SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 1138

STATE OF NEW JERSEY

DATED: DECEMBER 12, 2024

The Senate Commerce Committee reports favorably Senate Bill No. 1138.

This bill amends the current law to permit dental service corporations to be or become subsidiaries of nonprofit parents. Under the current law, a dental service corporation is prohibited from spending more than 10 percent of its assets or more than 50 percent of its surplus, whichever is less, on investments. This puts dental service corporations at a disadvantage compared to other health insurance companies, despite the fact that dental service corporations have more predictable risks of loss and thus have less need for limiting the use of company funds.

Allowing dental service corporations to be or become subsidiaries of nonprofit parent companies, while still imposing all statutory requirements on the dental service corporations themselves, would give a nonprofit parent freedom to invest funds and be better able to help its dental service corporation subsidiary compete with larger health insurance companies that offer dental services. At the same time, the dental service corporation subsidiary would still have to comply with the "Dental Service Corporation Act of 1968," including the limitation on investing company funds. By amending the current law, this bill promotes competition in the dental service market and ensures that patients are still adequately protected.

This bill was pre-filed for introduction in the 2024-2025 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.