



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

Florida Company Code: 04386

MIAMI, FLORIDA

**as of
June 30, 2015**

**BY THE
FLORIDA OFFICE OF INSURANCE REGULATION**

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May 12, 2017

David Altmaier
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, Florida Administrative Code, we have conducted an examination as of June 30, 2015, 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, 2010 through June 30, 2015 and commenced with planning at the Office on September 6, 2016 to September 9, 2016. The fieldwork commenced on September 12, 2016 and concluded as of May 12, 2017. The Trust was last examined by representatives of the Florida Office of Insurance Regulation (Office) covering the period of July 1, 2005 through June 30, 2010.

The examination included a review of the Trust records and other selected records deemed pertinent to the Trust operations and practices. In addition, the Trust 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, 2015. Transactions subsequent to year-end 2015 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 Examination Findings

There were no material findings, or exceptions noted during the examination as of June 30, 2015.

Prior Examination Findings

The following is a summary of material adverse findings, significant non-compliance findings or material changes in the financial statements in the Office's prior examination report as of June 30, 2010, along with resulting action taken by the Trust in connection therewith.

Custodial Agreement

Upon review of the custodial agreement between The Trust and the custodial bank, Northern Trust Bank of Florida NA, it was determined that the document was not in compliance with Rule 69O-143.042, subsections f, g, i, j, k, and l, Florida Administrative Code.

Resolution: The agreement was amended and is now in compliance with Rule 69O-143.042, Florida Administrative Code.

Audit Committee

The Board of Trustees did not establish an audit committee of three (3) or more directors of the insurer or an affiliated company as required by Section 624.424 (8)(c), Florida Statutes.

Resolution: The Board of Trustees established an audit committee of three (3) Directors as required by Section 624.424 (8)(c), Florida Statutes.

COMPANY 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 Dentist 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 practice in Dade County and are duly licensed by the State of Florida. Membership was limited to new dentists joining existing members. At June 30, 2015, the Trust had fifty-four (54) members.

The Declaration of Trust was not amended during the period covered by this examination. The Bylaws were amended as of June 30, 2015 and submitted to the Office as required.

Dividends

The Trust did not pay any dividends.

Capital Stock and Capital Contributions

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

Surplus Notes

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 documented its meetings.

Conflict of Interest

The Trust adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with Rule 69O-138.001, Florida Administrative Code.

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, 2015 were:

Trustees

| Name | City, State | Principal Occupation |
|---|------------------------|--|
| Scott Bennett Ross, D.D.S. ¹ | Miami, Florida | Dentist, South Florida Periodontics and Dental Implants |
| Jorge Roberto Centurion, D.D.S. | Coral Gables, Florida | Dentist, Fredric J. Witkin, DDS, PA |
| Donald Carmona, D.D.S. | Miami, Florida | Dentist, South Florida Dentists Self Insurance Trust |
| Olin Glaze McKenzie, D.D.S. | Miami, Florida | Dentist, Olin G McKenzie III DDS PA |
| Gary Alan Lubel, D.D.S. | Miami, Florida | Dentist, Gary A. Lubel, DDS, PA |
| Stephen Edward Morrow, D.D.S. | Miami, Florida | Retired from a private practice of endodontics on July 2, 2000 |
| Michael Norman Rosenberg, D.D.S. | Coconut Grove, Florida | Retired Dentist |

¹ Chairperson

Senior Officers

| Name | City, State | Title |
|-----------------------------|--------------------|----------------|
| Scott Bennett Ross, D.D.S. | Miami, Florida | President |
| Olin Glaze McKenzie, D.D.S. | Miami, Florida | Vice President |
| Donald Carmona, D.D.S. | Miami, Florida | Secretary |
| Gary Alan Lubel, D.D.S. | Miami, Florida | Treasurer |

The Trust's Trustees appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2015:

Audit Committee

| Name | City, State | Title |
|---|-----------------------|-----------------------|
| Scott Bennett Ross, D.D.S. ¹ | Miami, Florida | President and Trustee |
| Jorge Roberto Centurion, D.D.S. | Coral Gables, Florida | Trustee |
| Oswaldo Zenen Mayoral, D.D.S. | Miami, Florida | Trustee |

