

**REPORT ON EXAMINATION AS TO THE CONDITION OF  
UNION SECURITY DENTALCARE OF NEW JERSEY, INC.**

**WELLESLEY HILLS, MA 02481**

**AS OF DECEMBER 31, 2023**

**NAIC GROUP CODE 0549**

**NAIC COMPANY CODE 11244**

**FILED**

**MAY 22 2025**

**COMMISSIONER  
NJ DEPT OF BANKING & INSURANCE**

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**State of New Jersey**  
**DEPARTMENT OF BANKING AND INSURANCE**  
**DIVISION OF INSURANCE**  
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PHIL MURPHY  
*Governor*

TAHESHA L. WAY  
*Lt. Governor*

JUSTIN ZIMMERMAN  
*Commissioner*

April 15, 2025

Honorable Justin Zimmerman  
Commissioner of Banking and Insurance  
State of New Jersey  
20 West State Street  
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, a financial examination has been made of the financial condition and affairs of:

**UNION SECURITY DENTALCARE OF NEW JERSEY, INC.**  
**96 WORCESTER STREET**  
**WELLESLEY HILLS, MA 02481**  
**NAIC GROUP CODE 0549**  
**NAIC COMPANY CODE 11244**

a domestic dental plan organization ("DPO") authorized to transact business in the State of New Jersey, and hereinafter referred to in this report as the "Company" or "USDCNJ".

## **SCOPE OF EXAMINATION**

This financial condition examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by N.J.S.A. 17:23-22. The examination of USDCNJ was conducted by the New Jersey Department of Banking and Insurance (“NJ DOBI”) as part of a multi-state, coordinated full scope risk-focused examination of the Sun Life Financial U.S. Group and its insurance subsidiaries (the “Group”) led by the Michigan Department of Insurance and Financial Services (“MI DIFS”). Other state participants included Arizona, Delaware, Missouri, New Mexico, Ohio, and Texas. The examination of USDCNJ is being conducted concurrently with the examination of its New Jersey affiliate, DentaQuest of New Jersey, LLC.

The examination addresses the period from January 1, 2019 through December 31, 2023, which is the first financial examination of the Company. During the five-year exam period, the Company’s assets increased \$142,067 from \$2,835,677 to \$2,977,744; liabilities increased \$5,091 from \$154,045 to \$159,136 and total surplus increased \$136,976 from \$2,681,632 to \$2,818,608.

The examination was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) and prescribed by the 2024 NAIC *Financial Condition Examiners Handbook* (the “Handbook”). 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 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 process as defined in the Handbook. This included 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 was identified, the impact of such adjustment is documented separately following the Company’s financial statements presented within this Report of Examination.

This 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 (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company’s statutory financial statements were audited annually, for the years 2019 through 2023, by Deloitte & Touche LLP (“Deloitte”). Among the procedures incorporated into this examination was a review of Deloitte’s annual audit work papers. Certain work papers developed by Deloitte were relied upon by the examiners and were incorporated into the examiner’s work papers.

## **HISTORY**

USDCNJ was incorporated on September 16, 1983 as a stock company and commenced business on March 2, 1984, authorized by New Jersey as a DPO. On March 1, 2016, Sun Life Assurance Company of Canada (“SLOC”), a wholly owned subsidiary of Sun Life Financial Inc. (“SLF”), acquired substantially all of the U.S. employee benefits business of Assurant, Inc., including all of the issued and outstanding stock of USDCNJ.

The main administrative office and primary location of books and records is located at 96 Worcester Street, Wellesley Hills, Massachusetts 02481. The registered agent for whom due process may be served is CT Corporation System, 820 Bear Tavern Road, West Trenton, NJ 08628.

### **TERRITORY AND PLAN OF OPERATION**

The Company is authorized to operate as a DPO and is only licensed in the State of New Jersey to transact the business of dental insurance. The Company contracts with independent practitioners to provide dental services to its members, offering prepaid dental plans that are principally marketed to private and government employers.

Provider capitation consists of monthly fees paid to providers and is expensed in the month in which the provider is obligated to render dental services. Emergency services, as well as specialty services not covered by capitation fees are recorded as incurred.

