

**REPORT ON EXAMINATION
OF
ACCESSCARE GENERAL, LLC
8500 W. 110th STREET, SUITE 450
OVERLAND PARK, KS 66210
AS OF
DECEMBER 31, 2016**

FILED

JUN 28 2019

**VICKI SCHMIDT
Commissioner of Insurance**

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Topeka, Kansas
March 14, 2018

Honorable Vicki Schmidt
Commissioner of Insurance
Kansas Insurance Department
420 SW 9th Street
Topeka, Kansas 66612-1678

Dear Commissioner:

In accordance with your authorization and pursuant to K.S.A. 40-222 – *Examination of condition of company*, an examination has been conducted of the financial condition and business affairs of:

ACCESSCARE GENERAL, LLC

with its statutory home office and main administrative office at:

**8500 W. 110th STREET, SUITE 450
OVERLAND PARK, KS 66210**

hereinafter referred to as “the Company” or “AccessCare”. The following report on such examination is respectfully submitted.

SCOPE OF EXAMINATION

The examiner performed a multi-state financial examination of AccessCare General, LLC, a Kansas domiciled limited health service organization. The last examination covered the four-year period from February 25, 2009, through December 31, 2013. This examination covers the three-year period from January 1, 2014, through December 31, 2016.

The examination was conducted in accordance with the rules, regulations and directives of the Kansas Insurance Department (KID). An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

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.

This examination report includes significant findings of fact, as mentioned in K.S.A. 40-222, *Examination of condition of company*, 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.

Independent Audit Reports

Financial statements of the Company were audited by Meara Welch Browne, PC for the years ending December 31, 2014, through December 31, 2016. In each of the years under examination, the auditors concluded that the financial statements present fairly, in all material respects, the admitted assets, liabilities and policyholders' surplus of the Company as of December 31, 2016 and the results of its operations and its cash flows for the years then ended in accordance with the accounting practices prescribed or permitted by the KID.

The independent auditor's work papers were reviewed and analyzed by the examiners; whereby significant reliance was placed on select work papers during the course of this examination.

SUMMARY OF SIGNIFICANT FINDINGS

No significant findings were noted during the course of the examination.

COMPANY HISTORY

AccessCare Insurance Company, LLC was organized on August 20, 2008, pursuant to K.S.A. 17-7601 *et seq.* – *Kansas Revised Limited Liability Company Act*, and commenced operations on February 25, 2009, in accordance with K.S.A. 40-4201 *et seq.* – *Prepaid Legal and Dental Service Plans*. The Company amended its Articles of Organization (“Articles”) on April 10, 2009, and changed its name to AccessCare General, LLC.

On August 5, 2016 the Board of Directors declared a cash dividend of \$97,166, of which \$325 was considered an ordinary dividend and \$96,841 was considered an extra-ordinary dividend, which was paid to its members on August 31, 2016 out of the profits for the year ended December 31, 2015. No dividend was either declared or paid in the 2015 year. On March 18, 2014, the Board of Directors declared an ordinary cash dividend of \$79,918, which was paid to its members on March 24, 2014 out of the profits for the year ended December 31, 2013.

During the examination period, no material capital contributions were made. As of Illinois’ Form A approval date of July 14, 2016, AccessCare (Kansas Domestic) ownership was transferred to be wholly-owned by Healthcare Delivered, LLC (“Healthcare Delivered”). The Ultimate Controlling Persons (“UCP”) of AccessCare through its parent are Tony B. Layne, Cassi C. Layne and Larry Spitcaufsky. The UCP ownership percentages are illustrated in the table below and in the organizational chart in Management and control section of this report:

| <u>Healthcare Delivered, LLC - Ownership</u> | |
|---|-------------------------------|
| <u>Member</u> | <u>2016 Percentage</u> |
| Tony B. Layne | 35% |
| Cassi C. Layne | 35% |
| Larry Spitcaufsky (Trust) | 19.8% |

| | |
|-----------------------------|-------------|
| Gary A. Remley (Trust) | 4.65% |
| William M. Schifman (Trust) | 4.65% |
| Gail Kelly | 0.90% |
| Total | 100% |

MANAGEMENT AND CONTROL

AccessCare's parent Healthcare Delivered consists of the following board members; Tony B. Layne, Cassi C. Layne and Larry S. Spitcaufsky for a one-year term through 2016. The Company has an Audit Committee consisting of Tony B. Layne and Larry S. Spitcaufsky. The parent and its affiliates do not have an internal audit department and, do not have an audit committee. The appointment of board members is governed by the operating agreement of Healthcare Delivered. The Board members are appointed by membership interests of 30 percent and each member is selected by those interests. The composite of the four (4) member interests below the 30 percent have appointed Larry Spitcaufsky and the other two interests have appointed themselves.

