

Senate File 556 - Reprinted

SENATE FILE 556
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 1222)

(COMPANION TO HF 667 BY
COMMITTEE ON COMMERCE)

(As Amended and Passed by the Senate March 20, 2019)

A BILL FOR

1 An Act relating to the membership of the life and health
2 insurance guaranty association, assessments to member
3 insurers for insurance written by impaired or insolvent
4 member insurers, and including applicability and effective
5 date provisions.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 507C.3, Code 2019, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 7. Health maintenance organizations formed
4 under chapter 514B other than limited service organizations
5 formed under section 514B.33.

6 Sec. 2. Section 508C.2, Code 2019, is amended to read as
7 follows:

8 **508C.2 Purpose.**

9 1. The purpose of this chapter is to protect, subject to
10 certain limitations, the persons specified in section 508C.3,
11 subsection 1, against failure in the performance of contractual
12 obligations under life, and health, insurance policies and
13 annuity policies, plans, or contracts specified in section
14 508C.3, subsection 2, because of the impairment or insolvency
15 of the member insurer which issued the policies, plans, or
16 contracts.

17 2. To provide this protection, an association of member
18 insurers is created to enable the guaranty of payments of
19 benefits and ~~of~~ continuation of coverages as limited ~~in~~ by this
20 chapter. Members of the association are subject to assessment
21 to provide funds to carry out the purpose of this chapter.

22 Sec. 3. Section 508C.3, subsection 1, paragraphs a, b, and
23 e, Code 2019, are amended to read as follows:

24 a. Except Persons, regardless of where they reside, except
25 for nonresident certificate holders under group policies or
26 contracts, persons who are the beneficiaries, assignees, or
27 payees, including health care providers rendering services
28 covered under health insurance policies, contracts, or
29 certificates, of the persons covered under paragraph "b".

30 b. Persons who are owners of or certificate holders
31 or enrollees under the policies or contracts specified in
32 subsection 2, other than unallocated annuity contracts and
33 structured settlement annuities, or are enrollees, insureds, or
34 annuitants under the policies or contracts, and who are either
35 of the following:

1 (1) Residents of this state.

2 (2) Nonresidents of this state if all of the following
3 conditions are met:

4 (a) The state in which the person resides has an association
5 similar to the association created in [this chapter](#).

6 (b) The person is not eligible for coverage by an
7 association described in subparagraph division (a) in any
8 other state due to the fact that the insurer or the health
9 maintenance organization was not licensed in the state at the
10 time specified in that state's guaranty association law.

11 (c) The member insurer that issued the policy or contract is
12 domiciled in this state.

13 e. A person who is a resident of this state and, only in
14 special circumstances, to a nonresident. In order to avoid
15 duplicate coverage, if a person who would otherwise receive
16 coverage under [this chapter](#) is provided coverage under the
17 laws of any other state, that person shall not be provided
18 coverage under [this chapter](#). In determining the application
19 of the provisions of this paragraph in ~~situations~~ a situation
20 where a person could be provided coverage by the association
21 of more than one state, whether as an owner, payee, enrollee,
22 beneficiary, or assignee, [this chapter](#) shall be construed in
23 conjunction with other state laws to result in coverage by the
24 association of only one state.

25 Sec. 4. Section 508C.3, subsections 2, 3, and 4, Code 2019,
26 are amended to read as follows:

27 2. [This chapter](#) shall provide coverage to the persons
28 specified in [subsection 1](#) under policies or contracts of direct
29 life insurance policies, health insurance policies including
30 long-term care insurance and disability insurance policies,
31 annuity contracts or annuities, supplemental contracts,
32 certificates under group policies or contracts, and unallocated
33 annuity contracts issued by member insurers. For purposes
34 of this chapter, health insurance shall include without
35 limitation health maintenance organization subscriber contracts

1 and certificates, long-term care insurance, and disability
2 insurance policies.

3 3. Coverage under this chapter shall not be provided to any
4 of the following:

5 a. A person who is a payee, or ~~the~~ a beneficiary of a payee
6 if the payee is deceased, of a contract owner who is a resident
7 of this state, if the payee or the beneficiary of the payee is
8 provided any coverage by the association of another state.

