



Legislative Update

May 2008

NAIFA-California's Day on the Hill 2008, May 20th in Sacramento

Next week over 200 NAIFA-California members – life, health and P&C insurance agents from across the State – will convene in Sacramento for the 2008 Day on the Hill (DOTH). During the day-long event, NAIFA-California members will enjoy hearing about the political landscape in Sacramento and the process by which the association maintains its strong voice in and around the Capitol. DOTH provides a unique and worthwhile opportunity to learn first hand about the events taking place at the Capitol as well as opportunities to meet with your legislators in their Capitol offices.

In addition to updates on the regulatory and legislative events taking place in Sacramento, NAIFA-California is fortunate to have a number of dynamic speakers participating at DOTH. Our 2008 speakers include Assemblyman Mike Duvall (R-Brea); Herb Schultz, Senior Advisor to the Governor; and Kathleen Webb, Director of the Office of the Insurance Advisor. Assemblyman Duvall will provide his perspective on California's political landscape and its effects on the insurance industry, particularly from his vantage point as an insurance agent. Herb will provide insight into the healthcare debate. While Kathleen, a former State Farm agent herself, will provide great insight into her role as an advisor to the Governor on insurance issues, particularly those of importance to NAIFA-California.

In addition to the wonderful speakers, NAIFA-California members will work their way around the historic Capitol to meet with their representatives. During these meetings they will lobby two key insurance issues currently before the Legislature including SB 1224 (Machado) and AB 2940 (DeLeon).

SB 1224 (Machado) 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. While NAIFA-California is supportive of life settlements, we are 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 growing concerns over STOLI products, Senator Mike Machado introduced SB 1224. NAIFA-California members will advocate their support for the bill and argue in their meetings that the

provisions of SB 1224 will go a long way towards addressing the abusive practice of stranger owned life insurance (STOLI) transactions.

AB 2940 (DeLeon) would create the California Financial Advantage Account Program (CFAAP), under the administration of the California Public Employees' Retirement System (CalPERS). CFAAP would provide retirement savings opportunities to California's private sector employees and it would require CalPERS to allow employers without retirement plans to contribute and to match employee contributions. The proposal, which would open California's retirement system to private sector workers, has prompted questions about government competing with private investment firms and the ability of the system to handle the program.

NAIFA-California is working to with the author's office to see if we can address our concerns with the bill. In the meantime, NAIFA-California members will discuss concerns with the bill as currently drafted during their meetings.

The information members will receive during the morning session on life, health and agent issues will prepare them for their meetings. Each year Legislators and staff are thrilled to hear from and learn more about the insurance issues affecting their constituents.

We look forward to seeing you in Sacramento next week!

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!