

LC02289

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2004

A N A C T

RELATING TO INSURANCE -- RHODE ISLAND LIFE AND HEALTH INSURANCE
GUARANTY ASSOCIATION ACT

Introduced By: Senator David E. Bates

Date Introduced: February 11, 2004

Referred To: Senate Financial, Technology, Regulatory

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 27-34.3-3, 27-34.3-4, 27-34.3-5, 27-34.3-6, 27-34.3-7, 27-34.3-8,
2 27-34.3-9, 27-34.3-10, 27-34.3-11, 27-34.3-12, 27-34.3-14, 27-34.3-15, 27-34.3-19 and 27-34.3-
3 20 of the General Laws in Chapter 27-34.3 entitled "Rhode Island Life and Health Insurance
4 Guaranty Association Act" are hereby amended to read as follows:

5 **27-34.3-3. Coverage and limitations.** -- (a) This chapter shall provide coverage for the
6 policies and contracts specified in subsection (b) of this section:

7 (1) To persons who, regardless of where they reside (except for ~~non-resident~~ nonresident
8 certificate holders under group policies or contracts), are the beneficiaries, assignees or payees of
9 the persons covered under ~~subdivision (2) of this subsection,~~ subsection (2); and

10 (2) To persons who are owners of or certificate holders under ~~such~~ the policies or
11 contracts (other than unallocated annuity contracts, and structured settlement annuities); ~~or, in the~~
12 ~~case of unallocated annuity contracts, to the persons who are the contract holders,~~ and in each
13 case who:

14 (i) Are residents ~~of this state;~~ or

15 (ii) Are not residents, but only under all of the following conditions:

16 (A) The ~~insurers which~~ insurer that issued the policies or contracts ~~are~~ is domiciled in
17 this state;

18 (B) ~~The insurers never held a license or certificate of authority in the states in which the~~

1 ~~persons reside;~~

2 ~~(E)~~ The states in which the persons reside have associations similar to the association
3 created by this chapter; and

4 ~~(D)~~ ~~(C)~~ ~~These~~ The persons are not eligible for coverage by ~~these associations~~ an
5 association in any other state due to the fact that the insurer was not licensed in the state at the
6 time specified in the state's guaranty association law.

7 (3) For unallocated annuity contracts set forth in subsection (b) of this section, paragraphs
8 (1) and (2) of this subsection shall not apply, and this chapter shall (except as provided in
9 paragraphs (5) and (a)(6) of this subsection) provide coverage to:

10 (i) Persons who are owners of the unallocated annuity contracts if the contracts are issued
11 to or in connection with a specific benefit plan whose plan sponsor has its principal place of
12 business in this state; and

13 (ii) Persons who are owners of unallocated annuity contracts issued to or in connection
14 with government lotteries if the owners are residents.

15 (4) For structured settlement annuities specified in subsection (b)(1) paragraphs (1) and
16 (2) of this subsection shall not apply, and this chapter shall (except as provided in paragraphs (5)
17 and (6) of this subsection) provide coverage to a person who is a payee under a structured
18 settlement annuity (or beneficiary of a payee if the payee is deceased), if the payee:

19 (i) Is a resident, regardless of where the contract owner resides; or

20 (ii) Is not a resident, but only under both of the following conditions:

21 (A)(I) The contract owner of the structured settlement annuity is a resident; or

22 (II) The contract owner of the structured settlement annuity is not a resident but the
23 insurer that issued the structured settlement annuity is domiciled in this state; and

24 The state in which the contract owner resides has an association similar to the association
25 created by this chapter; and

26 (B) Neither the payee or beneficiary, nor the contract owner is eligible for coverage by
27 the association of the state in which the payee or contract owner resides.

28 (5) This chapter shall not provide coverage to:

29 (i) A person who is a payee or beneficiary of a contract owner resident of this state, if the
30 payee or beneficiary is afforded any coverage by the association of another state; or

31 (ii) A person covered under paragraph (3) of this subsection, if any coverage is provided
32 by the association of another state to the person.

33 (6) This chapter is intended to provide coverage to a person who is a resident of this state
34 and, in special circumstances, to a nonresident. In order to avoid duplicate coverage, if a person

1 who would otherwise receive coverage under this chapter is provided coverage under the laws of
2 any other state, the person shall not be provided coverage under this chapter. In determining the
3 application of the provisions of this paragraph in situations where a person could be covered by
4 the association of more than one state, whether as an owner, payee, beneficiary, or assignee, this
5 chapter shall be construed in conjunction with other state laws to result in coverage by only one
6 association.

7 (b) (1) This chapter shall provide coverage to the persons specified in subsection (a) of
8 this section for direct, non-group life, health, or annuity policies or contracts and supplemental
9 policies or contracts to any of these, for certificates under direct group policies and contracts, and
10 for unallocated annuity contracts issued by member insurers, except as limited by this chapter.
11 Annuity contracts and certificates under group annuity contracts include, but are not limited to,
12 guaranteed investment contracts, deposit administration contracts, unallocated funding
13 agreements, allocated funding agreements, structured settlement ~~agreements, lottery contracts~~
14 annuities, annuities issued to or in connection with government lotteries and any immediate or
15 deferred annuity contracts.

16 (2) This chapter shall not provide coverage for:

17 (i) ~~Any~~ A portion of a policy or contract not guaranteed by the insurer, or under which
18 the risk is borne by the policy or contract ~~holder~~ owner;

19 (ii) ~~Any~~ A policy or contract of reinsurance, unless assumption certificates have been
20 issued pursuant to the reinsurance policy or contract;

21 (iii) ~~Any~~ A portion of a policy or contract to the extent that the rate of interest on which
22 it is based, or the interest rate, crediting rate or similar factor determined by use of an index or
23 other external reference stated in the policy or contract employed in calculating returns or
24 changes in value :

25 (A) Averaged over the period of four (4) years prior to the date on which the ~~association~~
26 ~~becomes obligated with respect to the policy or contract~~ member insurer becomes an impaired or
27 insolvent insurer under this chapter, whichever is earlier, exceeds ~~a~~ the rate of interest determined
28 by subtracting two (2) percentage points from Moody's corporate bond yield average averaged for
29 that same four-year (4) period or for such lesser period if the policy or contract was issued less
30 than four (4) years before the ~~association became obligated~~ member insurer becomes an impaired
31 or insolvent insurer under this chapter, whichever is earlier; and

32 (B) On and after the date on which the ~~association becomes obligated with respect to the~~
33 ~~policy or contract~~ member insurer becomes an impaired or insolvent insurer under this chapter,
34 whichever is earlier, exceeds the rate of interest determined by subtracting three (3) percentage

1 points from Moody's corporate bond yield average as most recently available;

2 (iv) ~~Any~~ A portion of a policy or contract issued to a plan or program of an employer,
3 association or ~~similar-entity~~ other person to provide life, health or annuity benefits to its
4 employees ~~or~~, members or others to the extent that the plan or program is self-funded or
5 uninsured, including but not limited to benefits payable by an employer, association or ~~similar~~
6 ~~entity~~ other person under:

7 (A) A multiple employer welfare arrangement as defined in 29 U.S.C. section 1144;

8 (B) A minimum premium group insurance plan;

9 (C) A stop-loss group insurance plan; or

10 (D) An administrative services only contract;

11 (v) ~~Any~~ A portion of a policy or contract to the extent that it provides ~~dividends or~~
12 ~~experience rating credits, or provides that any fees or allowances be paid to any person, including~~
13 ~~the policy or contract holder, in connection with the service to or administration of the policy or~~
14 ~~contract;~~ for:

15 (A) dividends or experience rating credits;

16 (B) voting rights; or

17 (C) Payment of any fees or allowances to any person, including the policy or contract
18 owner, in connection with the service to or administration of the policy or contract.

19 (vi) ~~Any~~ A policy or contract issued in this state by a member insurer at a time when it
20 was not licensed or did not have a certificate of authority to issue the policy or contract in this
21 state;

22 (vii) ~~Any~~ An unallocated annuity contract issued to ~~an employee benefit plan protected~~
23 ~~under the federal pension benefit guaranty corporation~~ or in connection with a benefit plan
24 protected under the federal pension benefit guaranty corporation, regardless of whether the
25 federal pension benefit guaranty corporation has yet become liable to make any payments with
26 respect to the benefit plan;

27 (viii) ~~Any~~ A portion of ~~any~~ unallocated annuity contract ~~which~~ that is not issued to or in
28 connection with a specific employee, union or association of natural persons benefit plan or a
29 government lottery;

30 (ix) ~~Any~~ A portion of a policy or contract to the extent that the assessments required by
31 section 27-34.3-9 with respect to the policy or contract are preempted by federal or state law; and

32 (x) An obligation that does not arise under the express written terms of the policy or
33 contract issued by the insurer to the contract owner or policy owner, including, without limitation:

34 (A) Claims based on marketing materials;

1 (B) Claims based on side letters, riders or other documents that were issued by the insurer
2 without meeting applicable policy form filing or approval requirements;

3 (C) Misrepresentations of or regarding policy benefits;

4 (D) Extracontractual claims; or

5 (E) A claim for penalties or consequential or incidental damages;

6 (xi) A contractual agreement that establishes the member insurer's obligations to provide
7 a book value accounting guaranty for defined contribution benefit plan participants by reference
8 to a portfolio of assets that is owned by the benefit plan or its trustee, which in each case is not an
9 affiliate of the member insurer;

