

## DEPARTMENT OF COMMERCE & INSURANCE

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

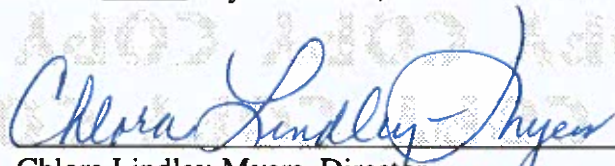
### ORDER

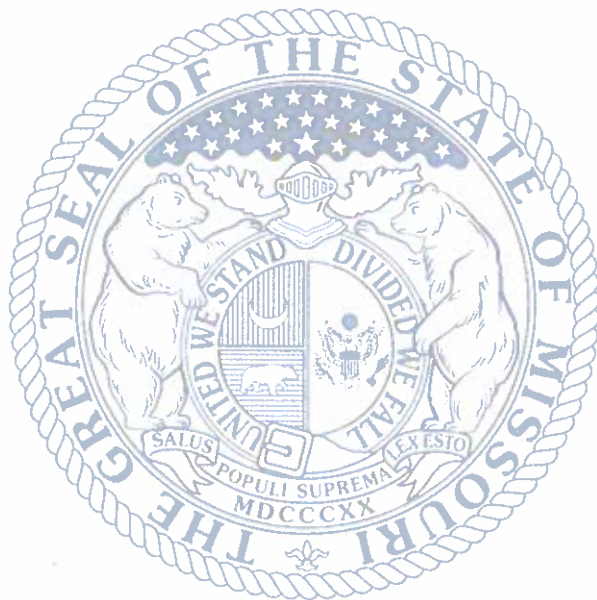
After full consideration and review of the report of the financial examination of United Dental Care of Missouri, Inc. for the period ended December 31, 2018, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance 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, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, financial statements, financial statement changes resulting from examination, comments on 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, 2018 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) 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 23<sup>rd</sup> day of March, 2020.



  
Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF THE  
FINANCIAL EXAMINATION OF

# UNITED DENTAL CARE OF MISSOURI, INC.

AS OF  
DECEMBER 31, 2018

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Kansas City, MO  
January 23, 2020

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Commerce and Insurance  
301 West High Street, Room 530  
Jefferson City, Missouri 65102

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial 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 One Sun Life Executive Park, Wellesley Hills, MA 02481, telephone number 781-416-3184. The fieldwork for this examination began on July 1, 2019, and concluded on the above date.

### **SCOPE OF EXAMINATION**

#### **Period Covered**

The Missouri Department of Commerce and Insurance (Department) has performed a multi-state full-scope financial examination of UDC-MO. The last examination of the Company by the Department covered the period of January 1, 2011 through December 31, 2014. The current examination covers the period of January 1, 2015 through December 31, 2018, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

#### **Procedures**

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the State of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the 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 the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to UDC-MO included investments, related party, premiums and underwriting, reserving, taxes and expenses, and capital and surplus. The examination also included a review and evaluation of information technology (IT) general controls.

This examination was a coordinated examination of companies within the Sun Life Financial Group insurance company holding system (SLF-US Group). Regulators from Arizona, Delaware, Michigan, Missouri, Ohio, Texas, Utah, and Vermont participated in the coordinated examination, with the Michigan Department of Insurance and Financial Services acting as the lead state and examination facilitator.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

### **Reliance upon Others**

The examination team relied heavily upon information provided by the Company and its management. This information has been tested or verified with external sources wherever possible and appropriate. The examination team also utilized information and workpapers provided by the Company's independent auditor, Deloitte & Touche, LLP of 200 Berkeley Street, Boston, Massachusetts, for its audit covering the period of January 1, 2018 through December 31, 2018. Such reliance included, but was not limited to, fraud risk analysis, narrative descriptions of processes, testing over controls, and substantive testing.

