



Legislative Update

October 2008

SB 1543 (Machado): Life Settlement Investments & Contracts – VETOED

Regardless of the significant support of NAIFA-California, its members, the life insurance companies and some of the life settlement companies, SB 1543 (Machado) was vetoed by the Governor on the last day he had to take action on legislation. SB 1543 passed out of both houses of the Legislature with an overwhelmingly bipartisan vote and the Governor chose to side with the few remaining life settlement companies that remained opposed to the bill.

SB 1543 would have provided for a regulatory framework for life settlement transactions in California and would have required individuals negotiating life settlements to be licensed by the California Department of Insurance. While NAIFA-California is supportive of legitimate life settlements, we are strongly opposed to stranger originated life insurance policies (STOLI), a type of life settlement, as they are considered contrived arrangements that hurt the purpose for which life insurance is based – financial protection for families and businesses.

Thank you to all NAIFA-California members who sent letters of support urging the passage and enactment of this important legislation. Your efforts are greatly appreciated and NAIFA-California will begin working with the Governor's office immediately to address the concerns outlined in his veto message.

Veto Message: http://gov.ca.gov/pdf/press/SB1543_Machado_Veto_Message.pdf

Position: **SUPPORT**

AB 31 c (Calderon): Corporate Income Tax Exclusion: Life Insurance – DEAD FOR 2008

In an effort to find alternative sources of revenue to assist the State with its budget crisis, Assemblymember Chuck Calderon introduced AB 31c in the Special Legislative Session on the Budget that would have taxed life insurance death benefits payable to corporations as well as the inside buildup in life insurance policies owned by corporations. Within hours of its introduction, NAIFA-California's lobbyist, Shari McHugh, was in Assemblymember Calderon's office voicing strong opposition to the measure.

As a result of NAIFA-California's and its allies' efforts, the proposal was not considered as part of the FY 2008-2009 budget discussions; however, this detrimental proposal will likely be considered in future budget discussions. Any future efforts in this area would be considered a tax levy, which would require a 2/3 vote of the Legislature in order to pass the measure. While at this point in time NAIFA-California is confident it can avoid the 2/3 threshold to pass the measure, such confidence will remain only if the November election does not shift the political makeup in either house in the majority party's favor. If either house were to gain a supermajority, it would be much more difficult to defeat such a measure in the Legislature.

This proposal serves as yet another reminder of the importance of being a NAIFA-California member. Not only does NAIFA-California work hard to successfully defeat such detrimental proposals on behalf of its members, NAIFA-California is also working hard to support Assembly and Senate candidates that are business friendly and understand the importance insurance plays in Californian's lives.

NAIFA-California members can rest assured that NAIFA-California is on top of such detrimental proposals. We've also been working closely with NAIFA to ensure that similar proposals to remove the tax exemptions for life insurance proceeds – whether from corporate or individual life policies – are identified and defeated in any other State or at the Federal level that may attempt such efforts, particularly as more and more states and the Nation grapple with soaring budget deficits.

Position: OPPOSE

Health Care Update

AB 1945 (DeLaTorre): Individual Health Care Coverage – VETOED

AB 1945 would have established standard information and health history questions to be used by health care service plans and health insurers for their individual health care coverage application forms. Additionally, it would have provided for review of applications and required plans and insurers to complete medical underwriting prior to issuing a contract or policy.

Veto Message: http://gov.ca.gov/pdf/press/AB1945_DeLaTorre_Veto_Message.pdf

SB 840 (Kuehl): Single-Payer Health Care Coverage – VETOED

After six years of pushing for universal healthcare in California, Senator Sheila Kuehl put forth her single-payer healthcare plan for the last time as the legislative author. Her SB 840 would establish a single-payer system in which the state would assume the role that private insurance companies now play.

NAIFA-California has argued that SB 840 would create a new under-funded bureaucracy and impose new taxes, not addressing the key cost drivers in the system. An earlier version of the legislation called for the plan to be funded by a 12% hike on payroll taxes, with employers picking up 8% and employees the remaining share. However, the current version of the bill does not specify funding for the plan; rather, it would create a task force to design the funding that would meet the needs of the program.

Veto Message: http://gov.ca.gov/pdf/press/SB840_Kuehl_Veto_Message.pdf

SB 1440 (Kuehl): Health Care Coverage: Benefits – VETOED

SB 1440 would have required insurers to spend at least 85% of the premiums they collect on medical care, limiting the amount they keep as profit and for administrative expenses.

NAIFA-California partnered with other industry groups to oppose the measure. We argued that instituting a medical cost ratio as proposed by the bill would not effectively address the key cost drivers of health care. Rather, it would likely limit the affordable insurance products available to consumers and create a disincentive for health insurers to invest in the activities that improve quality service for patients and reduced costs for purchasers.

Veto Message: http://gov.ca.gov/pdf/press/SB1440_Kuehl_Veto_Message.pdf

*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!*