The following table provides the officers of the parent company as of December 31, 2016:

| <u>Officers</u> | <u>Position</u> |
|------------------------|-------------------------------------|
| Tony B. Layne | Chief Executive Officer |
| Scott Frigon | President |
| John Rosenbaum | Chief Financial Officer & Secretary |

Tony Layne is the only owner that is also an officer of the Company and its parent.

Insurance Company Holding System

K.S.A. 40-3301, et seq. - *Insurance Holding Companies*, requires a domestic insurer that is part of an insurance holding company system to file appropriate registration statements with the Commissioner of Insurance. Pursuant to Kansas Attorney General Opinion 89-112, prepaid service plans are generally not considered to be in the business of insurance. Because AccessCare is a member of a holding company system, but not considered an insurer in the state of Kansas, it is not subject to the Insurance Holding System Company requirements.

The organizational chart below illustrates the identities and intercompany relationships among the companies and related Kansas Company, as of December 31, 2016.

Ultimate Controlling Persons:

Tony B. Layne - 35.0%
Cassie C. Layne - 35.0%
Larry S. Spitcaufsky - 19.8%

Healthcare Delivered, LLC
(Florida)

Innovative Healthcare
Investments, LLC
(Florida)

AccessCare General, LLC
(Kansas)

SDCInsurance, LLC
(Florida)

AccessCare General, Inc.
(Illinois)

Mobile Care 2U, LLC
(Kansas)

AccessCare General
Oklahoma, LLC
(Oklahoma)

Healthcare Administration
Partners Company, LLC
(Kansas)

Intercompany/Cost Sharing Agreements

There are no cost sharing agreements, loans, lines of credit or investments between the Kansas domestic Company, AccessCare and any of its affiliates other than the following services. The affiliate, MobileCare 2U, LLC (“MobileCare”), provides producers, office space, computers and systems to AccessCare. Compensation to MobileCare is 86.5% of premium for the services, of which, AccessCare was billed approximately \$2.25 million in 2016. Healthcare Administration Partners Company, LLC (“HAPC”) leases personnel to the Company for the operational functions. Compensation to HAPC is 8.5% of premium for the services, of which, AccessCare was billed \$221,548.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2016, the Company is authorized to transact business as a limited liability prepaid dental plan in the states of Kansas and Missouri. The Certificate of Registration (Kansas) and the Certificate of Authorization (Missouri) for each year under examination were reviewed.

GROWTH OF COMPANY

The exhibit below shows the Risk-Based Capital (RBC) and AccessCare’s financial growth (in thousands) for the period of December 31, 2013, through December 31, 2016. The financial growth amounts were obtained from annual statements filed by the Company.

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|------------------------------|-------------|-------------|-------------|-------------|
| ████████████████████ | ████████ | ████████ | ████████ | ████████ |
| Admitted Assets | \$243,091 | \$235,799 | \$339,979 | \$550,383 |
| Liabilities | 55,777 | 57,327 | 64,341 | 249,693 |
| Capital and Surplus | 187,314 | 178,472 | 275,638 | 300,690 |
| Net Underwriting Gain/(Loss) | 79,821 | 70,753 | 96,841 | 121,743 |
| Net Income | 79,918 | 71,076 | 97,166 | 122,068 |
| Net Premiums Written | 1,882,501 | 2,211,653 | 2,444,540 | 2,606,444 |

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Kansas Insurance Department and present the financial condition of the Company for the period ending December 31, 2016. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

ACCESSCARE GENERAL, LLC STATEMENT OF ASSETS AS OF DECEMBER 31, 2016

| | Assets | Assets Nonadmitted | Net Admitted Assets |
|--|------------|-----------------------|------------------------|
| Bonds | \$ 51,299 | \$ - | \$ 51,299 |
| Cash and short-term investments | 452,537 | - | 452,537 |
| Uncollected premiums and agents' balances in the course of collection | 46,505 | - | 46,505 |
| Amounts recoverable from reinsurers | - | - | - |
| Aggregate write-ins for other than invested assets | 42 | - | 42 |
| Totals | \$ 550,383 | \$ - | \$ 550,383 |