We also relied upon various workpapers, documents, and other information provided by the lead state and other participating regulators during our examination of UDC-MO. This information included, but was not limited to, actuarial review, testing of IT general controls, corporate governance and enterprise risk management assessments, as well as control and substantive testing of the various key activities listed earlier in the examination report.

## **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**

There were no significant subsequent events noted from December 31, 2018, through the date of the examination report.

## **COMPANY HISTORY**

### **General**

UDC-MO was incorporated on January 26, 1993, as a stock company under the general business laws of the state of Missouri. On August 3, 1993, the Company was licensed as a prepaid dental plan under Chapter 354 RSMo. (Health Services Corporations – Health Maintenance Organizations – Prepaid Dental Plans).

On September 9, 2015, UDC-MO's then ultimate parent, Assurant, Inc. (Assurant), entered into an agreement to sell its employee benefits business to Sun Life Assurance Company of Canada (SLOC). Under the terms of the agreement, Assurant required Union Security Life Insurance Company, a wholly owned subsidiary of Assurant and then direct parent of UDC-MO, to sell all of the issued and outstanding shares of capital stock of the Company to SLOC. This transaction closed on March 1, 2016. As a result of this transaction, UDC-MO became a wholly-owned subsidiary of SLOC.

#### **Dividends and Capital Contributions**

UDC-MO did not pay any dividends to stockholders or receive any capital contributions during the examination period.

#### **Mergers and Acquisitions**

Other than the acquisition by SLOC as discussed under the "General" subsection above, there were no mergers or acquisitions during the examination period.

#### **Major Corporate Events**

There were no major corporate events noted during the examination period.

### **MANAGEMENT AND CONTROL**

#### **Board of Directors**

On an annual basis, the Company's sole shareholder appoints a Board of Directors to manage the business and affairs of the Company. During the examination period, the Company's Board was comprised of a single director. According to the Company's Bylaws, if the Company has fewer than three shareholders, the Board may consist of one or two directors, as determined by a resolution of the Board. The sole director of the UDC-MO Board is Stacia N. Almquist, who also serves as President of the Company.

#### **Senior Officers**

The Bylaws state that the elected officers of the Company may consist of a president, one or more vice presidents, a secretary, and a treasurer, as well as any other officers deemed necessary by the Board. The Board of Directors appoints officers on an annual basis. The officers appointed and serving, as of December 31, 2018, were as follows:

<b><u>Name</u></b>	<b><u>Office</u></b>
Stacia N. Almquist	President
Amy J. Goerke	Treasurer
Colleen L. Kallas	Secretary
Eric S. Vandenberg	Actuary

#### **Principal Committees**

The Company's Bylaws provide the Board of Directors the ability to establish an executive committee and/or other committees as needed. As of the date of this report, the UDC-MO Board has not established any committees. However, the UDC-MO Board relies upon certain committees of its direct parent (SLOC). These committees include, but are not limited to, the Audit Committee, the Risk and Conduct Review Committee, the Governance, Nomination, and Investment Committee, and the Management Resources Committee.

**Corporate Records**

The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period.

The minutes of UDC-MO's Board of Directors and shareholder meetings, as well as the meeting minutes of the SLOC committees listed above, were reviewed for proper approval of corporate transactions. The minutes provided sufficient documentation that major corporate transactions were evaluated and approved by the Board.

