

**REPORT ON EXAMINATION**  
**OF**  
**SOUTH FLORIDA DENTISTS SELF**  
**INSURANCE TRUST**

**MIAMI, FLORIDA**

**AS OF**  
**JUNE 30, 2010**

**BY THE**  
**OFFICE OF INSURANCE REGULATION**

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Tallahassee, Florida

June 1, 2011

Kevin M. McCarty  
Commissioner  
Office of Insurance Regulation  
State of Florida  
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Section 624.486, Florida Statutes, and Rule 69O-187.007 (3), Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of June 30, 2010, of the financial condition and corporate affairs of:

**SOUTH FLORIDA DENTISTS SELF INSURANCE TRUST  
19 W. FLAGLER ST, SUITE 711  
MIAMI, FLORIDA 33130**

Hereinafter referred to as, the "Trust". Such report of examination is herewith respectfully submitted.

## **SCOPE OF EXAMINATION**

This examination covered the period of July 1, 2005, through June 30, 2010. The Trust was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of June 30, 2005. This examination commenced with planning at the Office on February 22, 2011, to February 25, 2011. The fieldwork commenced on February 28, 2011, and concluded as of June 1, 2011.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The examination included a review of the Trust's records and other selected records deemed pertinent to the Trust's operations and practices. In addition, the Trust's Independent Audit reports, and certain work papers and related records prepared by the Trust's independent certified public accountants were reviewed and utilized, where applicable, within the scope of this examination.

The Trust's assets were valued and/or verified, and the liabilities were determined or estimated as of June 30, 2010. Transactions subsequent to year-end 2010 were reviewed where relevant and deemed significant to the Trust's financial condition.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action.

The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Exam Findings**

There were no findings, or exceptions noted during the examination as of June 30, 2010.

### **Prior Exam Findings**

There were no adverse findings contained in the Office's prior examination as of June 30, 2005.

## **HISTORY**

### **General**

The Trust was approved on July 1, 1987, under the laws of the State of Florida as a Malpractice Self Insurance Trust Fund and commenced business on July 1, 1987, under the name South Florida Dentists Self Insurance Trust.

The Trust was authorized to provide primary malpractice coverage to dentists who were members of the Trust. The membership of the Trust was limited to dentists who practiced in Dade County and were duly licensed by the State of Florida. Membership was limited to new dentists joining existing members. At June 30, 2010, the Trust had 55 members.

The Declaration of Trust and the Bylaws were not amended during the period covered by this examination.

### **Dividends to Policyholders**

The Trust did not pay any dividends.

### **Capital Stock and Capital Contributions**

The Trust maintained no capital stock and received no capital contributions.

### **Surplus Debentures**

The Trust did not have any surplus debentures.

### **Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales Through Reinsurance**

There were no acquisitions, mergers, disposals, dissolutions, purchases or sales through reinsurance for the period of examination.

## **CORPORATE RECORDS**

The recorded minutes of the Board of Trustees (Trustees), were reviewed for the period under examination. The recorded minutes of the Trustees adequately documented its meetings.

## **MANAGEMENT AND CONTROL**

### **Management**

The annual meeting of the members for the election of trustees was held in accordance with Rule 69O-187.010 (1), Florida Administrative Code. Trustees serving as of June 30, 2010, were:

### Trustees

<b>Name and Location</b>	<b>Principal Occupation</b>
Scott Ross, DDS Miami, Florida	Dentist
Jorge Centurion, DDS Coral Gables, Florida	Dentist
Donald Carmona, DDS Palmetto Bay, Florida	Dentist
Olin McKenzie, DDS Miami, Florida	Dentist
Gary Lubel, DDS Miami, FL	Dentist
Steve Morrow, DDS Miami, Florida	Dentist
Michael Rosenberg, DDS Coconut Grove, Florida	Dentist

The Trustees in accordance with the Trust's Bylaws appointed the following senior officers:

### Senior Officers

<b>Name</b>	<b>Title</b>
Scott Ross, DDS	President
Olin McKenzie, DDS	Vice President
Donald Carmona, DDS	Secretary
Gary Lubel, DDS	Treasurer

The Trust did not maintain a formal audit committee, as required by Section 624.424(8) (c), Florida Statutes. **Subsequent Event:** The Trustees appointed an audit committee, in compliance with Section 624.424 (8) (c), Florida Statutes, on May 3, 2011.

