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 DIGEST
 

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Long

SB No. 169

Proposed law provides relative to coverage by the Louisiana Life and Health Insurance Guaranty Association (LLHIGA), as follows:

- (1) Present law does not address structured settlement annuities.

Proposed law defines a "structured settlement annuity" as an annuity purchased in order to fund periodic payments for a plaintiff or other claimant in payment for or with respect to personal injury suffered by the plaintiff or other claimant. Adds such structured settlement annuities as a type of insurance protected by LLHIGA. Adds requirements, including certain residency rules, for payees, beneficiaries, and contract owners of structured settlement annuities to receive the benefit of LLHIGA protection. Further provides for the coordination of benefits between LLHIGA and similar associations in other states.

- (2) Present law covers supplemental contracts to covered non-group life, health, and annuity policies or contracts.

Proposed law adds supplemental contracts for covered certificates under direct group policies and contracts.

- (3) Present law provides for the exclusion of certain interest payments from coverage by LLHIGA.

Proposed law makes a number of technical changes to the language of the exclusion and adds language regarding interest or crediting rates determined by reference to an external index. Also adds a provision addressing the crediting of interest payments that have accrued but not been credited as of the day of impairment or insolvency and provides for their non-forfeiture.

- (4) Present law provides for \$100,000 in coverage for the net cash surrender and net cash withdrawal values of annuities.

Proposed law raises the limit for the net cash surrender and net cash withdrawal values of annuities to \$250,000.

- (5) Proposed law defines "impaired insurer" as a member insurer which, after September 30, 1991, is not an insolvent insurer, and is placed under an order of rehabilitation or conservation by a court of competent jurisdiction. Further defines "receivership court" as the court in the insolvent or impaired insurer's state having jurisdiction over the conservation, rehabilitation or liquidation of the insurer. Also makes technical changes to the definition of "resident" and adds provisions regarding the treatment of U.S. citizens who reside in foreign countries or in U.S. territories without guaranty funds.

- (6) Present law provides for certain assistance to impaired domestic insurers, foreign, and alien insurers.

Proposed law removes the distinctions between domestic and foreign and alien for LLHIGA purposes. Additionally deletes provisions for assistance to impaired insurers that involves assuming obligations of a delinquent insurer not yet found insolvent. Further makes technical changes to the provisions governing the assumption of obligations of an insolvent insurer.

- (7) Proposed law adds provisions that permit LLHIGA to offer substitute policies that pay interest subject to certain limitations.
- (8) Present law authorizes LLHIGA to take certain actions if a member insurer becomes insolvent, including providing such monies, pledges, guarantees, or other means as are reasonably necessary to discharge the association's duties.

Proposed law additionally authorizes LLHIGA to provide such notes and loans as are reasonably necessary to discharge its duties with respect to an insolvent member insurer.

Effective August 1, 2014.

(Amends R.S. 22:2083(A)(2)(intro para), (B)(1) and (2)(c) and (h)(intro para) and (v), and (C)(2)(c), 2084(6) and (12), and 2087(A), (B), and (C), the heading of R.S. 22:2098 and 2098(D); adds R.S. 22:2083(A)(3), (4), and (5) and (B)(2)(j), 2084 (11.1) and (12.1), and 2087(Q); repeals R.S. 22:2087(D) and (E))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Insurance to the original bill

- 1. Defines "impaired insurer" as a member insurer which, after September 30, 1991, is not an insolvent insurer, and is placed under an order of rehabilitation or conservation by a court of competent jurisdiction.
- 2. Defines "receivership court" as the court in the insolvent or impaired insurer's state having jurisdiction over the conservation, rehabilitation or liquidation of the insurer.
- 3. Removes all provisions that permit LLHIGA to succeed to certain reinsurance contracts that cover assumed policies of an insolvent insurer effective as of the date of the order of liquidation.
- 4. Makes technical changes.

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Insurance to the reengrossed bill.

- 1. Further clarifies requirements for contract owners of structured settlement annuities to receive the benefit of LLHIGA protection.
- 2. Further clarifies exclusion of certain interest payments from coverage by LLHIGA, specifically modifying language regarding interest or crediting rates determined by reference to an external index.
- 3. Makes additional changes to the definition of "resident" for purposes of present law and proposed law relative to LLHIGA.
- 4. Authorizes LLHIGA to provide such notes and loans as are reasonably necessary to discharge its duties with respect to an insolvent member insurer.
- 5. Makes technical changes.