

Regular Session, 2014

SENATE BILL NO. 169

BY SENATOR LONG

INSURERS. Provides relative to the Louisiana Life and Health Insurance Guaranty Association and structured settlement annuities. (8/1/14)

1 AN ACT

2 To amend and reenact the introductory paragraph of R.S. 22:2083(A)(2), (B)(1) and (2)(c)

3 and the introductory paragraph of (h) and (v), and (C)(2)(c), 2084(7) and (12), and

4 2087(A), (B), and (C); to enact R.S. 22:2083(A)(3), (4), and (5) and (B)(2)(j),

5 2084(12.1), and 2087(Q) and (R); and to repeal R.S. 22:2087(D) and (E), relative to

6 the Louisiana Life and Health Insurance Guaranty Association; to provide for

7 coverage and structured settlement annuities; and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. The introductory paragraph of R.S. 22:2083(A)(2), (B)(1) and (2)(c) and

10 the introductory paragraph of (h) and (v), and (C)(2)(c), 2084(7) and (12), and 2087(A), (B),

11 and (C) are hereby amended and reenacted and R.S. 22:2083(A)(3), (4), and (5) and

12 (B)(2)(j), 2084(12.1), and 2087(Q) and (R) are hereby enacted to read as follows:

13 §2083. Coverages and limitations

14 A. This Part shall provide coverage for the policies and contracts specified

15 in Subsection B of this Section:

16 \* \* \*

17 (2) To any person who is the owner of or certificate holder under such a

1 policy or contract, **other than a structured settlement annuity**, and who is either:

2 \* \* \*

3 **(3) For structured settlement annuities specified in Subsection B of this**  
4 **Section, Paragraphs (1) and (2) of this Subsection shall not apply, and this Part**  
5 **shall, except as provided in Paragraph (5) of this Subsection, provide coverage**  
6 **to a person who is a payee under a structured settlement annuity, or a**  
7 **beneficiary of a payee if the payee is deceased, if the payee is one of the**  
8 **following:**

9 **(a) A resident, regardless of where the contract owner resides.**

10 **(b) Not a resident, but only under both of the following conditions:**

11 **(i) The contract owner of the structured settlement annuity is a resident**  
12 **or not a resident under the following conditions:**

13 **(aa) The insurer that issued the structured settlement annuity is**  
14 **domiciled in this state.**

15 **(bb) The state in which the contract owner resides has an association**  
16 **similar to the association created by this Part.**

17 **(ii) Neither the payee, or beneficiary, nor the contract owner is eligible**  
18 **for coverage by the association of the state in which the payee or contract owner**  
19 **resides.**

20 **(4) This Part shall not provide coverage to a person who is a payee or**  
21 **beneficiary of a contract owner resident of this state, if the payee or beneficiary**  
22 **is afforded any coverage by the association of another state.**

23 **(5) This Part is intended to provide coverage to a person who is a**  
24 **resident of this state and, in special circumstances, to a nonresident. In order to**  
25 **avoid duplicate coverage, if a person who would otherwise receive coverage**  
26 **under this Part is provided coverage under the laws of any other state, the**  
27 **person shall not be provided coverage under this Part. In determining the**  
28 **application of the provisions of this Paragraph in situations where a person**  
29 **could be covered by the association of more than one state, whether as an**

1 owner, payee, beneficiary or assignee, this Part shall be construed in  
2 conjunction with other state laws to result in coverage by only one association.

3 B.(1) This Part shall provide coverage to the persons specified in Subsection  
4 A of this Section for direct ~~nongroup~~ non-group life, health, and annuity ~~and~~  
5 ~~supplemental~~ policies or contracts, for certificates under direct group policies and  
6 contracts, and for supplemental contracts to any of these, and for unallocated  
7 annuity contracts, in each case issued by member insurers, except as limited by this  
8 Part.

