

STATE OF OREGON  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
DIVISION OF FINANCIAL REGULATION

In the Matter of:

Case No. INS-17-0147

Oregon Dental Service  
(NAIC # 54941),

Respondent.

ORDER TO CEASE AND DESIST,  
FINAL ORDER ASSESSING CIVIL  
PENALTY AND CONSENT TO  
ENTRY OF ORDER

The Director of the Department of Consumer and Business Services for the State of Oregon (“Director”), acting in accordance with Oregon Revised Statutes (“ORS”) chapters 731, 732, 733, 734, 735, 737, 742, 743, 743A, 743B, 744, 746, 748 and 750 (“Insurance Code”), has conducted an investigation into Oregon Dental Service (“ODS”). It has been determined that ODS engaged in activities in violation of ORS 746.230(1)(d).

ODS wishes to resolve and settle this matter with the Director.

Now, therefore, as evidenced by the signature(s) subscribed on this Order, ODS hereby CONSENTS to entry of this Order.

FINDINGS OF FACT

The Director FINDS that:

1. ODS has been licensed in Oregon as a domestic insurer since July 23, 1962. ODS’s NAIC number is 54941.
2. ODS’s principal place of business is ODS Tower, 601 SW 2<sup>nd</sup> Avenue, Portland, OR 97204-3156.
3. The Division of Financial Regulation (“Division”) received a complaint from an ODS insured that ODS denied a dental claim because the date of the service was during the waiting period. The waiting period should have been waived because the

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1 insured had 12 months of prior dental coverage through ODS.

2 4. The insured's dental claim was denied on the Explanation of Reimbursement  
3 ("EOR") under remark code 908, which states "the date of service is during waiting  
4 period."

5 5. During the investigation, ODS stated that in certain situations, due to system  
6 programming issues, it had not transmitted information internally concerning the waiting  
7 period when an enrollee changed policies

8 6. Between January 2017 and July 2017, ODS erroneously denied 631 claims for  
9 569 members based upon a waiting period exclusion that should have been waived.

10 7. ODS identified the issue internally and had reprocessed 424 of the claims for  
11 392 members. The claims for the remaining 207 claims for 177 members were  
12 reprocessed as part of the Division's investigation.

13 8. ODS paid \$168,552.73 after reprocessing the denied claims. Of this sum,  
14 \$132,414.92 was paid during ODS' internal investigation and resolution, with the  
15 remaining \$36,137.81 paid as part of the Division's investigation.

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## 17 CONCLUSIONS OF LAW

18 The Director CONCLUDES that:

19 9. Pursuant to ORS 731.252(1), whenever the Director has reason to believe that  
20 any person has been engaged or is engaging or is about to engage in any violation of the  
21 Insurance Code, the Director may issue an order to discontinue or desist from such  
22 violation or threatened violation.

23 10. Pursuant to ORS 746.230(1)(d), no insurer shall refuse to pay claims without  
24 conducting a reasonable investigation based on all available information. ODS failed to  
25 conduct a reasonable investigation prior to denying dental claims.

26 11. Under ORS 731.988(1), the Director may impose a civil penalty of up to



1 \$10,000 *per violation* upon any person who violates a provision of the Insurance Code.

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### ORDERS

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Now therefore, the Director issues the following Orders:

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12. As authorized by ORS 731.252(1), the Director ORDERS ODS to CEASE AND DESIST from violating any provision of the Oregon Insurance Code or the administrative rules promulgated thereunder.

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13. Based upon the foregoing and in accordance with ORS 731.988(1), the Director ORDERS a CIVIL PENALTY of \$70,800 for failing to conduct a reasonable investigation prior to denying dental claims.

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14. The Director agrees to SUSPEND the collection of \$35,400 of the \$70,800 CIVIL PENALTY assessed herein upon the condition that ODS commits no new violations of the Oregon Insurance Code or any administrative rules adopted thereunder.

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15. If ODS complies with all of the terms and conditions set out in this Order and commits no violations of the Oregon Insurance Code during the three year period from the date of issuance of this Order, the Director hereby agrees to WAIVE the \$35,400 suspended CIVIL PENALTY.

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16. The Director reserves the right to immediately assess and collect the \$35,400 suspended CIVIL PENALTY upon a determination that ODS has violated any term of this Order.

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17. The remaining portion of the CIVIL PENALTY assessed against ODS in the amount of \$35,400 is due and payable to the Department of Consumer and Business Services at the time this Order is returned to the Division.

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18. This ORDER is a Final Order under ORS 183.310(6)(b). Subject to that provision, the entry of this Order does not limit other remedies that may be available to the Director under Oregon law.

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SO ORDERED this 14<sup>th</sup> day of May, 2018.

CAMERON C. SMITH, Director  
Department of Consumer and Business Services

/s/ Dorothy Bean  
Dorothy Bean, Chief of Enforcement  
Division of Financial Regulation

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ENTITY CONSENT TO ENTRY OF ORDER

I, Thomas J. Bikales, state that I am an officer of Oregon Dental Service and I am authorized to act on its behalf. I have read the foregoing order, and I know and fully understand the contents hereof. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter. Oregon Dental Service voluntarily and without any force or duress consents to the entry of this order, expressly waiving any right to a hearing in this matter. Oregon Dental Service understands that the Director reserves the right to take further actions to enforce this order or to take appropriate action upon discovery of other violations of the Oregon Insurance Code. Oregon Dental Service will fully comply with the terms and conditions stated herein.

Oregon Dental Service understands that this order is a public document.

OREGON DENTAL SERVICE

/s/ Thomas J. Bikales  
Signature

State of Oregon

County of Multnomah

There appeared before me on this 23<sup>rd</sup> day of April, 2018,

Thomas J. Bikales who was first duly sworn on oath, and stated that he/she was and is an officer of Oregon Dental Service and that he/she is authorized and empowered to sign this Consent to Entry of Order on behalf of Oregon Dental Service and to bind Oregon Dental Service to the terms hereof.

/s/ Dianne M. Warren  
Notary Public

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