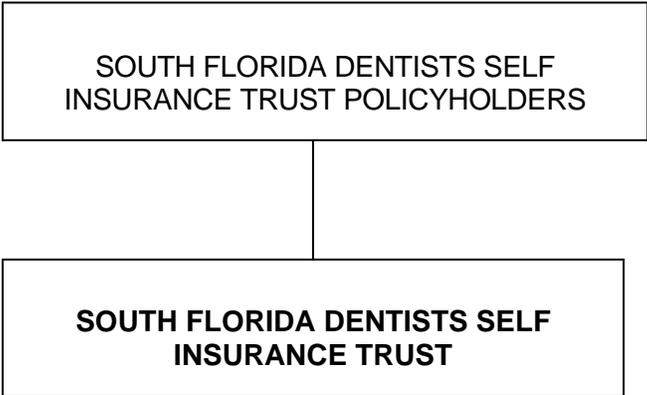
## **Affiliated Companies**

The Trust had no affiliated companies.

A simplified organizational chart as of June 30, 2010, is shown below.

**SOUTH FLORIDA DENTISTS SELF INSURANCE TRUST  
ORGANIZATIONAL CHART**

**JUNE 30, 2010**



## **FIDELITY BOND**

The Trust maintained fidelity bond coverage up to \$250,000 with a deductible of \$2,500, which was a sufficient amount as required by Rule 69O-187.005 (5), Florida Administrative Code

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Trust had no employees.

## **TERRITORY AND PLAN OF OPERATIONS**

The Trust was authorized to transact insurance only in the State of Florida.

### **Treatment of Policyholders**

The Trust established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Trust maintained procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

## COMPANY GROWTH

### Profitability of Fund

The following table shows the profitability trend (in dollars) of the Trust for the period of examination, as reported in the filed annual statements.

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Premiums Earned	70,947	70,549	71,921	72,060	86,370
Net Underwriting Gain/(Loss)	(16,292)	(14,265)	(176,256)	(33,197)	241,193
Net Income	(7,315)	19,081	(113,072)	31,972	290,456
Total Assets	1,502,397	1,510,815	1,486,210	1,580,941	1,543,287
Total Liabilities	669,750	675,277	675,322	671,833	676,133
Surplus As Regards Policyholders	832,647	835,538	810,888	909,108	867,154

## LOSS EXPERIENCE

The Trust did not experience any significant changes in their loss experience.

## REINSURANCE

The Trust neither assumed nor ceded any reinsurance risk during the period of examination.

## ACCOUNTS AND RECORDS

The Trust maintained its principal operational offices in Miami, Florida, where part of this examination was conducted.

An independent CPA audited the Trust's statutory basis financial statements annually for the years 2006, 2007, 2008, 2009, and 2010 in accordance with Rule 69O-187.007 (1), Florida Administrative Code. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Trust's accounting records were maintained using Excel spreadsheets. The Trust's balance sheet accounts were verified with the line items of the annual statement as submitted to the Office.

The Trust and non-affiliates had the following agreements:

### **Custodial Agreement**

The Trust maintained a Custody Agreement with Northern Trust Bank, signed April 10, 2008.

### **Service Agent Agreement**

The Trust had a service agent agreement with Dental Service Agents, Inc. (DSA) to provide the services necessary to maintain a self insurance trust fund. The agreement included administrative management and financial services in accordance with Rule 69O – 187.002, Florida Administrative Code. For providing the services set forth in this agreement DSA was to receive, a fee totaling \$750 per member of the Trust, but shall receive no less than \$37,500 per year. This agreement commenced as of March 1, 2009, for a period of two (2) years. The agreement shall automatically be extended for two (2) year periods thereafter, unless either party gives written notice of termination to the other party at least 90 days prior to the end of any period, in which event this agreement shall terminate at the end of such period.

## **Independent Auditor Agreement**

The Trust engaged Morrison, Brown, Argiz and Company, CPA, to perform the annual audit of its financial statements as required by Rule 69O – 137.002 (7) (c), and Rule 69O – 187.007 (1), Florida Administrative Code. The Trust also engaged Bloom, Gettis, and Habib, P.A., for the purpose of reporting the aforementioned information to the Office based on their compilation of the balance sheet and statutory financial statements.

## **Information Technology Report**

Computer Aid Inc. performed an evaluation of the information technology and computer systems of the Trust. Results of the evaluation were noted in the Information Technology Report provided to the Trust.

## **STATUTORY DEPOSITS**

The Trust was not required to have any securities deposited with the State of Florida.

