



Legislative Update

October 2007

HEALTH CARE INSURANCE/DISABILITY BENEFITS

AB 8 (Nunez): Health Care – *Vetoed* passed the Senate on a 22-17 vote and the Assembly by a 45-31 margin. AB 8 would require employers to spend 7.5% of payroll on healthcare. Additionally, it would require insurers to provide coverage to all individuals regardless of existing medical conditions.

Veto Message: To review the Governor's Veto Message, please see [AB 8 \(Nunez\) Veto Message](#).

Position: **OPPOSE**

SB 727 (Kuehl): Unemployment and Disability Compensation Benefits – *Vetoed* expands the scope of the family temporary disability insurance program to include time taken off to care for grandparents, grandchildren, parents-in-law, and siblings within the definition of family member.

Veto Message: To review the Governor's veto message, please see [SB 727 \(Kuehl\) Veto Message](#).

Position: **Watch**

SB 936 (Perata): Workers Compensation: Permanent Disability – *Vetoed* would essentially double the permanent disability benefits in California for eligible individuals for injuries sustained in the course of employment that cause permanent disability by 1/1/2010.

Veto Message: To review the Governor's veto message, please see [SB 936 \(Perata\) Veto Message](#).

Position: **Watch**

LIFE INSURANCE

SB 722 (Correa): Life Insurance Beneficiaries – (*2 Year Bill*) would provide clarification and ensured, for the purpose of life insurance proceeds disbursement, that the final judgment of conviction was the court's determination of feloniously or intentionally killing, regardless of an appeal of the conviction to a higher court. The bill only applied to the disbursement of life insurance policy proceeds under the Probate Code. By clarifying the Probate Code, SB 722 would have helped protect children and families when a life insurance policyholder was murdered by the primary beneficiary on the life insurance policy rather than forcing them to endure further pain due to the lengthy appeals process.

Position: **SUPPORT/SPONSOR**

AGENTS & BROKERS

AB 720 (DeLeon): Insurance Licenses – *Signed* authorizes a life insurance licensee to act as a life agent on behalf of a life insurer or a disability insurer to transact life insurance, accident and health insurance, or life and accident and health insurance. Additionally, it provides for a life agent

license to transact insurance on human lives including benefits of endowment and annuities, and a license to transact accident and health coverage.

Position: **SUPPORT**

AB 797 (Coto): Insurance Agents – Signed adds a limited lines automobile insurance agent to the existing type of agent licensees. It requires candidates for such license to undergo prelicensing study as a prerequisite and provides that the insurance curriculum board may approve standards for courses in business management practices for license renewal requirements.

Position: **Watch**

PRIVACY

AB 1298 (Jones): Personal Information: Disclosure – Signed applies the prohibitions of the Confidentiality of Medical Information Act to any business organized for the purpose of maintaining medical information to allow an individual to manage his or her information or for treatment or diagnosis. It also adds medical and health insurance information to data that constitutes information that would require breach disclosure.

Position: **Watch**

Governor Revises Proposed Plan on Health Care Reform

One month into the Special Session on Health Care and still no significant movement on health care reform in Sacramento. According to numerous recent polls, Californians want health care reform. However, the Legislature and Governor have not been able to find common ground on a reform plan.

While they still have a long way to go in terms of reaching a final compromise, the Governor and Democratic leadership do agree on a number of components. The Governor and Democrats both want a mandate on employers to provide insurance and a requirement that workers share the costs. They also generally agree that insurance providers should be required to accept all applicants and there should be caps on insurer profits. There is consensus that government programs need to be expanded to cover more of the working poor and that premiums for everyone else should be more affordable. However, big differences remain on how to pay for expanding coverage and to what degree Californians should be required to have insurance.

Under the bill passed last month by the state Legislature, AB 8 (Nunez), employers, individuals, health care providers and the public would all share the costs for increased health care coverage. The public would subsidize coverage for low- and moderate-income families. Employers would be required to spend 7.5% of payroll on their employees' health care or pay those funds into a state health care pool. Individuals in the new health care pool would be required to contribute to the cost of their premium on a sliding scale based on income.

The Governor has indicated he will veto the measure, as it places the burden largely on employers without individual responsibility.

As a counter to AB 8 (Nunez), the Governor has revised his health care reform proposal – the “Health Care Security and Cost Reduction Act” – and put it into bill form, intending it to be used as a catalyst for discussions during the Special Session. The legislation retains both individual and employer mandates that the Governor touted earlier in the year, but it ties employer contributions to a percent of payroll to provide some relief to small businesses. The measure also calls for

- Leasing out the state's lottery to raise money to help pay for subsidies to poor workers and tax credits for employees earning up to 350% of the federal poverty level.
- All residents to obtain health insurance, either individually or through their employers. The state would subsidize the cost of coverage for individuals earning less than \$25,525 per year and for families whose annual incomes are less than \$51,625. Individuals who do not qualify for the subsidies would receive income tax credits to ensure their health insurance costs do not exceed 5% of their annual income.
- Employers that do not offer coverage to contribute anywhere from zero to 4% based on their total payroll.
- Employers to establish Section 125 plans and provides HSA federal tax conformity so employees can pay for their insurance premiums and out-of-pocket medical expenses on a pretax basis.
- Guaranteed issue by insurers and phases in elimination of medical rating restrictions to protect consumers from significant rate increases based on changes in their health status.
- Insurers to spend at least 85% of premiums on health care.
- Insurers to structure benefits to promote prevention, wellness and healthy lifestyles and create diabetes, obesity and smoking cessation initiatives as well as establish an actuarially certified standard risk rate with limited variations for age, family size and geography.

Under the revised proposal, the minimum coverage levels have been removed. Instead, it directs the Secretary of Health and Human Services to establish and adopt the minimum benefit level via the regulatory process, which then cannot be changed except by legislative action. The minimum benefit level must: cover medical, hospital, preventive and prescription drug services; promote access to care; and must be set at a level where premiums are affordable.

The proposed reform plan is quite comprehensive and appears to be more workable and detailed than AB 8, outlining the major components of the Governor's health care reform plan that he introduced earlier this year that includes involvement from all stakeholders beyond mere funding considerations. The measure does not outline the funding for the program; rather, it indicates the intent to fund the program with "subsequent measures" that would include involvement from all stakeholders – individuals, employers, hospitals, providers, government, etc. It is very clear from the proposed language that the program will be highly dependent on increased federal funding as many of the provisions are subject to implementation at their full capacity based on the level of federal funding obtained by the state.

Although the Governor has placed his plan in bill form, it has not yet been formally introduced as a bill in the Special Session. Despite this fact, it is already receiving a great deal of criticism, particularly from labor groups that are opposed to the individual mandate in the bill.

Senate Republican lawmakers, who have criticized the Governor and Speaker's plan for mandating that employers provide coverage, announced that they will introduce their own set of bills to reform health care in California. Their plan will not mandate that all Californians buy health care coverage, according to a press release posted Wednesday on the Republican Caucus' Web site. Instead, Republican lawmakers will propose tax incentives for individuals, doctors and businesses to alleviate financial obstacles to purchasing coverage voluntarily, the statement said. Additionally, the plan is also aimed at reducing demand for expensive emergency room services

by expanding low-cost clinics with an emphasis on preventive and primary care medicine, according to the release.

Stay Tuned...

LIFE INSURANCE AWARENESS MONTH 2007

In an effort to join the rest of the nation in helping to address the crisis of under-insurance, NAIFA-California proclaimed September as “Life Insurance Awareness Month” in support of the month-long public education campaign. To commemorate and promote the educational campaign in 2007, NAIFA-California’s lobbying team was again able to have Governor Arnold Schwarzenegger issue a formal proclamation deeming September 2007 as “Life Insurance Awareness Month.” (See [Schwarzenegger LIAM Proclamation](#))

ASSEMBLY INSURANCE COMMITTEE HEARING: ANNUITIES: WHAT IS SUITABLE?

In keeping with the promise to hold an interim hearing on the issue, the Assembly Insurance Committee has scheduled a hearing for Tuesday, October 30th to review the annuities, senior citizens and what is suitable in the marketplace. As you will recall, the Committee held SB 573 (Scott) related to this issue earlier this year so that stakeholders could take more time to review the concerns and properly address them in a balanced fashion.

For years, NAIFA-California has been engaged on all fronts dealing with annuity suitability standards – from lobbying against legislation to testifying before the Department of Insurance regarding their proposed regulations in this area to participating in the upcoming hearing. NAIFA-California has urged the Department and Senator Scott to work with and participate in the Assembly Insurance Committee’s interim hearing. The hearing will provide an excellent opportunity to discuss the laws that have been passed over the past few years, the enforcement actions that have been taken by the Department and the on-going problems in the marketplace that are of concern to the Department.

Stay tuned for updates regarding this important hearing...

INSURANCE COMMISSIONER ANNOUNCES SENIOR ISSUES TASK FORCE

Insurance Commissioner Steve Poizner has announced the launch of a Department of Insurance (DOI) task force for senior issues. He is urging California seniors to be informed and cautious when considering their insurance options, particularly for long-term care and annuities.

The DOI has purportedly seen an alarming increase in cases in which California seniors have been targeted by agents for unsuitable annuities and long term care policy sales. In response to a loud and clear call for assistance, the Commissioner established the task force to address these issues. The Commissioner has called for his Senior Issues Working Group to develop strategies to protect seniors from predatory insurance schemes, and to ensure that seniors more clearly understand their insurance choices.

The Seniors Issues Working Group is composed of more than a dozen DOI staff from virtually every major division of the Department. They will work collaboratively with state agencies and senior advocacy groups to serve the best interests of California seniors. The task force additionally helps develop legislation to further safeguard vulnerable Californians.

The Commissioner has offered the following tips for anyone considering an annuity or long-term care policy:

1. Long-term care:

- Investigate coverage before making the decision to purchase a policy.
- Research individual insurance companies to see whether they have a history of raising rates for long-term care coverage. This information can be found in the California Department of Insurance's Long Term Care Rate and History Guide which is available on our website at www.insurance.ca.gov.
- Make sure you understand what a long-term care insurance policy covers and just as importantly, what it doesn't. Ask questions and make sure the company is reputable and licensed to sell insurance in California. If you have concerns about a company, contact the California Department of Insurance at 1-800-927-HELP (4357).
- Long-term care insurance isn't for everyone. If you are currently receiving Social Security or expect to have minimal or no retirement savings, you might qualify for California state aid and therefore, it may not be advisable to purchase long-term care insurance. Check with your local Health Insurance Counseling and Advocacy Program (HICAP) office, financial advisor or accountant for guidance on whether long-term care insurance is appropriate for your specific financial situation. HICAP is a free service administered by the California Department of Aging and can be reached by calling 1-800-434-0222.
- Keep in mind that tax benefits may be available with qualified long-term care insurance policy premiums. The benefit payments received under such policies may be tax-free. Please consult with your tax advisor for more information.
- Do not divulge personal financial or medical information over the phone, such as your social security number, your health status, your Medicare status or your private insurance coverage. Don't be fooled by mailings about long-term care insurance that appear to be from an official government source. If you are concerned that someone is trying to deceive you, contact the California Department of Insurance.
- Be wary of advertising that suggests Medicare is associated with a long-term care policy. Medicare does not endorse or sell long-term care insurance.

The DOI is urging consumers to make sure the following items are included in their long-term care policies:

- An "outline of coverage" that clearly describes the policy's benefits, terms and limitations in detail. It is important to understand how much money the policy would pay, and how much you would be responsible for out-of-pocket.
- A clear description of the elimination period. Some policies have a set number of days that must be spent in a nursing home or in claims status before the long-term care insurance coverage kicks in.
- At least one year of nursing home or home healthcare coverage or both, including intermediate and custodial care.
- The right to cancel the policy for any reason within 30 days of purchase and receive a full premium refund.
- A guarantee that the policy cannot be canceled or terminated because of the policyholder's age or physical or mental health condition.
- Consider an inflation protection option that periodically increases the benefit level without the need for the policyholder to provide evidence of insurability.

2. Annuities - can provide benefits for many years, but the DOI has suggested the following points as important things to keep in mind when purchasing annuities.

- Beware of any agent who suggests that using the cash value from your current policy to fund premiums on a new policy is advantageous. This may or may not be true.
- Beware of an agent who advises you not to speak to anyone from your current insurer about a policy replacement or change he or she is proposing.
- Verify the validity of the agent and company by calling the Department of Insurance.
- Never sign an incomplete or blank form, or anything you do not fully understand.
- Keep your policy or contract in a safe place.
- Understand the limitations of the annuity. How long will it take before you can begin collecting payments? What penalties are involved if you take out money early? If the annuity is variable, what are the risks?

The California Department of Insurance has representatives specifically available at the Consumer Hotline for seniors who have questions or concerns about their insurance needs. Seniors are urged to call 1-800-927-HELP if they have any questions.

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, at 916/440-0850. Thank you!