9 b. A person who is covered pursuant to subsection 1,
10 paragraph "c", if that person is provided any coverage by the
11 association of another state.

12 c. A person who acquires rights to receive payments through
13 a structured settlement factoring transaction as defined in
14 26 U.S.C. §5891(c)(3)(A), regardless of when the transaction
15 occurred.

16 4. This chapter does not apply to any of the following:

17 a. Any Except for a portion of a policy or contract,
18 including a rider, that provides coverage for long-term care
19 or any health insurance benefits, any portion of a policy or
20 contract to the extent that the rate of interest on which
21 it is based or the interest rate, crediting rate, or similar
22 factor determined by use of an index or other external
23 reference stated in the policy or contract and employed in
24 calculating returns or changes in value, averaged over the
25 period of four years prior to the date on which the association
26 becomes obligated with respect to the policy or contract,
27 exceeds a rate of interest determined by subtracting two
28 percentage points from Moody's corporate bond yield average
29 for the same four-year period or over such lesser period if
30 the policy or contract was issued less than four years before
31 the association became obligated; and on or after the date on
32 which the association becomes obligated with respect to the
33 policy or contract, exceeds the rate of interest determined by
34 subtracting three percentage points from Moody's corporate bond
35 yield average as most recently available.

1 *b.* That portion or part of a policy or contract not
 2 guaranteed by the member insurer, or under which the risk is
 3 borne by the ~~policyholder~~ policy or contract holder.

4 *c.* A policy or contract or part of a policy or contract
 5 assumed by the impaired or insolvent insurer under a contract
 6 of reinsurance, other than reinsurance for which assumption
 7 certificates have been issued.

8 *d.* An unallocated annuity contract issued to or in
 9 connection with an employee benefit plan protected under the
 10 federal pension benefit guaranty corporation, regardless of
 11 whether the federal pension benefit guaranty corporation has
 12 yet become liable to make any payments with respect to the
 13 benefit plan, ~~or a.~~

14 *e.* A portion of an unallocated annuity contract which is not
 15 issued to or in connection with a specific employee, union, or
 16 association of natural persons, or any portion of a financial
 17 guarantee.

18 ~~*e.*~~ *f.* A policy or contract issued by a company which is
 19 licensed under [chapter 509A, 512A, 512B, 514, 514B, 518, 518A,](#)
 20 or [520](#), or under section 514B.33.

21 ~~*f.*~~ *g.* Except for a policy issued pursuant to section
 22 515.48, subsection 5, paragraph "a", a policy or contract issued
 23 by a company which is licensed under [chapter 515](#).

24 ~~*g.*~~ *h.* A charitable gift annuity under [chapter 508F](#).

25 ~~*h.*~~ *i.* An annuity contract issued to a government lottery.

26 ~~*i.*~~ *j.* A funding agreement under [section 508.31A](#).

27 ~~*j.*~~ *k.* An obligation that does not arise under the express
 28 written terms of a covered policy or contract issued by the
 29 member insurer to the enrollee, certificate holder, policy
 30 owner, or contract owner including without limitation all of
 31 the following:

32 (1) ~~Claims~~ A claim based on marketing materials.

33 (2) ~~Claims~~ A claim based on side letters, riders, or other
 34 documents that were issued by the member insurer without
 35 meeting applicable policy or contract form filing or approval

1 requirements.

2 (3) ~~Misrepresentation~~ A claim based on misrepresentation of
3 or misrepresentation regarding policy or contract benefits.

4 (4) ~~Extra-contractual-claims~~ An extra-contractual claim.

5 (5) ~~Claims~~ A claim for penalties, consequential, or
6 incidental damages.

7 ~~k.~~ l. A contractual agreement that establishes a member
8 insurer's obligations to provide a book value accounting
9 guaranty for defined contribution benefit plan participants by
10 reference to a portfolio of assets that is owned by the benefit
11 plan or its trustee, which in each case is not an affiliate of
12 the member insurer.

