



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

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

RE: Examination Report of United Dental Care of Missouri, Inc. for the period ended  
December 31, 2014

**ORDER**

After full consideration and review of the report of the financial examination of United Dental Care of Missouri, Inc. for the period ended December 31, 2014, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, 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, company history, corporate records, management and control, territory and plan of operation, reinsurance, financial statements, financial statement changes resulting from examination, comments on the financial statement items and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of United Dental Care of Missouri, Inc. as of December 31, 2014 be and is hereby ADOPTED as filed and for United Dental Care of Missouri, Inc. 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, if any, mentioned in the Comments on the Financial Statements 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.

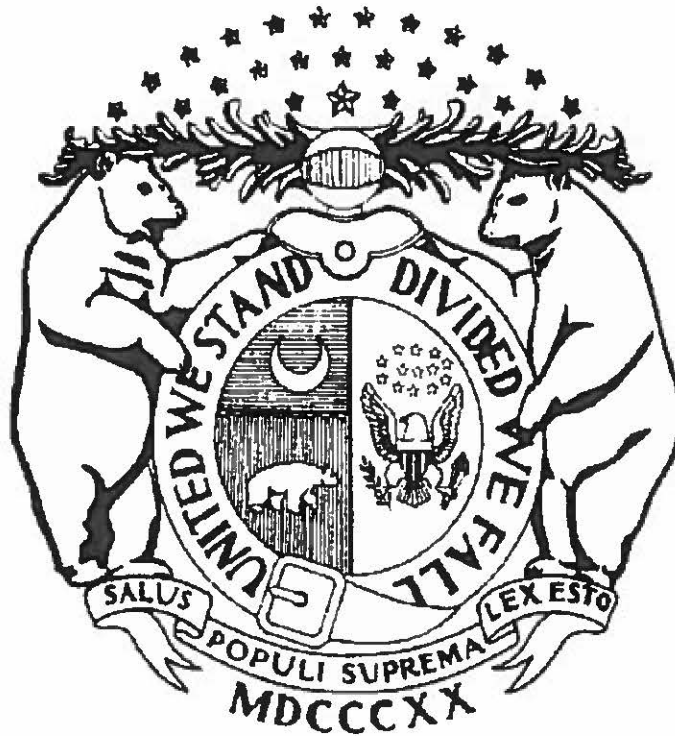
So ordered, signed and official seal affixed this 6<sup>th</sup> day of May, 2016.



A handwritten signature in blue ink, appearing to read 'John M. Huff', is written over a horizontal line.

John M. Huff, Director  
Department of Insurance, Financial Institutions  
and Professional Registration

**REPORT OF THE  
FINANCIAL EXAMINATION OF  
UNITED DENTAL CARE OF MISSOURI, INC.  
AS OF  
DECEMBER 31, 2014**



**STATE OF MISSOURI  
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND  
PROFESSIONAL REGISTRATION  
JEFFERSON CITY, MISSOURI**

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Kansas City, Missouri  
February 29, 2016

Honorable John M. Huff, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65102

Director Huff:

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

**United Dental Care of Missouri, Inc.**

hereinafter referred to as such, as UDC-MO, or as the Company. Its administrative office is located at 2323 Grand Boulevard, Kansas City, Missouri 64108, telephone number 816-474-2345. The fieldwork for this examination began on September 1, 2014, and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

We have performed a multi-state full scope association financial examination of UDC-MO. The last examination was completed as of December 31, 2010 and was conducted by examiners from the State of Missouri. This examination covers the period of January 1, 2011 through December 31, 2014. The examination also includes the material transactions and/or events occurring subsequent to the examination date which are noted in this report.

**Procedures**

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (Handbook) except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the State of Missouri prevailed. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination approach. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

The examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not communicated within the examination report but separately communicated to other regulators and/or the Company.

### **Reliance Upon Others**

The examination relied heavily upon information provided by the Company and its management. Where the examiners have deemed appropriate, this information has been tested or verified with external sources. The examiners also relied upon information supplied by the Company's independent auditor, PricewaterhouseCoopers, LLP of Kansas City, Missouri for its audit covering the periods from January 1, 2014 through December 31, 2014. Information relied upon included fraud risk analysis, narrative descriptions of processes, and control and substantive testing.

The examination also relied heavily upon information provided by the Delaware Department of Insurance from its examination of the Assurant, Inc. group of companies for the year ending December 31, 2013 and information provided by the Kansas Department of Insurance from its examination of UDC-MO's direct parent, Union Security Insurance Company (USIC) for the year ending December 31, 2014. Information relied upon included documentation and testing of controls and processes and corporate governance reviews.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

## **SUBSEQUENT EVENTS**

On September 9, 2015 the Company's ultimate parent, Assurant, Inc. (Assurant) entered into a definitive agreement to sell its employee benefits business for approximately \$940 million to Sun Life Financial, Inc. The sale was structured as a combination of reinsurance agreements and the sale of certain legal entities and assets.

