risk, and to submit a Resolution by the Political Subdivision Board adopting the terms of the contract with the Trust. The Resolution states that the Political Subdivision Board has reviewed and understands the Trust's Articles and Bylaws, which outline the duties of each party, describes the methods of withdrawal from or termination by the Trust, and describes the methods of assessment, including initial assessments upon joining the Trust, yearly ongoing assessments, and supplemental 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, titled the Summary Plan Description (SPD). The SPD describes the benefit coverages provided. There are four coverage levels including Preventive Service, Basic Services, Major Services and Orthodontic Services. The SPD describes the co-payments, deductibles and benefit maximums for each of the coverage levels. The benefit maximums are \$1,200 per participant and \$2,400 per family, except for orthodontic services that 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 DIFP, nor is it required to maintain a log of complaints submitted to the Trust by its members.

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

Service Provider

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, 2017, fees were paid at the rate of \$3.19 per month for each individual membership, and \$7.62 per month for each family membership. The total fees reported during the examination period under this contract were as follows:

<u>Year Ending</u>	<u>Premiums</u>	<u>Service Fee</u>	<u>Percentage</u>
9/30/2013	\$647,286	\$71,670	11%
9/30/2014	\$693,394	\$77,531	11%
9/30/2015	\$737,273	\$80,435	11%
9/30/2016	\$747,132	\$82,014	11%
9/30/2017	\$779,403	\$81,736	10%

REINSURANCE

Assumed

The Trust does not assume any business.

Ceded

The Trust does not cede any business.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, are based on the financial statements filed by the Trust as of September 30, 2017. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on 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 "Comments on 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	\$ 390,777
Total Assets	<u>\$ 390,777</u>

Liabilities and Net Assets

Claims Reserves	\$ 35,033
Accounts Payable	6,868
Total Liabilities	<u>\$ 41,901</u>
Net Assets (Surplus)	<u>348,876</u>
Total Liabilities and Net Assets	<u>\$ 390,777</u>

Statement of Income

REVENUES	
Premiums Earned	\$ 779,403
Interest Income	712
Total Revenues	<u>\$ 780,115</u>
EXPENSES	
Claims Incurred	\$ 599,775
Administrative Insurance Services	81,736
Legal and Accounting	4,055
Total Expenses	<u>\$ 685,566</u>
Net Income	<u>\$ 94,549</u>

Change in Net Assets

NET ASSETS, October 1, 2016	\$ 254,327
Net Income	<u>94,549</u>
NET ASSETS, September 30, 2017	<u>\$ 348,876</u>

EXAMINATION CHANGES

There are no changes in the financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the Trust's financial statements.

SUMMARY OF RECOMMENDATIONS

1. Corporate Records - Minutes Page 2
The prior Examination Report noted that the Trust did not provide meeting minutes indicating that the Board reviewed and approved the 2008 financial Examination Report. The Trust also did not provide meeting minutes during this examination indicating that the Board reviewed and approved the 2012 Examination Report. It is recommended that the Trust provide the DIFP with a copy of minutes showing review and approval by the Board of the Examination Report as of September 30, 2012.
2. Corporate Records - General Page 3
The prior Examination Report noted that the Trust had difficulty providing copies of corporate records for the examination because records were held at multiple locations. The Trust also had difficulty providing copies of corporate records for this examination because records were still held in multiple locations. It is again recommended that all corporate records be maintained in one central location.
3. Corporate Records – Written Plan / Policy Page 3
The prior Examination Report noted that Trust management had difficulty providing information for the examination and recommended that the Trust develop written policies for coordinating future examinations and for general record retention procedures. Trust management also had difficulty providing information for this examination. It is recommended that the Trust develop formal documentation of internal policies and procedures for general record keeping purposes.
4. Bank Account - Signors Page 4
The prior management letter noted that the Trust only had one authorized signor for its bank account and recommended that a second signor be appointed for emergency situations. The Trust still only has one authorized signor for its bank account. It is again recommended that a second signor be appointed for emergency situations.
5. Financial Statements – Audit Function Pages 4-5
The prior management letter noted that the Trust's Board had limited financial reporting expertise and recommended that the Trust consider seeking additional services from a CPA. The Bylaws were restated during this examination period and now require the Trust to appoint a CPA to assist in oversight of finances, and to

perform an annual financial audit. It is recommended that the Trust appoint a CPA to perform the functions required by the Bylaws.

6. Corporate Records Page 5
The Trust did not provide copies of the restated Articles and Bylaws to the Missouri DIFP as required by the Chapter 537.640 RSMo. It is recommended that the Articles and Bylaws be submitted to the Missouri DIFP.
7. Corporate Records Pages 5-6
The Trust revised the Articles of Association during the examination period and the revisions included changing the fiscal year to July 1st – June 30th. The Trust has not complied with requirements that resulted from the fiscal year change, which includes revising the schedule for holding Board meetings and preparing financial statements. It is recommended that the Trust comply with the requirements that resulted from changing the fiscal year.
8. Corporate Records Page 6
The Trust revised its Bylaws during the examination period and the revisions resulted in several requirements with which the Trust has not complied. As a result of one of these changes the Trust is now required to appoint a Fiscal Agent who shall be given several specific responsibilities, including retaining financial records and assets, serving as custodian of all official records and contracts including the Articles of Association and Bylaws, and preparing agendas and minutes for all Board meetings. It is recommended that the Trust appoint a Fiscal Agent as required by the Bylaws, and to assign the Fiscal Agent all of the duties specified by the Bylaws.
9. Meeting Minutes Page 6
Only one set of minutes for Board meetings was provided for review during this examination and these minutes did not reflect sufficient detail to show that the Board engaged in deliberations, and did not demonstrate that Bylaws requirements were met, such as presenting overall claims reports and updated financial statements to the members at each regular meeting. It is recommended that the Trust provide copies of all minutes of all Board meetings held during the examination period to the DIFP, that the meetings include all actions required by the Bylaws, and that the minutes include sufficient detail to demonstrate that the Board has engaged in meaningful deliberations of major Trust transactions and events.
10. Meeting Minutes Page 7
The restated Bylaws require that the Trust's Board hold an annual meeting in the first three months of the fiscal year, and four additional regular meetings each fiscal year. It is recommended that the Trust hold Board meetings on a schedule that complies with the requirements set forth in the Bylaws.
11. Management and Control Issues Page 8
The general level of control demonstrated by management during this examination was inadequate evidenced by unpreparedness for this examination, failure to address

prior examination issues or to provide responses to examination requests. Most of these issues would be resolved by the appointment of a Fiscal Agent as required by the restated Bylaws, and assigning duties to the Fiscal Agent that the Bylaws stipulate.

12. Conflict of Interest

Page 8

Conflict of interest disclosure statements were not obtained from all Board members and officers during the examination period. It is recommended that the Trust obtain conflict statements from each Board member and officer annually.

ACKNOWLEDGEMENT

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

VERIFICATION

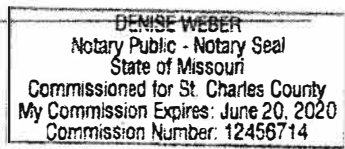
State of Missouri)
)
City of St. Louis)

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 examiners find reasonably warranted from the facts.

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

Sworn to and subscribed before me this 17th day of December, 2013
My commission expires:

Denise Weber
Notary Public



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 applicable regulations of the Missouri Department of Insurance and statutes of the State of Missouri has been confirmed.

Michael R. Shadowens
Michael Shadowens, CFE
Assistant Chief Examiner, St. Louis
Missouri Department of Insurance, Financial
Institutions and Professional Registration