



Compliance & Regulatory Update

November 2006

COMPLIANCE REPORT – GOVERNOR’S SIGNED LEGISLATION

AB 1835 (Lieber): Minimum Wage

Beginning January 1, 2007 the minimum wage will be set statewide at \$7.50 per hour, a \$0.75 increase in the state’s current standard. Effective January 1, 2008 and following thereafter, the minimum wage will go up another \$0.50 to \$8.00 per hour statewide.

For more information: [AB 1835 \(Lieber\)](#)

AB 2387 (Vargas): Agent Education: Online Prelicensing

NAIFA-California is pleased to inform its members about the Governor’s approval of AB 2387 (Vargas), which will help eliminate the inefficiencies associated with prelicensing by allowing fire and casualty broker-agents, personal lines broker agents, and life agents to complete their required prelicensing coursework to be completed online.

NAIFA-California strongly supported AB 2387, as it will offer agents the flexibility to satisfy their prelicensing education through self-study, online courses that will address the realities of today’s online world. While prelicensing may be completed online, the examination will continue to be a proctored in-class examination in order to ensure the reliability and trustworthiness associated with the licensing process. Prelicensing certificates of completion beginning January 1, 2007 will expire 3 years from completion of the course, whether or not a license is issued.

For more information: [AB 2387 \(Vargas\)](#)

SB 1699 (Bowen): Financial Transactions: Privacy

Under SB 1699 (Bowen), any person, firm, partnership, association, corporation, or limited liability company that accepts credit or debit cards for the transaction of business is prohibited from printing more than the last five digits of the credit or debit card account number or the expiration date upon any receipt provided to the cardholder.

For more information: [SB 1699 \(Bowen\)](#)

SB 1847 (Insurance Cmte): Insurance: Privacy

The Senate Insurance Committee, under the guise of SB 1847, has added disclosure requirements for the Medi-Cal Recovery Program for agents selling an elder life insurance or annuities. Specifically, it amends Insurance Code § 789.8, the “Notice Regarding Standards for Medical Eligibility & Recovery.” The amendments to the notice include the addition of a paragraph on recovery.

For more information: [SB 1847 \(Insurance Cmte\)](#)

UNUM Provident Commission Disclosure Issue

Commissioner Garamendi has announced a landmark settlement with UnumProvident Corporation, Provident Life and Accident Insurance Company, and Unum Life Insurance Company of America to disclose

to California customers prior to purchase of a product all compensation UnumProvident pays to the broker. The settlement marks the first time that an insurer has agreed to make such disclosures in the Employee Benefit Group Coverage area. The Commissioner is touting the settlement as the latest victory in his continuing investigation involving purported secret “contingent commissions” and related steering activities.

Some of the specifics of the settlement include:

- Upon request for employee benefits coverage, UnumProvident must provide the customer with the base or standard commissions payable and any other compensation to be paid the broker.
- UnumProvident will provide oversight and training of its employees on compliance with the terms of the settlement and ensure that the reforms are implemented.
- UnumProvident must provide an annual verification for three years regarding the companies’ compliance with the settlement agreement.
- UnumProvident must also make its broker compensation practices publicly available on its website.
- UnumProvident may not sponsor contests or similar award programs which provide for compensation or other remuneration (such as trips, gifts, bonuses) to brokers.

NAIFA-California will continue to monitor the effects of the settlement and any subsequent actions the Commissioner may take in the remaining days of his term.

DOI PRELICENSING & CONTINUING EDUCATION PROPOSED REGULATIONS

The Department of Insurance (DOI) has instituted a new continuing education requirement (CE) to require Fire and Casualty broker-agents and Life agents to complete four hours of ethics CE every license term and to require Personal lines broker-agents to complete two hours of ethics CE every license term. This new requirement will not increase the total CE hours that must be completed every license term. For example, an agent who has been required to complete 30 hours of CE in the past will continue to complete the 30 hours in the future, but at least four of the hours must be in an approved ethics course(s).

The DOI’s new requirement will be required for agents and brokers whose license term expires on or after January 31, 2007. Agents and brokers not completing the ethics CE prior to the expiration date of their license renewal will not be allowed to renew their license until this requirement has been met.

For months NAIFA-California has been aware that the DOI was working on these regulations thanks to our representative on the Curriculum Board, Deanna Dooley, who has been part of the process. Additionally, NAIFA-California’s member benefits Chair, Sandy Henderson, has compiled a valuable list of ethics CE options across the state, yet another NAIFA-California member benefit. For information on the ethics CE course options, please visit NAIFA-California’s website at [NAIFA-California Ethics Course Options](#).

DOI NAME APPROVAL REGULATIONS

The Department of Insurance is continuing to work on updating 30-year old regulations that regulate how the DOI approves or disapproves names of insurance agents and brokers and their agencies. When the proposed regulations were introduced, they included several new terms that could be disapproved by the DOI such as “elder, expert, senior and specialist.” The proposal would have also allowed the DOI to disapprove the name if it improperly used words such as “broker, estate and long term care.”

NAIFA-California has been actively engaged in the discussions surrounding the regulations. While the DOI has revised the regulations to address a couple of NAIFA-California’s concerns, changes still must be made to fully address the issues NAIFA-California has raised. Specifically, NAIFA-California asked that in drafting the updated regulations that they include provisions to make approval and disapproval of names prospective. While some changes were made, the revisions do not make it clear that they are indeed prospective. Additionally, NAIFA-California is continuing to work with the DOI to remove the remaining terms such as “advisor, investment and plan” from the list of disapproved names.

NAIFA-California will continue to keep its members apprised of any movement of these regulations or others that would further regulate the names of agents’ and their companies.

DOI ISSUES “CEASE & DESIST” ORDER AGAINST DISCOUNT HEALTHCARE PLAN

As of October 30th, the Department of Insurance (DOI) is warning California consumers not to purchase “health insurance” offered via fax by Prime Med Care or Prime Star Health Care.

According to investigators, the companies advertised their discount healthcare plans via faxes sent to consumers. The companies’ owners were not licensed to sell insurance that they advertised as a new plan that offered 7-day open enrollment without all of the health questions associated with typical enrollment qualification processes.

Commissioner Garamendi has instituted an investigation to determine how many individuals may have opted for the discount healthcare plan and failed to obtain coverage that they paid for through the two companies. To review the release, please visit the DOI’s website at [Discount Healthcare Plan Cease & Desist Order](#).

NAIFA-California has strongly advocated over the last few years for the regulation of these types of discount plans that are sent via faxes and emails. The Department of Managed Healthcare (DMHC) has approved only one license for a discount healthcare/card plan to date, San Diego-based *First Dental Health*. To review the news about this newly licensed discount health card plan, please visit the DMHC’s website at [DMHC Licenses First Discount Health Card Plan in California](#).

If you have any questions regarding any of the topics mentioned in this report, or others not mentioned, please contact Shari McHugh or Dawn Sanders Koepke at 916/440-0850. Thank you!