9 (2) This Part shall not provide coverage for:

10 \* \* \*

11 (c) Any portion of a policy or contract to the extent that the rate of interest  
12 on which it is based, or the interest rate, crediting rate, or similar factor  
13 determined by use of an index or other external reference stated in the policy  
14 or contract employed in calculating returns in value meets both of the following  
15 criteria:

16 (i) Averaged over the period of four years prior to the date on which the  
17 ~~association becomes obligated with respect to the policy or contract~~ member  
18 insurer becomes an impaired or insolvent insurer under this Part, whichever is  
19 earlier, exceeds a the rate of interest determined by subtracting two percentage  
20 points from Moody's Corporate Bond Yield Average averaged for that same  
21 four-year period or for such lesser period if the policy or contract was issued less  
22 than four years before ~~the association became obligated~~ the member insurer  
23 becomes an impaired or insolvent insurer under this Part, whichever is earlier.

24 (ii) On and after the date on which the ~~association becomes obligated with~~  
25 ~~respect to the policy or contract~~ member insurer becomes an impaired or  
26 insolvent insurer under this Part, whichever is earlier, exceeds the rate of interest  
27 determined by subtracting three percentage points from Moody's Corporate Bond  
28 Yield Average as most recently available.

29 \* \* \*

1 (h) An obligation that does not arise under the express written terms of the  
2 policy or contract issued by the insurer to the contract owner or policy owner,  
3 including without limitations, any of the following:

4 \* \* \*

5 (v) A claim for penalties or ~~consequences~~ **consequential** or incidental  
6 damages.

7 \* \* \*

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

21 C. The benefits for which the association shall become liable shall in no  
22 event exceed the lesser of the following:

23 \* \* \*

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

26 \* \* \*

27 (c) Two hundred and fifty thousand dollars in the present value of annuity  
28 benefits, ~~not to exceed one hundred thousand dollars in~~ **including** net cash surrender  
29 and net cash withdrawal values.

\* \* \*

§2084. Definitions

As used in this Part:

\* \* \*

(7) "Insolvent insurer" means a member insurer which, after September 30, 1991, is placed under an order **of liquidation** by a court of competent jurisdiction with a finding of insolvency.

\* \* \*

(12) "Resident" means ~~any a~~ **u** person who resides in this state ~~at the time an insurer is determined to be an impaired or insolvent insurer and to whom a contractual obligation is owed~~ **on the date of entry of a court order that determines a member insurer to be an impaired insurer or a court order that determines a member insurer to be an insolvent insurer.** A person may be a resident of only one state, which in the case of a person other than a natural person shall be its principal place of business. **Citizens of the United States that are either (a) residents of foreign countries, or (b) residents of United States possessions, territories, or protectorates that do not have an association similar to the association created by this Part, shall be deemed residents of the state of domicile of the insurer that issued the policies or contracts.**

**(12.1) "Structured settlement annuity" means an annuity purchased in order to fund periodic payments for a plaintiff or other claimant in payment for or with respect to personal injury suffered by the plaintiff or other claimant.**

\* \* \*

§2087. Powers and duties of the association

A. If a member insurer is an impaired ~~domestic~~ insurer, the association may, in its discretion, subject to any conditions imposed by the association, ~~take such actions as~~ **that** do not impair the contractual obligations of the impaired insurer; **and** that are approved by the commissioner:

(1) Guarantee, assume, or reinsure, or cause to be guaranteed, assumed, or

1 reinsured, any or all of the policies or contracts of the impaired insurer.

2 (2) Provide such monies, pledges, notes, **loans**, guarantees, or other means  
3 as are proper to effectuate Paragraph (1) of this Subsection and assure payment of  
4 the contractual obligations of the impaired insurer pending action under Paragraph  
5 (1) of this Subsection.