ACCESSCARE GENERAL, LLC
STATEMENT OF LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2016

| | |
|--|--------------------------|
| Losses | \$ 189,485 |
| Advance premiums | 9,047 |
| Payable to parent, subsidiaries and affiliates | 50,530 |
| Aggregate write-ins for other liabilities | 631 |
| Total liabilities | <u>249,693</u> |
| Aggregate write-ins for special surplus fund | 150,000 |
| Gross paid in and contributed surplus | 3,567 |
| Unassigned funds | <u>147,123</u> |
| Surplus as regards policyholders | <u>300,690</u> |
| Totals | <u><u>\$ 550,383</u></u> |

**ACCESSCARE GENERAL, LLC
STATEMENT OF REVENUE AND EXPENSES
CAPITAL AND SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | |
|--|---------------|
| Member Months | 30,525 |
| Total revenues | \$ 2,606,444 |
| <u>Deduct:</u> | |
| Other professional services | 1,954,833 |
| <u>Less:</u> | |
| General administrative expenses | 529,868 |
| Total underwriting deductions | 2,484,701 |
| Net underwriting gain / (loss) | 121,743 |
| <u>Investment Income:</u> | |
| Net investment income earned | 325 |
| Net realized capital gains or (losses) | - |
| Net investment gain or (loss) | 325 |
| Net income | \$ 122,068 |

CAPITAL AND SURPLUS ACCOUNT

| | |
|---|------------|
| Surplus as regards policyholders, December 31, 2015 | \$ 275,638 |
| Net income | 122,068 |
| Capital changes: | |
| Paid in | 150 |
| Dividends to stockholders | (97,166) |
| Change in surplus as regards policyholders for the year | 25,052 |
| Surplus as regards policyholders, December 31, 2016 | \$ 300,690 |

**ACCESSCARE GENERAL, LLC
CAPITAL AND SURPLUS ACCOUNT
RECONCILIATION OF CAPITAL AND SURPLUS SINCE LAST EXAMINATION**

| | | | |
|---|------|-----------------|---------------------|
| Surplus as regards policyholders, December 31, 2013 | | | <u>\$ 187,314</u> |
| Net income | 2014 | 71,076 | |
| | 2015 | 97,166 | |
| | 2016 | <u>122,068</u> | ✔ 290,310 |
| Capital changes: paid in | 2014 | - | |
| | 2015 | - | |
| | 2016 | <u>150</u> | ✔ 150 |
| Dividends to stockholders | 2014 | (79,918) | |
| | 2015 | - | |
| | 2016 | <u>(97,166)</u> | <u>(177,084)</u> |
| Surplus as regards policyholders, December 31, 2016 | | | <u>✔ \$ 300,690</u> |

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as a result of this examination. The capital and surplus of the Company, as of December 31, 2016, was \$300,690, which was the same amount, reported by the Company in its 2016 filed Annual Statement.

SUMMARY OF RECOMMENDATIONS

There are no recommendations to report

COMMENTS ON FINANCIAL STATEMENTS

There were no significant or material findings resulting from the examination that warranted inclusion in the Report on Examination.

SUBSEQUENT EVENTS

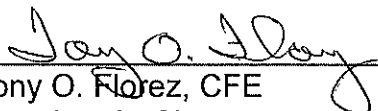
Effective July 31, 2018, Healthcare Delivered, LLC and related entities was acquired and wholly-owned by SDC Holding, LLC. AccessCare remains a pre-paid dental business operation. SDC Holding, LLC will be majority owned by SC-SDC Corporation which is owned by Serent

Capital Partners, LLC. The remainder of the equity of SDC Holdings, LLC will be owned by HMPartners, LLC which is owned by the previous members of Healthcare Delivered, LLC.

CONCLUSION

The assistance and cooperation by the officers of the Company during the course of this examination is hereby acknowledged and appreciated.

Respectfully submitted,



Tony O. Florez, CFE
Examiner-in-Charge

EXHIBIT S
EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION

State of Kansas,

County of Shawnee,

Tony O. Florez, being duly sworn, states as follows:

1. I have authority to represent the Kansas Insurance Department in the examination of AccessCare General, LLC.
2. The Kansas Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of AccessCare General, LLC was performed in a manner consistent with the standards and procedures required by K.S.A. 40-222.

The affiant says nothing further.

Tony O. Florez
Examiner's Signature

Subscribed and sworn before me by Tony Florez on this 21 day of June, 2019.

(SEAL) 

Dale Hubbell
Notary Public

My commission expires 3/9/23
(date)