

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

GROUP DENTAL SERVICES OF MARYLAND, INC.

AS OF

October 27, 2006

FLORIDA COMPANY CODE: 56035



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PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Financial Services Commission, Florida Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 636.206, Florida Statutes, a market conduct examination of Group Dental Service of Maryland, Inc. (GDSM or Company) was performed. The scope of this examination was September 8, 2005 through July 31, 2006. The onsite examination began October 23, 2006 and ended on October 27, 2006.

The purpose of this examination was to review the Company's compliance with Chapter 636, Part II, Florida Statutes as effective on April 1, 2005. Chapter 636, Part II, Florida Statutes, regulates discount medical plan organizations, entities that, in exchange for fees, dues, charges, or other consideration, provide access for plan members to providers of medical services and the right to receive medical services from those providers at a discount.

The Company's records were examined at its offices located at 111 Rockville Pike, Ste. 950, Rockville, MD 20850.

This Final Report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information and comments provided by the Company in response to the draft report. Procedures and conduct of the examination were in accordance with the Market Regulation Handbook produced by the National Association of Insurance Commissioners.

DESCRIPTION OF COMPANY

This foreign Company was licensed as a Discount Medical Plan Organization (DMPO) in Florida on September 8, 2005.

Group Dental Service (GDS), the parent company, was established in 1965 by Dr. Ralph Foxman to provide Taft-Hartley members and their families in Maryland with a quality dental service plan. In 1999, GDSM, a wholly owned subsidiary of GDS, entered into an administrative service agreement with GDS and became licensed as a Dental Plan Organization in Maryland.

GDSM offers a dental discount medical plan called "Denex Value"; in addition to other network plans offering dental, hearing, chiropractic, complimentary and alternative medicine, and laboratory services discounts to members.

PROVIDER NETWORK AGREEMENT REVIEW

The Company has agreements with the following provider networks:

- CAREington International Corporation – dental;

- Health Care Exchange, Ltd., d/b/a "DentaMax" – dental;
- National Provider Network – medical;
- Allied Health Benefits – vision;
- Outlook Vision Services, LLC – vision;
- HearPO Corporation- hearing;
- Allied Health Benefits – chiropractic;
- CAM Health Partners, Inc. – complimentary and alternative medicine (CAM); and
- Direct Laboratory Services, Inc. – laboratory services.

All provider network agreements were reviewed to determine compliance with Section 636.214, Florida Statutes. No violations were noted.

PROVIDER AGREEMENT REVIEW

The Company does not contract directly with providers.

MARKETER AGREEMENT REVIEW

During the scope of the examination, the Company had written agreements with the following 3 private label marketers:

- Kistler Tiffany & Home Furnishings Insurance Group, LLC;
- World Insurance Company; and
- Health Care Exchange, LTD.

The Company relies heavily on the use of outside marketers. The "Denex Value" plan is marketed directly by GDSM; however, the 3 private label marketers sell the majority of the Company's discount plans in Florida.

All marketer agreements were reviewed to determine compliance with Section 636.228(2), Florida Statutes. No violations were noted.

ACTIVE MEMBERSHIP REVIEW

As of October 23, 2006, the Company had 475 active memberships, 257 of which had enrollment effective dates on or after September 8, 2005.

Enrollment and Fulfillment Procedures

Potential plan members can enroll in the plan using the Company's filed forms or those of their private label marketers. Upon acceptance of a new member's enrollment, the Company sends the new member a fulfillment package. The package is sent to the member's home address and

contains a copy of the membership agreement, plan detail, available services, and discount cards. The Company then contacts the member within a few days of their enrollment to go over the member's new program to facilitate a better understanding of their new discount plan and to ask if they have any questions about their new discount program.

Enrollment Effective Date

The effective date for plan members is the date their payment is received by the Company. Also, a plan member's enrollment date was observed to be the same as the member's application date.

Memberships after September 8, 2005

A random sample of 50 membership files with enrollment effective dates on or after September 8, 2005 was reviewed. All 50 files evidenced plan members were enrolled using forms filed with and approved by the Office as required by Section 636.216(3), Florida Statutes. No violations were noted.

Memberships prior to September 8, 2005

Between the April 1, 2005 effective date of Chapter 636, Florida Statutes, and the September 8, 2005 date Group Dental Services of Maryland, Inc. was permitted to operate as a licensed DMPO, 216 members were enrolled. Enrolling members in a discount medical plan without a license violates Section 636.204(1), Florida Statutes.

Corrective Action: Members enrolled prior to September 8, 2005 should be provided Florida approved enrollment forms and written agreements upon renewal.

FORMS/CHARGES REVIEW

A review of the enrollment forms, the member agreement, fulfillment package, and various schedules of benefits was conducted. The following violation was noted:

- The Company website made available on-line enrollment using forms that had not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes.

Corrective Action: The Company should ensure that all forms have been filed with and approved by the Office prior to use.

The Company reported no plan members had used the on-line enrollment system as of the examination date.

CANCELLATION REVIEW

During the scope of the examination, the Company reported that 152 members cancelled their membership within the first 30 days of their enrollment effective date. A random sample of 50 files, with the membership cancelled within the first 30 days of the enrollment effective date, was reviewed. No violations were noted.

COMPLAINT/GRIEVANCE REVIEW

The Company has recorded 20 consumer complaints related to its discount medical plan since licensure. There were no complaints reported to the Florida Department of Financial Services, Division of Consumer Services, or to the Office, related to this discount medical plan organization during the scope of the examination.

The Company provided a formal log on which it sufficiently documented all complaints. A random sample of 10 complaints was reviewed. No violations were noted.

A review of the Company complaint handling procedures revealed that the Company has policies and procedures in place which facilitate the resolution of member grievances and complaints as required by Section 636.205(1)(d), Florida Statutes.

WEBSITE REVIEW

The Company's website, <http://www.denexvalue.com/>, was reviewed for compliance with Section 636.226, Florida Statutes. The website contained various informative links to educate active and potential consumers. The following violation was found:

- The provider listings for Allied Health Benefits and HearPO Corp were not up-to-date as required by Section 636.226, Florida Statutes.

Corrective Action: The Company should ensure that it maintains an up-to-date list of the names and addresses of the providers on its website.

ADVERTISING REVIEW

The Company advertises through various printed materials, including brochures, letters, and through its website.

The Company's products are often bundled together with insurance products when marketed by GDSM's private label marketers. For bundled products, the advertisements indicated that there are components of both insurance products and components of discount plans in place within the contract.

All printed materials and website documents contained on the Company's list of advertisements and used in the soliciting of its products were reviewed. No violations were noted.

EXAMINATION FINAL REPORT

The Office hereby issues this report as the Final Report, based upon information from the examiner's draft report, additional research conducted by the Office, and additional information and comments provided by the Company in response to the draft report.