



## Legislative Update

### **SB 192 (Scott): Annuities: Seniors – DEFEATED**

NAIFA-California is very pleased to report that SB 192 by Senator Scott (D-Pasadena), pertaining to the sale of annuities to seniors, failed to pass out of the Assembly Insurance Committee on June 28. The bill did not receive a motion and therefore no vote was taken. Due to legislative deadlines, the bill cannot be reconsidered this year.

After many months of no activity on the bill, negotiations resumed a few weeks before it was scheduled to be heard by the Assembly insurance Committee. Unfortunately, after meeting several times in effort to reach a compromise, the author and Insurance Commissioner were unwilling to accept the ACLHIC/NAIFA-California proposed amendments to the bill. Therefore, Senator Scott presented the bill as he proposed to amend it and NAIFA-California voiced our strong opposition to the proposal.

The provision in the bill as proposed to be amended that caused NAIFA-California the most concern was the amendment that would have required independent insurance agents to submit their suitability guidelines to insurers for review prior to being used. This provision would have carved out independent insurance agents and treated them differently than the other distribution systems such as banks and securities dealers. Ultimately, it would have disadvantaged the independent agency distribution system by making it less attractive and more burdensome for insurers to do business with insurance agents.

In its testimony, NAIFA-California highlighted its efforts over the years to help improve the annuity marketplace and to remove rogue insurance agents from the industry. We indicated that the efforts included supporting **SB 618** (Scott) in 2003 and **SB 1273** in 2004 that enhanced the penalties for bad actors and **AB 2316** (Chan) in 2004, which provided for a \$1 assessment on all life policies and annuities sold in California to enhance the DOI's investigations and enforcement efforts pertaining to the sale of life insurance and annuities. We also told the Assembly Insurance Committee members that we were prepared to support SB 192 if it was amended to include the NAIC Suitability Model Act with enhancements that were acceptable to the industry representatives.

There is no doubt that this issue will be addressed next year by either Senator Scott or another Legislator who finds the issue of interest. Therefore, NAIFA-California will continue to encourage Senator Scott to consider legislation that would enact NAIC model and we will continue to educate legislators on the role of the agent and the value of annuities. In addition, NAIFA-California will work with all of our locals in an effort to continue to educate legislators at the local level.

### **SB 1591 (Kuehl): Group Disability Insurance – DEFEATED**

NAIFA-California was strongly opposed to SB 1591 (Kuehl) as it could have prohibited, based on the Insurance Commissioner's interpretation, group health insurance products from being approved if they did not provide "economic value" to the insured.

NAIFA-California opposed the bill noting that the ambiguity in the interpretation of “economic value” and allowing the approval or disapproval of products based on such an ambiguous interpretation would no doubt lead to many beneficial products not being approved. Additionally, agents provide benefit to their clients by assisting in negotiating packages that will best meet their needs. SB 1591 would have taken the client and agent out of the negotiation process by providing the Commissioner with the authority to determine what the “real economic value” was for that employer.

The bill ultimately failed to gain the necessary votes to pass out of the Assembly Health Committee and is dead for the year. We would like to extend our sincere appreciation to our NAIFA-California key contacts Mike McCaffrey and Marc Bregman for making calls to Assemblyman Keith Richman and Assemblyman Alan Nakanishi respectively. Their calls to the members, who both remained strong “No” votes, in addition to the grassroots efforts by the NAIFA-California membership, played an instrumental role in defeating the bill.

### **AB 977 (Nava): Health Care Coverage Review Process – DEFEATED**

AB 977 (Nava), as amended, would have required health plans and insurers to seek regulatory approval before selling a plan or policy that included any deductible, copayment, other out-of-pocket costs, or limitations on benefits or coverage. Additionally, it would have required the Department of Managed Health Care (DMHC) and the DOI to develop regulations for the creation of standard benefit designs in each of the individual, small group and large group markets.

NAIFA-California was concerned that that bill would have significantly limited consumer choice by effectively restricting marketable health plans to the select few that are approved by regulators. Consumers and employees currently benefit from a wide range of products with different benefit structures. The result would have been an increase in consumer premiums as a direct consequence of the limited options.

The Senate Banking, Finance & Insurance Committee had a number of concerns with the bill, which ultimately resulted in its defeat. The bill only received two votes and while the author was given the opportunity to work with the Committee and try to move the bill again, he opted to drop the issue for this year.

### **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 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.

NAIFA-California strongly supported AB 2387 since it 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 Senate Banking, Finance & Insurance Committee on June 28<sup>th</sup> without any opposition. The bill is now pending in the Senate Appropriations Committee.

**AB 243 (Vargas): Life Insurance & Viatical Settlements – *DEFEATED***

Despite NAIFA-California's efforts to work with the sponsors of AB 243 (Vargas) to remain in support of the bill, the bill is now considered dead. The Senate Banking, Finance & Insurance Committee failed to pass the bill out of the Committee in time to meet the legislative deadlines for the year.

You may recall that 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 would have exempted 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, the remaining issue to be addressed, the loophole in the bill dealing with insurable interest, was not resolved and resulted in the issue not being addressed this year. NAIFA-California will continue to work on this issue in the next legislative session.

*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, Legislative Advocates for NAIFA-California, at (916) 440-0850. Thank you!*