10 (xii) A portion of a policy or contract to the extent it provides for interest or other
11 changes in value to be determined by the use of an index or other external reference stated in the
12 policy or contract, but which have not been credited to the policy or contract, or as to which the
13 policy or contract owner's rights are subject to forfeiture, as of the date the member insurer
14 becomes an impaired or insolvent insurer under this chapter, whichever is earlier. If a policy's or
15 contract's interest or changes in value are credited less frequently than annually, then, for
16 purposes of determining the values that have been credited and are not subject to forfeiture under
17 section 27-34.3-3(b)(2)(xii), the interest or change in value determined by using the procedures
18 defined in the policy or contract will be credited as if the contractual date of crediting interest or
19 changing values was the date of impairment or insolvency, whichever is earlier, and will not be
20 subject to forfeiture; and

21 ~~(xiii)~~ (xiii) Any transaction or combination of transactions between a protected cell and the
22 general account or another protected cell of a protected cell company organized under ~~the~~
23 ~~Protected Cell Companies Act, chapter 64 of this title, as those terms are defined in that Act~~
24 ~~chapter 64 of title 27.~~

25 (c) The benefits ~~for which~~ that the association may become ~~liable~~ obligated to cover
26 shall in no event exceed the lesser of:

27 (1) The contractual obligations for which the insurer is liable or would have been liable
28 if it were not an impaired or insolvent insurer; or

29 (2) (i) With respect to any one life, regardless of the number of policies or contracts:

30 (A) Three hundred thousand dollars (\$300,000) in life insurance death benefits, but not
31 more than one hundred thousand dollars (\$100,000) in net cash surrender and net cash withdrawal
32 values for life insurance;

33 (B) ~~One hundred thousand dollars (\$100,000) in health insurance benefits, including any~~
34 ~~net cash surrender and net cash withdrawal values;~~ In health insurance benefits:

1 (I) One hundred thousand dollars (\$100,000) for coverages not considered as disability
2 insurance or basic hospital, medical and surgical insurance or major medical insurance, including
3 any net cash surrender and net cash withdrawal values;

4 (II) Three hundred thousand dollars (\$300,000) for disability insurance;

5 (III) Five hundred thousand dollars (\$500,000) for basic hospital, medical and surgical
6 insurance; or

7 (C) One hundred thousand dollars (\$100,000) in the present value of annuity benefits,
8 including net cash surrender and net cash withdrawal values;

9 (ii) With respect to each individual participating in a governmental retirement plan
10 established under Section 401, 403(b) or 457 of the U.S. Internal Revenue Code, 26 U.S.C.
11 section 401, 403(b) or 457, covered by an unallocated annuity contract or the beneficiaries of
12 each such individual if deceased, in the aggregate, one hundred thousand dollars (\$100,000) in
13 present value annuity benefits, including net cash surrender and net cash withdrawal values;

14 (iii) With respect to each payee ~~covered by an annuity contract issued by an insurer to~~
15 ~~provide benefits pursuant to~~ of a structured settlement ~~agreement~~ annuity or beneficiary or
16 beneficiaries, or beneficiary of ~~each~~ the payee if deceased, one hundred thousand dollars
17 (\$100,000) in present value annuity benefits, in the aggregate, including net cash surrender and
18 net cash withdrawal values if any;

19 ~~(iv) Provided, that~~ However in no event shall the ~~Association~~ association be ~~liable to~~
20 ~~expend~~ obligated to cover more than; (A) an aggregate of three hundred thousand dollars
21 (\$300,000) in ~~the aggregate benefits~~ with respect to any one ~~individual life~~ under this paragraph
22 and paragraphs (i) ~~and~~, (ii) and (iii) of this subdivision except with respect to benefits for basic
23 hospital, medical and surgical insurance and major medical insurance under subparagraph 2(i)(B)
24 of this subsection, in which case the aggregate liability of the association shall not exceed five
25 hundred thousand dollars (\$500,000) with respect to any one individual; or (B) with respect to
26 one owner of multiple non-group policies of life insurance, whether the policy owner is an
27 individual, firm, corporation or other person, and whether the persons insured are officers,
28 managers, employees or other persons, more than five million dollars (\$5,000,000) in benefits,
29 regardless of the number of policies and contracts held by the owner;

30 ~~(iv)~~ (v) With respect to ~~any~~ either: (A) one contract owner provided coverage under
31 subsection (a)(3)(i); or (B) one contract plan sponsor whose plans own directly or in trust any one
32 or more holder covered by any unallocated annuity ~~contract~~ contracts not included in paragraph
33 (ii) of this subdivision, five million dollars (\$5,000,000) in benefits, irrespective of the number of
34 ~~such~~ contracts ~~held by that contract holder.~~ with respect to the contract owner or plan sponsor.

1 Provided, however, in the case where one or more unallocated annuity contracts that are covered
2 contracts under this chapter and are owned by a trust or other entity for the benefit of two (2) or
3 more plan sponsors, coverage shall be afforded by the association if the largest interest in the trust
4 or entity owning the contract or contracts is held by a plan sponsor whose principal place of
5 business is in this state and in no event shall the association be obligated to cover more than five
6 million dollars (\$5,000,000) in benefits with respect to all such unallocated contracts;

7 (vi) The limitations set forth in this subsection are limitations on the benefits for which
8 the association is obligated before taking into account either its subrogation and assignment rights
9 or the extent to which those benefits could be provided out of the assets of the impaired or
10 insolvent insurer attributable to covered policies. The costs of the association's obligations under
11 this chapter may be met by the use of assets attributable to covered policies or reimbursed to the
12 association pursuant to its subrogation and assignment rights.

13 (d) In performing its obligations to provide coverage under section 27-34.3-8, the
14 association shall not be required to guarantee, assume, reinsure or perform, or cause to be
15 guaranteed, assumed, reinsured or performed, contractual obligations of the insolvent or impaired
16 insurer under a covered policy or contract that do not materially affect the economic values or
17 economic benefits of the covered policy or contract.

18 **27-34.3-4. Construction.** -- This chapter shall be ~~liberally~~ construed to effect the purpose
19 under section 27-34.3-2 ~~which shall constitute an aid and guide to interpretation.~~

20 **27-34.3-5. Definitions.** -- As used in this chapter:

21 (1) "Account" means either of the two accounts created under section 27-34.3-6.

22 (2) "Association" means the Rhode Island life and health insurance guaranty association
23 created under section 27-34.3-6.

24 (3) "Authorized assessment" or the term "authorized" when used in the context of
25 assessments means a resolution by the board of directors has been passed whereby an assessment
26 will be called immediately or in the future from member insurers for a specified amount. An
27 assessment is authorized when the resolution is passed.

28 (4) "Benefit plan" means a specific employee, union or association of natural persons
29 benefit plan.

30 (5) "Called assessment" or the term "called" when used in the context of assessments
31 means that a notice has been issued by the association to member insurers requiring that an
32 authorized assessment be paid within the time frame set forth within the notice. An authorized
33 assessment becomes a called assessment when notice is mailed by the association to member
34 insurers.

1 ~~(3)~~ (6) "Commissioner" means the commissioner of insurance within the department of
2 business regulation of this state.

3 ~~(4)~~ (7) "Contractual obligation" means any obligation under a policy or contract or
4 certificate under a group policy or contract, or portion of a group policy or contract for which
5 coverage is provided under section 27-34.3-3.

6 ~~(5)~~ (8) "Covered policy" means any policy or contract ~~within the scope of this chapter or~~
7 portion of a policy or contract for which coverage is provided under section 27-34.3-3.

8 (9) "Extra-contractual claims" means claims not arising directly out of contract
9 provisions, including, for example, claims relating to bad faith in the payment of claims, punitive
10 or exemplary damages or attorneys' fees and costs.

11 ~~(6)~~ (10) "Impaired insurer" means a member insurer which is not an insolvent insurer,
12 and:

13 ~~(i) Is deemed by the commissioner to be potentially unable to fulfill its contractual~~
14 ~~obligations; or~~

15 ~~(ii) Is is~~ is placed under an order of rehabilitation or conservation by a court of competent
16 jurisdiction.

17 ~~(7)~~ (11) "Insolvent insurer" means a member insurer which after ~~the effective date of this~~
18 ~~chapter~~ January 1, 1996, is placed under an order of liquidation by a court of competent
19 jurisdiction with a finding of insolvency.

20 ~~(8)~~ (12) "Member insurer" means any insurer licensed or which holds a certificate of
21 authority to transact in this state any kind of insurance for which coverage is provided under
22 section 27-34.3-3, and includes any insurer whose license or certificate of authority in this state
23 may have been suspended, revoked, not renewed or voluntarily withdrawn, but does not include:

24 (i) A ~~non-profit~~ hospital or medical service organization, whether profit or nonprofit; or

25 (ii) A health maintenance organization; or

26 (iii) A fraternal benefit society; or

27 (iv) A mandatory state pooling plan; or

28 (v) A mutual assessment company or ~~any entity~~ other person that operates on an
29 assessment basis; or

30 (vi) An insurance exchange; or

31 (vii) An organization that has a certificate or license limited to the issuance of charitable
32 gift annuities; or

33 ~~(viii)~~ (viii) ~~Any~~ An entity similar to any of the above.

34 ~~(9)~~ (13) "Moody's corporate bond yield average" means the monthly average corporates

1 as published by Moody's ~~Investors Service, Inc.~~ investors service, inc., or any successor to it.

2 (14) "Owner" of a policy or contract and "policy owner" and "contract owner" means the
3 person who is identified as the legal owner under the terms of the policy or contract or who is
4 otherwise vested with legal title to the policy or contract through a valid assignment completed in
5 accordance with the terms of the policy or contract and properly recorded as the owner on the
6 books of the insurer. The terms owner, contract owner and policy owner do not include persons
7 with a mere beneficial interest in a policy or contract.