Under the terms of the agreement, Assurant caused Union Security Insurance Company, to sell all of the issued and outstanding shares of capital stock of UDC-MO to Sun Life Assurance Company, which is in turn wholly owned by Sun Life Financial, Inc. The transaction was approved by the Missouri DIFP through an Order effective January 5, 2016.

## **COMPANY HISTORY**

UDC-MO was originally incorporated on January 26, 1993 under the general business laws of the State of Missouri. On August 3, 1993, the Company was licensed as a prepaid dental insurer under Chapter 354 RSMo.

UDC-MO was wholly owned by Interfinancial Inc., a holding company entity, which in turn is wholly owned by Assurant, Inc. Effective January 1, 2013, Interfinancial, Inc. contributed its shares of UDC-MO to Union Security Insurance Company (USIC) which is also wholly owned by Assurant, Inc. Thus, USIC is the immediate parent of UDC-MO and Interfinancial, Inc. is the immediate parent of USIC.

### **Capital Contributions**

The Company did not receive any capital contribution during the period under examination.

### **Dividends**

No stockholder dividends were paid for the period under examination.

### **Mergers and Acquisitions**

Effective January 1, 2013, Interfinancial, Inc. contributed its shares of UDC-MO to Union Security Insurance Company. USIC became the immediate parent of UDC-MO and Interfinancial, Inc. remained the immediate parent of USIC. This transaction was approved by a Form A Exemption Order dated November 5, 2012.

As documented in the Subsequent Events section of this report, on January 5, 2016, the Missouri DIFP issued an Order approving the sale of UDC-MO to Sun Life Assurance Company a wholly owned subsidiary of Sun Life Financial, Inc.

## **CORPORATE RECORDS**

A review was conducted of the Articles of Incorporation and Bylaws for the examination period. No changes were made to either the Articles of Incorporation or Bylaws for the period under examination.

The minutes of the Board of Directors' meetings and stockholder's meetings were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's policies, investment transactions, and major transactions and events for the period under examination.

## **MANAGEMENT AND CONTROL**

### **Board of Directors**

The management of the Company is vested in a Board of Directors appointed by the sole shareholder. The Bylaws specify that the number of Directors may be determined by resolution of the shareholders. The sole shareholder has determined the size of the Board shall be one, which as of December 31, 2014 was as follows:

<u>Name</u>	<u>Address</u>	<u>Title</u>
Stacia N. Almquist	Shawnee, Kansas	Board Member and President UDC- MO

The Board member is an Officer of the Company, indicating a lack of independence in the Company's governance. This is not unusual given the ownership structure of the Company as a subsidiary within a major corporation. To ascertain independence and prudent corporate governance standards, the composition of the Board of Directors of Assurant was reviewed. Assurant's Board is composed of twelve directors of which eleven are reported as independent.

### **Senior Officers**

The Bylaws state that the elected officers of the Company shall consist of a president, one or more vice presidents, a secretary, and a treasurer. Other officers may be elected as required by law or as needed and as determined by the Board. The senior officers elected by the Board and serving as of December 31, 2014 were as follows:

Stacia N. Almquist	President
James Barrett, DMD	Vice President
Gary Lau	Vice President
Kenneth Bowen	Secretary
Amy Goerke	Treasurer

### **Committees**

UDC-MO's Bylaws do not require committees and the Board relies on the Audit and Investment Committee at the Assurant level with all transactions and information presented to the Board of Directors.



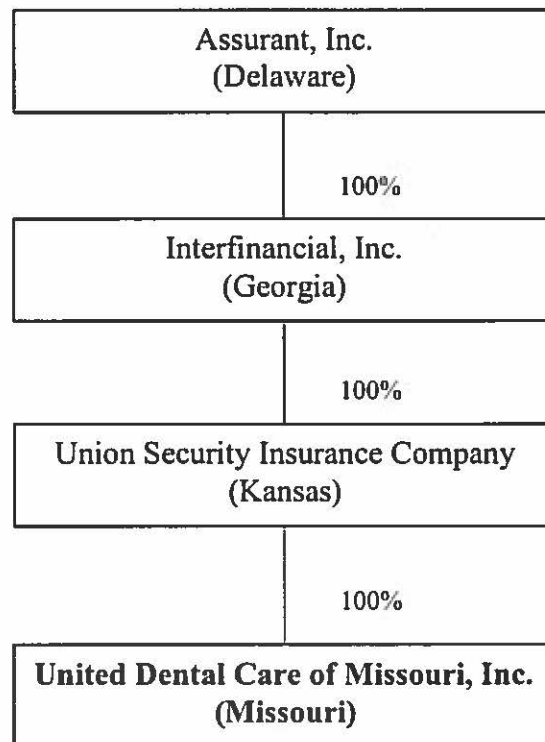
### **Holding Company, Subsidiaries and Affiliates**

UDC-MO is 100% directly owned by Union Security Insurance Company, which is directly owned by Interfinancial Inc., which is directly owned by Assurant, Inc., the ultimate entity within the holding company system.

