



April 9, 2015

The Honorable Rob Bonta, Chair
Assembly Health Committee
State Capitol, Room 6005
Sacramento, CA 95814

**SUBJECT: AB 1163 (RODRIQUEZ) FAIR NOTICE: AGENTS – SPONSOR SUPPORT
SET FOR HEARING: APRIL 14, 2015**

Dear Chairman Bonta:

California Association of Health Underwriters (CAHU), Independent Insurance Agents and Brokers of California (IIABCAL) National Association of Insurance and Financial Advisors (NAIFA California) have joined together to sponsor AB 1163 (Rodriquez). AB 1163 provides for reasonable notice of major changes made by a carrier to an agent agreement.

AB 1163 will require health insurers and health maintenance organizations (HMOs) to provide their appointed agents with 120 days advance notice of any material changes in their agency agreement. The bill's 120-day prior notice requirement is patterned on the current property and casualty insurance agent notice requirement. AB 1163 mandates a delay of implementation of any substantive change made to an agent contract by a health insurer or health maintenance organization (HMO) until the proper notice is given to the agent.

AB 1163 was introduced in response to recent actions by a health insurance carriers that made substantial and material changes to their agreement with licensed health insurance agents with only 48 hours of notice before the changes took effect. AB 1163 levels the playing field and provides for a fair and reasonable notice to licensed agents when their contract is substantially changed.

An agent or producer agreement is a written contract stipulating the arrangement between an insurance agency and the insurer or HMO it represents. Important details such as ownership of renewals and general duties and responsibilities of each party are usually spelled out in this agreement. Most agent agreements contain provisions that address how and when notice of changes to the agency agreement can be implemented.

However, agency agreements with health insurers and HMO's often contain a separate clause that nullifies any provision of the agreement if the HMO or insurance carrier finds it necessary, in their view, to make substantial changes to the agreement without any notice at all. Such clauses are not permitted by statute in agency agreements made with property and casualty insurers, subject to certain conditions. AB 1163 would align with the current statute in the Insurance Code to ensure major changes to agency agreements with health insurers and HMO do not occur without advance warning.

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Agents understand business necessity can sometimes drive a need for a material change. That is why special language was added to AB 1163 to ensure changes that are mutually agreed to or changes made necessary due to a change in state or federal law can occur without delay. In all other cases, under AB 1163 as introduced, a change desired by the carrier can take effect as soon as proper notice is given under the terms of the bill.

The California Association of Health Underwriters, the Independent Insurance Agents and Brokers of California and the National Association of Insurance and Financial Advisors of California represent California's licensed health insurance agents. Our licensed members provide reliable insurance advice, act as the consumer's advocate when dealing with carriers and provide a number of essential services relating to the individual and group insurance coverage and obligations post-enrollment. Our members also act as a trusted and effective marketing and distribution channel for health insurance information for all consumers and potential consumers of health care insurance coverage.

Please do not hesitate to contact us if you require further information: Juli Broyles (CAHU) at 916-441-5050; John Norwood (IIABCal) at (916) 447-5053, or Shari McHugh (NAIFA California) at (916) 930-1993.

Sincerely,



Julianne Broyles
CAHU



Shari McHugh
NAIFA-CA



John A. Norwood
IIABCal and CASEHP

cc: Office of Governor Brown
Members, Assembly Health Committee
Kelly Green, Assembly Health Committee
Peter Anderson and Bill Lewis, Assembly Republican Caucus