8 ~~(10)~~ (15) "Person" means any individual, corporation, limited liability company,
9 partnership, association, governmental body or entity or voluntary organization.

10 (16) "Plan sponsor" means:

11 (i) The employer in case of a benefit plan established or maintained by a single employer;

12 (ii) The employee organization in the case of a benefit plan established or maintained by
13 an employee organization; or

14 (iii) In the case of a benefit plan established or maintained by two (2) or more employers
15 or jointly by one or more employers and one or more employee organizations, the association,
16 committee, joint board of trustees, or other similar group of representatives of the parties who
17 establish or maintain the benefit plan.

18 ~~(11)~~ (17) "Premiums" means amounts or considerations (by whatever name called)
19 received on covered policies or contracts less returned premiums, considerations and deposits
20 ~~returned on the policies or contracts,~~ and less dividends and experience credits. ~~on them.~~

21 "Premiums" does not include any amounts or consideration received for any policies or contracts
22 or for the portions of ~~any~~ policies or contracts for which coverage is not provided under section
23 27-34.3-3(b) except that assessable premium shall not be reduced on account of section 27-34.3-
24 3(b)(2)(iii) relating to interest limitations and section 27-34.3-3(c)(2) relating to limitations with
25 respect to ~~any~~ one individual, ~~any~~ one participant and ~~any~~ one ~~contract owner holder.~~ provided
26 ~~that "premiums"~~ "Premiums" shall not include:

27 (i) ~~any premiums~~ Premiums in excess of five million dollars (\$5,000,000) on ~~any~~ an
28 unallocated annuity contract not issued under a governmental retirement benefit plan (or its
29 trustee) established under section 401, 403(b) or 457 of the United States Internal Revenue Code,
30 26 U.S.C. section 401, 403(b) or 457.

31 (ii) With respect to multiple nongroup policies of life insurance owned by one owner,
32 whether the policy owner is an individual, firm, corporation or other person, and whether the
33 persons insured are officers, managers, employees or other persons, premiums in excess of five
34 million dollars (\$5,000,000) with respect to these policies or contracts, regardless of the number

1 of policies or contracts held by the owner.

2 (18)(i) "Principal place of business" of a plan sponsor or a person other than a natural
3 person means the single state in which the natural persons who establish policy for the direction,
4 control and coordination of the operations of the entity as a whole primarily exercise that
5 function, determined by the association in its reasonable judgment by considering the following
6 factors:

7 (A) The state in which the primary executive and administrative headquarters of the
8 entity is located;

9 (B) The state in which the principal office of the chief executive officer of the entity is
10 located;

11 (C) The state in which the board of directors (or similar governing person or persons) of
12 the entity conducts the majority of its meetings;

13 (D)The state in which the executive or management committee of the board of directors
14 (or a similar governing person or persons) of the entity, conducts the majority of its meetings;

15 (E) The state from which the management of the overall operations of the entity is
16 directed; and

17 (F) In the case of a benefit plan sponsored by affiliated companies comprising a
18 consolidated corporation, the state in which the holding company or controlling affiliate has its
19 principal place of business as determined using the above factors. However, in the case of a plan
20 sponsor, if more than fifty percent (50%) of the participants in the benefit plan are employed in a
21 single state, that state shall be deemed to be the principal place of business of the plan sponsor.

22 (ii) The principal place of business of a plan sponsor of a benefit plan described in
23 subsection (16)(iii) of this section shall be deemed to be the principal place of business of the
24 association, committee, joint board of trustees or other similar group of representatives of the
25 parties who establish or maintain the benefit plan that, in lieu of a specific or clear designation of
26 a principal place of business, shall be deemed to be the principal place of business of the
27 employer or employee organization that has the largest investment in the benefit plan in question.

28 (19) "Receivership court" means the court in the insolvent or impaired insurer's state
29 having jurisdiction over the conservation, rehabilitation or liquidation of the insurer.

30 ~~(12)~~ (20) "Resident" means any a person to whom a contractual obligation is owed and
31 who resides in this state at the time a member insurer is determined to be an impaired or insolvent
32 insurer and to whom a contractual obligation is owed on the date of entry of court order that
33 determines a member insurer to be an impaired insurer or a court order that determines a member
34 insured to be an insolvent insurer, whichever occurs first. A person may be a resident of only one

1 state, which in the case of a person other than a natural person shall be its principal place of
2 business. Citizens of the United States that are either: (i) residents of foreign countries; or (ii)
3 residents of United States possessions, territories or protectorates that do not have an association
4 similar to the association created by this chapter, shall be deemed residents of the state of
5 domicile of the insurer that issued the policies or contracts.

6 (21) "Structured settlement annuity" means an annuity purchased in order to fund
7 periodic payments for a claimant in payment for or with respect to personal injuries suffered by
8 the claimant.

9 (22) "State" means a state, the District of Columbia, Puerto Rico, or a United States
10 possession, territory or protectorate.

11 ~~(13)~~ (23) "Supplemental contract" means any a written agreement entered into for the
12 distribution of proceeds under a life, health or annuity of policy or contract proceeds.

13 ~~(14)~~ (24) "Unallocated annuity contract" means any annuity contract or group annuity
14 certificate which is not issued to and owned by an individual, except to the extent of any annuity
15 benefits guaranteed to an individual by an insurer under the contract or certificate.

16 **27-34.3-6. Creation of the association.** -- (a) There is created a nonprofit legal entity to
17 be known as the Rhode Island life and health insurance guaranty association. All member insurers
18 shall be and remain members of the association as a condition of their authority to transact
19 insurance in this state. The association shall perform its functions under the plan of operation
20 established and approved under section 27-34.3-10, or as previously established and approved
21 under section 27-34.1-11 and shall exercise its powers through a board of directors established
22 under section 27-34.3-7 or as previously established under section 27-34.1-8. For purposes of
23 administration and assessment, the association shall maintain two (2) accounts:

24 (1) The life insurance and annuity account which includes the following subaccounts:

25 (i) Life insurance account;

26 (ii) Annuity account which shall include annuity contracts owned by a governmental
27 retirement plan (or its trustee) established under section 401, 403(b) or 457 of the United States
28 Internal Revenue Code, 26 U.S.C. section 401, 403(b) or 457, but shall otherwise exclude
29 unallocated annuities; and

30 (iii) Unallocated annuity account which shall ~~include~~ exclude contracts owned by a
31 governmental retirement benefit plan (or its trustee) established under section 401, 403(b) or 457
32 of the United States Internal Revenue Code, 26 U.S.C. section 401, 403(b) or 457. ~~qualified~~
33 under Section 403(b) of the United States Internal Revenue Code, 26 U.S.C. 403(b).

34 (2) The health insurance account.

1 (b) The association shall come under the immediate supervision of the commissioner and
2 shall be subject to the applicable provisions of the insurance laws of this state. [Meetings or](#)
3 [records of the association may be open to the public upon majority vote of the board of directors.](#)

4 **27-34.3-7. Board of directors.** -- (a) The board of directors of the association shall
5 consist of not less than five (5) nor more than nine (9) member insurers serving terms as
6 established in the plan of operation. The insurer members of the board shall be selected by
7 member insurers subject to the approval of the commissioner. The board of directors, previously
8 established under section 27-34.1-8, shall continue to operate in accordance with the provision of
9 this section. Vacancies on the board shall be filled for the remaining period of the term by a
10 majority vote of the remaining board members, ~~for member insurers~~ subject to the approval of the
11 commissioner.

12 (b) In approving selections to the board, the commissioner shall consider, among other
13 things, whether all member insurers are fairly represented.

14 (c) Members of the board may be reimbursed from the assets of the association for
15 expenses incurred by them as members of the board of directors but members of the board shall
16 not be compensated by the association for their services.

17 **27-34.3-8. Powers and duties of the association.** -- (a) If a member insurer is an
18 impaired ~~domestic~~ insurer, the association may, in its discretion, and subject to any conditions
19 imposed by the association that do not impair the contractual obligations of the impaired insurer,
20 [and](#) that are approved by the commissioner, ~~and that are, except in cases of court ordered~~
21 ~~conservation or rehabilitation, also approved by the impaired insurer:~~

22 (1) Guarantee, assume or reinsure, or cause to be guaranteed, assumed, or reinsured, any
23 or all of the policies or contracts of the impaired insurer;

24 (2) Provide the monies, pledges, [loans](#), notes, guarantees or other means that are proper
25 to effectuate subdivision (1) of this subsection and assure payment of the contractual obligations
26 of the impaired insurer pending action under subdivision (1) of this subsection. ~~;~~

27 ~~(3) Loan money to the impaired insurer.~~

28 ~~(b) (1) If a member insurer is an impaired insurer, whether domestic, foreign or alien,~~
29 ~~and the insurer is not paying claims in a timely manner, then subject to the preconditions~~
30 ~~specified in subdivision (2) of this subsection, the association shall, in its discretion, either:~~

31 ~~(i) Take any of the actions specified in subsection (a) of this section, subject to the~~
32 ~~conditions in subsection (a) of this section; or~~

33 ~~(ii) Provide substitute benefits in lieu of the contractual obligations of the impaired~~
34 ~~insurer solely for health claims, periodic annuity benefit payments, death benefits, supplemental~~

1 ~~benefits, and cash withdrawals for policy or contract owners who petition for those benefits under~~
2 ~~claims of emergency or hardship in accordance with standards proposed by the association and~~
3 ~~approved by the commissioner.~~

4 ~~-(2) The association shall be subject to the requirements of subdivision (1) of this~~
5 ~~subsection only if:~~

