Consumer Advocacy Organizations Question Insurance Commissioner Role in Anti-Consumer Legislation

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The CA Dept. of Insurance is sponsoring a bill heavily influenced by life and annuity insurers that undermines what Biden's Department of Labor has proposed to keep consumers away from unsuitable products

Bill being rushed months before deadline harms consumers; no meaningful negotiations despite bill's previously being held up to allow consumer voices to be heard; consumer groups oppose the measure

SACRAMENTO, Calif., Jan. 17, 2024 /PRNewswire/ — Consumer organizations are publicly asking why California Insurance Commissioner Ricardo Lara's Department of Insurance (CDI) is hurriedly attempting to get an anti-consumer bill passed. The bill in question would undermine a Biden Administration proposed federal rule that would enhance consumer protections by creating a so-called "fiduciary" standard where consumer interests are put in front of profits and huge commissions for complex investment products. The Biden Administration wants such a rule to govern retirement investment products, while CDI's sponsored bill, largely written by insurers, would keep consumers uninformed and vulnerable to being victimized by bad insurance sales practices.

Senator Bill Dodd's (D – Napa) Senate Bill 263, sponsored by CDI, was held by the Assembly Appropriations Committee due to significant concerns raised by consumer organizations such as the Consumer Federation of California (CFC), Life Insurance Consumer Advocacy Center (LICAC), the Consumer Federation of America (CFA) and United Policyholders (UP). The current version of the bill would weaken current California law that protects consumers; it purports to implement the National

Association of Insurance Commissioners' (NAIC) model law on annuity sales. However, the bill in print is weaker than the NAIC model law, which was already laughably weak since it was written by life and annuity insurance companies.

Last fall President Biden's Department of Labor (DOL), headed by former California official and Newsom appointee Julie Su, proposed a strong rule protecting consumers and investors by requiring a fiduciary standard where a consumer's interests and needs are put first. Because the DOL's jurisdiction is limited to retirement products, the new rule does not apply to life insurance products that are not bought in a retirement plan or IRA. Most other life insurance sales are regulated by state law, but California consumers are being left unprotected because SB 263 rejects the fiduciary standard favored by the Biden Administration in favor of a phony best interest standard that misleads consumers by telling them they are protected when they are not.

"This situation stinks to high heaven, because it feels like the fix is in between the California insurance regulator, the life and annuity insurance industry he's supposed to be regulating, and Senator Dodd," said Robert Herrell, Executive Director of the Consumer Federation of California. "This bill started out as something that helps consumers, but now it is a Frankenstein monster largely written by the insurance industry. The bill not only harms consumers but directly undermines a great proposal made by the Biden Administration. Now the industry and their regulator want to quickly rush this through before consumers know what hits them. That's wrong, and it is why leading consumer groups oppose this bad bill."

"There are so many better options to choose from than letting industry pick how it should be regulated," said LICAC Executive Director Brian Brosnahan. "Look at what New York has done to protect consumers, or the Biden Administration's proposed DOL rule covering retirement products under their jurisdiction, or the Securities and Exchange Commission's Regulation BI, which stands for "best interest. All are far better than SB 263. But instead, this weak bill puts the interests of the insurance industry first and the interests of consumers last."

Many consumers have lost up to hundreds of thousands of dollars by being steered into complex life insurance and annuity products ill-suited for them. CDI, by its own admission and data, has 5,000 complaints about life insurance products over the past few years and another 800+ complaints about annuity products. That should be enough to cause strong rules that protect consumers to be written.

When SB 263 was held last summer by the Assembly Appropriations Committee, the assumption of consumer groups was that meaningful negotiations would occur between CDI and consumer organizations and the author to improve the bill over the fall. This never happened.

The consumer groups, led by CFC and LICAC, want the bill to remain at the Assembly Appropriations Committee and for meaningful negotiations with consumer groups to immediately commence. The bill wouldn't take effect until January 1, 2025.

About the Consumer Federation of California: The Consumer Federation of California is a nonprofit advocacy organization that, since 1960, has been a powerful voice for consumer rights. CFC campaigns for laws and regulations that place consumer protection ahead of corporate profit.

About the Life Insurance Consumer Advocacy Center: The Life Insurance Consumer Advocacy Center is a nonprofit social service organization that advocates for consumers of life insurance and works for passage of laws and regulations that protect life insurance consumers.

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