

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 12, 2011
POSITION: Neutral, note concerns

BILL NUMBER: SB 590
AUTHOR: R. Calderon
RELATED BILLS: SB 397 (2009-10), SB 739 (2007-08)

BILL SUMMARY: Life Insurance

This bill would exempt, from the 24-hour prior notice requirement, the sale of certain life insurance policies for funeral and burial expenses that are marketed to seniors in their own homes, if specified conditions are met. This bill would require, within 14 days of the purchase of a policy under this exemption, written notice of the purchase and cancellation rights, as provided.

FISCAL SUMMARY

The California Department of Insurance (CDI) indicates this bill would have no fiscal impact on its department. To the extent that this bill results in more seniors falling victim to fraud, there could be increased costs to state public assistance programs.

COMMENTS

The Department of Finance is neutral on this bill, but notes concern that the bill is unnecessary. Although this bill requires written notice of cancellation rights, as provided, there is no urgent need that justifies exemption of the 24-hour prior notice requirement.

Existing law requires:

- A person who meets with a senior in the senior's home for the purpose of selling, offering for sale, or generating leads for sale of life insurance, including annuities, must deliver a written notice to the senior at least 24 hours prior to their initial meeting.
The notice must contain certain information, including the senior's right to have other persons present at the meeting, the right to end the meeting at any time, and the names of the persons who will be attending the meeting.
Every individual life insurance policy with a face value of less than \$10,000 must have a notice stating that the policy may be returned for cancellation within a specified time period of not less than 10 days or more than 30 days.

This bill would:

- Exempt, from the 24-hour prior notice requirement to seniors, the sale of life insurance policies designated by the purchaser as payment for funeral and burial expenses when the policy has an initial face value of \$15,000 or less and specified conditions are met.
Require written notice of a 60-day right of cancellation within 14 days of the purchase of a life insurance policy designated by the purchaser as payment for funeral and burial expenses with a face value of less than \$15,000, as specified.

(Continued)

Analyst/Principal (0221) J. Fitzpatrick Date Program Budget Manager Lisa Mangat Date

Department Deputy Director Date

Governor's Office: By: Date: Position Approved Position Disapproved

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**AUTHOR**

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**COMMENTS (Cont'd)**

- Require that on and after January 1, 2012, every individual life insurance policy with an initial face value of \$15,000 or less shall include a notice that the policy may be canceled within specified time frames.

A similar bill, SB 397 (Calderon) of the 2009-10 Legislative Session, and a similar bill, SB 739 (Calderon) of the 2007-08 Legislative Session, were vetoed by Governor Schwarzenegger, who stated that while the measure provided additional notice requirements to attempt to protect against fraud, there was not a compelling need to deviate from the current 24-hour notice requirement. Governor Schwarzenegger also noted that asking an agent to wait one day before meeting with a senior in his or her home is a minor request in order to protect seniors against fraud.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code	
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
0845/Insurance	SO	No		-----	No/Minor	Fiscal Impact	-----		0217
<u>Fund Code</u>	<u>Title</u>								
0217	Insurance Fund								