6 ~~-(i) The laws of its state of domicile provide that until all payments of or on account of~~
7 ~~the impaired insurer's contractual obligations by all guaranty associations, along with all expenses~~
8 ~~of the guaranty associations and interest on all such payments and expenses, shall have been~~
9 ~~repaid to the guaranty associations or a plan of repayment by the impaired insurer shall have been~~
10 ~~approved by the guaranty associations:~~

11 ~~-(A) The delinquency proceeding shall not be dismissed;~~

12 ~~-(B) Neither the impaired insurer nor its assets shall be returned to the control of its~~
13 ~~shareholders or private management;~~

14 ~~-(C) It shall not be permitted to solicit or accept new business or have any suspended or~~
15 ~~revoked license restored; and~~

16 ~~-(ii) (A) The impaired insurer is a domestic insurer, and it has been placed under an order~~
17 ~~of rehabilitation by a court of competent jurisdiction in this state; or~~

18 ~~-(B) The impaired insurer is a foreign or alien insurer, and~~

19 ~~-(I) It has been prohibited from soliciting or accepting new business in this state;~~

20 ~~-(II) Its certificate of authority has been suspended or revoked in this state; and~~

21 ~~-(III) A petition for rehabilitation or liquidation has been filed in a court of competent~~
22 ~~jurisdiction in its state of domicile by the commissioner of the state.~~

23 ~~(e) (b)~~ If a member insurer is an insolvent insurer, the association shall, in its discretion,
24 either:

25 (1)(i) (A) Guaranty, assume or reinsure, or cause to be guaranteed, assumed or reinsured,
26 the policies or contracts of the insolvent insurer; or

27 ~~(ii) (B)~~ (B) Assure payment of the contractual obligations of the insolvent insurer; and

28 ~~(iii) (ii)~~ (ii) Provide ~~the~~ monies, pledges, loans, notes, guarantees, or other means that are
29 reasonably necessary to discharge ~~those~~ the association's duties; or

30 (2) ~~With respect only to life and health insurance policies, provide~~ Provide benefits and
31 coverages in accordance with ~~subsection (d) of this section.~~ the following provisions:

32 ~~(d) When proceeding under paragraph (b)(1)(ii) or subdivision (c)(2) of this section, the~~
33 ~~association shall, with respect to only life and health insurance policies:~~

34 ~~(1) (i) Assure~~ (1) (i) Assure With respect to life and health insurance policies and annuities, assure

1 payment of benefits for premiums identical to the premiums and benefits (except for terms of
2 conversion and renewability) that would have been payable under the policies or contracts of the
3 insolvent insurer, for claims incurred:

4 ~~(3)~~ (A) With respect to group policies and contracts, not later than the earlier of the next
5 renewal date under such policies or contracts or forty-five (45) days, but in no event less than
6 thirty (30) days after the date on which the association becomes obligated with respect to the
7 policies or contracts;

8 ~~(4)~~ (B) With respect to ~~individual nongroup~~ policies, contracts and annuities not later
9 than the earlier of the next renewal date (if any) under the policies or contracts or one year, but in
10 no event less than thirty (30) days from the date on which the association becomes obligated with
11 respect to the policies and contracts;

12 ~~(5)~~ (ii) Make diligent efforts to provide all known insured or ~~group-policyholders~~
13 annuitants (for non-group policies and contracts) or group policy owners with respect to group
14 policies or contracts thirty (30) days notice of the termination (pursuant to subparagraph (i) of this
15 paragraph) of the benefits provided; ~~and~~

16 ~~(6)~~ (iii) With respect to ~~individual nongroup life and health insurance~~ policies and
17 annuities covered by the association, make available to each known insured or annuitant, or
18 owner if other than the insured, or annuitant and with respect to an individual formerly insured or
19 formerly an annuitant under a group policy who is not eligible for replacement group coverage,
20 make available substitute coverage on an individual basis in accordance with the provisions of
21 subdivision ~~(4)~~ (iv) of this subsection, if the insureds or annuitants had a right under law or the
22 terminated policy to convert coverage to individual coverage or to continue an individual policy
23 or annuity in force until a specified age or for a specified time, during which the insurer had no
24 right unilaterally to make changes in any provision of the policy or annuity or had a right only to
25 make changes in premium by class;

26 (4) ~~(3)~~ (iv)(A) In providing the substitute coverage required under subdivision ~~(3)~~ (iii) of
27 this subsection, the association may offer either to reissue the terminated coverage or to issue an
28 alternative policy.

29 (B) ~~(4)~~ Alternative or reissued policies shall be offered without requiring evidence of
30 insurability, and shall not provide for any waiting period or exclusion that would not have applied
31 under the terminated policy.

32 ~~(5)~~ (C) The association may reinsure any alternative or reissued policy.

33 ~~(6)~~ ~~(i)~~ (v)(A) Alternative policies adopted by the association shall be subject to the
34 approval of the domiciliary insurance commissioner and the receivership court. The association

1 may adopt alternative policies of various types for future issuance without regard to any particular
2 impairment or insolvency.

3 ~~(ii)~~ (B) Alternative policies shall contain at least the minimum statutory provisions
4 required in this state and provide benefits that shall not be unreasonable in relation to the
5 premium charged. The association shall set the premium in accordance with a table of rates which
6 it shall adopt. The premium shall reflect the amount of insurance to be provided and the age and
7 class of risk of each insured, but shall not reflect any changes in the health of the insured after the
8 original policy was last underwritten.

9 ~~(iii)~~ (C) Any alternative policy issued by the association shall provide coverage of a type
10 similar to that of the policy issued by the impaired or insolvent insurer, as determined by the
11 association.

12 ~~(6)~~ (vi) If the association elects to reissue terminated coverage at a premium rate
13 different from that charged under the terminated policy, the premium shall be set by the
14 association in accordance with the amount of insurance provided and the age and class of risk,
15 subject to approval of the ~~commissioner or by a court of competent jurisdiction-~~ domiciliary
16 insurance commissioner and the receivership court.

17 ~~(7)~~ (vii) The association's obligations with respect to coverage under any policy of the
18 impaired or insolvent insurer or under any reissued or alternative policy shall cease on the date
19 such coverage or policy is replaced by another similar policy by the ~~policyholder~~ policy owner,
20 the insured, or the association.

21 ~~(e)~~ (viii) When proceeding under paragraph (b) ~~(1)(ii) or subsection (e)~~ (2) of this section
22 with respect to any policy or contract carrying guaranteed minimum interest rates, the association
23 shall assure the payment or crediting of a rate of interest consistent with section 27-34.3-
24 3(b)(2)(iii).

25 ~~(f)~~ (c) Nonpayment of premiums within thirty-one (31) days after the date required under
26 the terms of any guaranteed, assumed, alternative or reissued policy or contract or substitute
27 coverage shall terminate the association's obligations under the policy or coverage under this
28 chapter with respect to the policy or coverage, except with respect to any claims incurred or any
29 net cash surrender value which may be due in accordance with the provisions of this chapter.

30 ~~(g)~~ (d) Premiums due for coverage after entry of an order of liquidation of an insolvent
31 insurer shall belong to and be payable at the direction of the association, and the association shall
32 be liable for unearned premiums due to policy or contract owners arising after the entry of the
33 order.

34 ~~(h)~~ (e) The protection provided by this chapter shall not apply where any guaranty

1 protection is provided to residents of this state by laws of the domiciliary state or jurisdiction of
2 the impaired or insolvent insurer other than this state.

3 ~~⊕~~ (f) In carrying out its duties under subsections (b) ~~and (c) of this section~~, the
4 association may, ~~subject to approval by the court~~:

5 (1) ~~Impose~~ Subject to approval by a court of competent jurisdiction in this state, impose
6 permanent policy or contract liens in connection with any guarantee, assumption or reinsurance
7 agreement, if the association finds that the amounts which can be assessed under this chapter are
8 less than the amounts needed to assure full and prompt performance of the association's duties
9 under this chapter, or that the economic or financial conditions as they affect member insurers are
10 sufficiently adverse to render the imposition of such permanent policy or contract liens, to be in
11 the public interest; ~~and/or~~

12 (2) ~~Impose~~ Subject to approval by a court of competent jurisdiction in this state, impose
13 temporary moratoriums or liens on payments of cash values and policy loans, or any other right to
14 withdraw funds held in conjunction with policies or contracts, in addition to any contractual
15 provisions for deferral of cash or policy loan value. In addition, in the event of a temporary
16 moratorium or moratorium charge imposed by the receivership court on payment of cash values
17 or policy loans, or on any other right to withdraw funds held in conjunction with policies or
18 contracts, out of the assets of the impaired or insolvent insurer, the association may defer the
19 payment of such cash values, policy loans or other rights by the association for the period of the
20 moratorium or moratorium charge imposed by the receivership court, except for claims covered
21 by the association to be paid in accordance with a hardship procedure established by the
22 liquidator or rehabilitator and approved by the receivership court.

23 (g) A deposit in this state, held pursuant to law or required by the commissioner for the
24 benefit of creditors, including policy owners, not turned over to the domiciliary liquidator upon
25 the entry of a final order of liquidation or order approving a rehabilitation plan of an insurer
26 domiciled in this state or in a reciprocal state, pursuant to section 27-14.3-56, shall be promptly
27 paid to the association. The association shall be entitled to retain a portion of any amounts so
28 paid to it equal to the percentage determined by dividing the aggregate amount of policy owners'
29 claims related to that insolvency for which the association has provided statutory benefits by the
30 aggregate amount of all policy owners' claims in this state related to that insolvency and shall
31 remit to the domiciliary receiver the amount so paid to the association and retained pursuant to
32 this subsection. Any amount so paid to the association less the amount retained by it shall be
33 treated as a distribution of estate assets pursuant to section 27-14.3-38 or similar provision of the
34 state of domicile of the impaired or insolvent insurer.

