



Legislative Update

June 2011

NAIFA-California's Government Relations Committee has been very busy over the past six months reviewing and lobbying legislation and regulations that would impact NAIFA-California's members. Below is a brief overview of some of the "key" legislation that we have been working on in an effort to protect insurance agents and advisors for overly burdensome laws and regulations.

Annuity Suitability Legislation

AB 689, authored by Assemblyman Blumenfield, and SB 715, by Senator Calderon, would impose new annuity suitability requirements for insurers and producers based primarily upon the NAIC's latest model language. Both bills are currently moving through the legislative process. Thanks to years of hard work by NAIFA, ACLHIC and ACLI, the associations and the DOI have been able to reach an agreement on the language and all groups are supporting both bills.

Reverse Mortgage Legislation

AB 793, by Assemblyman Eng, is a bill designed to enhance existing cross-selling restrictions for reverse mortgages by eliminating compensation to an agent who directs a senior to purchase a reverse mortgage in order to purchase an annuity. NAIFA-California was successful in negotiating with the DOI to address the concerns we had with making sure that we maintained the right of agents and advisors to recommend a reverse mortgage as part of a financial plan. NAIFA-California is neutral on the bill and it is currently pending in the Senate.

Insurance Commissioner – Restitution Authority

SB 631, by Senator Evans and sponsored by Insurance Commissioner Dave Jones, would have given broad authority to the Commissioner to order restitution for violations of the Insurance Code. Thanks to intense lobbying efforts by NAIFA-California and the other insurance industry trade associations, the author decided to make the bill a two-year bill, which means that we have a little more time to work on trying to limit the bill's application and to protect agents' due process rights.

Health Insurance

NAIFA-California, along with CAHU and IBA West, has been busy working on two bills that deal with health insurance and the ever-changing marketplace. SB 615 by Senator Calderon which would require all individuals selling health insurance and HMO products to be licensed, has garnered much opposition from the consumer groups who strongly believe SB 615 would negatively affect the soon to be built Exchange and navigators. The bill is pending in the Assembly.

The other bill that the trade associations have been working on is AB 736 by Assemblyman Calderon, which would allow health insurance agents to also be licensed health insurance brokers. The Assembly Insurance Committee heard the bill on April 13 and, despite concerns expressed by the Department of Insurance and Consumer Watch Dog, the bill passed out with only one "no" vote. The opponents mostly focused on the medical loss ratio issue and they believe that AB 736 is an attempt to get around the new requirements.

Following the hearing, we all agreed to continue discussions to see if a bill could be drafted to ensure that agents are able to collect fees for services they provide to clients that are unrelated to the transaction of the policy. However, the bill failed to pass out of the Assembly Appropriations Committee because the DOI told the committee staff that the bill would result in a loss of revenue to the General Fund. We will continue to work on this important issue and hope to introduce another bill next year.

Long Term Care

AB 999 by Assemblywoman Yamada, is a bill that would impose a 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. These bans would undoubtedly result in higher premiums and/or larger increases after five or ten years, which will mean that more individuals will need to "spend down" so that they can have their long term care costs transferred to Medi-Cal. NAIFA-California is opposed to the bill and the opponents were almost successful in stopping the bill on the Assembly floor. We are hoping to stop the bill in the Senate or get amendments that address our concerns.