13 ~~l.~~ m. A portion of a covered policy to the extent it
14 provides for interest or other ~~change~~ changes in value to be
15 determined by the use of an index or other external reference
16 stated in the covered policy, but which ~~has~~ have not been
17 credited to the covered policy, or as to which the covered
18 policy owner's rights are subject to forfeiture, as of the
19 date the member insurer becomes an impaired or insolvent
20 insurer under this chapter, whichever is earlier. If a covered
21 policy's interest or ~~change~~ changes in value ~~is~~ are credited
22 less frequently than annually, then for purposes of determining
23 the values that have been credited and are not subject to
24 forfeiture under the covered policy, the interest or change in
25 value determined by using the procedures defined in the covered
26 policy will be credited as if the contractual date of crediting
27 interest or changing values was the date of impairment or
28 insolvency, whichever is earlier, and ~~will~~ the crediting
29 interest or changing value shall not be subject to forfeiture.

30 ~~m.~~ n. A policy or contract issued in this state by a member
31 insurer at a time the insurer was not licensed or did not have
32 a certificate of authority to issue the policy or contract in
33 this state.

34 ~~n.~~ o. A portion of a policy or contract issued to a plan or
35 program of an employer, association, or other person to provide

1 life, health, or annuity benefits to employees, members, or
2 others, to the extent that the plan or program is self-funded
3 or uninsured, including but not limited to benefits payable
4 by an employer, association, or other person under any of the
5 following:

6 (1) A multiple employer welfare arrangement as defined in
7 section 3 of the federal Employee Retirement Income Security
8 Act of 1974, 29 U.S.C. §1002, paragraph 40.

9 (2) A minimum premium group insurance plan.

10 (3) A stop-loss group insurance plan.

11 (4) An administrative services-only contract.

12 ~~o.~~ p. A portion of a policy or contract to the extent that
13 it provides for any of the following:

14 (1) Dividends or experience rating credits.

15 (2) Voting rights.

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

19 ~~p.~~ q. A portion of a policy or contract to the extent that
20 the assessments authorized by [section 508C.9](#) with respect to
21 the policy or contract are preempted by federal or state law.

22 ~~q.~~ r. A policy or contract providing any hospital, medical,
23 prescription drug, or other health care benefits pursuant to
24 any of the following:

25 (1) 42 U.S.C. ch. 7, subch. XVIII, Part C or Part D,
26 commonly known as Medicare Part C and D pursuant to Tit. XVIII
27 of the federal Social Security Act, or any regulations issued
28 pursuant thereto.

29 (2) 42 U.S.C. ch. 7, subch. XIX, commonly known as Medicaid,
30 or any regulations issued pursuant thereto.

31 s. Structured settlement annuity benefits to which a payee
32 or beneficiary has transferred the payee's or beneficiary's
33 rights in a structured settlement factoring transaction as
34 defined in 26 U.S.C. §5891(c)(3)(A).

35 Sec. 5. Section 508C.3, Code 2019, is amended by adding the

1 following new subsection:

2 NEW SUBSECTION. 4A. a. The benefits that the association
3 may become obligated to cover shall in no event exceed the
4 lesser of either of the following:

5 (1) The contractual obligations for which the member
6 insurer is liable or would have been liable if the member
7 insurer were not an impaired or insolvent insurer.

8 (2) Any of the following:

9 (a) With respect to one life, regardless of the number of
10 policies or contracts:

11 (i) Three hundred thousand dollars in life insurance death
12 benefits, but not more than one hundred thousand dollars in
13 net cash surrender and net cash withdrawal values for life
14 insurance.

15 (ii) Five hundred thousand dollars for health benefit
16 plans; three hundred thousand dollars for health insurance
17 benefits which are disability income protection coverage as
18 defined by the commissioner by rule pursuant to section 514D.4;
19 three hundred thousand dollars for long-term care insurance as
20 defined in section 514G.103; or one hundred thousand dollars
21 for other health insurance benefits including any net cash
22 surrender and net cash withdrawal values.

