Good morning, Chairwoman Lee and members of the Committee,

My name is Kate McCown, and I am the Vice President of Compliance at Ameritas Life Insurance Corp. for our supplemental insurance products, which include dental, vision, and hearing insurance. Today, we are testifying in opposition of HB 1481, which seeks to require dental plan carriers to meet a dental loss ratio of 75%.

In 2022, Massachusetts passed a ballot initiative applying an 83% loss ratio, however, residents of that state were not given the full detail of the potential ramifications of applying a loss ratio that is intended for medical plans. Seven dental carriers have stopped offering dental plans in the individual and/or small group markets, or have exited the state entirely, because they could not continue to provide affordable plans. Ameritas stop selling in the individual and smaller group markets in Massachusetts.

At an 83% dental loss ratio, Ameritas could not create affordable products for individuals or small groups that would provide meaningful benefits while still covering minimum expenses for fraud waste and abuse services, provider credentialling, services that reduce member out of pocket costs, external distribution costs, and internal operating expenses.

For larger groups we were able to remain in the market by limiting coverage options groups could purchase to more expensive plan designs. For larger groups, distribution costs tend to be lower as a percentage of premium and there is more premium per policy to spread fixed administrative costs.

Here is a sample breakdown of expenses on an individual dental policy in North Dakota with a monthly premium of $53.76:

- After claims were paid, Ameritas used 34%, or $18.49, to cover expenses,
- 9.68%, or $5.20 went to claims, administrative, charity, and overhead expenses,
- 16.7% or $8.98 went to external distribution expenses,
- 2.3% or $1.24 went to expenses that reduce member out of pocket costs,
- 2.6% or $1.41 went to state/federal taxes and regulatory fees,
- And only 3.1%, or $1.67 of a $53.76 monthly premium was profit.

Excluding taxes and regulatory fees, an increase in the loss ratio of this specific plan from 66% to 75% would result in an operating deficit of 9.0%.

The bottom line is that a loss ratio as required under this bill will raise dental premiums, which is counterproductive to increasing access to quality care and improving oral health for North Dakotans. A report by the impartial organization, the California Health Benefits Review Program (CHBRP) at the University of CA/Berkley, analyzed proposed dental loss ratio legislation in California last year.

They found that dental loss ratios would lead to premium increases, market withdrawals, reductions in producer compensation, dropped coverage, a move to ASO, and market consolidation.

For these reasons, we oppose HB 1481 and urge you not to move the bill forward in its current form. We would consider the NCOIL model, as it is a compromise between the dental industry and the American Dental Association and allows for market correction without unintended consequences to insureds in North Dakota. Thank you very much for your time and consideration.