

BILL SUMMARY

***SB 2863 BY *STEWART. (HB 3002 BY *MCDANIEL.)**

Insurance, Health, Accident - As enacted, implements and describes certain coverage limitations and benefits provided by the life and health insurance guaranty association. - Amends TCA Title 56, Chapter 12.

Fiscal Summary

Increase State Expenditures - Not Significant

Bill Summary

The Tennessee life and health insurance guaranty association was created to protect, subject to certain limitations, owners of or certificate holders under direct, nongroup life, health, annuity and supplemental policies or contracts, and the beneficiaries, assignees or payees of such persons, against failure in the performance of contractual obligations, under such policies and contracts, because of the impairment or insolvency of the insurer that issued the policies or contracts.

This bill makes numerous technical changes and clarifications concerning the authority and responsibility of the association. The following are significant changes and clarifications that this bill will make:

- (1) The limit on the association's liability for health insurance benefits will be increased from \$100,000 to \$300,000. The increase will apply to policies or contracts issued by a member insurer that becomes insolvent after January 1, 2011.
- (2) The association's liability to any one owner of multiple non-group life insurance policies will not exceed \$5,000,000.
- (3) Beginning January 1, 2011, the association will be required to maintain accounts for life insurance, annuities, and health insurance;
- (4) The terms "extra-contractual claims", "health insurance benefits,"

"owner," "principal place of business," "structured settlement annuity," and "state" are defined for purposes of the "Tennessee Life and Health Insurance Guaranty Association Act."

(5) This bill clarifies that persons who are eligible for coverage by the guarantee association of another state will not be provided coverage by the Tennessee association.

(6) This bill specifies that payees and beneficiaries of structured settlement annuities are eligible for coverage from the association if the payee is a Tennessee resident or the payee is a nonresident and either the contract owner of the annuity is a Tennessee resident or the issuer is domiciled in Tennessee, the state where the owner resides has an association and neither the owner, the beneficiary or the payee is eligible for coverage in the owner's state of residence.

(7) This bill specifies that, in addition to the agreements for which the association does not provide coverage under present law, the association does not provide coverage for portions of policies to the extent that the association's assessments with respect to the policy are preempted, an obligation that does not arise under the express terms of the policy, certain equity-indexed and interest indexed policies, and policies providing benefits under Medicare parts C and D.

(8) This bill specifies that the association has standing to intervene in administrative and legal proceedings involving an impaired or insolvent insurer concerning which the association is or may become obligated.

(9) With respect to covered policies for which the association becomes obligated after an entry of an order of liquidation, this bill authorizes the association to elect to succeed to the rights of the insolvent insurer under any contract of reinsurance to which the insolvent insurer was a party, to the extent that such contract provides coverage for losses occurring after the date of the order of liquidation or rehabilitation.

ON MARCH 1, 2010, THE SENATE ADOPTED AMENDMENT #1 AND PASSED SENATE BILL 2863, AS AMENDED.

AMENDMENT #1 replaces the increase in the limit on health insurance benefits that the association may be obligated to cover from \$100,000 to \$300,000, for policies or contracts issued by a member insurer that becomes insolvent on or after January 1, 2011. Under this amendment, for policies or contracts issued by a member insurer that becomes insolvent after January 1,

2010, the limits for health insurance benefits will be as follows:

- (1) \$100,000 for coverage that is not defined as disability insurance or basic hospital, medical and surgical insurance or major medical insurance or long term care insurance including any net cash surrender and net cash withdrawal values;
- (2) \$300,000 for disability insurance and three hundred thousand for long term care insurance; and
- (3) \$500,000 for basic hospital, medical and surgical insurance or major medical insurance.

ON MARCH 22, 2010, THE HOUSE SUBSTITUTED SENATE BILL 2863 FOR HOUSE BILL 3002, ADOPTED AMENDMENT #1, AND PASSED SENATE BILL 2863, AS AMENDED.

AMENDMENT #1 corrects typographical errors.