

HOUSE RESEARCH

Bill Summary

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Overview

This bill involves the Minnesota Life and Health Insurance Guaranty Association. That association is established by state law to provide protection to persons covered by life or health insurance issued by an insurer that becomes insolvent. State law requires all insurers to be members and to pay the association's assessments needed to cover claims. Insurers may use the assessments as an offset against state tax liability.

Section

- 1 **Scope.** Amends the scope of coverage to conform to coverage of structured settlement annuities. Changes language regarding coverage of lottery annuities.
- 2 **Limitation of coverage.** Changes language in a list of insurance products, or portions of such products, that are not covered by the guaranty association. Also adds three new items to the list of claims not covered. This is a substantive section of the bill.
- 3 **Limitation of benefits.** Clarifies language and corrects a cross-reference.
- 4 **Limited liability.** Adds examples of extra-contractual claims, for which the association does not provide coverage.
- 5 **Application.** Corrects a cross-reference.
- 6 **Moody's corporate bond yield average.** Defines this term, which is used in section 3.
- 7 **Person.** Adds governmental entities to this definition.
- 8 **Premiums.** Clarifies the definition of premiums, for purposes of assessments against member insurers.
- 9 **Resident.** Provides protection to U.S. citizens who are nonresidents of the U.S. who have no guaranty association coverage elsewhere if the insolvent company was a Minnesota domestic company.
- 10 **State.** Adds a definition of this term.

- 11 **Structured settlement annuity.** Defines this term.
- 12 **Supplemental contract.** Requires that supplemental contracts be in writing if they are to be covered.
- 13 **Unallocated annuity contracts.** Includes funding agreements in the definition of unallocated annuity contracts.
- 14 **Committees and meetings.** Eliminates unanimity requirement for formation of executive committee and other committees by the association's board.
- 15 **Insolvent insurer.** Extends the following section to annuities.
- 16 **Payments; alternative policies.** Extends certain association obligations to annuities. Requires payment or crediting of minimum guaranteed interest rates.
- 17 **Board discretion.** Gives the association board discretion on the means by which to provide required benefits.
- 18 **Benefits provided under a plan.** Provides that if the association has provided required benefits under a plan or arrangement, a claimant has no right to receive more from the association.
- 19 **Coverage of policies with indexed interest or similar provisions.** Allows the association to issue substitute coverage for a policy or contract that credits interest based on an index or other external factor.
- 20 **Deposits in this state for insolvent or impaired insurer.** Requires the commissioner to pay to the association any deposit provided by the insolvent non-domestic insurer, if the deposit is not turned over to the domiciliary liquidator. Permits the association to keep a pro rata portion of it and remit the rest to the domiciliary liquidator.
- 21 **Standing in court.** Clarifies the association's right to appear in court or before other tribunals to defend its interests.
- 22 **Assignment; subrogation rights.** Clarifies the association's rights of subrogation to recover payments made. Includes a new provision regarding structured settlement annuities. Provides that the association's obligations are reduced to the extent subrogation rights are ineffective.
- 23 **Permissive powers.** Clarifies the powers of the association.
- 24 **Association election to succeed to rights of insolvent or impaired insurer under indemnity reinsurance contracts.** Permits the association to elect to benefit from the insolvent insurer's reinsurance contract, in which it ceded risk, under certain circumstances. Specifies the details of this situation.
- 25 **Venue; appeal bond.** Provides that venue for litigation against the association must be in Ramsey County. Exempts the association from appeal bonds.
- 26 **Abatement or deferral.** Requires a repayment plan for assessments against a member insurer that are abated due to financial hardship.
- 27 **Maximum assessment.** Combines the health account with the life and annuity account for purposes of the two-percent-of-premiums limit on the annual assessment of insurers. Changes the ability of the association to assess across subaccounts of the life and annuity account.
- 28 **Procedures for protests regarding assessments.** Provides appeal rights for insurers to protest assessments to the association.
- 29 **Member insurers' duty to provide information to association.** Requires insurers to provide information required by the commissioner.
- 30 **Duties and powers of the commissioner.** Makes a change to conform to section 28. Permits 60 days for insurers to appeal a decision made by the association.
- 31 **Prevention of insolvencies.** Eliminates authority for the association to require the

commissioner to do a financial examination of a member insurer that the association believes may be financially impaired or insolvent.

32 **Records.** Narrows the association's record-keeping requirement.

33 **Association as creditor.** Strengthens the association's rights as a creditor of an insurer.

34 **Association access to insolvent insurer.** Provides the association with a right as a creditor to receive assets from the estate of an insolvent insurer as assets are available. Permits the association to make a proposal to the receivership court if the liquidator has not sought such a distribution.

35 **Examination of the association; annual report.** Requires the association to provide a copy of its annual report to a member insurer upon request.