



Legislative Update

March 2008

AB 2150 (Berg): Insurance: Sales Designations

Unfortunately, as insurance and financial advisors we are well aware of the increase in cases of elder financial abuse by rogue agents and advisors – actions that ultimately give NAIFA-California members and the industry as a whole a bad name. Many elder financial abuse victims are subjected to fraudulent sales tactics and individuals instilling a false sense of trust and security.

This sense of trust and security can often be felt through credentials that an agent or financial advisor has obtained. However, false use of credentials appears to be on the rise as well.

AB 2150 (Berg), co-sponsored by the California Alliance for Retired Americans and the Congress of California Seniors, would provide that no agent shall use any title, designation, credential, description, or any phrase that implies or could reasonably be interpreted to suggest special expertise or reliability in the sale of life insurance products to persons 65 years of age and older, unless the Insurance Commissioner has specifically authorized its use.

NAIFA-California has been working with the author's office to address our concerns and we are hoping that we will be able to support the bill once we have agreed to amendments. The bill is scheduled to be heard by the Assembly Insurance Committee on April 2.

Life Settlement Hearing & SB 1224 (Machado)

The Senate Banking, Finance and Insurance Committee held a hearing on life settlements on February 20th in Sacramento at which NAIFA-California's Mark Chandik provided well-received testimony. The hearing was entitled "The Growing Life Settlement Industry: Is Anyone Watching out for Consumers?"

NAIFA-California is supportive of life settlements. However, NAIFA-California is 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. Under STOLI schemes, investors entice seniors to purchase life insurance but agree to an arrangement where the investors, after the expiration of a two-year contestability period, stand to profit from the insured's death. Seniors usually receive an upfront payment and the investors agree to finance the premiums. The investors typically profit by collecting the death benefits after the seniors die – and the sooner they die, the greater the profit.

In effect, STOLI promotes wagering on human life and threatens to expose consumers to unexpected taxes, loss of privacy, and inability to obtain life insurance in the future.

In response to information presented at the hearing, Committee Chair Mike Machado has introduced SB 1224. The bill would provide for a regulatory framework for life settlement transactions in California and require individuals negotiating life settlements to be licensed by the California Department of Insurance. These provisions would go a long way towards addressing the abusive practice of stranger owned life insurance (STOLI) transactions.

NAIFA-California has insisted that having extensive knowledge of the way life insurance policies operate and an appreciation for consumers' best interests are critical when advising individuals on the various options that need to be considered prior to a client making the decision to enter into a life settlement.

NAIFA-California is supportive of SB 1224 (Machado). Without the regulatory framework under the bill, life settlements will continue to be an unregulated market and unlicensed individuals, with no license, responsibilities or obligations, will continue to cold call seniors in an effort to convince them to enter into detrimental STOLI transactions.

Senate & Assembly Leadership Posts Filled as Incumbents are Termed Out

Within the class of 34 members that will be termed out this year are three of the four key Legislative leaders. Senate President Pro Tem Don Perata, Senate Minority Leader Dick Ackerman and Assembly Speaker Fabian Nunez will all leave office at the end of the year as a result of term limits.

As tradition would have it, the houses are represented by members from opposite ends of the state. For example, Speaker Nunez is from Los Angeles; whereas Senate President Pro Tem Don Perata is from Oakland. This tradition will hold firm as the leadership transitions from Nunez to Speaker-elect Karen Bass (D-Los Angeles) and Perata to President Pro Tem-Elect Darrel Steinberg (D-Sacramento). Assemblymember Bass will be the first African-American woman to take the Speakership, replacing current Speaker Fabian Nunez. And Senator Steinberg will be the first Sacramento-based President Pro Tem.

On the Republican side, Senator Dave Cogdill of Modesto has been chosen as the new Republican leader in the Senate. Cogdill was chosen unanimously by the 15-member Senate Republican caucus and replaces Minority Leader Dick Ackerman, who will be termed out of office this year.

Senator Cogdill will formally take over for Senate Republican Leader Dick Ackerman April 15th. The Assembly took an official vote to elect Karen Bass as Speaker in early March, but the actual transfer date remains uncertain. The Senate will not take its official vote to elect Steinberg until August 21st.

Congratulations to each of the new leaders – NAIFA-California looks forward to working with you all in the coming years!

Safe Neighborhoods Act

The Safe Neighborhoods Act, which is currently in circulation for signature gathering, is on track to make the November 2008 ballot as an initiative aimed at addressing public safety in California's communities. Authored by Senator George Runner and Assemblymember Sharon Runner, the initiative is a comprehensive criminal penalty and public safety funding initiative that targets criminal street gangs, felons with guns, and drug dealers with focused penalties, and provides

sustainable funding to our local police, sheriffs, and prosecutors. It also increases public accountability for gang intervention and prevention programs.

Senator and Assemblymember Runner have asked NAIFA-California members to support the measure and encourage family, friends and clients to do so as well.

For more information on the initiative, see <http://www.safeneighborhoodsact.com/Default.aspx>.

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!