

Benefit Fact Sheet

Objective

Passed in 1992, California Assembly Bill (AB) 1672 makes medical insurance more accessible to small employers through guaranteed issue and renewability provisions, regulating pre-existing conditions limitations, underwriting protections, and disclosure requirements. Before AB 1672, an insurance carrier would examine an employer's health history and could either increase the premiums significantly or decline the entire group.

Why offer it?

California state law requires insurance carriers to offer health insurance coverage to small employer groups regardless of health status, claims experience, industry, occupation, age of employees, or geographic location. Penalties and fines apply for non-compliance.

Who offers it?

Employers with 2 to 50 employees during 50% of the business days during the preceding calendar quarter.

What are the key provisions of the law?

- All employers covered under the law must be offered insurance coverage if reasonable participation and contribution requirements are met. Policies are guaranteed renewable, except for non-payment of premium or fraud.
- Premium rates may be increased only once every six months.
- Insurers develop standard premium rates that can only consider three factors: employee age, family size, and geographic location. These rates are submitted and filed with the [California Department of Corporations](#).
- Rates may be adjusted annually up or down +/- 10% from the filed premium rates based on an employer's industry, geographic location, occupation, or claims experience. This is called the Risk Adjustment Factor (RAF).
- The maximum pre-existing condition waiting period is six months. If the covered participant had prior insurance coverage and the gap between coverage was fewer than 180 days for group plans and 30 days for individual plans, the pre-existing condition waiting period is waived, assuming the person met the pre-existing condition waiting period under the prior plan. This provision applies to all insured plans, regardless of the number of employees. HIPAA pre-existing condition limitation rules have since taken precedence.

Informational Link(s)

- [Disability Benefits 101](#) (World Institute on Disability)
- [Rules Governing California's Small Group Health Insurance Market](#) (California HealthCare Foundation)

This Fact Sheet is designed to provide a general overview of the benefit program, service, or regulatory act it describes. The information included in this document is not a substitute for legal or professional opinion relative to a plan sponsor's particular fact pattern. Your ArlenGroup consultant can answer more specific questions relative to its application for your organization. A menu of additional topics is available online at: www.arlengroup.com/facts.