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

7 ~~B.(1) If an insurer is an impaired insurer, whether domestic, foreign, or alien,  
8 and the insurer is not paying claims timely, then subject to the preconditions  
9 specified in Paragraph (A)(2) of this Section, the association shall, in its discretion,  
10 either:~~

11 ~~(a) Take any of the actions specified in Subsection A of this Section, subject  
12 to the conditions in that Section.~~

13 ~~(b) Provide substitute benefits in lieu of the contractual obligations of the  
14 impaired insurer solely for health claims, periodic annuity benefit payments, death  
15 benefits, supplemental benefits, and cash withdrawals for policy or contract owners  
16 who petition therefor under claims of emergency or hardship in accordance with  
17 standards proposed by the association in its plan of operation and approved by the  
18 commissioner.~~

19 ~~(2) The association shall be subject to the requirements of Paragraph (1) of  
20 this Subsection only if:~~

21 ~~(a) The laws of its state of domicile of the impaired insurer provide that until  
22 all payments of or on account of the impaired insurer's contractual obligations by all  
23 guaranty associations, along with all expenses thereof and interest on all such  
24 payments and expenses, shall have been repaid to the guaranty associations or a plan  
25 of repayment by the impaired insurer shall have been approved by the guaranty  
26 associations:~~

27 ~~(i) The delinquency proceeding shall not be dismissed.~~

28 ~~(ii) Neither the impaired insurer nor its assets shall be returned to the control  
29 of its shareholders or private management.~~

1           ~~(iii) It shall not be permitted to solicit or accept new business or have any~~  
2 ~~suspended or revoked license restored.~~

3           ~~(b)(i) If the impaired insurer is a domestic insurer, it has been placed under~~  
4 ~~an order of rehabilitation by a court of competent jurisdiction in this state.~~

5           ~~(ii) If the impaired insurer is a foreign or alien insurer:~~

6           ~~(aa) It has been prohibited from soliciting or accepting new business in this~~  
7 ~~state;~~

8           ~~(bb) Its certificate of authority has been suspended or revoked in this state;~~  
9 ~~and~~

10          ~~(cc) A petition for rehabilitation or liquidation has been filed in a court of~~  
11 ~~competent jurisdiction in its state of domicile by the commissioner of its state.~~

12          ~~€.~~ If a member insurer is an insolvent insurer, the association shall, in its  
13 discretion, either:

14           (1) **Provide such monies, pledges, guarantees, or other means as are**  
15 **reasonably necessary to either:**

16           (a) Guarantee, assume, or reinsure, or cause to be guaranteed, assumed, or  
17 reinsured, the policies or contracts of the insolvent insurer.

18           (b) Assure payment of the contractual obligations of the insolvent insurer.

19           ~~(c) Provide such monies, pledges, guarantees, or other means as are~~  
20 ~~reasonably necessary to discharge such duties.~~

21           (2) ~~With respect only to life and health insurance policies, provide~~ **Provide**  
22 ~~benefits and coverages in accordance with Subsection~~ ~~Ð~~ **C** ~~of this Section.~~

23           ~~Ð. C. When proceeding under Subparagraph (B)(1)(b) of this Section or~~  
24 ~~Paragraph (C)(2) of this Section, the association shall, with~~ **With** ~~respect to only life~~  
25 ~~and health insurance policies~~ **and annuities:**

26           (1) Assure payment of benefits for premiums identical to the premiums and  
27 benefits, except for terms of conversion and renewability, that would have been  
28 payable under the policies **or contracts** of the insolvent insurer, for claims incurred.

29           (a) With respect to group policies **and contracts**, not later than the  
30 ~~succeeding~~ **earlier of the** next renewal date under such policies or contracts or

1 forty-five days, but in no event less than thirty days, after the date on which the  
2 association becomes obligated with respect to such policies.

3 (b) With respect to ~~individual~~ **non-group** policies, **contracts, and annuities,**  
4 not later than the earlier of the ~~succeeding~~ **next** renewal date, if any, under such  
5 policies or one year, but in no event less than thirty days, from the date on which the  
6 association becomes obligated with respect to such policies.

7 (2) Make reasonable and diligent efforts to provide all known insureds **or**  
8 **annuitants for non-group policies and contracts,** or group policyholders with  
9 respect to group policies, thirty days prior notice of the termination of the benefits  
10 provided.

