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AB-1163 Health care service plans and health insurers: solicitors and life agents: notice of contract changes. (2015-2016)

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Assembly Bill No. 1163

CHAPTER 482

An act to add Section 1399.3 to the Health and Safety Code, and to add Section 769.56 to the Insurance Code, relating to health care coverage.

[Approved by Governor October 04, 2015. Filed with Secretary of State October 04, 2015.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1163, Rodriguez. Health care service plans and health insurers: solicitors and life agents: notice of contract changes.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance.

This bill would prohibit a material change, as defined, made to the terms and conditions of a contract between a health care service plan and a solicitor, or a health insurer and a life agent, from becoming effective until the plan or insurer has delivered to the solicitor or life agent written or electronic notice of the change or changes to the contract, within a specified time period. These provisions would not apply if the material change is agreed to by the plan or insurer and the solicitor or agent or if the change at issue is required pursuant to state or federal law.

This bill would impose a state-mandated local program by creating a new crime with respect to health care service plans.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 1399.3 is added to the Health and Safety Code, to read:

1399.3. (a) A material change made by a health care service plan, as defined in subdivision (f) of Section 1345, to the terms and conditions of a contract between the health care service plan and a solicitor shall not become effective until the health care service plan has delivered to the solicitor, at least 45 days prior to the effective date of the change, written or electronic notice indicating the change or changes to the contract. For purposes of this section, a "material change" is a change made to a provision of the contract affecting any of the following:

- (1) Commissions, bonuses, and incentives paid to the solicitor.
- (2) Right of survivorship.
- (3) Indemnification of the solicitor by the health care service plan.
- (4) Errors and omissions coverage requirements for the solicitor.

(b) Subdivision (a) shall not apply under either of the following circumstances:

- (1) The change to the contract is mutually agreed upon by the health care service plan and the solicitor.
- (2) The change to the contract is required by state or federal law.

SEC. 2. Section 769.56 is added to the Insurance Code, to read:

769.56. (a) A material change made by a health insurer, as defined in subdivision (b) of Section 106, to the terms and conditions of a contract between the health insurer and a life agent shall not become effective until the health insurer has delivered to the life agent, at least 45 days prior to the effective date of the change, written or electronic notice indicating the change or changes to the contract. For purposes of this section, a "material change" is a change made to a provision of the contract affecting any of the following:

- (1) Commissions, bonuses, and incentives paid to the life agent.
- (2) Right of survivorship.
- (3) Indemnification of the life agent by the health insurer.
- (4) Errors and omissions coverage requirements for the life agent.

(b) Subdivision (a) shall not apply under either of the following circumstances:

- (1) The change to the contract is mutually agreed upon by the health insurer and the life agent.
- (2) The change to the contract is required by state or federal law.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.