1 ⊕ (h) If the association fails to act within a reasonable period of time with respect to an
2 insolvent insurer, as provided in subsections (b)~~(1)(ii)~~, (c), ~~and (d)~~ of this section, the
3 commissioner shall have the powers and duties of the association under this chapter with respect
4 to ~~impaired or the~~ insolvent insurers.

5 ⊕ (i) The association may render assistance and advice to the commissioner, upon ~~his~~
6 the commissioner's request, concerning rehabilitation, payment of claims, continuance of
7 coverage, or the performance of other contractual obligations of any impaired or insolvent
8 insurer.

9 ⊕ (j) The association shall have standing to appear or intervene before any court or
10 agency in this state with jurisdiction over an impaired or insolvent insurer concerning which the
11 association is or may become obligated under this chapter or with jurisdiction over any person or
12 property against whom the association may have rights through subrogation or otherwise. ~~This~~
13 ~~standing~~ Standing shall extend to all matters germane to the powers and duties of the association,
14 including, but not limited to, proposals for reinsuring, modifying or guaranteeing the policies or
15 contracts of the impaired or insolvent insurer and the determination of the policies or contracts and
16 contractual obligations. The association shall also have the right to appear or intervene before a
17 court or agency in another state with jurisdiction over an impaired or insolvent insurer for which
18 the association is or may become obligated ~~or with jurisdiction over a third party~~ any person or
19 property against whom the association may have rights through subrogation ~~of the insurer's~~
20 ~~policyholders~~ or otherwise.

21 ⊕ (k) (1) ~~Any~~ A person receiving benefits under this chapter shall be deemed to have
22 assigned the rights under, and any causes of action against any person for losses arising under,
23 resulting from or otherwise relating to, the covered policy or contract to the association to the
24 extent of the benefits received because of this chapter, whether the benefits are payments of or on
25 account of contractual obligations, continuation of coverage or provision of substitute or
26 alternative coverage. The association may require an assignment to it of these rights and ~~cause~~
27 causes of action by any payee, policy or contract owner, beneficiary, insured or annuitant as a
28 condition precedent to the receipt of any right or benefits conferred by this chapter upon ~~this~~ the
29 person.

30 (2) The subrogation rights of the association under this subsection shall have the same
31 priority against the assets of the impaired or insolvent insurer as that possessed by the person
32 entitled to receive benefits under this chapter.

33 (3) In addition to subdivisions (1) and (2) of this subsection, the association shall have
34 all common law rights of subrogation and any other equitable or legal remedy ~~which~~ that would

1 have been available to the impaired or insolvent insurer or ~~holder~~ owner, beneficiary or payee, of
2 a policy or contract with respect to the policy or ~~contract.~~ contracts including without limitation,
3 in the case of a structured settlement annuity, any rights of the owner, beneficiary or payee of the
4 annuity, to the extent of benefits received pursuant to this chapter, against a person originally or
5 by succession responsible for the losses arising from the personal injury relating to the annuity or
6 payment therefore, excepting any such person responsible solely by reason of serving as an
7 assignee in respect of a qualified assignment under section 130 of the United States Internal
8 Revenue Code, 26 U.S.C. section 130.

9 (4) If the preceding provisions of this subsection are invalid or ineffective with respect to
10 any person or claim for any reason, the amount payable by the association with respect to the
11 related covered obligations shall be reduced by the amount realized by any other person with
12 respect to the person or claim that is attributable to the policies, or portion thereof, covered by the
13 association.

14 (5) If the association has provided benefits with respect to a covered obligation and a
15 person recovers amounts to which the association has rights as described in the preceding
16 paragraphs of this subsection, the person shall pay to the association the portion of the recovery
17 attributable to the policies, or portions thereof, covered by the association.

18 ~~(a)~~ (l) The In addition to the rights and powers provided in this chapter, the association
19 may:

20 (1) Enter into any contracts as are necessary or proper to carry out the provisions and
21 purposes of this chapter;

22 (2) Sue or be sued, including taking any legal actions necessary or proper to recover any
23 unpaid assessments under section 27-34.3-9 and to settle claims or potential claims against it;

24 (3) Borrow money to effect the purposes of this chapter; any notes or other evidence of
25 indebtedness of the association not in default shall be legal investments for domestic insurers and
26 may be carried as admitted assets;

27 (4) Employ or retain persons as are necessary or appropriate to handle the financial
28 transactions of the association, and to perform any other functions ~~that~~ as become necessary or
29 proper under this chapter;

30 (5) Take ~~any~~ such legal action that may be necessary or appropriate to avoid or recover
31 payment of improper claims;

32 (6) Exercise, for the purposes of this chapter and to the extent approved by the
33 commissioner, the powers of a domestic life or health insurer, but in no case may the association
34 issue insurance policies or annuity contracts other than those issued to perform its obligations

1 under this chapter;

2 (7) Organize itself as a corporation or another legal form permitted by the laws of this
3 state;

4 (8) Request information from a person seeking coverage from the association in order to
5 aid the association in determining its obligations under this chapter with respect to the person, and
6 the person shall promptly comply with the request; and

7 (9) Take other necessary or appropriate action to discharge its duties and obligations
8 under this chapter or to exercise its powers under this chapter,

9 ~~(n)~~ (m) The association may join an organization of one or more other state associations
10 of similar purposes, to further the purposes and administer the powers and duties of the
11 association.

12 (n)(1) At any time within one year after the date on which the association becomes
13 responsible for the obligations of a member insurer (the coverage date), the association may elect
14 to succeed to the rights and obligations of the member insurer, that accrue on or after the
15 coverage date and that relate to contracts covered, in whole or in part, by the association, under
16 any one or more indemnity reinsurance agreements entered into by the member insurer as a
17 ceding insurer and selected by the association. However, the association may not exercise an
18 election with respect to a reinsurance agreement if the receiver, rehabilitator or liquidator of the
19 member insurer has previously and expressly disaffirmed the reinsurance agreement. The
20 election shall be effected by a notice to the receiver, rehabilitator or liquidator and to the affected
21 reinsurers. If the association makes an election, subparagraphs (i) through (iv) below shall apply
22 with respect to the agreements selected by the association:

23 (i) The association shall be responsible for all unpaid premiums due under the agreements
24 (for periods both before and after the coverage date), and shall be responsible for the performance
25 of all other obligations to be performed after the coverage date, in each case which relate to
26 contracts covered, in whole or in part, by the association. The association may charge contracts
27 covered in part by the association, through reasonable allocation methods, the costs for
28 reinsurance in excess of the obligations of the association;

29 (ii) The association shall be entitled to any amounts payable by the reinsurer under the
30 agreements with respect to losses or events that occur in periods after the coverage date and that
31 relate to contracts covered by the association, in whole or in part, provided, that, upon receipt of
32 any such amounts, the association shall be obliged to pay to the beneficiary under the policy or
33 contract on account of which the amounts were paid a portion of the amount equal to the excess
34 of:

1 (A) The amount received by the association; over
2 (B) The benefits paid by the association on account of the policy or contract less the
3 retention of the impaired or insolvent member insurer applicable to the loss or event;
4 (iii) Within thirty (30) days following the association's election, the association and each
5 indemnity reinsurer shall calculate the net balance due to or from the association under each such
6 reinsurance agreement as of the date of the association's election, giving full credit to all items
7 paid by either the member insurer (or its receiver, rehabilitator or liquidator) or the indemnity
8 reinsurer during the period between the coverage date and the date of the association's election.
9 Either the association or indemnity reinsurer shall pay the net balance due the other within five
10 (5) days of the completion of the aforementioned calculation. If the receiver, rehabilitator or
11 liquidator has received any amounts due the association pursuant to subparagraph (ii), the
12 receiver, rehabilitator or liquidator shall remit the same to the association as promptly as
13 practicable.
14 (iv) If the association, within sixty (60) days of the election, pays the premiums due for
15 periods both before and after the coverage date, that relate to contracts covered by the association,
16 (in whole or in part), the reinsurer shall not be entitled to terminate the reinsurance agreements
17 insofar as the agreements relate to contracts covered by the association, (in whole or in part) and
18 shall not be entitled to set off any unpaid premium due for periods prior to the coverage date
19 against amounts due to the association.
20 (2) In the event the association transfers its obligations to another insurer, and if the
21 association and the other insurer agree, the other insurer shall succeed to the rights and
22 obligations of the association under paragraph (1) effective as of the date agreed upon by the
23 association and the other insurer and regardless of whether the association has made an election
24 referred to above in paragraph (1) provided that:
25 (i) The indemnity reinsurance agreements shall automatically terminate for new
26 reinsurance unless the indemnity reinsurer and the other insurer agree to the contrary;
27 (ii) The obligations described in paragraph (1)(ii) of this subsection shall not apply on
28 and after the date the indemnity reinsurance agreement is transferred to the third-party insurer;
29 (iii) This paragraph (2) shall not apply if the association has previously expressly
30 determined in writing that it will not exercise the election referred to in paragraph (1);
31 (3) The provisions of subsection (n) shall supercede the provisions of any law of this state
32 or of any affected reinsurance agreement that provides for or requires any payment of reinsurance
33 proceeds, on account of losses or events that occur in periods after the coverage date, to the
34 receiver, liquidator or rehabilitator of the insolvent member insurer. The receiver, rehabilitator or

1 liquidator shall remain entitled to any amounts payable by the reinsurer under the reinsurance
2 agreement with respect to losses or events that occur in periods prior to the coverage date (subject
3 to applicable setoff provisions); and

4 (4) Except as otherwise expressly provided in this chapter, nothing herein shall:

5 (i) Alter or modify the terms and conditions of the indemnity reinsurance agreements of
6 the insolvent member insurer; or

7 (ii) Abrogate or limit any rights of any reinsurer to claim that it is entitled to rescind a
8 reinsurance agreement; or

9 (iii) Shall give a policy owner or beneficiary an independent cause of action against an
10 indemnity reinsurer that is not otherwise set forth in the indemnity reinsurance agreement.