11 (3) With respect to ~~individual policies~~ **non-group life and health insurance**  
12 **policies and annuities covered by the association,** make available to each known  
13 insured **or annuitant,** or owner if other than the insured **or annuitant,** and with  
14 respect to an individual formerly insured **or formerly an annuitant** under a group  
15 policy who is not eligible for replacement group coverage, make available substitute  
16 coverage on an individual basis in accordance with the provisions of Paragraph (4)  
17 of this Subsection, if the insureds **or annuitants** had a right under law or the  
18 terminated policy **or annuity** to convert coverage to individual coverage or to  
19 continue an individual policy **or annuity** in force until a specified age or for a  
20 specified time, during which the insurer ~~shall have~~ **had** no right to unilaterally alter  
21 any provision of the policy **or annuity** or undertake alterations only in premium by  
22 class.

23 (4)(a) In providing the substitute coverage required under Paragraph (3) of  
24 this Subsection, the association may offer either to reissue the terminated coverage  
25 or to issue an alternative policy.

26 (b) Alternative or reissued policies shall be offered without requiring  
27 evidence of insurability, and shall not provide for any waiting period or exclusion  
28 that would not have applied under the ~~former~~ **terminated** policy.

29 (c) The association may reinsure any alternative or reissued policy.

30 (5)(a) Alternative policies adopted by the association shall be subject to the

1 prior approval of the **domiciliary insurance** commissioner. The association may  
2 adopt alternative policies of various types for future issuance without regard to any  
3 particular impairment or insolvency ~~of an insurer.~~

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

11 (c) Any alternative policy issued by the association shall provide coverage  
12 of a type similar to that of the policy issued by the impaired or insolvent insurer, as  
13 determined by the association.

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

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

23 **(8) When proceeding under this Subsection with respect to a policy or**  
24 **contract carrying guaranteed minimum interest rates, the association shall**  
25 **assure the payment or crediting of a rate of interest consistent with R.S.**  
26 **22:2083(B)(2)(c).**

27 ~~E. When proceeding under Paragraph (B)(1) of this Section with respect to~~  
28 ~~any policy or contract carrying guaranteed minimum interest rates, the association~~  
29 ~~shall assure the payment or credit of a rate of interest consistent herein.~~

30 \* \* \*

1           **Q. In carrying out its duties in connection with guaranteeing, assuming,**  
2           **or reinsuring policies or contracts under Subsection A or B of this Section, the**  
3           **association may, subject to approval of the receivership court, issue substitute**  
4           **coverage for a policy or contract that provides an interest rate, crediting rate,**  
5           **or similar factor determined by use of an index or other external reference**  
6           **stated in the policy or contract employed in calculating returns or changes in**  
7           **value by issuing an alternative policy or contract that meets the following**  
8           **requirements:**

9           **(1) In lieu of the index or other external reference provided for in the**  
10           **original policy or contract, the alternative policy or contract provides for one**  
11           **of the following:**

12                   **(a) A fixed interest rate.**

13                   **(b) Payment of dividends with minimum guarantees.**

14                   **(c) A different method for calculating interest or changes in value.**

15           **(2) There is no requirement for evidence of insurability, waiting period,**  
16           **or other exclusion that would not have applied under the replaced policy or**  
17           **contract.**

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

20           **R.(1)(a) At any time within one hundred eighty days of the date of the**  
21           **order of liquidation, the association may elect to succeed to the rights and**  
22           **obligations of the ceding member insurer that relate to policies or annuities**  
23           **covered, in whole or in part, by the association, in each case under any one or**  
24           **more reinsurance contracts entered into by the insolvent insurer and its**  
25           **reinsurers and selected by the association. Any such assumption shall be**  
26           **effective as of the date of the order of liquidation. The election shall be effected**  
27           **by the association or the National Organization of Life and Health Insurance**  
28           **Guaranty Associations (NOLHGA) on its behalf sending written notice, return**  
29           **receipt requested, to the affected reinsurers.**

