

Caveats and Limitations

This Milliman report has been prepared for the specific purpose of providing NADP with research and analysis related to dental loss ratios to aid in understanding the potential impact of minimum loss ratio legislation being considered in Massachusetts. This information may not be appropriate, and should not be used, for any other purpose.

This report has been prepared for NADP. NADP may share this information with outside entities with Milliman's permission. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work product. Any third party recipient of this work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Any releases of this report to a third party should be in its entirety. This report **must be read in its entirety** and specialized knowledge of the industry is necessary to fully understand the report and its conclusions.

The results presented herein are estimates based on carefully constructed actuarial models. Differences between our estimates and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

The illustrations presented in this report do not mimic the actual experience of any particular dental plan. They are meant to demonstrate the mechanics of complying with minimum loss ratio rules while maintaining a specified administrative expense structure, and the implications to claim costs and premiums of doing so. It is important to note that results will differ if the starting assumptions differ, or if other levers aside from provider compensation or profit are adjusted (e.g. if commissions are altered in response to an increased loss ratio requirement).

In performing this analysis, we relied on data and other information provided by NADP. We have not audited or verified this data and other information but reviewed it for general reasonableness. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

The material in this report represents the opinion of the author and is not representative of the views of Milliman. Milliman is not advocating for, or endorsing, any specific views in this report related to minimum DLR requirements.

Milliman does not provide legal advice, and recommends that NADP consult with its legal advisors regarding legal matters.

The terms of Milliman's Consulting Services Agreement with NADP signed on March 24, 2011 apply to this report and its use.

ACKNOWLEDGMENT OF QUALIFICATION

We, Joanne Fontana and Tory Carver, are actuaries for Milliman. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.