



## Legislative Update

October 2011

The Legislature adjourned for the year on September 9 and the Governor had until October 9 to sign or veto hundreds of bills that landed on his desk. NAIFA-California is pleased to report that the association had another successful year protecting agents, brokers and advisors from overly burdensome laws that could negatively impact their businesses. Below is an overview and outcome for each bill that NAIFA-California worked on in 2011.

### **Life & Annuities**

AB 689, by Assemblyman Blumenfield (D-Van Nuys) and sponsored by Commissioner Dave Jones, and SB 715, by Senator Calderon (D-Montebello), were both sent to the Governor and the content of each bill was identical. The bills would have created new annuity suitability standards for insurers and producers based primarily upon the National Association of Insurance Commissioner's (NAIC's) latest suitability model. NAIFA-California and our sister organizations were in support of both bills thanks to many years of hard work on this important issue; the bills did not have any registered opposition. Since the bills were identical, Governor Brown decided to sign AB 689 and veto SB 715. This action resulted in Commissioner Jones being able to claim victory along with the consumer groups and the insurance industry.

SB 713 by Senator Calderon (D-Montebello) and SB 599 by Senator Kehoe (D-San Diego) were bills dealing with retained asset accounts (RAA) and the Governor signed both bills. As a result of his action, insurers will need to enhance their disclosures to consumers regarding retained asset account payment options. As amended, the bills had no opposition.

AB 793 by Assemblymember Eng (D-Monterey Park) and sponsored by Commissioner Jones was signed by the Governor after NAIFA-California and the other insurance industry groups removed their opposition thanks to amendments that were taken by the author and the sponsor. The bill will go into effect on January 1, 2012 and will enhance cross-selling restrictions for reverse mortgage lenders and insurance agents selling annuities. The intent of the bill is to only impact cross-selling/compensation agreements and not affect the availability of financial products for individuals who have ever had a reverse mortgage.

### **Group Life Insurance**

SB 220 by Senator Price (D-Inglewood) was signed by the Governor; it was supported by NAIFA-California. It will give insurers the option to offer group life coverage for dependents up to the age of 26. This will assist companies and agents responding to requests from employers purchasing this optional coverage to conform the age requirements contained in PPACA.

### **Long Term Care**

AB 999 by Assemblywoman Yamada (D-Davis) and sponsored by Commissioner Jones failed to make it to the Governor's desk due to intense opposition by ACLHIC, NAIFA-California and the other industry trade associations. The bill would have imposed an arbitrary five-year ban on increasing rates on policies that were sold prior to 2002 when California's rate stabilization law was implemented, and a ten year ban on

increasing rates for rate stabilized policies that were sold after 2002. While the battle was won in 2011, the issue will continue to be debated over the next few months and possibly years.

## **Health Insurance**

There were a number of bills dealing with health insurance, the implementation of PPACA and the building of the Exchange introduced in 2011. NAIFA-California, along with the other insurance agent trade associations, is working diligently to ensure that the role of the agent is protected in the evolving health insurance marketplace and that the current marketplace is not overly disrupted resulting in even more disarray.

The rate regulation bill, AB 52 by Assemblymember Feuer and sponsored by Commissioner Jones, as held on the Senate floor and will be revisited next year.

The commission disclosure and commission approval language was removed from AB 1083 by Assemblymember Monning (D-Santa Cruz) and the bill stalled for the year so that the Governor's office could spend a little more time working with the author and interested parties.

In addition, the agent trade associations continue to monitor the Exchange board's activity and have submitted joint comments expressing concerns about compensation, licensure and the role of the agent working with the Exchange. Commissioner Jones is also actively involved in these discussions and the hope is that in the years to come the role of the agent is maintained and ultimately well respected by all of the interested parties.

Three mandated benefits bills were signed by the Governor. AB 219 by Assemblyman Hernandez (D-Baldwin Park) and SB 222 by Senator Evans (D-Santa Rosa) will require individual and group health insurance policies to provide coverage for maternity services beginning July 1, 2012. The insurers were neutral on the bills. SB 946 by Senator Steinberg (D-Sacramento) will mandate coverage for pervasive developmental disorders and autism. The insurers were opposed to the bill.

## **Independent Contractors**

SB 459 by Senator Corbett (D-San Leandro) was signed by the Governor. The bill is an attempt to ensure that independent contractors are properly classified. As introduced, the bill would have subjected businesses, including insurers and agents, who work with independent contractors to costly and overly burdensome reporting and record-keeping requirements. The insurance industry worked together in opposition to the bill and it was amended in August to remove the notice requirements and record-keeping provisions. As amended, the industry went neutral on the bill.