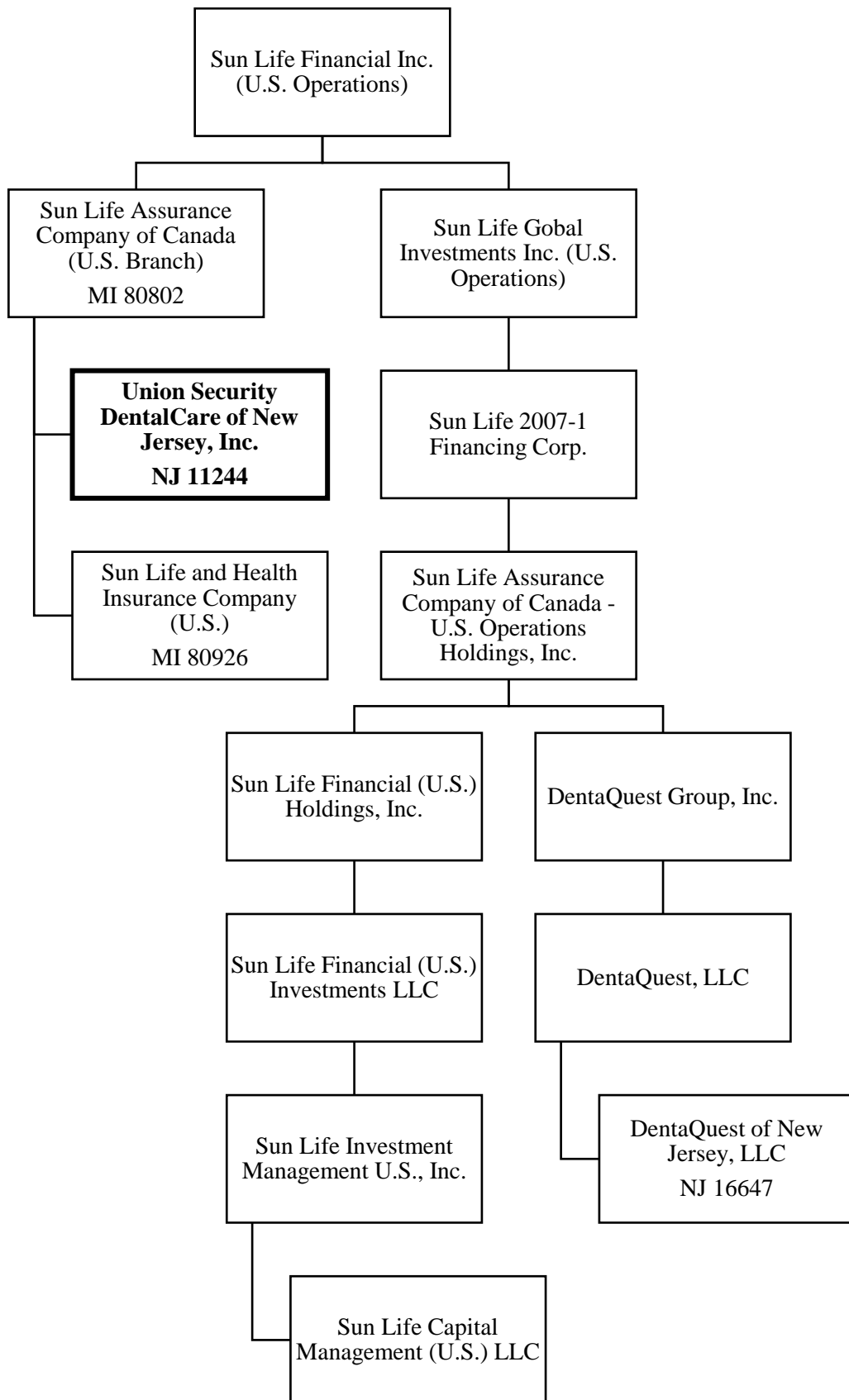
The Company utilized 178 active producers at December 31, 2023.

### **TREATMENT OF POLICYHOLDERS**

The review of the Company's complaint log, processes and procedures indicated that the Company maintains its complaint systems and records in accordance with N.J.S.A. 17:48D-12.

### **HOLDING COMPANY SYSTEM**

The Company is a member of an insurance holding company system as defined in N.J.S.A. 17:27A-1, and as such has filed a holding company registration statement with the New Jersey Commissioner of Banking and Insurance in compliance with N.J.S.A. 17:27A-3. The Company's ultimate controlling person is SLF, an international financial services organization that provides a diverse range of protection and wealth products and services to individuals and corporate customers operating in markets worldwide, including Canada, the United States, the United Kingdom, Ireland, Hong Kong, the Philippines, Japan, Indonesia, India, China, Australia, Singapore, Vietnam, Malaysia, and Bermuda. An abbreviated organizational chart as of December 31, 2023 follows:



