

HB 1904 -- MISSOURI LIFE AND HEALTH INSURANCE GUARANTY  
ASSOCIATION ACT (Wilson, 130)

COMMITTEE OF ORIGIN: Committee on Insurance Policy

This bill changes the laws regarding the Missouri Life and Health Insurance Guaranty Association Act to make it consistent with the model act adopted by the National Association of Insurance Commissioners. In its main provisions, the bill:

(1) Clarifies that structured settlement annuities are covered by the guaranty association and are subject to a cap of \$250,000 and specifies the rules for determining how the responsibility for coverage of these types of annuities is allocated among state guaranty associations (Section 376.717.1(3), RSMo);

(2) Expands the list of areas in which the guaranty association will not provide coverage including:

(a) Any portion of a policy or contract to the extent that the required assessments are preempted by federal or state law;

(b) An obligation that does not arise under the express written terms of the policy or contract issued by the insolvent insurer;

(c) Certain contracts which establish benefits by reference to a portfolio of assets not owned by the insurer;

(d) An unallocated annuity contract;

(e) Certain types of indexed policies; and

(f) A policy providing any hospital, medical, prescription drug, or other health care benefits pursuant to Part C or Part D of Subchapter XVIII, Chapter 7 of Title 42 of the United States Code, commonly known as Medicare Part C & D, or any of its regulations (Section 376.717.3(7)-(12));

(3) Increases the coverage limits on certain insurance policies in which the guaranty association will become obligated to pay. Coverage limits are increased from \$100,000 to \$300,000 for disability insurance and long-term care insurance and to \$500,000 for basic hospital, medical, and surgical insurance and major medical insurance. Currently, limits on long-term care policies are not specified in statute. The guaranty association will pay no more than \$250,000 in the present value of annuity benefits, including the net cash surrender and net cash withdrawal value and no more than \$250,000 in the present value per payee with respect to a structured settlement annuity benefit, in the aggregate, including the net cash surrender and net cash

withdrawal values. A \$5 million cap on benefits is added for corporate-owned life insurance policies with a recommendation that coverage for a corporation purchasing these policies should be capped at \$5 million regardless of the number of policies and contracts held by the owner (Section 376.717.5);

(4) Defines the "principal place of business" of a corporation for the purpose of applying the residency test that determines which state guaranty association has coverage responsibility (Section 376.718);

(5) Makes several technical changes regarding:

(a) The guaranty association's options in providing coverage (Section 376.724);

(b) The handling of terminated policies (Section 376.725);

(c) The guaranty association's standing to appear or intervene in litigation (Section 376.732);

(d) The guaranty association's assignment and subrogation rights (Section 376.733);

(e) The guaranty association's general powers and the handling of reinsurance contracts (Section 376.734);

(f) The handling of assessments of insurers to fund the guaranty association's operations (Sections 376.735 and 376.737); and

(g) Additional requirements for the association's plan of operation (Section 376.740); and

(6) Exempts any member insurer who is impaired or insolvent prior to August 28, 2010, from the provisions of the bill (Section 376.758.3).

FISCAL NOTE: No impact on state funds in FY 2011, FY 2012, and FY 2013.