



August 16, 2013

TO: Members, Assembly Appropriations Committee

FROM: Julianne Broyles, California Association of Health Underwriters
Shari McHugh, National Association of Insurance and Financial Advisors of California
John Norwood, Independent Insurance Agents and Brokers of California

SUBJECT: **SB 639 (HERNANDEZ)--HEALTH CARE COVERAGE --OPPOSE**

The California Association of Health Underwriters (CAHU), the National Association of Insurance and Financial Advisors of California (NAIFA California) and the Independent Insurance Agents and Brokers of California (IIABCal) are **OPPOSED** to **SB 639** (Hernandez), as amended August 6, 2013, because it eliminates choice by strictly limiting types of individual, midsize and large group health plans and products available to consumers and sets government mandated limits on plan deductibles that are not actuarially sound.

Our organizations 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.

SB 639, as amended, does a number of things, including placing new limits on deductibles on individual and small group plans. The bill also creates a new regulatory framework for all new non-standardized products of individual and small group plans.

The first concern that our organizations have regarding **SB 639** is that the proposed deductible limits for all size non-grandfathered and individual plans are unnecessary and not actuarially sound. We believe that these limits should not be placed in statute and should be left flexible to permit easy updating as federal guidelines change or to ensure the deductibles meet actuarial standards.

Second, our organizations are opposed to **SB 639**'s new regulatory framework created in Insurance Code Section 10112.295, Subsection 5(e)(1-5). We believe as proposed this framework will eliminate both choice and competition.

There are a number of concerns regarding the newly amended Insurance Code Section 10112.295, Subsection 5(e)(1-5). First, this section would create a new prior approval process for any new non-standardized product. This approval process is lengthy and places agents and brokers at a competitive disadvantage by not allowing them to roll out these products in an expeditious manner adapting to consumer need. Second, the Department of Insurance would publicly post information about these new non-standardized products for sixty days prior to their approval. This is completely unworkable because

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this is proprietary information that hasn't yet been marketed to the public. Competitors would simply just have to wait and see what the Department of Insurance posts publicly, and then duplicate those products. Third, the products would have to be posted for no less than 60 days, with no cap on the number of days this information has to be posted. The Department of Insurance's approval process can take up to 2-3 years before a product can be approved. Because of this lengthy delay, products will lose their relevancy and effectiveness. As less and less products make it into the market, insurance agents and brokers have less choice to offer consumers. If there is less choice-agents, brokers and consumers all lose.

Our three organizations are concerned **SB 639** takes away choice and competition through the bill's new proposed regulatory framework and believe Insurance Code 10112.295 Subsection 5(e)(1-5) in its entirety should be stricken from the bill.

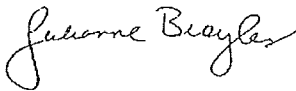
SB 639 also unreasonably interferes with the insurance marketplace by barring the sale of most any catastrophic plan outside the Covered California individual exchange. These catastrophic plans may only be used if very narrow conditions are met.

Our members are very concerned that **SB 639** will eliminate necessary incentives for innovative plans to be developed and tested in the California marketplace--plans that could save California health care consumers premium dollars in the long term. Policymakers should be concerned that **SB 639** may even damage the exchanges in California, as consumers look toward other options-- none of which would have the same protections of the individual marketplace in the state exchanges.

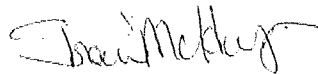
In conclusion, our organizations believe it is important, as we fast approach the state Exchange start up, to put all of our resources toward implementing the ACA in a way that ensures a smooth start and easy transition. **SB 639** goes in the opposite direction by placing additional and unnecessary requirements on insurers without any demonstrable benefit to healthcare consumers.

For these reasons and more, our organizations urge a **NO** vote on **SB 639 (Hernandez)** when it 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 or Shane LaVigne (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

cc: The Honorable Ed Hernandez
Lark Park, Office of Governor Brown
Lisa Murawski, Assembly Appropriations Committee
Anthony Archie, Assembly Republican Caucus Fiscal Office