**Holding Company, Subsidiaries, and Affiliates**

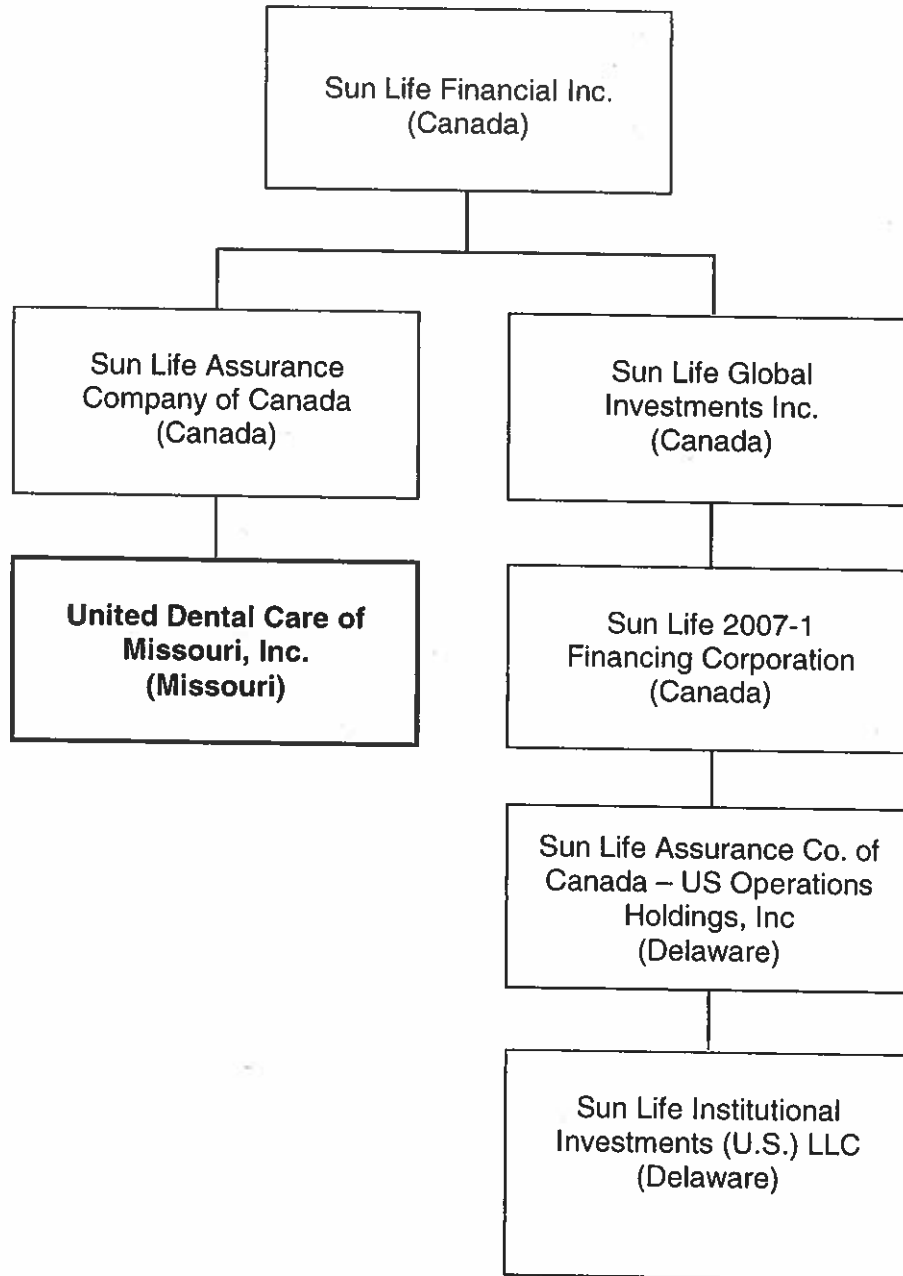
UDC-MO is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo. (Definitions). As noted under the "General" subsection above, effective March 1, 2016, all of the issued and outstanding shares of UDC-MO stock were sold to SLOC, a wholly owned subsidiary of Sun Life Financial Inc. (SLF), a publicly traded entity located in Canada. Following this transaction, SLOC became UDC-MO's direct parent, while SLF was deemed the ultimate controlling entity.

Prior to its acquisition by SLOC, UDC-MO was a wholly owned direct subsidiary of Union Security Insurance Company, a wholly owned indirect subsidiary of Assurant, Inc.