23 (iii) Two hundred fifty thousand dollars in the present
24 value of annuity benefits, including net cash surrender and net
25 cash withdrawal values.

26 (iv) With respect to each payee of a structured settlement
27 annuity, or the beneficiary or beneficiaries of the payee if
28 the payee is deceased, two hundred fifty thousand dollars in
29 present value annuity benefits, in the aggregate, including net
30 cash surrender and net cash withdrawal values.

31 (b) (i) With respect to each individual participating
32 in a retirement benefit plan established under section 401,
33 403(b), or 457 of the United States Internal Revenue Code, or
34 each unallocated annuity contract account, excluding a plan
35 established under section 401, 403(b), or 457 of the United

1 States Internal Revenue Code, not more than two hundred fifty
2 thousand dollars in the aggregate, in present value annuity
3 benefits, including net cash surrender and net cash withdrawal
4 values for the beneficiaries of the deceased individual.

5 (ii) However, the association shall not in any event be
6 obligated to cover more than an aggregate of three hundred
7 fifty thousand dollars in benefits with respect to any one life
8 under subparagraph division (a) and this subparagraph division
9 (b), except with respect to benefits for health benefit plans
10 under subparagraph division (a), subparagraph subdivision
11 (ii), in which case the aggregate liability of the association
12 shall not exceed five hundred thousand dollars with respect
13 to any one individual, or more than five million dollars in
14 benefits to one owner of multiple nongroup policies of life
15 insurance regardless of whether the policy or contract owner is
16 an individual, firm, corporation, or other person, and whether
17 the persons insured are officers, managers, employees, or other
18 persons, and regardless of the number of policies and contracts
19 held by the owner.

20 (c) With respect to a plan sponsor whose plan owns, directly
21 or in trust, one or more unallocated annuity contracts not
22 included under subparagraph division (b), not more than five
23 million dollars in benefits, regardless of the number of
24 contracts held by the plan sponsor. However, where one or more
25 such unallocated annuity contracts are covered contracts under
26 this chapter and are owned by a trust or other entity for the
27 benefit of two or more plan sponsors, the association shall
28 provide coverage if the largest interest in the trust or entity
29 owning the contract is held by a plan sponsor whose principal
30 place of business is in the state but in no event shall the
31 association be obligated to cover more than five million
32 dollars in benefits in the aggregate with respect to all such
33 unallocated contracts.

34 b. The limitations on the association's obligation to
35 cover benefits that are set forth under this subsection

1 do not take into account the association's subrogation and
2 assignment rights or the extent to which such benefits could
3 be provided out of the assets of the impaired or insolvent
4 insurer attributable to covered policies. The cost of the
5 association's obligations under this chapter may be met by the
6 use of assets attributable to covered policies or reimbursed
7 to the association pursuant to the association's subrogation
8 and assignment rights.

9 c. For purposes of this chapter, benefits provided by a
10 long-term care rider to a life insurance policy or annuity
11 contract shall be considered the same type of benefits as the
12 base life insurance policy or annuity contract to which the
13 long-term rider relates.

14 Sec. 6. Section 508C.3, subsection 5, Code 2019, is amended
15 to read as follows:

16 5. In performing its obligations to provide coverage
17 under [this chapter](#), the association shall not be required to
18 guarantee, assume, reinsure, reissue, or perform, or cause to
19 be guaranteed, assumed, reinsured, reissued, or performed, the
20 contractual obligations of an insolvent or impaired insurer
21 under a covered policy or contract that do not materially
22 affect the economic values or economic benefits of the covered
23 policy or contract.

24 Sec. 7. Section 508C.5, subsections 8, 10, 11, 12, 14, 17,
25 19, and 20, Code 2019, are amended to read as follows:

26 8. "*Covered policy*" or "*covered contract*" means a policy
27 or contract, or a portion of a policy or contract, for which
28 coverage is provided under [section 508C.3](#).