11 (o) The board of directors of the association shall have discretion and shall exercise
12 reasonable business judgment to determine the means by which the association is to provide the
13 benefits of this chapter in an economical and efficient manner.

14 (p) Where the association has arranged or offered to provide the benefits of this chapter
15 to a covered person under a plan or arrangement that fulfills the association's obligations under
16 this chapter, the person shall not be entitled to benefits from the association in addition to or other
17 than those provided under the plan or arrangement.

18 (q) In carrying out its duties in connection with guaranteeing, assuming or reinsuring
19 policies or contracts under subsection (a) or (b) of this section, the association may, subject to
20 approval of the receivership court, issue substitute coverage for a policy or contract that provides
21 an interest rate, crediting rate or similar factor determined by use of an index or other external
22 reference stated in the policy or contract employed in calculating returns or changes in value by
23 issuing an alternative policy or contract in accordance with the following provisions:

24 (1) In lieu of the index or other external reference provided for in the original policy or
25 contract, the alternative policy or contract provides for:

26 (i) a fixed interest rate; or

27 (ii) payment of dividends with minimum guarantees; or

28 (iii) a different method of calculating interest or changes in value.

29 (2) There is no requirement for evidence of insurability, waiting period or other exclusion
30 that would not have applied under the replaced policy or contract; and

31 (3) The alternative policy or contract is substantially similar to the replaced policy or
32 contract in all other material terms.

33 **27-34.3-9. Assessments.** -- (a) For the purpose of providing the funds necessary to carry
34 out the powers and duties of the association, the board of directors shall assess the member

1 insurers, separately for each account, at ~~that~~ such time and for such amounts as the board finds
2 necessary. Assessments shall be due not less than thirty (30) days after prior written notice to the
3 member insurers and shall accrue interest at nine percent (9%) per annum on and after the due
4 date.

5 (b) There shall be two (2) classes of assessments, as follows:

6 (1) Class A assessments shall be ~~made~~ authorized and called for the purpose of meeting
7 administrative and legal costs and other expenses ~~and examinations conducted under the authority~~
8 ~~of section 27-34.3-12(5)~~. Class A assessments may be ~~made~~ authorized and called whether or not
9 related to a particular impaired or insolvent insurer.

10 (2) Class B assessments shall be ~~made~~ authorized and called to the extent necessary to
11 carry out the powers and duties of the association under section 27-34.3-8 with regard to an
12 impaired or an insolvent insurer.

13 (c) (1) The amount of any Class A assessment shall be determined by the board and may
14 be ~~made~~ authorized and called on a pro rata or non-pro rata basis. If pro rata, the board may
15 provide that it be credited against future Class B assessments. ~~A~~ The total of all non-pro rata
16 assessment shall not exceed one hundred fifty dollars (\$150) per member insurer in any one
17 calendar year. The amount of any Class B assessment shall be allocated for assessment purposes
18 among the accounts pursuant to an allocation formula that may be based on the premiums or
19 reserves of the impaired or insolvent insurer or any other standard deemed by the board in its sole
20 discretion as being fair and reasonable under the circumstances.

21 (2) Class B assessments against member insurers for each account and subaccount shall
22 be in the proportion that the premiums received on business in this state by each assessed member
23 insurer or policies or contracts covered by each account for the three (3) most recent calendar
24 years for which information is available preceding the year in which the insurer became ~~impaired~~
25 ~~or~~ insolvent, ~~as the case may be,~~ (or, in the case of an assessment with respect to an impaired
26 insurer, the three (3) most recent calendar years for which information is available preceding the
27 year in which the insurer became impaired) bears to ~~the~~ premiums received on business in this
28 state for such calendar years by all assessed member insurers.

29 (3) Assessments for funds to meet the requirements of the Association with respect to an
30 impaired or insolvent insurer shall not be ~~made~~ authorized or called until necessary to implement
31 the purposes of this chapter. Classification of assessments under subsection (b) of this section and
32 computation of assessments under this subsection shall be made with a reasonable degree of
33 accuracy, recognizing that exact determinations may not always be possible. The association
34 shall notify each member insurer of its anticipated pro rata share of an authorized assessment not

1 yet called within one hundred eighty (180) days after the assessment is authorized.

2 (d) The association may abate or defer, in whole or in part, the assessment of a member
3 insurer if, in the opinion of the board, payment of the assessment would endanger the ability of
4 the member insurer to fulfill its contractual obligations. In the event an assessment against a
5 member insurer is abated, or deferred in whole or in part, the amount by which the assessment is
6 abated or deferred may be assessed against the other member insurers in a manner consistent with
7 the basis for assessments set forth in this section. Once the conditions which have caused a
8 deferral have been removed or rectified, the member insurer shall pay all assessments that were
9 deferred pursuant to a repayment plan approved by the association.

10 (e) (1) (i) The Subject to the provisions of subparagraph (ii) of this paragraph, the total of
11 all assessments ~~upon~~ authorized by the association with respect to a member insurer for ~~the life~~
12 each subaccount of the life insurance and annuity account and for ~~each subaccount under it the~~
13 health account shall not in any one calendar year exceed three percent (3%) ~~and for the health~~
14 ~~account shall not in any one calendar year exceed three percent (3%) of the insurer's average of~~
15 that member insurer's average annual premiums received in this state on the policies and contracts
16 covered by the subaccount or account during the three (3) calendar years preceding the year in
17 which the insurer became an impaired or insolvent insurer.

18 (ii) If two (2) or more assessments are authorized in one calendar year with respect to
19 insurers that become impaired or insolvent in different calendar years, the average annual
20 premiums for purposes of the aggregate assessment percentage limitation referenced in
21 subparagraph (i) of this paragraph shall be equal and limited to the higher of the three (3) year
22 average annual premiums for the applicable subaccount or account as calculated pursuant to this
23 section.

24 (iii) If the maximum assessment, together with the other assets of the association in any
25 account, does not provide in any one year in either account an amount sufficient to carry out the
26 responsibilities of the association, the necessary additional funds shall be assessed as soon after
27 this as permitted by this chapter.

28 (2) The board may provide in the plan of operation a method of allocating funds among
29 claims, whether relating to one or more impaired or insolvent insurers, when the maximum
30 assessment will be insufficient to cover anticipated claims.

31 (3) If ~~a one percent (1%)~~ the maximum assessment for ~~any a~~ any a subaccount of the life and
32 annuity account in any one year does not provide an amount sufficient to carry out the
33 responsibilities of the association, then pursuant to subdivision (c)(2) of this section, the board
34 shall ~~access all~~ assess the other subaccounts of the life and annuity account for the necessary

1 additional amount, subject to the maximum stated in subdivision (1) of this subsection.

2 (f) The board may, by an equitable method as established in the plan of operation, refund
3 to member insurers, in proportion to the contribution of each insurer to that account, the amount
4 by which the assets of the account exceed the amount the board finds is necessary to carry out
5 during the coming year the obligations of the association with regard to that account, including
6 assets accruing from assignment, subrogation, net realized gains and income from investments. A
7 reasonable amount may be retained in any account to provide funds for the continuing expenses
8 of the association and for future ~~losses~~ claims.

9 (g) It shall be proper for any member insurer, in determining its premium rates and
10 policy owner dividends as to any kind of insurance within the scope of this chapter, to consider
11 the amount reasonably necessary to meet its assessment obligations under this chapter.

12 (h) The association shall issue to each insurer paying an assessment under this chapter,
13 other than Class A assessment, a certificate of contribution, in a form prescribed by the
14 commissioner, for the amount of the assessment so paid. All outstanding certificates shall be of
15 equal dignity and priority without reference to amounts or dates of issue. A certificate of
16 contribution may be shown by the insurer in its financial statement as an asset in such form and
17 for such amount, if any, and period of time as the commissioner may approve.

18 (i)(1) A member insurer that wishes to protest all or part of an assessment shall pay when
19 due the full amount of the assessment as set forth in the notice provided by the association. The
20 payment shall be available to meet association obligations during the pendency of the protest or
21 any subsequent appeal. Payment shall be accompanied by a statement in writing that the payment
22 is made under protest and setting forth a brief statement of the grounds for the protest.

23 (2) Within sixty (60) days following the payment of an assessment under protest by a
24 member insurer, the association shall notify the member insurer in writing of its determination
25 with respect to the protest unless the association notifies the member insurer that additional time
26 is required to resolve the issues raised by the protest.

27 (3) Within thirty (30) days after a final decision has been made, the association shall
28 notify the protesting member insurer in writing of that final decision. Within sixty (60) days of
29 receipt of notice of the final decision, the protesting member insurer may appeal that final action
30 to the commissioner.

31 (4) In the alternative to rendering a final decision with respect to a protest based on a
32 question regarding the assessment base, the association may refer the protest to the commissioner
33 for a final decision, with or without a recommendation from the association.

34 (5) If the protest or appeal on the assessment is upheld, the amount paid in error or excess

1 shall be returned to the member company. Interest on a refund due a protesting member shall be
2 paid at the rate actually earned by the association.

