



Legislative Update

September 2008

SB 1543 (Machado): Life Settlement Investments & Contracts **To the Governor**** **SUPPORT****

As a result of the significant support of NAIFA-California and its members, SB 1543 (Machado) passed out of the Legislature on a bipartisan vote and is now headed to the Governor for his consideration. NAIFA-California members, through their grassroots efforts, were instrumental in the passage of this bill.

SB 1543 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.

NAIFA-California is working with the Governor's Office to ensure that the bill is signed into law. However, despite its efforts SB 1543's fate remains uncertain. Governor Schwarzenegger has until September 30th to sign or veto the bill, but has threatened to veto any bills that reach his desk before a budget is passed. That being said, it is unclear whether the Governor will immediately veto such bills or wait until closer to the September 30th deadline, giving the Legislature more time to pass a budget.

If SB 1543 fails to be signed into law – budget or no budget – life settlements will continue to be an unregulated market and inexperienced individuals will continue to cold call seniors in an effort to convince them to enter into detrimental STOLI transactions. It is for these reasons NAIFA-California is strongly supporting SB 1543 (Machado).

AB 2940 (De Leon): California Employee Savings Program **DEFEATED**** **OPPOSE****

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

AB 2940 failed to pass out of the Senate Appropriations Committee, but there continued to be concerns that the Assemblyman might cut a deal to move the bill out of the Committee. With this concern in mind, NAIFA-California has remained engaged and worked hard to ensure that the bill was not resurrected as currently drafted.

Although NAIFA-California agreed with the author that a "savings gap" exists and that it is in everyone's best interest to encourage saving and planning for retirement, we do not believe that

allowing CalPERS to offer Simple IRA plans and IRAs is the answer. Despite the defeat of AB 2940, NAIFA-California will continue to work with the author in the 2009-2010 Session to help expand public awareness about the importance of retirement planning, federal tax incentives and investment options available to individuals.

2008 Healthcare Outcomes – A Mixed Bag

Despite the defeat of the Governor's healthcare reform plan earlier this year, he and Democratic legislators continued to work together to attempt to craft a number of deals to address individual components of his failed plan. More specifically, his office worked with and achieved compromises with Senator Steinberg and Senator Kuehl on two bills – SB 1440 (Kuehl) and SB 1522 (Steinberg).

SB 1440 (Kuehl) would require 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. The governor's aides have asked that new types of coverage be exempted for the first two years from the 85% rule.

The bill was approved by the Legislature and is now pending the Governor's action. NAIFA-California partnered with other industry groups to oppose the measure. NAIFA-California 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.

Although opponents to the measure have argued the proposal would drive up the cost of premiums and prompt some people to forgo coverage, the Governor appears poised to support the bill.

SB 1522 (Steinberg) would have banned the most limited policies and made it easier for consumers to comparison shop. The bill would have required individual healthcare policies to cover physician services, hospital care and preventive services and would have set a maximum amount patients would have to pay each year toward their bills. State regulators would have sorted policies into categories based on the benefits they offer and establish minimum benefits for each category, allowing consumers to compare what competing companies offer. The Administration worked closely with Senator Steinberg to achieve a compromise on the bill whereby it would have been limited to categorizing plans and not order insurers to offer specific benefits.

Despite the Administration's efforts to find compromise with Senator Steinberg, the Assembly failed to approve the measure in the final hours of session. As such, the bill is defeated for the year.

While the Governor worked closely with Senators Kuehl and Steinberg on SB 1440 and SB 1522, another healthcare bill – **SB 840** (Kuehl) – does not appear to have won the Governor's favor. After six years of pushing for universal healthcare in California, Senator Sheila Kuehl has put forth her single-payer healthcare plan yet again. Her SB 840 would establish a single-payer system in which the state would assume the role that private insurance companies now play. The bill passed out of the Legislature and is now pending the Governor's Action.

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. Governor Schwarzenegger has vetoed the proposal in the past and every indication is he will do so again.

***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!***