29 10. "*Impaired insurer*" means a member insurer which, ~~after~~
30 ~~July 1, 1987,~~ is not an insolvent insurer ~~but~~ and is placed
31 under an order of rehabilitation or conservation by a court of
32 competent jurisdiction.

33 11. "*Insolvent insurer*" means a member insurer which, ~~after~~
34 ~~July 1, 1987,~~ is placed under an order of liquidation with a
35 finding of insolvency by a court of competent jurisdiction.

1 12. "*Member insurer*" means ~~a person~~ an insurer or health
2 maintenance organization which is licensed or ~~who~~ which holds
3 a certificate of authority to transact in this state any kind
4 of insurance or health maintenance business for which coverage
5 is provided under section 508C.3, and including ~~a person~~ an
6 insurer or health maintenance organization whose license or
7 certificate of authority in this state has been suspended,
8 revoked, not renewed, or voluntarily withdrawn but does not
9 including include any of the following:

10 a. An entity which is a licensed company specified in
11 section 508C.3, subsection 4, paragraph "e" "f" or "f" "g".

12 b. A mandatory state pooling plan.

13 c. A mutual assessment company or other person which
14 operates on an assessment basis.

15 d. An insurance exchange.

16 e. An entity which issues a charitable gift annuity under
17 chapter 508F.

18 f. An entity whose only business in this state is operating
19 as a managed care organization. For purposes of this
20 paragraph, "managed care organization" means an entity that is
21 under contract with the Iowa department of human services to
22 provide services to Medicaid recipients and that also meets
23 the definition of "health maintenance organization" in section
24 514B.1.

25 f. g. An entity similar to any of the entities enumerated
26 in this subsection.

27 14. "*Owner*" of a policy of contract, "policy holder",
28 "policy owner", or "contract owner" means the person who is
29 identified as the legal owner of a policy or contract under
30 the terms of the policy or contract or who is otherwise vested
31 with legal title to the policy or contract through a valid
32 assignment completed in accordance with the terms of the policy
33 or contract and properly recorded as the owner on the books of
34 the member insurer. "*Owner*", "policy holder", "policy owner",
35 or "contract owner" does not include a person with a mere

1 beneficial interest in a policy or contract.

2 17. "Premium" means amounts or consideration, by whatever
3 name called, received on covered policies or contracts less
4 returned premiums, considerations, and deposits and less
5 dividends and experience credits. "Premium" does not include
6 amounts for consideration received for policies or contracts or
7 for the portions of policies or contracts for which coverage
8 is not provided under [section 508C.3, subsection 4](#), except
9 that assessable premium shall not be reduced on account of the
10 provisions of [section 508C.3, subsection 4](#), paragraph "a",
11 relating to interest limitations and ~~section 508C.8~~ [508C.3](#),
12 subsection ~~8~~ [4A](#), paragraph "a", subparagraph (2), subparagraph
13 division (a), relating to limitations with respect to one
14 individual, one participant, and one policy or contract owner.
15 "Premium" ~~also does~~ shall not include any of the following:

16 a. Premiums in excess of five million dollars on an
17 unallocated annuity contract not issued under a governmental
18 retirement plan, or its trustee, established under section 401,
19 403(b), or 457 of the United States Internal Revenue Code.

20 b. With respect to multiple nongroup policies of life
21 insurance owned by one owner, whether the policy or contract
22 owner is an individual, firm, corporation, or other person, and
23 whether the persons insured are officers, managers, employees,
24 or other persons, premiums in excess of five million dollars
25 with respect to those policies or contracts, regardless of the
26 number of policies or contracts held by the owner.

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

31 20. "Resident" means a person to whom a contractual
32 obligation is owed and who resides in a state on the date of
33 entry of a court order that determines a member insurer is an
34 impaired insurer or a court order that determines a member
35 insurer is an insolvent insurer. A person may be a resident

1 of only one state, which in the case of a person other than a
2 natural person shall be the state of that person's principal
3 place of business. A citizen of the United States who is a
4 resident of a foreign country, or is a resident of a United
5 States possession, territory, or protectorate that does not
6 have an association similar to the association created by this
7 chapter, shall be deemed a resident of the state or domicile of
8 the member insurer that issued the policy or contract.