30                   **(b) To facilitate the earliest practicable decision about whether to assume**

1 any of the contracts of reinsurance, and in order to protect the financial position  
2 of the estate, the receiver and each reinsurer of the ceding member insurer shall  
3 make available upon request to the association or to NOLHGA on its behalf, as  
4 soon as possible after commencement of formal delinquency proceedings, copies  
5 of in-force contracts of reinsurance and all related files and records relevant to  
6 the determination of whether such contracts should be assumed, and notices of  
7 any defaults under the reinsurance contracts or any known event or condition  
8 that with the passage of time could become a default under the reinsurance  
9 contracts.

10 (c) Items (i) through (iv) of this Subparagraph shall apply to reinsurance  
11 contracts so assumed by the association:

12 (i) The association shall be responsible for all unpaid premiums due  
13 under the reinsurance contracts for periods both before and after the date of the  
14 order of liquidation, and shall be responsible for the performance of all other  
15 obligations to be performed after the date of the order of liquidation, in each  
16 case that relate to policies or annuities covered, in whole or in part, by the  
17 association. The association may charge policies or annuities covered in part by  
18 the association, through reasonable allocation methods, the costs for  
19 reinsurance in excess of the obligations of the association and shall provide  
20 notice and an accounting of these charges to the liquidator.

21 (ii) The association shall be entitled to any amounts payable by the  
22 reinsurer under the reinsurance contracts with respect to losses or events that  
23 occur in periods after the date of the order of liquidation and that relate to  
24 policies or annuities covered, in whole or in part, by the association, provided  
25 that, upon receipt of any such amounts, the association shall be obliged to pay  
26 to the beneficiary under the policy or annuity on account of which the amounts  
27 were paid a portion of the amount equal to the lesser of either of the following:

28 (aa) The amount received by the association.

29 (bb) The excess of the amount received by the association over the  
30 amount equal to the benefits paid by the association on account of the policy or

1 annuity less the retention of the insurer applicable to the loss or event.

2 (iii) Within thirty days following the association's election ('election  
3 date'), the association and each reinsurer under contracts assumed by the  
4 association shall calculate the net balance due to or from the association under  
5 each reinsurance contract as of the election date with respect to policies or  
6 annuities covered, in whole or in part, by the association, which calculation shall  
7 give full credit to all items paid by the insurer or its receiver or the reinsurer  
8 prior to the election date. The reinsurer shall pay the receiver any amounts due  
9 for losses or events prior to the date of the order of liquidation, subject to any  
10 set-off for premiums unpaid for periods prior to the date, and the association  
11 or reinsurer shall pay any remaining balance due the other, in each case within  
12 five days of the completion of the aforementioned calculation. Any disputes over  
13 the amounts due to either the association or the reinsurer shall be resolved by  
14 arbitration pursuant to the terms of the affected reinsurance contracts or, if the  
15 contract contains no arbitration clause, as otherwise provided by law. If the  
16 receiver has received any amounts due the association pursuant to Item (c)(ii)  
17 of this Paragraph, the receiver shall remit the same to the association as  
18 promptly as practicable.

19 (iv) If the association, or receiver on the association's behalf, within sixty  
20 days of the election date, pays the unpaid premiums due for periods both before  
21 and after the election date that relate to policies or annuities covered, in whole  
22 or in part, by the association, the reinsurer shall not be entitled to terminate the  
23 reinsurance contracts for failure to pay premium insofar as the reinsurance  
24 contracts relate to policies or annuities covered, in whole or in part, by the  
25 association, and shall not be entitled to set-off any unpaid amounts due under  
26 other contracts, or unpaid amounts due from parties other than the association,  
27 against amounts due the association.

28 (2) During the period from the date of the order of liquidation until the  
29 election date or, if the election date does not occur, until one hundred eighty  
30 days after the date of the order of liquidation:

1           (a)(i) Neither the association nor the reinsurer shall have any rights or  
2           obligations under reinsurance contracts that the association has the right to  
3           assume under Paragraph (1) of this Subsection, whether for periods prior to or  
4           after the date of the order of liquidation.