## **INTERCOMPANY AGREEMENTS**

### **Administrative Services Agreement**

Effective March 1, 2016, an administrative services agreement was entered into between the Company and SLOC, under which SLOC provides general administrative support services to USDCNJ. For services performed, USDCNJ reimburses SLOC for the cost of the services and facilities provided by SLOC to USDCNJ pursuant to this agreement. Charges shall include all direct and indirect expenses including directly allocable expenses, reasonably and equitably determined to be attributable to the Company by SLOC, and indirect expenses including overhead and other indirect costs. Statements are provided and payments are made monthly, with SLOC reserving right to provide statements on less frequent basis, but in no event less than on a quarterly basis. Services include accounting, data processing, tax and auditing services, functional support services, member services, product issue support, and public relations, advertising, sales and marketing promotional services.

### **Administrative Services Agreement**

Effective March 1, 2021, an administrative services agreement was entered into between USDCNJ and Sun Life and Health Insurance Company (U.S.) ("SLHIC") whereby SLHIC provides financial, administrative, and other operational support functions related to the maintenance and operation of USDCNJ. For services performed, USDCNJ reimburses SLHIC for the cost of the services and facilities provided by SLHIC to USDCNJ pursuant to this agreement. Charges shall include all direct and indirect expenses including directly allocable expenses, reasonably and equitably determined to be attributable to the Company by SLHIC, and indirect expenses including overhead and other indirect costs. Statements are provided and payments are made monthly, with SLHIC reserving right to provide statements on less frequent basis, but in no event less than on a quarterly basis. Services include but are not limited to processing financial transactions of USDCNJ, receipt of premium payments, and broker compensation payments.

### **Investment Advisory Agreement**

Effective March 1, 2016, an investment advisory agreement was entered into between USDCNJ and Sun Life Capital Management (U.S.) LLC ("SLCMUS") (formerly, Sun Life Institutional Investments (U.S.) LLC and Sun Capital Advisers LLC), under which SLCMUS acts as an investment adviser and manager and provides certain other services, with respect to certain of USDCNJ's investments identified by the Company from time to time. For services specified in the agreement, USDCNJ will reimburse SLCMUS for the cost of the services and facilities provided by SLCMUS to USDCNJ pursuant to this agreement. Charges shall include all direct and directly allocable expenses, reasonably and equitably determined to be attributable to the Company by SLCMUS, plus a reasonable charge for overhead to be agreed upon by the parties from time to time. Payment for fees is due within 30 days following receipt of each monthly statement, provided within 30 days after each month's end. SLCMUS reserves the right to provide statements on less frequent basis, but in no event less than on a quarterly basis.

## **MANAGEMENT AND CONTROL**

### **Shareholders**

An annual meeting of shareholders of the Company shall be held to elect directors to hold office until the next succeeding annual meeting.

### **Directors**

The number of directors shall be determined by the Board and shall equal at least one (1). The Board shall exercise all of the powers of the Company except such as by law, or by the Certificate of Incorporation or by the By-laws conferred upon or reserved to the shareholders.

The following is a list of the Board members as of December 31, 2023:

<u>Name and Residence</u>	<u>Principal Occupation</u>
David L. Riley Kansas City, MO	AVP, Dental and Vision Claims in Commercial Dental Sun Life Financial

At the holding company level, the following Board Committees were established as of December 31, 2023 and had partial oversight of certain subsidiaries, including the Company, which also allowed DQNJ to comply with provisions of N.J.S.A. 17:27A-4d(4): Audit Committee, Governance, Nomination & Investment Committee, Management Resources Committee, and Risk Committee.

### **Officers**

The By-laws state the officers of the Company shall consist of a President, Treasurer and Secretary, and, if desired, a Chairman of the Board, Vice Chairman of the Board, Vice President, Assistant Treasurer and/or an Assistant Secretary. The Board may appoint such other officers and agents as they may deem advisable, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board. All officers shall serve one (1) year terms commencing at the close of the annual directors' meeting.

As of December 31, 2023, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
David L. Riley	President
Colleen L. Kallas	Secretary
Jay M. Ronck	Treasurer
Mei Li	Actuary

Subsequent to the examination date, Gregory Johnson was appointed as Appointed Actuary, effective January 31, 2024, replacing Mei Li, who resigned effective January 30, 2024.

### **CORPORATE RECORDS**

A review of the minutes of the Company's Board and shareholder meetings indicated that transactions and events were adequately authorized and supported, in accordance with the provisions of the Company's by-laws. The Board's review and approval of key investment transactions and other strategically relevant and important matters were duly noted and documented in its minutes.

