



Legislative Update May 2006

AB 2387 (Vargas): Agent Education: Online Prelicensing – SUPPORT

Competing demands on time and geographical issues are just two of the concerns that affect today's agents face when beginning the licensing process. The prelicensing process in particular is time consuming, requiring prospective agents to spend countless hours, up to 6½ days, completing the prelicensing requirements which are often facilitated in classroom locations that are difficult for rural agents to reach.

The coursework needed to prepare capable new agents to obtain a license should not act as a barrier to entry in to the profession. As such, AB 2387 would 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.

The opportunity provided by AB 2387 would offer agents the flexibility to satisfy their prelicensing education through self-study, online courses that would address the realities of today's online world. While the prelicensing may be completed online, the examination would continue to be a proctored in-class examination in order to ensure the reliability and trustworthiness associated with the licensing process.

AB 2387 (Vargas) passed out of the Assembly Insurance Committee without any no votes on April 26. The bill is now pending in the Appropriations Committee.

HEALTH LEGISLATION UPDATE

AB 2281 (Chan): High Deductible Health Care Coverage – OPPOSE

In its original form, AB 2281 would have established benefit standards and disclosure requirements for high deductible health plan contracts offered by health care service plans and for high deductible health insurance policies offered by health insurers. However, as amended, the bill now places a cap on out of pocket expenses on in-network coverages as well as provides disclosures regarding high-deductible healthcare coverages.

AB 2281 (Chan) passed out of the Assembly Health Committee on Tuesday, April 25 by a vote of 8 to 4. Attending the hearing and speaking on NAIFA-California's behalf was Rae Lee Olson who did a great job of presenting a number of scenarios that would be impacted by the passage of AB 2281. NAIFA-California is continuing to work to address our concerns with the Assembly Health Committee. The bill is now pending in the Assembly Appropriations Committee.

AB 1952 (Nation): Healthcare Coverage – WATCH

Assemblyman Nation's individual and employer healthcare mandate bill, AB 1952, would establish the Essential Health Benefits Program and require the Managed Risk Medical Insurance Board (MRMIB) to offer an essential benefit plan to employees without that coverage through their employment and to self-employed and unemployed individuals. The bill passed out of the Assembly Health Committee April 25th. Under the bill, employers who do not provide health care coverage equivalent to the plan would be assessed a fee. The bill has received a great deal of

press in the last couple of weeks with the movement of the Massachusetts bill that is similar in concept to the Nation bill.

The California Chamber of Commerce, among others are in opposition to the bill based on their concerns that relate to the employer mandate components in the California proposal that would be significantly higher than the funding that was mandated for those employers in Massachusetts. Specifically, the Massachusetts mandate would have tagged employers with a cost of just under \$300; whereas, AB 1952 would require California companies to pay somewhere in the neighborhood of 7% and would remove a number of tax credits for healthcare expenses. Additionally, the Chamber is concerned that such a plan will not work for California. The Massachusetts-style plan does not take into account the significant difference in terms of the uninsured population demographics and size.

SB 1591 (Kuehl): Administrative Costs -- OPPOSE

SB 1591 (Kuehl), pertaining to administrative costs spent by health insurers, passed out of the Senate Banking, Finance & Insurance Committee on Monday, April 24th after being amended to provide the Insurance Commissioner with the authority to promulgate regulations to mirror the regulations placed on health plans' administrative costs under the Department of Managed Health Care (DMHC). With these amendments, the bill was then heard and passed out of the Senate Health Committee on Wednesday, April 26th despite industry's efforts to convey our concerns that the regulations for plans under DMHC are not necessarily relevant or inclusive of the difference in operations and costs for health insurers. The bill is now pending in the Senate Appropriations Committee.

LIFE INSURANCE UPDATE

AB 243 (Vargas): Life Insurance & Viatical Settlements – SUPPORT?

NAIFA-California is currently working with the sponsors of AB 243 (Vargas), pertaining to life insurance settlements, in an effort to remain in support of the bill. Assemblyman Juan Vargas and sponsor, Coventry First, introduced the bill in 2005 in an effort to establish a regulatory framework for life settlements.

One of the key concerns that NAIFA-California originally had with the bill was that it included language that would impose duties on the life settlement seller to “act according to the seller's instructions and in the best interest of the seller.” Due to the concerns NAIFA-California has had with the DOI's efforts to impose new duties on agents and brokers, the word "duty" was deemed to be of concern. NAIFA-California offered the suggestion of changing “duty” to “responsibility,” a suggestion that was taken by the author and Coventry First.

An additional concern pertained to the provisions within the bill that would exempt lawyers, accountants and financial planners from having to obtain a life agent license to negotiate a life settlement. NAIFA-California has a long history of supporting legislation to ensure that all individuals involved in the transaction of insurance are licensed. As such, NAIFA-California expressed its concerns with exempting professions from licensure.

The author and the sponsor, Coventry First, agreed to amend the bill to address NAIFA-California's concerns. However, there is still one very large issue that needs to be addressed, which is the loophole in the bill dealing with insurable interest. NAIFA-California and ACLHIC are continuing to work with the sponsors in an effort to close the loophole. Unfortunately, until the loophole is closed, ACLHIC is opposed to the bill and NAIFA-California may be faced with having to remove its support.

SB 192 (Scott) – Annuities – POSTPONED

Thanks in large part to the grassroots efforts of NAIFA-California members, SB 192 by Senator Scott (D-Pasadena), pertaining to annuities, has been postponed until June.

For years NAIFA-California has strongly supported efforts to improve the annuity marketplace. These include providing appropriate product disclosures, enhancing consumer protections, and improving agent education. In addition, we have worked closely with the Department of Insurance (DOI) in its efforts to protect the senior population and consumers in general. However, we remain opposed to the DOI's efforts to pass SB 192 in its current form because it would impose unworkable suitability standards on agents and insurers.

NAIFA-California, along with other members of the life insurance industry, continues to propose amending SB 192 to mirror the Senior Protection in Annuity Transaction Model Act. This model law was developed by the National Association of Insurance Commissioners (NAIC) in September of 2003 in an effort to protect seniors in annuity transactions. It recognizes the need for and creates an effective system for regulating annuity sales through all manners of distribution. Additionally, it addresses direct sales, sales through independent producers, broker-dealers and other financial institutions.

Many states have recently adopted, or are considering adopting, the NAIC model due in large part to the significant protections it would provide. NAIFA-California is continuing to encourage Senator Scott and the DOI to amend SB 192 to mirror the NAIC model, which would address the issue of suitability in an effective and workable manner.

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