

ASSEMBLY, No. 5434

STATE OF NEW JERSEY
220th LEGISLATURE

INTRODUCED MAY 11, 2023

Sponsored by:

Assemblyman JOHN F. MCKEON

District 27 (Essex and Morris)

SYNOPSIS

Permits dental service corporations to be subsidiaries of nonprofit parent companies.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning dental service corporations and amending
2 P.L.1968, c.305.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

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7 1. Section 4 of P.L.1968, c.305 (C.17:48C-4) is amended to
8 read as follows:

9 4. A nonprofit corporation organized under Title 15 of the
10 Revised Statutes for the purpose of establishing, maintaining and
11 operating a nonprofit dental service plan, as described in section 2
12 (a) of **[this act]** P.L.1968, c.305 (C.17:48C-2), intending to do so as
13 a dental service corporation certified under and thereby subject to
14 the provisions of **[this act]** P.L.1968, c.305 (C.17:48C-1 et seq.),
15 shall seek certification therefor by application to the commissioner.
16 The application of such a corporation shall include a certified copy
17 of its certificate of incorporation, a copy of its by-laws certified by
18 the lawful custodian of the original, and a statement in such form
19 and detail as the commissioner shall prescribe, showing its financial
20 condition, its proposed methods and places of operation, and such
21 other matters as the commissioner shall prescribe, signed and
22 sworn to by its president and secretary or other proper officers. If
23 the commissioner is satisfied, on the basis of examination or
24 otherwise that such corporation is organized without capital stock
25 and not for pecuniary profit and has complied with the
26 requirements of **[this act]** P.L.1968, c.305 (C.17:48C-1 et seq.) and
27 that its condition or methods of operation are not such as would
28 render its operations hazardous to the public or its subscribers, the
29 commissioner shall issue a certificate of authority to such
30 corporation as a dental service corporation of this State. A
31 corporation to which a certificate of authority has been issued under
32 **[this act]** P.L.1968, c.305 (C.17:48C-1 et seq.) thenceforth shall be
33 subject in all its activities to the provisions of **[this act]** P.L.1968,
34 c.305 (C.17:48C-1 et seq.) as long as the certificate of authority as
35 issued or thereafter amended remains in effect. No change in, or
36 amendment to, or alteration in, addition to, or substitution of any
37 document, instrument or other papers so filed with the
38 commissioner shall become operative or effective until the same
39 shall also have been filed with the commissioner in a similar
40 manner. No certificate of authority shall be issued to any
41 corporation not incorporated as a corporation without capital stock
42 and not for pecuniary profit under the laws of this State, or to any
43 corporation which, prior to or pending its application for such
44 certificate, has solicited a subscriber or issued a subscription
45 certificate. No dental service corporation shall solicit a subscriber

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 or issue a subscription certificate until its board of trustees has been
2 fully constituted as provided in **【this act】** P.L.1968, c.305
3 (C.17:48C-1 et seq.).

4 Nothing in P.L.1968, c.305 (C.17:48C-1 et seq.) shall preclude a
5 dental service corporation from being or becoming a subsidiary of a
6 nonprofit holding company or other nonprofit parent that is not a
7 dental service corporation, provided, that the dental service
8 corporation shall otherwise remain subject to the provisions of
9 P.L.1968, c.305 (C.17:48C-1 et seq.).

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11 2. This act shall take effect on the first day of the sixth month
12 next following its enactment.

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STATEMENT

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

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