9 Sec. 8. Section 508C.5, Code 2019, is amended by adding the
10 following new subsection:

11 NEW SUBSECTION. 9A. "*Health benefit plan*" means any
12 hospital or medical expense policy or certificate, or health
13 maintenance organization subscriber contract or any other
14 similar health contract. "*Health benefit plan*" does not include
15 any of the following:

- 16 a. Accident-only insurance.
- 17 b. Credit insurance.
- 18 c. Dental-only insurance.
- 19 d. Vision-only insurance.
- 20 e. Medicare supplement insurance.
- 21 f. Benefits for long-term care, home health care,
22 community-based care, or any combination thereof.
- 23 g. Disability income insurance.
- 24 h. Coverage for an onsite medical clinic.
- 25 i. Specified disease, hospital confinement indemnity,
26 or limited benefit health insurance if the specific type of
27 coverage does not provide coordination of benefits and is
28 provided under a separate policy or certificate.

29 Sec. 9. Section 508C.6, subsection 1, Code 2019, is amended
30 to read as follows:

31 1. A nonprofit legal entity is created to be known as the
32 Iowa life and health insurance guaranty association. All
33 member insurers shall be and shall remain members of the
34 association as a condition of their authority to transact
35 insurance or health maintenance organization business in this

1 state. The association shall perform its functions under
2 the plan of operation established and approved under section
3 508C.10 and shall exercise its powers through the board of
4 directors established in section 508C.7. For purposes of
5 administration and assessment, the association shall maintain
6 all of the following accounts:

7 a. A health ~~insurance~~ account.

8 b. A life insurance account.

9 c. An annuity account.—A, which shall include annuity
10 contracts owned by a governmental retirement plan, or the
11 plan's trustee, established under section 401, 403(b), or 457
12 of the United States Internal Revenue Code shall be covered by
13 the annuity account, but shall otherwise exclude unallocated
14 annuities.

15 d. An unallocated annuity contract account, ~~excluding~~
16 plans which shall exclude contracts owned by a governmental
17 retirement benefit plan, or the plan's trustee, established
18 under section 401, 403(b), or 457 of the United States Internal
19 Revenue Code.

20 Sec. 10. Section 508C.7, subsections 1 and 2, Code 2019, are
21 amended to read as follows:

22 1. The board of directors of the association shall consist
23 of not less than ~~five~~ seven nor more than ~~nine~~ eleven member
24 insurers serving terms as established in the plan of operation.
25 The members of the board shall be selected by member insurers,
26 subject to the approval of the commissioner. Vacancies on the
27 board shall be filled for the remaining period of the term
28 by a majority vote of the remaining board members, subject
29 to the approval of the commissioner. To select the initial
30 board of directors, and initially organize the association, the
31 commissioner shall give notice to all member insurers of the
32 time and place of the organizational meeting. In determining
33 voting rights at the organizational meeting, each member
34 insurer is shall be entitled to one vote in person or by proxy.
35 If the board of directors is not selected within sixty days

1 after notice of the organizational meeting, the commissioner
2 may appoint the initial members.

3 2. In approving selections or in appointing members to the
4 board, the commissioner shall consider, among other factors,
5 whether all member insurers, including member insurers that
6 primarily write life insurance, annuity contracts, or health
7 benefit plans, are fairly represented.

8 Sec. 11. Section 508C.8, subsections 1 and 2, Code 2019, are
9 amended to read as follows:

10 1. If a ~~domestic, foreign, or alien~~ member insurer is
11 an impaired insurer, the association, subject to conditions
12 imposed by the association and approved by the impaired insurer
13 and the commissioner, may take any of the following actions:

14 a. Guarantee, assume, reissue, reinsure, or cause to be
15 guaranteed, assumed, reissued, or reinsured, any or all of the
16 covered policies of the impaired insurer.

17 b. Provide moneys, pledges, notes, guarantees, or other
18 means as proper to effectuate paragraph "a" and assure payment
19 of the contractual obligations of the impaired insurer pending
20 action under paragraph "a".