**Organizational Chart**

The abridged organizational chart on the following page depicts the holding company group as of December 31, 2018. The ultimate controlling entity, Sun Life Financial Inc., owns various insurance and non-insurance subsidiaries which are too numerous to be included in the report. Therefore, only entities that have direct and indirect ownership of UDC-MO and entities that have agreements with UDC-MO have been included. All subsidiaries shown are wholly-owned unless otherwise noted.





### Affiliated Transactions

The Company's affiliated agreements that were in effect as of December 31, 2018, and subsequent periods are outlined below.

1. **Type:** Administrative Services Agreement  
**Parties:** UDC-MO and SLOC  
**Effective:** March 1, 2016  
**Terms:** Under this agreement, SLOC provides general administrative services to UDC-MO. The services provided include personnel, facilities, actuarial, legal, and other administrative services on a cost reimbursement basis.

2. **Type:** Investment Management Agreement  
**Parties:** UDC-MO and Sun Life Institutional Investments (U.S.) LLC  
**Effective:** March 1, 2016  
**Terms:** Under the terms of this agreement, UDC-MO appointed Sun Life Institutional Investments (U.S.) LLC to act as investment adviser for certain UDC-MO investment portfolios. Sun Life Institutional Investments (U.S.) LLC has the authority to buy, sell, or otherwise dispose of or manage the investments of the assets in the specified portfolio, providing the investments comply with the Company's investment strategy and any statutes and regulations of the state of Missouri.

### TERRITORY AND PLAN OF OPERATION

The Company is licensed by the Missouri Department of Commerce and Insurance under Chapter 354 RSMo. (Health Services Corporations – Health Maintenance Organizations – Prepaid Dental Plans). UDC-MO contracts with independent practitioners (providers) to provide predetermined dental services to eligible members. Providers are compensated through capitation fees (per assigned member per month) paid by the Company. The Company is not obligated to reimburse providers for services that exceed the predetermined benefit coverage. The prepaid dental plans are marketed primarily through agents, brokers, and benefits consultants.

### GROWTH OF COMPANY AND LOSS EXPERIENCE

The Company is licensed to conduct business in the states of Missouri and Kansas. A majority of premiums (91.2% in 2018) are produced in Missouri.

The table below summarizes the Company's growth for the period under examination:

(\$000s omitted)

Year	Total Assets	Net Premiums Earned	Underwriting Gain (Loss)	Net Income (Loss)	Capital and Surplus	Ratio of Net Premiums to Surplus
2015	\$ 2,403	\$ 1,301	\$ (117)	\$ (87)	\$ 2,217	58.7%
2016	2,439	1,163	(28)	(50)	2,177	53.4%
2017	2,394	884	(60)	(57)	2,133	41.4%
2018	2,479	786	105	106	2,240	35.1%

UDC-MO's medical loss ratio improved from 76.0% in 2015 to 52.4% in 2018. The Company's net income increased from a loss of approximately eighty-seven thousand dollars in 2015 to a gain of approximately one hundred and six thousand dollars in 2018.

The table below summarizes the Company's total revenues, incurred hospital and medical expenses, and medical loss ratios for the period under examination:

*(\$000s omitted)*

<b>Year</b>	<b>Total Revenues</b>	<b>Total Hospital and Medical Benefits</b>	<b>Medical Loss Ratio</b>
2015	\$ 1,304	\$ 992	76.0%
2016	1,165	774	66.4%
2017	885	523	59.1%
2018	787	413	52.4%

### **REINSURANCE**

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

### **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of United Dental Care of Missouri, Inc. for the period ending December 31, 2018. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. 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**

As of December 31, 2018

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$ 104,842	\$ -	\$ 104,842
Cash, Cash Equivalents, and Short- Term Investments	2,326,674	-	2,326,674
Investment Income Due and Accrued Premiums and Considerations:	491	-	491
Uncollected Premiums and Agents' Balances in the Course of Collection	17,008	3,293	13,715
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	18,839	-	18,839
Receivables from Parent, Subsidiaries, and Affiliates	14,422	-	14,422
Health Care and Other Amounts Receivable	31,889	31,889	-
<b>TOTAL ASSETS</b>	<b>\$ 2,514,165</b>	<b>\$ 35,182</b>	<b>\$ 2,478,983</b>