3 (j) The association may request information of member insurers in order to aid in the
4 exercise of its power under this section and member insurers shall promptly comply with a
5 request.

6 **27-34.3-10. Plan of operation.** -- (a) (1) The plan of operation as previously established
7 and approved under this section ~~27-34.1-11~~ shall continue to be effective ~~under this section~~. The
8 association may amend the plan of operation ~~and the amendments shall be~~ when necessary or
9 suitable to assure the fair, reasonable and equitable administration of the association.
10 Amendments shall become effective upon the commissioner's written approval.

11 (2) If at any time the association fails to submit suitable amendments to the plan, the
12 commissioner shall, after notice and hearing, adopt and promulgate any reasonable rules
13 necessary or advisable to effectuate the provisions of this chapter. The rules shall continue in
14 force until modified by the commissioner or superseded by amendments to the plan submitted by
15 the association and approved by the commissioner.

16 (b) All member insurers shall comply with the plan of operation.

17 (c) The plan of operation shall, in addition to requirements enumerated in this chapter:

18 (1) Establish procedures for handling the assets of the association;

19 (2) Establish the amount and method of reimbursing members of the board of directors
20 under section 27-34.3-7;

21 (3) Establish regular places and times for meetings including telephone conference calls
22 of the board of directors;

23 (4) Establish procedures for records to be kept of all financial transactions of the
24 association, its agents, and the board of directors;

25 (5) Establish the procedures by which selections for the board of directors will be made
26 and submitted to the commissioner;

27 (6) Establish any additional procedures for assessments under section 27-34.3-9;

28 (7) Contain additional provisions necessary or proper for the execution of the powers and
29 duties of the association.

30 (d) The plan of operation may provide that any or all powers and duties of the
31 association, except those under section 27-34.3-8~~(m)~~(l)(3) and section 27-34.3-9, are delegated to
32 a corporation, association, or other organization which performs or will perform functions similar
33 to those of this association, or its equivalent, in two (2) or more states. This corporation,
34 association, or organization shall be reimbursed for any payments made on behalf of the

1 association and shall be paid for its performance of any function of the association. A delegation
2 under this subsection shall take effect only with the approval of both the board of directors and
3 the commissioner, and may be made only to a corporation, association, or organization which
4 extends protection not substantially less favorable and effective than that provided by this
5 chapter.

6 **27-34.3-11. Duties and powers of the commissioner.** -- In addition to the duties and
7 powers enumerated in this chapter,

8 ~~(+)~~ (a) The commissioner shall:

9 ~~(+)~~ (1) Upon request of the board of directors, provide the association with a statement of
10 the premiums in this and any other appropriate states for each member insurer;

11 ~~(+)~~ (2) When an impairment is declared and the amount of the impairment is determined,
12 serve a demand upon the impaired insurer to make good the impairment within a reasonable time;
13 notice to the impaired insurer shall constitute notice to its shareholders, if any; the failure of the
14 insurer to promptly comply with a demand shall not excuse the association from the performance
15 of its powers and duties under this chapter;

16 ~~(+)~~ (3) In any liquidation or rehabilitation proceeding involving a domestic insurer, be
17 appointed as the liquidator or rehabilitator.

18 ~~(+)~~ (b) The commissioner may suspend or revoke, after notice and hearing, the certificate
19 of authority to transact insurance in this state of any member insurer which fails to pay an
20 assessment when due or fails to comply with the plan of operation. As an alternative the
21 commissioner may levy a forfeiture on any member insurer which fails to pay an assessment
22 when due. The forfeiture shall not exceed five percent (5%) of the unpaid assessment per month,
23 but no forfeiture shall be less than one hundred dollars (\$100) per month.

24 ~~(+)~~ (c) ~~Any~~ A final action of the board of directors or the association may be appealed to
25 the commissioner by any member insurer if the appeal is taken within sixty (60) days of its
26 receipt of notice of the final action being appealed. ~~If a member company is appealing an~~
27 ~~assessment, the amount assessed shall be paid to the association and available to meet association~~
28 ~~obligations during the pendency of an appeal. If the appeal on the assessment is upheld, the~~
29 ~~amount paid in error or excess shall be returned to the member company. Any~~ A final action or
30 order of the commissioner shall be subject to judicial review ~~in a court of competent jurisdiction.~~

31 ~~(+)~~ (d) The liquidator, rehabilitator, or conservator of any impaired insurer may notify all
32 interested persons of the effect of this chapter.

33 **27-34.3-12. Prevention of insolvencies.** -- To aid in the detection and prevention of
34 insurer insolvencies or impairments:

1 ~~(1) The commissioner may, in his or her discretion:~~ (a) It shall be the duty of the
2 commissioner:

3 ~~(i) Notify~~ (1) To notify the commissioners of all the other states, territories of the United
4 States and the District of Columbia within thirty (30) days following the action taken or the date
5 the action occurs, when the commissioner takes any of the following actions against a member
6 insurer:

7 ~~(A)~~ (i) Revocation of license;

8 ~~(B)~~ (ii) Suspension of license; or

9 ~~(C)~~ (iii) Makes ~~any~~ a formal order that the company restrict its premium writing, obtain
10 additional contributions to surplus, withdraw from the state, reinsure all or any part of its
11 business, or increase capital, surplus, or any other account for the security of ~~policyholders~~ policy
12 owners or creditors.

13 ~~(ii) Report~~ (2) To report to the board of directors when the commissioner has taken any
14 of the actions set forth in paragraph (i) of this subdivision or has received a report from any other
15 commissioner indicating that this action has been taken in another state. The report to the board
16 of directors shall contain all significant details of the action taken or the report received from
17 another commissioner.

18 ~~(iii) Report~~ (3) To report to the board of directors when the commissioner has reasonable
19 cause to believe from any examination, whether completed or in process, of any member
20 company that the company may be an impaired or insolvent insurer.

21 ~~(iv) Furnish~~ (4) To furnish to the board of directors the NAIC insurance regulatory
22 information system (IRIS) ratios and listings of companies not included in the ratios developed by
23 the ~~National Association of Insurance Commissioners~~ national association of insurance
24 commissioners, and the board may use the information contained in the ratios and listings in
25 carrying out its duties and responsibilities under this section. The report and the information
26 contained in it shall be kept confidential by the board of directors until the time it is made public
27 by the commissioner or other lawful authority.

28 ~~(2)~~ (b) The commissioner may seek the advice and recommendations of the board of
29 directors concerning any matter affecting ~~his~~ the duties and responsibilities of the commissioner
30 regarding the financial condition of member insurers and companies seeking admission to
31 transact insurance business in this state.

32 ~~(3)~~ (c) The board of directors may, upon majority vote, make reports and
33 recommendations to the commissioner upon any matter germane to the solvency, liquidation,
34 rehabilitation or conservation of any member insurer or germane to the solvency of any company

1 seeking to do an insurance business in this state. The reports and recommendations shall not be
2 considered public documents.

3 ~~(4) It shall be the duty of the~~ (d) The board of directors may, upon majority vote, ~~to~~
4 notify the commissioner of any information indicating ~~any~~ a member insurer may be an impaired
5 or insolvent insurer.

6 ~~(5) The board of directors may, upon majority vote, request that the commissioner order~~
7 ~~an examination of any member insurer which the board in good faith believes may be an impaired~~
8 ~~or insolvent insurer. Within thirty (30) days of the receipt of the request, the commissioner shall~~
9 ~~begin an examination. The examination may be conducted as a National Association of Insurance~~
10 ~~Commissioners examination or may be conducted by persons the commissioner designates. The~~
11 ~~cost of the examination shall be paid by the association and the examination report shall be~~
12 ~~treated as are other examination reports. The commissioner shall notify the board of directors~~
13 ~~when the examination is completed. The request for an examination shall be kept on file by the~~
14 ~~commissioner, but it shall not be open to public inspection prior to the release of the examination~~
15 ~~report to the public.~~

16 ~~(6)~~ (e) The board of directors may, upon majority vote, make recommendations to the
17 commissioner for the detection and prevention of insurer insolvencies.

18 ~~(7) The board of directors shall, at the conclusion of any insurer insolvency in which the~~
19 ~~association was obligated to pay covered claims, prepare a report to the commissioner containing~~
20 ~~any information as it may have in its possession bearing on the history and causes of the~~
21 ~~insolvency. The board shall cooperate with the boards of directors of guaranty associations in~~
22 ~~other states in preparing a report on the history and causes of insolvency of a particular insurer,~~
23 ~~and may adopt by reference any report prepared by other associations.~~

24 **27-34.3-14. Miscellaneous provisions.** -- (a) ~~Nothing in this~~ This chapter shall be
25 construed to reduce the liability for unpaid assessments of the insureds of an impaired or
26 insolvent insurer operating under a plan with assessment liability.

27 (b) Records shall be kept of all ~~negotiations and~~ meetings ~~in which the association or its~~
28 ~~representatives are involved~~ of the board of directors to discuss the activities of the association in
29 carrying out its powers and duties under section 27-34.3-8. ~~Records of the negotiations or~~
30 ~~meetings shall be made public only upon~~ The records of the association with respect to an
31 impaired or insolvent insurer shall not be disclosed prior to the termination of a liquidation,
32 rehabilitation or conservation proceeding involving the impaired or insolvent insurer, upon the
33 termination of the impairment or insolvency of the insurer, or upon the order of a court of
34 competent jurisdiction. Nothing in this subsection shall limit the duty of the association to render

1 a report of its activities under section 27-34.3-15.