Assurant is a publicly traded corporation on the NYSE under the symbol AIZ, with no single shareholder owning 10% or more of the outstanding shares. Assurant is a holding company whose subsidiaries provide specialized insurance products and related services in North America and select worldwide markets. Assurant has four operating segments: Assurant Solutions, Assurant Specialty Property, Assurant Health, and Assurant Employee Benefits.

### **Organizational Chart**

The ultimate parent, Assurant, has various subsidiaries, both insurance and noninsurance entities, which are too numerous to be included in this report. Therefore, only entities that have direct and indirect ownership of UDC-MO and entities that have transactions with UDC-MO are listed. The following organizational chart depicts the ownership of UDC-MO as of December 31, 2014.



**Intercompany Transactions**

The Company is a party to the intercompany agreements outlined below.

**1. Type:** Administrative Services Agreement

**Parties:** UDC-MO and USIC

**Effective:** January 1, 2002

**Terms:** USIC agrees to support the operation of UDC-MO by providing various administrative and management services. These services include, but are not limited to, provider services, customer services, sales and marketing, information technology, accounting and actuarial, tax advice, claim and benefit payments, legal, human resource, broker and agent, and other general office services. In consideration for the services provided, UDC-MO agrees to pay the fully allocated costs incurred by USIC and any third party provided services not directly paid by UDC-MO within 45 days after receipt of notice. USIC will determine the costs on a fair and equitable basis, using reasonable estimates where necessary or appropriate.

**2. Type:** Investment Management Agreement

**Parties:** UDC-MO and Assurant

**Effective:** January 1, 2002

**Terms:** Assurant shall provide UDC-MO with investment management services as requested by UDC-MO or as Assurant deems appropriate for the proper administration of UDC-MO's investment portfolio. Services shall include providing general investment advice, accounting services, establishing and providing instructions regarding brokerage and custodial accounts, and all other functions necessary to manage the investment portfolio of UDC-MO. In consideration for the services provided, UDC-MO agrees to pay each calendar quarter a fee as agreed upon, which shall not exceed 25 basis points of the market value of the investment portfolio as of June 30 of the immediate preceding year. Fees shall be paid within 45 days of the end of each quarter.

**3. Type:** Federal Tax Allocation Agreement

**Parties:** UDC-MO and Assurant

**Effective:** September 4, 2009; amended May 1, 2011; amended and restated, December 27, 2013

**Terms:** A consolidated tax return will be filed by Assurant for each taxable year the Company is a member of the combined group. The tax liability or refund due from or to each member of the affiliated group will be computed as if each member filed a separate stand-alone federal return. Settlements shall be made within 30 days of the filing of the actual consolidated federal tax return with the Internal Revenue Service or estimated tax payments, except where a refund is due to the combined group. In the case of a refund, Assurant may defer payment to the other members of the combined group for a period not to exceed 30 days from the receipt of the refund.

### **TERRITORY AND PLAN OF OPERATIONS**

The Company is licensed by the DIFP under Chapter 354 RSMo to offer prepaid dental plans to organizations and/or individuals desiring such services as provided by a network of dentists. Specific predetermined dental services are provided to eligible members by independent dental providers or entities contracting with the Company, who in turn are compensated at a fixed per capita rate, usually on a monthly basis. In consideration for the dental coverage that is provided, the covered or eligible member is required to pay for the coverage through periodic payroll deductions, bank drafts or direct billings. Emergency services when the member is out of the coverage area as well as specialty services not covered by capitation fees are recorded as incurred and reported to the Company. The Company's product is marketed through USIC under the Administrative Services Agreement, as described in the Intercompany Transactions section of this report.

The Company is licensed and conducts business in the states of Missouri and Kansas. As of December 31, 2014, services were provided to approximately 15,202 members, representing a decline of 18.4% from member enrollment of 18,635 members as of the previous exam for the period ended December 31, 2010.

### **REINSURANCE**

The Company did not engage in any assumed or ceded reinsurance transactions during the examination period.

