

Government Relations



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March 10, 2025

RE: House Bill 1481 – OPPOSE

Dear Chair Lee and Members of the Committee,

Principal Financial Group (“Principal”) appreciates the opportunity to provide comments in opposition to HB 1481. Principal provides dental coverage to 164 small and medium sized businesses and over 4,100 members in North Dakota. As explained below, Principal opposes HB 1481 because it is likely to destabilize the dental market and limit the options available to consumers.

House Bill 1481 proposes to establish a minimum loss ratio of 75% for dental plans. While such a standard might work for medical insurance, it does not work for a lower cost product like dental insurance. As a percentage of premium, administrative costs are much higher for dental insurance than they are for medical insurance. The reason is that dental premiums are a fraction of what a typical medical premium might cost. The cost of administration, however, is much more even. Imposition of a 75% minimum loss ratio for dental plans simply does not leave enough premium dollars to pay for administration, claims systems and compliance costs, whereas a similar loss ratio for medical insurance leaves many more dollars to pay for these expenses.

These problems are further exacerbated when applied to dental plans offered to small groups. Administration costs as a percentage of premium are higher for small groups than large groups because the costs of onboarding the group and other administrative expenses are incurred more frequently to service the same number of members. Stated another way, it is more expensive to administer 10 groups of 10 employees than one group of 100 employees. As an insurer focused on the small and medium size business market, Principal is particularly impacted by imposition of a minimum dental loss ratio.

As you may be aware, Massachusetts recently passed a ballot measure imposing an 83% minimum dental loss ratio on dental plans. After evaluating the impact of the measure Principal was forced to announce it was exiting the dental market for small businesses with under 25 employees. After careful analysis, Principal determined that we were unable to maintain the level of services that our customers expect while continuing to provide affordable coverage. Faced with either raising premiums or reducing our level of service, Principal decided it did not like either of those options and elected instead to leave the under 25 dental market in Massachusetts effective November 1, 2023.

Should HB 1481 become law in North Dakota, Principal and other dental insurers, particularly those in the small and medium size business dental market, will be forced to make similar decisions. We do not believe that to be in the best interest of North Dakota dental consumers. This legislation is simply not necessary, and we believe it will be harmful to our members. This Committee should reject HB 1481.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jim M. Harrison', written in a cursive style.

James M. Harrison
Director and Counsel, State Government Relations
Principal Financial Group