**LIABILITIES, SURPLUS, AND OTHER FUNDS**

As of December 31, 2018

Claims Unpaid	\$ 9,147
Unpaid Claims Adjustment Expenses	113
Aggregate Health Policy Reserves	37,719
Premiums Received in Advance	20,072
General Expenses Due or Accrued	142,749
Remittances and Items Not Allocated	27,393
Aggregate Write-Ins for Other Liabilities	2,049
<b>TOTAL LIABILITIES</b>	<b>\$ 239,242</b>
Common Capital Stock	50,000
Gross Paid-In and Contributed Surplus	4,659,918
Aggregate Write-Ins for Other-Than-Special Surplus Funds	150,000
Unassigned Funds (Surplus)	(2,620,177)
<b>TOTAL CAPITAL AND SURPLUS</b>	<b>\$ 2,239,741</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$ 2,478,983</b>

**STATEMENT OF OPERATIONS**  
For the Year Ended December 31, 2018

Net Premium Income	\$ 782,825
Change in Unearned Premium Reserves and Reserve for Rate Credits	3,635
Fee-for-Service	980
<b>Total Revenue</b>	<b>\$ 787,440</b>
Other Professional Services	412,974
Claims Adjustment Expenses	3,676
General Administrative Expenses	265,588
<b>Total Underwriting Deductions</b>	<b>\$ 682,238</b>
<b>Net Underwriting Gain (Loss)</b>	<b>\$ 105,202</b>
Net Investment Income Earned	1,578
<b>Net Investment Gain (Loss)</b>	<b>\$ 1,578</b>
<b>Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes</b>	<b>\$ 106,780</b>
Federal and Foreign Income Taxes Incurred	1,148
<b>NET INCOME (LOSS)</b>	<b>\$ 105,632</b>

**RECONCILIATION OF CAPITAL AND SURPLUS**  
Changes from January 1, 2015 to December 31, 2018

*(\$000's omitted)*

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Capital and Surplus, Beginning of Year	\$ 2,298	\$ 2,217	\$ 2,177	\$ 2,133
Net Income (Loss)	(87)	(50)	(57)	106
Change in Net Deferred Income Tax		(4)		
Change in Nonadmitted Assets	6	14	13	1
Net Change in Capital and Surplus	(81)	(40)	(44)	107
<b>Capital and Surplus, End of Year</b>	<b>\$ 2,217</b>	<b>\$ 2,177</b>	<b>\$ 2,133</b>	<b>\$ 2,240</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, Alicia Galm, financial examiner for the Missouri Department of Commerce and Insurance, also participated in this examination.

**VERIFICATION**

State of Missouri            )  
  ) ss  
County of Jackson         )

I, Sara McNeely, 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.

  
\_\_\_\_\_  
Sara McNeely, CFE  
Examiner-In-Charge  
Missouri Department of Commerce and  
Insurance

Sworn to and subscribed before me this 27<sup>th</sup> day of Feb, 2020.

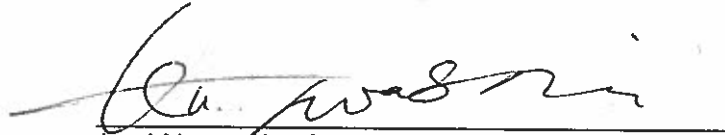
My commission expires: July 22, 2023   
\_\_\_\_\_  
Notary Public



M. RIDENHOUR  
My Commission Expires  
July 22, 2023  
Platte County  
Commission #19603483

**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 Missouri Department of Commerce and Insurance and statutes of the State of Missouri prevailed.

A handwritten signature in black ink, appearing to read "Levi Nwasoria", is written over a horizontal line.

Levi Nwasoria, CPA, CFE  
Assistant Chief Financial Examiner  
Missouri Department of Commerce and  
Insurance