



Legislative Update

March 2011

Legislative Overview

The 2011-2012 Legislative Session is in full gear and hundreds of bills were introduced by the February 18 deadline despite the on-going budget negotiations. NAIFA-California's Government Relations team has been busy going through all of the bills and identifying those that are of interest to our members. Below is a brief overview of a few of the issues NAIFA-California will be working on this year and in the years to come.

Health Insurance & Federal Healthcare Reform Implementation

NAIFA-California is working with CAHU and IBA West on two sponsored bills that deal with health insurance and the ever-changing marketplace. The first, SB 615 by Senator Calderon (D-Montebello), would require all individuals selling health insurance and HMO products to be licensed. Currently there is only a statutory requirement for individuals selling insurance products to be licensed by the DOI. SB 615 would level the playing field for HMO and PPO products as it pertains to licensure.

The second bill the three agent trade associations are working together on is AB 736 by Assemblyman Calderon (D-Montebello). The bill would allow health insurance agents to also be licensed health insurance brokers.

Last year the Legislature passed and the Governor signed AB 2782, which resulted in property and casualty broker-agents no longer being able to sell health insurance products without obtaining an Accident and Health Insurance Agents license. As AB 2782 and Federal Healthcare Reform are being implemented, insurance agents and their trade associations are wondering why they should not be authorized to offer health insurance products as either a broker or an agent. AB 736 recognized the changes in the health insurance marketplace and would provide licensees with the flexibility that would be provided by a health insurance broker designation.

Both bills are of great importance to our members and we will keep you updated on their progress.

Suitability

Last week, Insurance Commissioner Dave Jones announced proposed regulations pertaining to the sale of annuities to seniors. According to the Department of Insurance (DOI), the new regulations will require insurers to establish a system to supervise recommendations and to set forth standards and procedures for recommendations to consumers aged 65 and older that result in the sales of annuities so that the insurance needs and financial objectives of consumers at the time of the transaction are appropriately addressed. The Insurance Commissioner has indicated

he believes the regulations are necessary to deal with the problem of seniors being sold annuities that were not suitable to their financial needs.

While the DOI's draft would impose California-specific requirements, the proposed regulations are largely taken from the NAIC's Suitability Model, which has been accepted by many of the carriers and associations. One main concern the industry has with the proposed regulation is that it does not include the FINRA safe harbor language for registered representatives and their broker-dealers. This issue will receive a lot of focus at the regulatory hearing on April 25. For more information, please see <http://www.insurance.ca.gov/0400-news/0100-press-releases/2011/release037-11.cfm>.

On the legislative front, SB 715 was introduced by the Senate Insurance Committee and it would adopt the NAIC model on Suitability in Annuity Transactions in its entirety. The bill is scheduled to be heard by the Senate Insurance Committee on March 23.

Other Legislative Issues

AB 793 by Assemblyman Eng (D-Pasadena) is sponsored by the DOI in an attempt to prohibit insurance agents from referring seniors to reverse mortgage lenders. Currently, reverse mortgage lenders are prohibited from referring borrowers to insurance agents, and the DOI believes AB 793 simply closes a loop-hole. NAIFA-California is working with the DOI and the author to make sure that agents are not prohibited from providing their clients with financial planning advice, and we are expressing our concerns with the bill going beyond the existing cross-selling provisions that were put in place for the reverse mortgage lenders.

SB 559 by Senator Kehoe (D-San Diego) is sponsored by the DOI and would prohibit an individual or group life insurance policy requiring the beneficiary to take life insurance proceeds in the form of a retained-asset account (RAA). In addition, the bill would require beneficiaries to "opt-in" to receiving a death benefit payment in the form of a RAA.