5           (ii) The reinsurer, the receiver, and the association shall, to the extent  
6           practicable, provide each other data and records reasonably requested.

7           (b) However, once the association has elected to assume a reinsurance  
8           contract, the parties' rights and obligations shall be governed by Paragraph (1)  
9           of this Subsection.

10          (3) If the association does not elect to assume a reinsurance contract by  
11          the election date pursuant to Paragraph (1) of this Subsection, the association  
12          shall have no rights or obligations, in each case for periods both before and after  
13          the date of the order of liquidation, with respect to the reinsurance contract.

14          (4) When policies or annuities, or covered obligations with respect  
15          thereto, are transferred to an assuming insurer, reinsurance on the policies or  
16          annuities may also be transferred by the association, in the case of contracts  
17          assumed under Paragraph (1) of this Subsection, subject to each of the  
18          following:

19           (a) Unless the reinsurer and the assuming insurer agree otherwise, the  
20           reinsurance contract transferred shall not cover any new policies of insurance  
21           or annuities in addition to those transferred.

22           (b) The obligations described in Paragraph (1) of this Subsection shall  
23           no longer apply with respect to matters arising after the effective date of the  
24           transfer.

25           (c) Notice shall be given in writing, return receipt requested, by the  
26           transferring party to the affected reinsurer not less than thirty days prior to the  
27           effective date of the transfer.

28          (5) The provisions of this Subsection shall supersede the provisions of  
29          any law of this state or of any affected reinsurance contract that provides for or  
30          requires any payment of reinsurance proceeds, on account of losses or events

1 that occur in periods after the date of the order of liquidation, to the receiver  
 2 of the insolvent insurer or any other person. The receiver shall remain entitled  
 3 to any amounts payable by the reinsurer under the reinsurance contracts with  
 4 respect to losses or events that occur in periods prior to the date of the order of  
 5 liquidation, subject to applicable set-off provisions.

6 (6) Except as otherwise provided in this Section, nothing in this  
 7 Subsection shall alter or modify the terms and conditions of any reinsurance  
 8 contract. Nothing in this Section shall abrogate or limit any rights of any  
 9 reinsurer to claim that it is entitled to rescind a reinsurance contract. Nothing  
 10 in this Section shall give a policyholder or beneficiary an independent cause of  
 11 action against a reinsurer that is not otherwise set forth in the reinsurance  
 12 contract. Nothing in this Section shall limit or affect the association's rights as  
 13 a creditor of the estate against the assets of the estate. Nothing in this Section  
 14 shall apply to reinsurance agreements covering property or casualty risks.

15 Section 2. R.S. 22:2087(D) and (E) are hereby repealed in their entirety.

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The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Cheryl Horne.

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#### DIGEST

Long (SB 169)

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

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

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

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

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

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

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

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

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

- (5) Proposed law specifies that the order required in the definition of "insolvent insurer" is an order of liquidation. Also makes technical changes to the definition of "resident" and adds provisions regarding the treatment of U.S. citizens who reside in foreign countries or in U.S. territories without guaranty funds.

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

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

- (7) Proposed law adds provisions that permit LLHIGA to offer substitute policies that pay interest subject to certain limitations.

- (8) Proposed law adds provisions that permit LLHIGA to succeed to certain reinsurance contracts that cover assumed policies of an insolvent insurer effective as of the date of the order of liquidation.

Effective August 1, 2014.

(Amends R.S. 22:2083(A)(2)(intro para), (B)(1) and (2)(c) and (h)(intro para) and (v), and (C)(2)(c), 2084(7) and (12), and 2087(A), (B), and (C); adds R.S. 22:2083(A)(3), (4), and (5) and (B)(2)(j), 2084(12.1), and 2087(Q) and (R); repeals R.S. 22:2087(D) and (E))