AMENDED IN ASSEMBLY JUNE 21, 2006

AMENDED IN SENATE MAY 2, 2006

AMENDED IN SENATE APRIL 17, 2006

SENATE BILL No. 1591

Introduced by Senator Kuehl

February 24, 2006

An act to ~~add Section 10113.10 to~~ *amend Section 10270.95 of* the Insurance Code, relating to ~~health care coverage~~ *group disability insurance*.

LEGISLATIVE COUNSEL'S DIGEST

SB 1591, as amended, Kuehl. ~~Administrative costs.~~ *Group disability insurance: economic benefit.*

Existing law requires the Insurance Commissioner to approve all disability insurance policies but exempts group disability policies from approval in certain instances, including if the policy benefits are not sufficient to be of real economic value to the insured.

This bill would remove that specific exemption, thereby prohibiting the commissioner from approving group disability insurance plans with benefits of no real economic value to the insured.

~~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. Existing law also provides for the regulation of health insurers by the Department of Insurance. Under existing law, a health care service plan is prohibited from expending for administrative costs, as defined, an excessive amount of the payments it receives for providing health care services to its subscribers and enrollees.~~

~~This bill would enact a similar provision relative to excessive administrative costs applicable to health insurers that would become operative July 1, 2008, and would require the Department of Insurance to adopt regulations in that regard. The bill would define "administrative costs" for these purposes.~~

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 10270.95 of the Insurance Code is amended to read:

10270.95. Without affecting the applicability or degree of applicability of other sections of this chapter, ~~it is hereby specified that~~ the provisions of Sections 10321, 10325, 10401, of subdivisions (a), (c), (e), (h) and (i) of Section 10320, of subdivision (a) of Section 10290, of paragraphs (2), (3), (4), (5), (6), ~~(7),~~ (8), (9), (10), (11) and (12) of subdivision (b) and subdivisions (e), (f), (g), (h), (i), and (k) of Section 10291.5, and of Section 10291.6, shall not apply to group disability insurance. The provisions of Section 10401 shall not apply to family expense disability insurance~~;~~, provided~~,~~ there is no discrimination between families of the same class.

~~SECTION 1. Section 10113.10 is added to the Insurance Code, to read:~~

~~10113.10. (a) No health insurer shall expend for administrative costs in any fiscal year an excessive amount of the aggregate dues, fees, and other periodic payments received by the insurer for providing health care services to its insureds. The term "administrative costs," as used in this section, includes all costs identified in Section 1300.78 of Title 28 of the California Code of Regulations as that section read on January 1, 2006.~~

~~(b) This section shall not preclude an insurer from expending additional sums of money for administrative costs if the money is not derived from revenue obtained from its insureds.~~

~~(c) The department shall adopt regulations to implement this section pursuant to Chapter 3.5 (commencing with Section 11340) of Division 3 of Title 2 of the Government Code. The department shall submit the regulations to the Office of Administrative Law no later than January 1, 2008.~~

~~(d) Subdivisions (a) and (b) shall become operative on July 1, 2008.~~

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