



AB 1521 (Jones): Protecting Consumers Who Purchase Health Coverage through an Insurance Broker/Agent

Over two million Californians purchase health coverage on their own in the private individual insurance market.¹ Many purchase coverage through one of the more than 27,000 insurance brokers or sales agents in the state.²

When individuals or families purchase coverage through a broker/agent, the broker/agent receives a commission, usually based on a percent of the premium on the plan sold. Many Californians rely on brokers/agents to help them navigate the complicated individual health insurance market. Unfortunately, under the law, the first duty of the broker is to the insurer, not the consumer.

Assemblymember Jones (D-Sacramento) is carrying AB 1521 which would provide basic protection for consumers purchasing health insurance through a broker/agent. Specifically, AB 1521 (Jones) would make the following changes:

- **Prohibit variation in broker/agent compensation based on health status or other factors.** Unlike in California's small group insurance market, existing law permits brokers/agents in the individual insurance market to be paid more for signing up healthier people or people in certain occupations. AB 1521 (Jones) would prohibit such variation in compensation, which would prevent brokers/agents from "cherry picking" only the healthiest, most profitable consumers.
- **Prohibit additional broker/agent compensation during renewal.** In the auto insurance market, customers are generally given discounts for remaining loyal to an insurer year after year. But health insurance is different because both insurers and brokers/agents have a financial incentive to move customers into new insurance products. When an individual wants to buy a different product even with the same insurer, the insurer has another opportunity to do medical underwriting, denying coverage to those individuals that have new conditions and charging others more. The law permits the agent to be paid more for switching a consumer to a new plan with the same insurance company. AB 1521 (Jones) would extend a provision of existing law³ by requiring that the broker/agent compensation is not different for renewal of a product or purchase of a different product with the same insurer. This would remove any incentive a broker/agent has to switch a consumer to a new product just to get a bump in their compensation.⁴
- **Provide notice to consumers that switching insurance plans could result in denial.** California law guarantees that consumers can renew the same insurance product with the same insurer but if the consumer wants to change insurers or change products, there is no requirement that the insurer sell that product to the consumer. If the consumer tries to change products or insurers, an insurer can deny the consumer coverage altogether or charge them more based on their health status. AB 1521 (Jones) would protect consumers by requiring brokers/agents to provide notice to consumers of the possible outcomes, including denial, from switching health care plans. This will protect consumers from losing their existing coverage (which is guaranteed renewability under existing law) if they explore switching insurers.

¹ 2007 California Health Interview Survey, accessed through askCHIS.

² Bureau of Labor Statistics, "Occupational Employment and Wages, May 2008: 41-3021 Insurance Sales Agents," available at <http://www.bls.gov/oes/current/oes413021.htm#st>.

³ S.1389.5 of the Health and Safety Code

⁴ It should be noted that federal Medicare program recently adopted similar rules for the sale of Medicare Advantage plans by brokers/agents.