

HB 1144 -- MISSOURI LIFE AND HEALTH INSURANCE GUARANTY
ASSOCIATION ACT

SPONSOR: Gatschenberger

COMMITTEE ACTION: Voted "do pass" by the Committee on Insurance
Policy by a vote of 11 to 0.

This bill changes the laws regarding insurance coverage under the Missouri Life and Health Insurance Guaranty Association Act which protects policyholders against a breach of contract by impairment or insolvency of the policy insurer. The benefits for which the association can be liable with regard to a member insurer that was first placed under an order of rehabilitation or under an order of liquidation if no order of rehabilitation was entered prior to August 28, 2012, cannot exceed the lesser of the value of the contractual obligation or with respect to any one life, regardless of the number of policies or contracts:

- (a) \$300,000 in life insurance death benefits, but not more than \$100,000 in net cash surrender and cash withdrawal values;
- (b) \$100,000 in health insurance benefits including any net cash surrender and cash withdrawal values; or
- (c) \$100,000 in the present value of annuity benefits including net cash surrender and cash withdrawal values.

The benefits for which the association can be liable with regard to a member insurer that was first placed under an order of rehabilitation or an order of liquidation if no order of rehabilitation was entered on or after August 28, 2012, cannot exceed the lesser of the value of the contractual obligation or with respect to any one life, regardless of the number of policies or contracts:

- (a) \$300,000 in life insurance death benefits, but not more than \$100,000 in net cash surrender and cash withdrawal values;
- (b) \$100,000 in health insurance benefits, excluding disability, hospital, medical, surgical or major-medical, or long-term care insurance and any net cash surrender and cash withdrawal values;
- (c) \$300,000 in disability benefits and \$300,000 in long-term care benefits;
- (d) \$500,000 in hospital, medical, and surgical or major-medical benefits;
- (e) \$250,000 in the present value of annuity benefits, including

net cash surrender and cash withdrawal values; or

(f) \$250,000 to each payee of a structured settlement annuity or, if deceased, the beneficiary of the payee including net cash surrender and cash withdrawal values.

The association cannot be obligated to cover more than:

(1) \$300,000 in benefits with respect to any one life covered by a policy aggregate liability, except for hospital, medical, and surgical or major-medical benefits where the total cannot exceed \$500,000 to any one individual; or

(2) \$5 million in benefits for a policy owner of multiple non-group life insurance policies regardless of the number of policies and contracts held by the owner.

FISCAL NOTE: No impact on state funds in FY 2013, FY 2014, and FY 2015.

PROPONENTS: Supporters say that the bill protects policy owners from breach of contracts by reason of the dissolution of an insurer. The association backs the policies, and the state is not responsible for guaranteeing a policy contract. This is model legislation from the National Association of Insurance Commissioners and will provide more protections for Missouri consumers because of the financial instruments to be used in the event that a carrier goes out of business.

Testifying for the bill were Representative Gatschenberger; Greg Russell, National Association of Insurance Financial Advisors of Missouri; and Missouri Association of Insurance Agents.

OPPONENTS: There was no opposition voiced to the committee.