¹ Chairperson

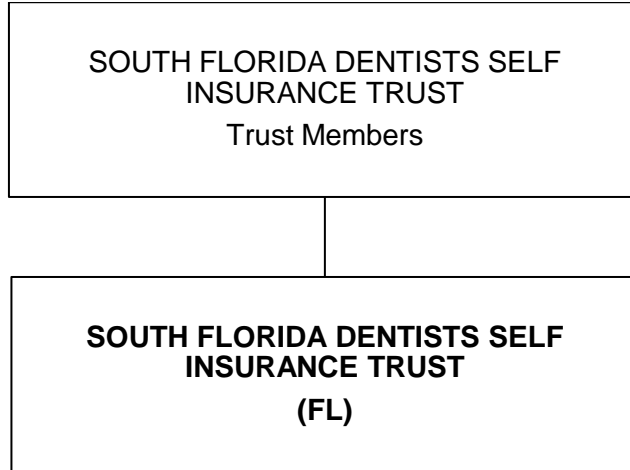
The Trust maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

Affiliated Companies

The Trust had no affiliated companies.

An organizational chart as of June 30, 2015 is shown on the following page.

**South Florida Dentists Self Insurance Trust
Organizational Chart
June 30, 2015**



FIDELITY BOND

The Trust maintained fidelity bond coverage up to \$250,000 with a deductible of \$2,500, which is 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 Members

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)(3)(a), Florida Statutes.

ACCOUNTS AND RECORDS

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

An independent CPA, Morrison, Brown, Argiz and & Farra, LLC, audited the Trust's statutory basis financial statements annually for the years 2011, 2012, 2013, 2014 and 2015 in accordance with

Rule 69O-187.007 (1), Florida Administrative Code. Supporting workpapers were prepared by the CPA firm 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 and submitted to the Office.

Custodial Agreement

The Trust maintained a Custodial Agreement with Northern Trust Bank, signed April 10, 2008 and amended October 4, 2011. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

Service Agent Agreement

The Trust had a Service Agent Agreement (SAA) with Dental Service Agents, Inc. (DSA), executed March 1, 2009 to provide risk management and other services necessary to maintain a self-insurance trust fund. The SAA agreement included administrative management and financial services in accordance with Rule 69O – 187.002, Florida Administrative Code. DSA shall receive as and for its compensation, for providing the services set forth in this agreement, a fee totaling \$750 per member of the Trust, but shall receive no less than \$37,500 per year.

The SAA was amended and effective March 1, 2013 to extend the term of the agreement for a period of two (2) years with automatic extension for two (2) year periods thereafter.

Independent Auditor Agreement

The Trust engaged Morrison, Brown, Argiz & Farra, LLC, 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.

STATUTORY DEPOSITS

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

FINANCIAL STATEMENTS

The following pages contain financial statements showing the Trust's financial position as of June 30, 2015, 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, 2015

| | Per Company | Examination Adjustments | Per Examination |
|-----------------------------|--------------------|------------------------------------|------------------------|
| Cash on Hand and On Deposit | \$255,376 | | \$255,376 |
| Securities at Market Value | 1,051,014 | | \$1,051,014 |
| Accrued Interest | 913 | | \$913 |
| Premiums due | 2,192 | | \$2,192 |
| | <hr/> | | |
| Totals | <u>\$1,309,495</u> | <u>\$0</u> | <u>\$1,309,495</u> |

South Florida Dentists Self Insurance Trust
Liabilities, Surplus and Other Funds
June 30, 2015

| | Per Company | Examination Adjustments | Per Examination |
|---|-------------|----------------------------|--------------------|
| Losses | \$308,000 | | \$308,000 |
| Loss adjustment expenses | 62,000 | | 62,000 |
| Unearned premiums, fees | 46,622 | | 46,622 |
| Other liabilities | 15,000 | | 15,000 |
| Total Liabilities | \$431,622 | \$0 | \$431,622 |
| Trustees Account | \$877,873 | | \$877,873 |
| Surplus as regards policyholders | \$877,873 | \$0 | \$877,873 |
| Total liabilities and Trustees accounts | 1,309,495 | \$0 | \$1,309,495 |