### **POLICY ON CONFLICTS OF INTEREST**

The Board of the Company has adopted the SLF Code of Conduct ("Code of Conduct"), which sets out minimum standards of ethical conduct that apply to all employees, officers and directors of SLF and its subsidiaries, including USDCNJ. Annually, all officers and directors of the Company are required to complete an annual code acknowledgment and the board is provided an annual report concerning compliance with the Code of Conduct, as required by the established risk management policies.



## **FIDELITY BOND AND OTHER INSURANCE COVERAGES**

The Company is covered under a blanket financial institution bond policy in effect, covering SLF and subsidiaries, which includes coverage for ERISA, property, financial documents, computer/funds transfer, extortion, fraud, theft by deception and fraudulent signature. Based on the NAIC exposure index guidelines for minimum amounts of fidelity insurance, the amount of coverage maintained is more than adequate. USDCNJ is also compliant with N.J.A.C. 11:10-1.11 (a), separately maintaining a required minimum \$50,000 fidelity bond in its name.

In addition, the Company holds a \$2,000,000 per occurrence and general aggregate commercial general liability policy including coverage for bodily injury, personal injury, cross liability, broad form property damage, occurrence property damage, broad form tenants' legal liability and incidental medical malpractice liability coverage.

The Group also maintains an insurance program designed to protect its assets and employees arising out of property and liability risks with coverage including fire and theft, general liability, director and officer liability and cybersecurity.

## **CONTINUITY OF OPERATIONS**

The Group's business continuity and disaster recovery plans were reviewed and found to be adequate. Plans are updated and tested annually and data is mirrored to the disaster recovery environment. A multi-location strategy is utilized to permit the resumption of operations in the event of a loss of a facility.

The Company has made provisions for the succession of officers in its by-laws.

## **ACCOUNTS AND RECORDS**

The Company's general ledger system is SAP. Internal control reviews on the general ledger system are performed on a regular basis and the Company has segregation of duties controls around its general ledger. SAP is also utilized to monitor expenses.

The Company utilizes Compass for its policy administration and billing system, which calculates, bills and posts to the general ledger. Premium receipts are recorded on a cash basis. USDCNJ only offers group pre-paid dental which is billed in advance. Outstanding receipts are calculated and booked monthly on a manual basis, and cash receipts are recorded by the system and matched to the outstanding bill. Commissions are calculated as a percentage of premium and paid to the broker assigned to the policy when cash is received. Outstanding commissions are calculated on outstanding premium using a rolling average rate of commission.

The Company's claims are primarily capitation. Each member is assigned a dental provider based on who they visit for their service. That provider then receives monthly capitation in advance of the month of service as a per member rate.

## **FINANCIAL STATEMENTS**

Financial statements are presented in the following three pages as listed below:

- Exhibit – A      Statement of Assets, Liabilities, Capital and Surplus  
                         as of December 31, 2023
- Exhibit – B      Statement of Revenue and Expenses  
                         for the Five-Year Period Ending December 31, 2023
- Exhibit – C      Capital and Surplus Account  
                         for the Five-Year Period Ending December 31, 2023

**Exhibit A - Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2023**

	Current Examination at 12/31/2023	Balance per Company at 12/31/2023	Examination Change	Note Number
<b><u>Assets</u></b>				
Bonds	\$307,884	\$307,884	\$0	1
Cash, cash equivalents and short-term investments	2,639,356	2,639,356	0	
Investment income due and accrued	1,805	1,805	0	
Uncollected premiums and agents' balances in the course of collection	4,777	4,777	0	
Net deferred tax asset	1,442	1,442	0	
Receivables from parent, subsidiaries and affiliates	22,480	22,480	0	
Total Net Admitted Assets	<u>2,977,744</u>	<u>2,977,744</u>	<u>0</u>	
<b><u>Liabilities</u></b>				
Claims unpaid	85,860	85,860	0	2
Premiums received in advance	1,889	1,889	0	
General expenses due or accrued	64,351	64,351	0	
Current federal and foreign income tax payable and interest thereon	7,036	7,036	0	
Total Liabilities	<u>159,136</u>	<u>159,136</u>	<u>0</u>	
<b><u>Capital and Surplus</u></b>				
Common capital stock	100	100	0	
Gross paid in and contributed surplus	1,500,000	1,500,000	0	
Contingent surplus	100,000	100,000	0	
Unassigned funds (surplus)	1,218,508	1,218,508	0	
Total Capital and Surplus	<u>2,818,608</u>	<u>2,818,608</u>	<u>0</u>	
Total Liabilities, Capital and Surplus	<u>\$2,977,744</u>	<u>\$2,977,744</u>	<u>\$0</u>	

