



Legislative Update

April 2011

Suitability – Sale of Annuities

In addition to the proposed suitability regulations that Insurance Commissioner Dave Jones proposed last month, the Department of Insurance recently announced their sponsorship of AB 689 by Assemblyman Bob Blumenfield (D-Van Nuys) that is a legislative effort to address the sale of annuities to seniors. The good news is that the bill was very similar to the National Association of Insurance Commissioners (NAIC) suitability model that the insurance industry is comfortable with adopting in all 50 states. However, AB 689 did not contain the FINRA language that was in the model for agents and insurers who work with broker-dealers. Therefore, NAIFA-California and the insurers were opposed to the bill.

A few days before AB 689 was to be heard by the Assembly Insurance Committee, the author and Commissioner Jones agreed to amendments that will include a FINRA type provision that the insurance industry thinks is acceptable. As a result, AB 689 passed out of the Assembly Insurance Committee without any “no” votes. The next stop for the bill is the Assembly Appropriations Committee.

The other suitability bill that is pending in the Senate, SB 715 by Senator Ron Calderon (D-Montebello), will most likely be heard by the Senate Insurance Committee on April 27. NAIFA-California and the insurers are comfortable with this bill moving its way through the legislative process as well.

These developments clear a path for California to end an almost 10 year debate surrounding suitability of sales of annuity products.

Health Insurance & Federal Healthcare Reform Implementation

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 Ron Calderon (D-Montebello), 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 was scheduled to be heard on April 13 but has been put over until April 27 so that the agent groups and author can work with the opposition to see what, if anything, can be done to alleviate their concerns.

The other bill that the trade associations have been working on is AB 736 by Assemblyman Chuck Calderon (D-Montebello), 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. The next step for the bill is the Assembly Floor.

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

Other Legislative Issues

AB 793 by Assemblyman Mike Eng (D-Pasadena) is sponsored by the DOI in an attempt to prohibit insurance agents from referring seniors to reverse mortgage lenders. NAIFA-California was successful in our efforts to convince the DOI and the author to amend the bill to make sure that agents are not prohibited from providing their clients with valuable financial planning advice. Thanks to the clarifying amendments, when the bill was heard by the Assembly Insurance Committee on April 13, NAIFA-California was pleased to be neutral on the bill.