

AMENDED IN ASSEMBLY MAY 12, 2015

AMENDED IN ASSEMBLY APRIL 21, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1163

Introduced by Assembly Member Rodriguez

February 27, 2015

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.

LEGISLATIVE COUNSEL'S DIGEST

AB 1163, as amended, Rodriguez. Health care services plan and health insurers: agents and brokers: 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 made by a health care service plan or a health insurer to the terms and conditions of a contract between the plan~~ *change, as defined, made to the terms and conditions of a contract between a health care services plan or health insurer* and an agent or broker, from becoming effective until the plan or insurer has delivered to the agent or broker, 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 agent or broker, or if the change at issue is required pursuant to state or federal law.

This bill would exempt violations of the provisions relating to health care service plans from the from criminal offense and other disciplinary provisions of the Knox-Keene Health Care Service Plan Act of 1975.

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

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

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

3 1399.3. (a) A material change made by a health care service
4 plan, as defined in subdivision (f) of Section 1345, to the terms
5 and conditions of a contract between the health care service plan
6 and an agent or broker shall not become effective until the health
7 care service plan has delivered to the agent or broker, at least 60
8 days prior to the effective date of the change, written or electronic
9 notice indicating the change or changes to the contract. For
10 purposes of this section, a “material change” is a change ~~that causes~~
11 ~~the contract not to reflect the terms the parties originally intended~~
12 ~~to be the basis for their mutual contractual obligations.~~ *made to a*
13 *provision of the contract affecting any of the following:*

14 (1) *Commissions, bonuses, and incentives paid to the agent or*
15 *broker.*

16 (2) *Right of survivorship.*

17 (3) *Indemnification of the agent or broker by the health care*
18 *service plan.*

19 (4) *Errors and omissions coverage requirements for the agent*
20 *or broker.*

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

23 (1) The change to the contract is mutually agreed upon by the
24 health care service plan and the agent or broker.

25 (2) The change to the contract is required by state or federal
26 law.

27 (c) This section is not subject to Article 7 (commencing with
28 Section 1386) or Article 8 (commencing with Section 1390).

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

30 769.56. (a) A material change made by a health insurer, as
31 defined in subdivision (b) of Section 106, to the terms and
32 conditions of a contract between the health insurer and an agent

1 or broker shall not become effective until the health insurer has
2 delivered to the agent or broker, at least 60 days prior to the
3 effective date of the change, written or electronic notice indicating
4 the change or changes to the contract. For purposes of this section,
5 a “material change” is a change ~~that causes the contract not to~~
6 ~~reflect the terms the parties originally intended to be the basis for~~
7 ~~their mutual contractual obligations.~~ *made to a provision of the*
8 *contract affecting any of the following:*

9 (1) *Commissions, bonuses, and incentives paid to the agent or*
10 *broker.*

11 (2) *Right of survivorship.*

12 (3) *Indemnification of the agent or broker by the health insurer.*

13 (4) *Errors and omissions coverage requirements for the agent*
14 *or broker.*

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

17 (1) The change to the contract is mutually agreed upon by the
18 health insurer and the agent or broker.

19 (2) The change to the contract is required by state or federal
20 law.