**Exhibit B - Statement of Revenue and Expenses for the Five-Year Period Ending December 31, 2023**

	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
<b><u>Revenues</u></b>					
Net premium income	\$204,943	\$196,629	\$179,215	\$163,427	\$154,413
Change in unearned premium reserves and reserve for rate credits	175	0	0	0	0
Total Revenues	205,118	196,629	179,215	163,427	154,413
<b><u>Hospital and Medical</u></b>					
Other professional services	165,591	157,209	146,475	128,860	127,810
Total Hospital and Medical	165,591	157,209	146,475	128,860	127,810
Claims adjustment expenses, including cost containment expenses	545	371	312	298	118
General administrative expenses	38,457	38,460	35,532	32,387	29,480
Total Underwriting Deductions	204,593	196,040	182,319	161,545	157,408
Net Underwriting Gain or (Loss)	525	589	(3,104)	1,882	(2,995)
<b><u>Investment Income</u></b>					
Net investment income earned	46,169	13,552	3,037	6,008	99,938
Net Investment Gains (Losses)	46,169	13,552	3,037	6,008	99,938
Net income or (loss) after capital gains tax and before all other federal income taxes	46,694	14,141	(67)	7,890	96,943
Federal and foreign income taxes incurred	8,631	4,187	110	2,015	16,341
Net Income (Loss)	\$38,063	\$9,954	(\$177)	\$5,875	\$80,602

**Exhibit C - Capital and Surplus Account for the Five-Year Period Ending December 31, 2023**

	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
Capital and Surplus, Prior Reporting Year	\$2,681,632	\$2,719,141	\$2,730,828	\$2,734,439	\$2,742,256
Net income or (loss)	38,063	9,954	(177)	5,875	80,602
Change in net deferred income tax	(1,284)	229	3,802	(17)	(3,923)
Change in nonadmitted assets	730	1,504	(14)	1,959	(327)
Net change in capital and surplus	37,509	11,687	3,611	7,817	76,352
Capital and Surplus, End of Reporting Year	\$2,719,141	\$2,730,828	\$2,734,439	\$2,742,256	\$2,818,608

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Note 1 - Bonds**

At December 31, 2023, the Company reported an asset for bonds of \$53,374, in excess of the deposit requirement pursuant to N.J.A.C. 11:10-1.8(a), which was accepted for purposes of this examination.

### **Note 2 – Claims Unpaid**

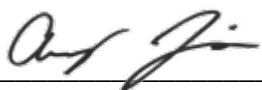
The reserves for claims unpaid as reported by the Company at December 31, 2023 were \$85,860. A review of these reserves by Actuarial Specialists from the firm Lewis & Ellis, LLC, engaged by the MI DIFS, was completed and the review indicated that no reserve adjustment was necessary. The New Jersey Department of Banking and Insurance, Office of Solvency Regulation, Actuarial Unit, reviewed the analysis prepared by Lewis & Ellis, LLC and concurred with their findings.

## CONCLUSION

The examination of Union Security DentalCare of New Jersey, Inc. as of December 31, 2023, was conducted under the supervision of the State of New Jersey, Department of Banking and Insurance, by the undersigned.

The courteous cooperation and assistance extended during the course of this examination by the officers of the Company and members of the staff are hereby acknowledged.

Respectfully submitted,



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Andy Jennings, CFE, ARM  
Examiner-In-Charge  
Risk & Regulatory Consulting, LLC  
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,



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Nancy Lee Chice, CFE  
CFE Reviewer, Supervising Examiner  
New Jersey Department of Banking and Insurance

**AFFIDAVIT**

I, Andy Jennings, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of Union Security DentalCare of New Jersey, Inc. as of December 31, 2023 to the best of my information, knowledge and belief.

Respectfully submitted,



Andy Jennings, CFE, ARM  
Examiner-In-Charge  
Risk & Regulatory Consulting, LLC

Under the supervision of,



Nancy Lee Chice, CFE  
CFE Reviewer, Supervising Examiner  
New Jersey Department of Banking and Insurance

State of New Jersey  
County of Mercer

Subscribed and sworn to before me,  
On this 15<sup>th</sup> day of April, 2025

Signed,



Notary Public of the State of New Jersey

My commission expires on:

July 2025