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain financial statements showing the Trust's financial position as of June 30, 2010, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

**SOUTH FLORIDA DENTISTS SELF INSURANCE TRUST**  
**Assets**

**June 30, 2010**

	<b>Per Trust</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Cash on Hand and On Deposit	\$35,818		\$35,818
Securities at Market Value	1,457,784		1,457,784
Accrued Interest	5,102		5,102
Premiums due	3,693		3,693
	<hr/>		
Totals	\$1,502,397	\$0	\$1,502,397
	<hr/> <hr/>		

**SOUTH FLORIDA DENTISTS SELF INSURANCE TRUST**  
**Liabilities, Surplus and Other Funds**

**June 30, 2010**

	<b>Per Trust</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Losses	\$540,000		\$540,000
Loss adjustment expenses	85,000		85,000
Unearned Premium	29,750		29,750
Other Liabilities	15,000		15,000
Total Liabilities	\$669,750	\$0	\$669,750
Trustees Account	\$832,647		
Surplus as regards policyholders	\$832,647	\$0	\$832,647
Total liabilities, surplus and other funds	<u>\$1,502,397</u>	<u>\$0</u>	<u>\$1,502,397</u>

**SOUTH FLORIDA DENTISTS SELF INSURANCE TRUST**  
**Statement of Income**

**June 30, 2010**

**Underwriting Income**

Premiums earned		\$70,947
	<b>Deductions:</b>	
Losses incurred		0
Loss expenses incurred		13,314
Other underwriting expenses incurred		41,525
Administrative Expense		32,400
Total underwriting deductions		\$87,239
Net underwriting gain or (loss)		(\$16,292)

**Investment Income**

Net investment income earned		\$18,294
Net realized capital gains or (losses)		(9,317)
Net investment gain or (loss)		\$8,977

**Other Income**

Net gain or (loss) from agents' or premium balances charged off		\$0
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		0
Total other income		\$0
Net income before dividends to policyholders and before federal & foreign income taxes		(\$7,315)
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		(\$7,315)
Federal & foreign income taxes		0
Net Income		(\$7,315)

**Capital and Surplus Account**

Surplus as regards policyholders, June 30 prior year		\$835,538
Net Income		(\$7,315)
Net unrealized capital gains or losses		4,424
Change in non-admitted assets		
Change in provision for reinsurance		
Change in excess statutory over statement reserves		
Surplus adjustments: Paid in		0
Less Retrospective Rate Credits Paid		
Examination Adjustment		0
Change in surplus as regards policyholders for the year		(\$2,891)
Surplus as regards policyholders, June 30 current year		\$832,647

A comparative analysis of changes in surplus is shown below.

**SOUTH FLORIDA DENTISTS SELF INSURANCE TRUST**  
**Comparative Analysis of Changes in Surplus**

**June 30, 2010**

The following is a reconciliation of Surplus as regards policyholders between that reported by the Trust and as determined by the examination.

Surplus as Regards Policyholders June 30, 2010	\$832,647
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	<u>PER</u> <u>Trust</u>	<u>PER</u> <u>EXAM</u>	<u>INCREASE</u> <u>(DECREASE)</u> <u>IN SURPLUS</u>
ASSETS:			
No Adjustment			\$0
LIABILITIES:			
No Adjustment			\$0
Net Change in Surplus:			<u>0</u>
Surplus as Regards Policyholders June 30, 2010 Per Examination			<u><u>\$832,647</u></u>

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

<b>Losses and Loss Adjustment Expenses</b>	<u>\$625,000</u>
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The total reserve included amounts for reported losses and losses incurred by not reported. The amount related to reported losses were determined on a case by case basis. In determining the liability for this amount management considered, among other factors, the Trust's loss experience, the volume of activity, and economic trends.

The Office consulting actuary, G. Clinton Sornberger, FCAS, MAAA, of Actuaries Inc., reviewed the loss and loss adjustment expense work papers provided by the Trust and rendered an opinion that the currently held loss and loss adjustment expense reserves of the Trust were reasonable and provide an adequate amount for future liabilities.

### Capital and Surplus

The amount reported by the Trust of \$832,647, represented a positive amount as required by Section 624.468 (7), Florida Statutes.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **South Florida Dentists Self-Insurance Trust** as of June 30, 2010, consistent with the insurance laws of the State of Florida.

Per examination findings, the Trust's Surplus as regards policyholders was \$832,647, which represented a positive amount as required by Section 624.468 (7), Florida Statutes.

In addition to the undersigned, Kethessa Carpenter, CPA, Financial Examiner/Analyst Supervisor of the Office; G. Clinton Sornberger, FCAS, MAAA, consulting actuary of Actuaries Inc.; and Jane Snurr, IT Business Analysis Manager, and Richard Martin, CISA, both of Computer Aid Inc. participated in the examination.

Respectfully submitted,

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Vetrecia Smith  
Financial Specialist  
Florida Office of Insurance Regulation