### **FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of United Dental Care of Missouri, Inc. for the period ending December 31, 2014. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statement Items". The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items". These differences were determined to be immaterial concerning their effect on the financial statements and therefore were only communicated to the Company and noted in the workpapers for each individual activity.

**Assets**

	<u>Ledger and Non-Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$2,027,200	\$ -	\$2,027,200
Cash, cash equivalents and short-term investments	434,322	-	434,322
Investment income due and accrued	835	-	835
Uncollected premiums and agents' balances in the course of collection	28,518	1,222	27,296
Current federal and foreign income tax recoverable	957	-	957
Net deferred tax asset	4,132	4,132	-
Receivable from parent, subsidiaries and affiliates	39,250	-	39,250
Health care and other receivable amounts	64,279	64,279	-
<b>Total assets</b>	<b><u>\$2,599,493</u></b>	<b><u>\$69,633</u></b>	<b><u>\$2,529,860</u></b>

**Liabilities, Surplus and Other Funds**

Claims unpaid	\$	21,870
Unpaid claims adjustment expenses		409
Aggregate health policy reserves		61,613
Premiums received in advance		43,012
General expenses due or accrued		80,342
Remittances and items not allocated		23,943
Amounts due to parent, subsidiaries and affiliates		235
Aggregate write-ins for other liabilities		<u>71</u>
<b>Total liabilities</b>	<b>\$</b>	<b>231,495</b>
Aggregate write-ins for special surplus funds	\$	26,188
Common capital stock		50,000
Gross paid in and contributed surplus		4,659,918
Aggregate write-ins other than surplus funds		150,000
Unassigned funds (surplus)		<u>(2,587,741)</u>
<b>Total capital and surplus</b>	<b>\$</b>	<b><u>2,298,365</u></b>
<b>Total liabilities and capital and surplus</b>	<b>\$</b>	<b><u>2,529,860</u></b>

**Summary of Operations**

Net premium income	\$ 1,407,919
Change in unearned premium reserves and reserve for rate credits	(2,911)
Miscellaneous Income	8,581
<b>Total revenues</b>	<b>1,413,589</b>
Less:	
Hospital and medical - other professional services	1,072,834
Claims adjustment expenses	7,614
General administrative expenses	463,764
<b>Total underwriting deductions</b>	<b>1,544,212</b>
<b>Net underwriting gain (loss)</b>	<b>(130,623)</b>
<b>Investment income earned</b>	<b>1,806</b>
<b>Net income before federal and foreign income taxes</b>	<b>(128,817)</b>
Federal Income Taxes Incurred	30,196
<b>Net income</b>	<b>\$ (98,621)</b>

**Capital and Surplus Account**

Capital and surplus, December 31, 2013	\$ 2,374,574
Net income (loss)	(98,621)
Change in net deferred income tax	(1,264)
Change in nonadmitted assets	23,676
Net change in capital and surplus	(76,209)
<b>Capital and surplus end of reporting period, December 31, 2014</b>	<b>\$ 2,298,365</b>

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None

**SUMMARY OF RECOMMENDATIONS**

None



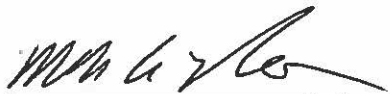
**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of United Dental Care of Missouri, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, John Merrigan, CPA, examiner for the MO DIFP, participated in this examination.

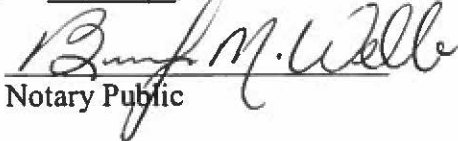
**VERIFICATION**

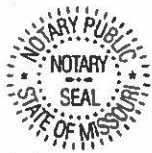
State of Missouri )  
County of Jackson )

I, Mark A. Nance, CPA, CFE, 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 United Dental Care of Missouri, Inc., 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.

  
Mark A. Nance, CPA, CFE  
Examiner-In-Charge  
MO DIFP

Sworn to and subscribed before me this 15<sup>th</sup> day of March, 2016.

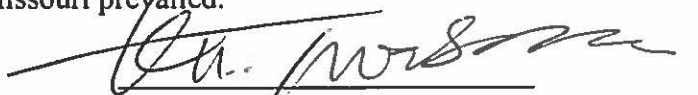
My commission expires: 04-14-2016   
Notary Public



BEVERLY M. WEBB  
My Commission Expires  
April 14, 2016  
Clay County  
Commission #12464070

**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 NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed, except where practices, procedures and applicable regulations of the MO DIFP and statutes of the State of Missouri prevailed.

  
Levi Nwasofia, CPA, CFE  
Audit Manager  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration