



## Legislative Update

### September 2007

#### **SB 722 (Correa): Life Insurance Beneficiaries    SPONSOR/SUPPORT    \*\*2-YEAR BILL\*\***

SB 722 (Correa) would have provided 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.

In order to correct this injustice on behalf of its members' clients, NAIFA-California sponsored SB 722 (Correa). Although the bill received bipartisan support in both houses, concerns over proposed clarifying amendments in the final days of the Legislative session forced NAIFA-California to move the bill to the "Inactive" file in the Assembly to allow for additional time to address some of the concerns that were raised. As such, SB 722 (Correa) is now a two-year bill, which NAIFA-California will work on in 2008 to have signed into law.

#### **DOI Regulatory Workshop on Sale of Annuities to Seniors**

The Department of Insurance (DOI) held a preliminary workshop on August 14<sup>th</sup> in San Francisco to consider changes to current regulations governing the sale of annuities to seniors ages 65 and older. NAIFA-California attended the workshop and was represented by GRC Chairman, Mike Ables, and NAIFA-California Legislative Advocate, Shari McHugh.

For years, in an effort to help improve the annuity marketplace in California, NAIFA-California has strongly supported efforts to provide appropriate product disclosures, enhance consumer protections, improve agent education, increase fines and penalties and fund enforcement actions. We have worked closely with the DOI to protect the senior population, and consumers in general, but we believe the regulations that the Department is contemplating would impose unworkable suitability standards on agents and insurers.

Seniors are less likely to have the ability to return to the workplace to recover money lost in investments or to recover from the financial repercussions created by a catastrophic illness. They need guarantees that their savings will stay safe and grow every day. They may need additional income to pay for increasing living expenses or to pay for care. They need planning options that provide long term care benefits without health questions to determine eligibility. They want to make sure that any remaining assets at the time of their death escape probate and that there is an orderly distribution to the beneficiaries of their choice. NAIFA-California argued before the Department that annuities provide all of these benefits. NAIFA-California has fought for the protection of seniors' rights year after year and has defended seniors' rights to access products that serve them well.

During the workshop, NAIFA-California urged the Department to work with the Legislature and participate in the interim hearing that the Assembly Insurance Committee is set to conduct this fall. We indicated that the interim 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.

NAIFA-California is engaged and working with other stakeholders, such as the Association of Life & Health Insurance Companies (ACLHIC), to ensure that our concerns are addressed. We will continue to keep our members apprised of any further developments on this issue.

### **AB 8 (Nunez/Perata): Healthcare Reform – To the Governor’s Desk – Veto Imminent**

Despite the Governor’s pledge to veto the bill, yesterday the Legislature approved AB 8 (Nunez & Perata) that would overhaul the state’s health care system. Although he plans to veto the measure, he has called for a special session to work towards enacting comprehensive healthcare reform.

The bill, which passed the Senate on a 22-17 vote and the Assembly by a 45-31 margin, was heavily debated by Democrats and Republicans alike. The disagreement among legislators and the Governor revolves largely around how to pay for expanding coverage to the estimated 6.7 million uninsured Californians. AB 8 would require employers to spend 7.5% of payroll on healthcare; while the Governor’s plan would have required a 4% payroll fee for employers, a 4% fee for hospitals and a 2% fee for doctors. Both plans would require insurers to provide coverage to all individuals regardless of existing medical conditions. The Governor’s plan takes an additional step by requiring all individuals to obtain healthcare – a piece of the proposal that is adamantly opposed by Democrats.

In a press statement made yesterday after the passage of the bill, the Governor cited additional pressures that would be placed on the already broken system if AB 8 were to be signed into law. “Californians cannot wait for reform. Just a few hours ago a report was released that said health insurance premiums continue to take more money out of families’ pocketbooks and employers’ bottom lines - at a rate faster than wage growth or inflation,” said Governor Schwarzenegger. He went on to note that the measure fails to address the full scope of the uninsured population and overcrowded emergency rooms.

Republicans have indicated that they will not support any fee hikes on businesses or tax increases. With Republicans not likely to change their stance on this issue, the Governor indicated that he wants the Legislature to approve everything but the funding for a health care agreement and ask voters next year to approve various funding sources to pay for the plan. To be approved by the Legislature alone, any tax increases would require support from Republican legislators, who are opposed to any new charges on businesses, hospitals, doctors or individuals. However, before a funding mechanism could be prepared for the ballot, the Legislature and Governor must agree on the policies to be contained in the reform plan – a challenge that is sure to be difficult to overcome.

In addition to focusing the Legislature on a specific issue(s), special sessions suspend some legislative rules and allow measures approved with a majority vote to take effect 90 days after the session closes.

Stay tuned for future NAIFA-California updates on health care reform and the special 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 at 916/440-0850. Thank you!***