

## PROJECT HISTORY-2017

### LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION MODEL ACT (#520)

#### 1. Description of the Project Issues Addressed, etc.

On December 13, 2016 Executive (EX) Committee and Plenary adopted two new charges for the Receivership Model Law (E) Working Group of the Receivership and Insolvency (E) Task Force:

The charges were adopted in response to issues arising out of the Penn Treaty Network of America Company insolvency and other potential insolvencies involving LTC insurance.

On December 15, 2016 the Working Group requested comments regarding the new charges. Eleven comments were received by the February 7, 2017, deadline. The primary concerns raised by the comments in guaranty association assessments on LTC insurance insolvencies and association coverage of LTC insurance. Specific issues that were identified included:

- x The need to expand the assessment base.
- x Whether to include health maintenance organizations (HMOs) as guaranty association members.
- x Guaranty associations ability to modify LTC insurance benefits and provide alternative policies.
- x Clarifying the application of the Moody's Limitation to LTC insurance.
- x Premium rate increases by guaranty associations.
- x The allocation of premiums between the guaranty association and liquidator.

In addition, the National Organization of Life and Health Guaranty Associations (NOLHGA) gave a presentation with background information on LTC insurance on March 30, 2017.

The Working Group discussed the comments at the April 2017 NAIC Spring National Meeting in Denver and four conference calls held in May 2017 and 2017. The Working Group determined that changes were needed to Model #520 and submitted a Request for NAIC Model Law Development on June 21, 2017. The request proposed amendments to Model #520 to address guaranty association assessments, coverage and the potential inclusion of HMOs as guaranty association members.

On its July 10, 2017, conference call, the Working Group supported the concepts of aggregating the life/annuity and health insurance accounts and including HMOs as members of the guaranty association, subject to NAIC's approval of the Request for NAIC Model Law Development. At the 2017 Summer National Meeting, the Executive (EX) Committee approved the request to revise Model #520. The Working Group formed a

The Receivership Model Law (E) Working Group evaluated the issues and completed the amendments to Model #520. The 2017 members of the Working Group include: Texas (Chair), Washington (Vice Chair); Arkansas, California, Colorado, Connecticut, Florida, Illinois, Iowa, Massachusetts, Michigan, Missouri, Nebraska, New Jersey, Pennsylvania, Utah, and Wyoming.

The amendments to Model #520 were drafted by an informal drafting group of the Receivership Model Law (E) Working Group. The conference calls and interim meeting participation included attendees representing 12 state insurance departments and 35 interested parties including life and health.



state HMOs to ensure continued care of members and payment of providers.

- If only LTC insurance writers are assessed, there might not be enough capacity to absorb future LTC insurance insolvencies. Broadening the assessment base would simplify the guaranty association system by providing more uniformity and enhance the overall stability of the system.

Arguments opposing HMO membership in guaranty associations included, but were not limited to the following:

- There is no nexus between HMOs and LTC insurance; HMOs do not write LTC insurance policies and should not be assessed for a line of business they do not write.
- HMOs have a significant non-profit sector, and it is not good public policy for non-profits to subsidize for-profit enterprises;
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- Board membership is increased in Section 7A to

manner.



The Receivership and Insolvency (E) Task Force adopted the revisions to Model #520 on Aug. 27, 2016.  
The Financial Condition (E) Committee adopted the revisions to Model #520 on Aug. 28, 2016.

A Discussion of the Significant



## PROJECT HISTORY - 2009

### LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION MODEL ACT (#520)

1. Description of the Project, Issues Addressed, etc.

Following the adoption of the revised Insurer Receivership Model Act in 2005, the Receivership and Insolvency Task Force realized revisions were necessary to update the guaranty association model acts for changes in the industry since 1996. The purpose of the Model is to provide a mechanism for the payment of covered claims under certain insurance policies, to avoid excessive delay in payment, and to the extent provided in the Model, minimize financial loss to claimants or policyholders because of the insolvency of an insurer, and to provide an association to assess the cost of such protection among insurers.

2. Name of Group Responsible for Drafting the Model and S. 3(d)5.i7 0 Td(a)0. (d)25(0 Td(T)0 TP 67 (n-0.015 Tc 0.015 T

