



May 2, 2012

TO: The Honorable Christine Kehoe,  
The Honorable Mimi Walters, Vice Chair  
Members, Senate Appropriations Committee

FROM: California Association of Health Underwriters  
Independent Brokers and Agents of the West  
National Association of Insurance and Financial Advisors-California

**SUBJECT: SENATE BILL 1431 (DELEON)--SMALL EMPLOYER: HEALTH  
COVERAGE-ELIMINATION OF COST CONTROL TOOL - OPPOSE  
SENATE APPROPRIATIONS COMMITTEE**

The California Association of Health Underwriters (CAHU), Independent Brokers and Agents of the West (IBA West) and the National Association of Insurance and Financial Advisors-California (NAIFA-CA) are **OPPOSED** to **SB 1431 (De Leon)**, as amended April 9, 2012, that severely restricts ability of small employers in California to self-insure for health care coverage by unreasonably changing limits and requirements of stop loss policies.

As written, **SB 1431** proposes to make it nearly impossible to provide reasonably priced stop-loss insurance for small employers--most notably by requiring the small employer to bear an unreasonable level of claims costs before stop-loss coverage applies. Self-insurance combined with stop loss coverage for excessive, unexpected claims, frequently offers the best option for small employers seeking to find any way to provide affordable health coverage for their employees.

Our organizations are concerned that **SB 1431** forces small employers to take on significantly increased risk that is not actuarially supported. For a small employer to take on \$95,000 of risk per person will have no other result than to force small employers to purchase fully insured plans. The unfortunate consequence will be that small employers will be forced to either pay higher costs or drop coverage all together.

In addition, **SB 1431** bars stop-loss carriers from providing direct coverage of an employee's health claims. Our organizations are concerned that **SB 1431** unreasonably halts the ability of small employers with limited resources to find at least some way to finance their employee health care coverage and mandate instead that they purchase a fully insured health insurance group policy.

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Our organizations believe **SB 1431** takes away a critically important financial tool used by small employers to make prudent choices to control costs of providing health coverage. If a small employer wishes to finance their employee health coverage through self-insurance that includes purchasing actuarially appropriate stop loss policies, our three organizations believes they should be allowed to do so.

For these reasons and more, CAHU, IBA West and NAIFA California must respectfully oppose **SB 1431 (De Leon)** and urge a “**NO**” vote when the measure comes before you for consideration.

Please do not hesitate to contact us if you require further information: Juli Broyles (CAHU) at 916-441-5050; John Norwood (IBA West) at (916) 447-5053, or Shari McHugh (NAIFA California) at (916) 930-1993.

cc: Office of Governor Brown  
Brendan McCarthy, Committee Consultant  
Tim Conaghan, Senate Republican Caucus