2 (c) For the purpose of carrying out its obligations under this chapter, the association shall
3 be deemed to be a creditor of the impaired or insolvent insurer to the extent of assets attributable
4 to covered policies reduced by any amounts to which the association is entitled as subrogee
5 pursuant to section 27-34.3-8~~(m)~~(k). Assets of the impaired or insolvent insurer attributable to
6 covered policies shall be used to continue all covered policies and pay all contractual obligations
7 of the impaired or insolvent insurer as required by this chapter. Assets attributable to covered
8 policies, as used in this subsection, are that proportion of the assets which the reserves that should
9 have been established for covered policies bear to the reserves that should have been established
10 for all policies of insurance written by the impaired or insolvent insurer.

11 (d)As a creditor of the impaired or insolvent insurer as established in subsection (c) of
12 this section and consistent with section 27-14.3-38, the association and other similar associations
13 shall be entitled to receive a disbursement of assets out of the marshalled assets, from time to time
14 as the assets become available to reimburse it, as a credit against contractual obligations under
15 this chapter. If the liquidator has not, within one hundred twenty (120) days of a final
16 determination of insolvency of an insurer by the receivership court, made an application to the
17 court for the approval of a proposal to disperse assets out of marshalled assets to guaranty
18 associations having obligations because of the insolvency, then the association shall be entitled to
19 make application to the receivership court for approval of its own proposal to disburse these
20 assets.

21 ~~(e)~~ (e) (1) Prior to the termination of any liquidation, rehabilitation or conservation
22 proceeding, the court may take into consideration the contributions of the respective parties,
23 including the association, the shareholders, and policy owners of the insolvent insurer, and any
24 other party with a bona fide interest, in making an equitable distribution of the ownership rights
25 of the insolvent insurer. In that determination, consideration shall be given to the welfare of the
26 ~~policyholders~~ policy owners of the continuing or successor insurer.

27 (2) No distribution to stockholders, if any, of an impaired or insolvent insurer shall be
28 made until and unless the total amount of valid claims of the association with interest on the
29 claims for funds expended in carrying out its powers and duties under section 27-34.3-8 with
30 respect to the insurer have been fully recovered by the association.

31 ~~(e)~~ (f) (1) If an order for liquidation or rehabilitation of an insurer domiciled in this state
32 has been entered, the receiver appointed under the order shall have a right to recover on behalf of
33 the insurer, from any affiliate that controlled it, the amount of distributions, other than stock
34 dividends paid by the insurer on its capital stock, made at any time during the five (5) years

1 preceding the petition for liquidation or rehabilitation subject to the limitations of subdivisions (2)
2 -- (4) of this subsection.

3 (2) No distribution shall be recoverable if the insurer shows that when paid the
4 distribution was lawful and reasonable, and that the insurer did not know and could not
5 reasonably have known that the distribution might adversely affect the ability of the insurer to
6 fulfill its contractual obligations.

7 (3) Any person who was an affiliate ~~who~~ that controlled the insurer at the time the
8 distributions were paid shall be liable up to the amount of distributions received. Any person who
9 was an affiliate ~~who~~ that controlled the insurer at the time the distributions were declared, shall be
10 liable up to the amount of distributions which would have been received if they had been paid
11 immediately. If two (2) or more persons are liable with respect to the same distributions, they
12 shall be jointly and severally liable.

13 (4) The maximum amount recoverable under this subsection shall be the amount needed
14 in excess of all other available assets of the insolvent insurer to pay the contractual obligations of
15 the insolvent insurer.

16 (5) If any person liable under subdivision (3) of this subsection is insolvent, all its
17 affiliates that controlled it at the time the distribution was paid, shall be jointly and severally
18 liable for any resulting deficiency in the amount recovered from the insolvent affiliate.

19 **27-34.3-15. Examination of the association -- Annual report.** -- The association shall
20 be subject to examination and regulation by the commissioner. The board of directors shall
21 submit to the commissioner each year, not later than one hundred twenty (120) days after the
22 association's fiscal year, a financial report in a form approved by the commissioner and a report
23 of its activities during the preceding fiscal year. Upon the request of a member insurer, the
24 association shall provide the member insurer with a copy of the report.

25 **27-34.3-19. ~~Prohibited advertisement of insurance guaranty association act in~~**
26 **insurance sales. Prohibited advertisement of insurance guaranty association act in**
27 **insurance sales – Notice to policy owners.** – (a) No person, including an insurer, agent,
28 producer, or affiliate of an insurer shall make, publish, disseminate, circulate or place before the
29 public, or cause directly or indirectly, to be made, published, disseminated, circulated or placed
30 before the public, in any newspaper, magazine or other publication, or in the form of a notice,
31 circular, pamphlet, letter or poster, or in the form of e-mail or an electronic website, or over any
32 radio station or television station, or in any other way, any advertisement, announcement or
33 statement, written or oral, which uses the existence of the insurance guaranty association of this
34 state for the purpose of sales, solicitation or inducement to purchase any form of insurance

1 covered by the Rhode Island life and health insurance guaranty association act; provided, that this
2 section shall not apply to the ~~Rhode Island life and health insurance guaranty~~ association or any
3 other entity which does not sell or solicit insurance. The use of the protection afforded by this
4 chapter, other than as provided by this section, by any person in the sale, marketing or advertising
5 of insurance constitutes unfair methods of competition and unfair or deceptive acts or practices
6 under chapter 29 of this title and is subject to the sanctions imposed in that chapter.

7 (b) The association shall prepare a summary document describing the general purposes
8 and current limitations of this chapter in compliance with subsection (c) of this section. This
9 document shall be submitted to the commissioner for approval. At the expiration of the sixty (60)
10 days after the date on which the commissioner approves the document, an insurer may not deliver
11 a policy or contract to a policy or contract owner unless the summary document is delivered to
12 the policy or contract owner at the time of delivery of the policy or contract. The document shall
13 also be available upon request by a policy owner. The distribution, delivery or contents or
14 interpretation of this document does not guarantee that either the policy or the contract or the
15 owner of the policy or contract is covered in the event of the impairment or insolvency of a
16 member insurer. The summary document shall be revised by the association as amendments to
17 this chapter may require. Failure to receive this document does not give the policy owner,
18 contract owner, certificate holder or insured any greater rights than those stated in this act.

19 (c) The summary document prepared under subsection (b) of this section shall contain a
20 clear and conspicuous disclaimer on its face. The commissioner shall establish the form and
21 content of the disclaimer. The disclaimer shall:

22 (1) State the name and address of the association and the insurance department;

23 (2) Prominently warn the policy or contract owner that the association may not cover the
24 policy or, if coverage is available, it will be subject to substantial limitations and exclusions and
25 conditioned on continued residence in this state;

26 (3) State the types of policies for which guaranty funds will provide coverage;

27 (4) State that the insurer and its agents are prohibited by law from using the existence of
28 the association for the purpose of sales, solicitation or inducement to purchase any form of
29 insurance;

30 (5) State that the policy or contract owner should not rely on coverage under the
31 association when selecting an insurer;

32 (6) Explain rights available and procedures for filing a complaint to allege a violation of
33 any provisions of this chapter; and

34 (7) Provide other information as directed by the commissioner including, but not limited

1 to, sources for information about the financial condition of insurers provided that the information
2 is not proprietary and is subject to disclosure under chapter 2 of title 38.

3 (d) A member insurer shall retain evidence of compliance with subsection (b) for so long
4 as the policy or contract for which the notice is given remains in effect.

5 **27-34.3-20. Prospective application.** -- This chapter shall not apply to any insurer that is
6 insolvent or unable to fulfill its contractual obligations prior to ~~the effective date of this chapter.~~
7 ~~The~~ January 1, 1996, and any such insurer shall be subject to the provisions under chapter 34.1 of
8 this title. Nothing in this chapter shall be construed to require an insurer to recompute its
9 assessment bases for any year prior to January 1, 2005, and any assessment bases computed
10 between January 1, 1966 and December 31, 2004 are hereby acknowledged and recognized as
11 factual on the basis of premium date collected from or reported by member insurers with respect
12 to those years.

13 SECTION 2. The amendments to section 27-34.3(2), 27-34.3-3(a)(3), 27-34.3-3(a)(4),
14 27-34.3-3(b)(2)(viii), 27-34.3-3(c)(2)(iv)(B), 27-34.3-4, 27-34.3-5(17)(ii), 27-34.3-8(b), 27-34.3-
15 8(g), 27-34.3-8(n), and 27-34.3-9(e) in this act shall apply to the association's rights and
16 obligations with respect to such insurers that become insolvent or impaired on or after January 1,
17 2005.

18 The remaining provisions of this act shall take effect upon passage and shall apply to
19 insurers that become insolvent or impaired on or after January 1, 1996.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO INSURANCE -- RHODE ISLAND LIFE AND HEALTH INSURANCE
GUARANTY ASSOCIATION ACT

1 This act would clarify the Rhode Island Life and Health Insurance Guaranty Association
2 Act and would provide a mechanism to cover claimants and insureds in the event of insolvency of
3 an insurance company.

4 The amendments to section 27-34.3-3(a)(2), 27-34.3-3(a)(3), 27-34.3-3(a)(4), 27-34.3-
5 3(b)(2)(viii), 27-34.33-3(c)(2)(iv)(B), 27-34.3-4, 27-34.3-5(17)(ii), 27-34.3-(b), 27-34.3-8(g), 27-
6 34.3-8(n), and 27-34.3-9(e) in this act would apply to the association's rights and obligations with
7 respect to such insurers that become insolvent or impaired on or after January 1, 2005.

8 The remaining provisions of this act would take effect upon passage and would apply to
9 insurers that become insolvent or impaired on or after January 1, 1996.

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