



June 27, 2012

TO: Members, Assembly Health Committee

FROM: California Association of Health Underwriters
Independent Brokers and Agents of the West
National Association of Insurance and Financial Advisors-California

SUBJECT: SENATE BILL 1431 (DELEON)--STOP LOSS INSURANCE: UNREASONABLE BARRIERS FOR SMALL EMPLOYER USE - OPPOSE SCHEDULED FOR HEARING: JULY 3, 2012

The California Association of Health Underwriters (CAHU), the Independent Brokers and Agents of the West (IBA West) and the National Association of Insurance and Financial Advisors of California (NAIFA California) are **OPPOSED** to **SB 1431 (De Leon)**, as proposed to be amended. Our organizations are concerned that **SB 1431** will severely restrict the ability of small employers in California to self-insure for health care coverage by unreasonably changing the limits and requirements of stop loss policies.

As proposed to be amended, **SB 1431** seeks to set minimum specific stop-loss deductible of \$60,000 that would apply per employee and per dependent claim, along with a high individual aggregate attachment point for small employers with 50 or fewer employees.

Our organizations are concerned that **SB 1431** proposes to make it nearly impossible to provide reasonably priced catastrophic stop-loss insurance for small employers--most notably by requiring the small employer to bear an unreasonable level of claims costs before stop-loss coverage applies. Self-insurance combined with stop loss coverage for excessive, unexpected claims, frequently offers the best option for small employers seeking to find any way to provide affordable health coverage for their employees.

The fact of the matter is that all employers regardless of size have the option to self insure their employee welfare benefits under federal Employment Retirement Insurance Security Act (ERISA). At the core, SB 1431 is an attempt to do an end run around ERISA and make it so expensive for small employers to self-insure that they will be forced to drop their ERISA self funded programs and to buy "regular" health insurance from a health insurance carrier. While self-funded plans are not for every small business, the policy of California should not be to say that no small business can afford to self-insure.

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In addition, **SB 1431** bars stop-loss carriers from providing direct coverage of an employee's health claims. Our organizations are concerned that **SB 1431** unreasonably halts the ability of small employers with limited resources to find at least some way to finance their employee health care coverage and mandate instead that they purchase a fully insured health insurance group policy.

SB 1431 takes away a critically important financial tool used by small employers to make prudent choices to control costs of providing health coverage. If a small employer wishes to finance their employee health coverage through self-insurance that includes purchasing actuarially appropriate stop loss policies, our organizations believe the small employer should not face unreasonable barriers to doing so.

SB 1431, if enacted with the proposed high attachment points of \$60,000, will end up raising the cost of health care coverage for both the business and their employees. The real result will be that the business will longer be able to afford to offer coverage and their employees and their families end up without any insurance whatsoever – which we believe is the worst result for all concerned.

For these reasons and more, CAHU, IBA West and NAIFA California must respectfully oppose **SB 1431 (De Leon)** and urge a “**NO**” vote when the measure comes before you for consideration.

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

cc: Office of Governor Brown
The Honorable Kevin De Leon
Teri Boughton, Assembly Health Committee
Kevin Hanley, Assembly Republican Caucus