

AMENDED IN SENATE JULY 14, 2015

AMENDED IN ASSEMBLY MAY 12, 2015

AMENDED IN ASSEMBLY APRIL 21, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1163**

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**Introduced by Assembly Member Rodriguez**

February 27, 2015

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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~~ *service plans* and health insurers: *solicitors*, 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, as defined, made to the terms and conditions of a contract between a health care ~~services~~ *service plan and a solicitor*, or a health insurer and an agent or broker, from becoming effective until the plan or insurer has delivered to the ~~agent~~ *solicitor, 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~~ *solicitor, 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.~~

*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: ~~no~~-yes. State-mandated local program: ~~no~~-yes.

*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~~ *a solicitor* shall not become effective until  
7 the health care service plan has delivered to the ~~agent or broker,~~  
8 *solicitor*, at least ~~60~~ 45 days prior to the effective date of the  
9 change, written or electronic notice indicating the change or  
10 changes to the contract. For purposes of this section, a “material  
11 change” is a change made to a provision of the contract affecting  
12 any of the following:

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

15 (2) Right of survivorship.

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

18 (4) Errors and omissions *in* coverage requirements for the ~~agent~~  
19 ~~or broker.~~ *solicitor*.

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

1 (1) The change to the contract is mutually agreed upon by the  
2 health care service plan and the ~~agent or broker~~ *solicitor*.

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

5 ~~(e) This section is not subject to Article 7 (commencing with  
6 Section 1386) or Article 8 (commencing with Section 1390).~~

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

8 769.56. (a) A material change made by a health insurer, as  
9 defined in subdivision (b) of Section 106, to the terms and  
10 conditions of a contract between the health insurer and an agent  
11 or broker shall not become effective until the health insurer has  
12 delivered to the agent or broker, at least ~~60~~ 45 days prior to the  
13 effective date of the change, written or electronic notice indicating  
14 the change or changes to the contract. For purposes of this section,  
15 a “material change” is a change made to a provision of the contract  
16 affecting any of the following:

17 (1) Commissions, bonuses, and incentives paid to the agent or  
18 broker.

19 (2) Right of survivorship.

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

21 (4) Errors and omissions coverage requirements for the agent  
22 or broker.

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

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

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

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