South Florida Dentists Self Insurance Trust
Statement of Income
June 30, 2015

Underwriting Income

| | | |
|-----------------------------------|--------------------|-------------|
| Premiums earned | | \$107,978 |
| | Deductions: | |
| Losses incurred | | 75,000 |
| Loss adjustment expenses incurred | | 141,797 |
| Administrative Expense | | 33,000 |
| Other Underwriting Expense | | 37,751 |
| Total underwriting deductions | | \$287,548 |
| Net underwriting gain or (loss) | | (\$179,570) |

Investment Income

| | | |
|--|--|-------------|
| Net investment income earned | | (\$455) |
| Net realized capital gains or (losses) | | (260) |
| Net investment gain or (loss) | | (\$715) |
| Net income before dividends to policyholders and before federal & foreign income taxes | | (\$180,285) |
| Dividends to policyholders | | \$0 |
| Net Income, after dividends to policyholders, but before federal & foreign income taxes | | (\$180,285) |
| Net Income | | (\$180,285) |

Capital and Surplus Account

| | | |
|---|--|-------------|
| Surplus as regards policyholders, June 30 prior year | | \$1,057,550 |
| Net Income | | (\$180,285) |
| Net unrealized capital gains or losses | | 608 |
| Change in surplus as regards policyholders for the year | | (179,677) |
| Surplus as regards policyholders, June 30 current year | | \$877,873 |

South Florida Dentists Self Insurance Trust
Comparative Analysis of Changes in Surplus
June 30, 2015

Analysis of Changes to Surplus

Surplus at June 30, 2015, per
Annual Financial Statement

| | <u>Increase</u> | <u>Decrease</u> | |
|---|-----------------|-----------------|------------------|
| | | | \$877,873 |
| ASSETS: | | | |
| No Adjustment | | | \$0 |
| LIABILITIES | | | |
| No Adjustment | | | \$0 |
| Net change in surplus: | | | \$0 |
| Surplus at June 30, 2015, after adjustment | | | <u>\$877,873</u> |

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses \$370,000

The total reserve included amounts for reported losses and losses incurred but not reported. The amount related to reported losses was 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, Alan Kalinski, FCAS, MAAA, of Risk and Regulatory Consulting LLC, reviewed the loss and loss adjustment expense workpapers provided by the Trust and rendered an opinion that the currently held loss and loss adjustment expense reserves of the Trust are reasonable and provide an adequate amount for future liabilities.

Capital and Surplus

The amount reported by the Trust of \$877,873, represents a positive amount as required by Section 624.468 (7), Florida Statutes.

SUBSEQUENT EVENTS

Trustees

Michael Norman Rosenberg, D.D.S. did not seek re-election for his term ending February 1, 2016. He was replaced by Osvaldo Zenen Mayoral, D.M.D., at the annual meeting held January 18, 2016. Dr. Donald Carmona retired on December 31, 2016 and he was replaced by Rita Dargham, D.M.D.

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, 2015, consistent with the insurance laws of the State of Florida.

Per examination findings, the Trust's surplus as regards policyholders was \$877,873, which represents a positive amount as required by Section 624.468 (7), Florida Statutes.

Members of the Office who participated in the examination include Kyra D. Brown, MBA, APIR, Financial Examiner/Analyst Supervisor, Examiner-in-Charge, and Connie Hare, CFE (Fraud), AFE, Financial Examiner/Analyst Supervisor, Examination Manager. Additionally, Alan Kalinski, FCAS, MAAA of Risk and Regulatory Consulting LLC is recognized for participation in the examination.

Respectfully submitted,

Brian Sewell, CFE, MCM
Chief Examiner
Florida Office of Insurance Regulation