21 c. Loan money to the impaired insurer and guarantee
22 borrowings by the impaired insurer, provided the association
23 has concluded, based on reasonable assumptions, that there is
24 a likelihood of repayment of the loan and a probability that
25 unless a loan is made the association would incur substantial
26 liabilities under [subsection 2](#).

27 2. If a member insurer is an insolvent insurer, the
28 association may in its discretion do any of the following:

29 a. The association may do either of the following:

30 (1) Guarantee, assume, reissue, or reinsure, or cause to
31 be guaranteed, assumed, reissued, or reinsured the covered
32 policies or contracts of an insolvent insurer.

33 (2) Assure payment of the contractual obligations of the
34 insolvent insurer.

35 b. Provide moneys, pledges, notes, guarantees, or other

1 means as reasonably necessary to discharge the association's
2 duties described in this subsection.

3 c. Provide benefits and coverages in accordance with all of
4 the following provisions:

5 (1) With respect to ~~life and health insurance policies or~~
6 ~~contracts and annuity contracts~~, assure payment of benefits
7 ~~for premiums identical to the premiums and benefits, except~~
8 ~~for conversion and renewability~~, that would have been payable
9 under the policies or contracts of the insolvent insurer for
10 ~~the following~~ claims incurred as follows:

11 (a) With respect to group policies ~~or~~ and contracts, not
12 later than the earlier of the next renewal date under those
13 policies or contracts or forty-five days, but in no event less
14 than thirty days, after the date on which the association
15 becomes obligated with respect to ~~those~~ the policies or
16 contracts.

17 (b) With respect to nongroup policies or contracts not later
18 than the earlier of the next renewal date, if any, under those
19 policies or contracts or one year, but in no event less than
20 thirty days, from the date on which the association becomes
21 obligated with respect to the policies or contracts.

22 (2) Make diligent efforts to provide all known insureds,
23 enrollees, or annuitants, for nongroup policies or contracts,
24 or group policy or contract owners, with respect to group
25 policies or contracts, thirty days' notice of the termination,
26 pursuant to subparagraph (1), of the benefits provided pursuant
27 ~~to subparagraph (1)~~.

28 (3) With respect to nongroup ~~life and health insurance~~
29 policies ~~or~~ and contracts covered by the association, make
30 available to each known insured, enrollee, or annuitant, or
31 owner if other than the insured or annuitant, and with respect
32 to an individual formerly an insured, enrollee, or ~~formerly~~
33 ~~an~~ annuitant under a group policy or contract who is not
34 eligible for replacement group coverage, substitute coverage
35 on an individual basis in accordance with the provisions of

1 subparagraph (4), if the insureds, enrollees, or annuitants had
2 a right under law or under the terminated policy, or contract,
3 or annuity to convert coverage to individual coverage or to
4 continue an individual policy, or contract, or annuity in force
5 until a specified age or for a specified time, during which the
6 member insurer had no right to unilaterally make changes in any
7 provision of the policy, or contract, or annuity or had a right
8 only to make changes in premium by class.

9 (4) In providing the substitute coverage required under
10 subparagraph (3), the association may offer either to reissue
11 the terminated coverage or to issue an alternative policy or
12 contract at actuarially justified rates.

13 (a) Reissued or alternative policies or contracts shall be
14 offered without requiring evidence of insurability, and shall
15 not provide for any waiting period or exclusion that would not
16 have applied under the terminated policy or contract.

17 (b) The association may reinsure any reissued or
18 alternative policy or contract.

19 (5) Alternative policies or contracts adopted by the
20 association shall be subject to the approval of the ~~domiciliary~~
21 ~~insurance commissioner and the receivership court.~~ The
22 association may adopt alternative policies or contracts
23 of various types for future issuance without regard to any
24 particular impairment or insolvency ~~of an insurer.~~

25 (a) Alternative policies or contracts shall contain
26 at least the minimum statutory provisions required in this
27 state and shall provide benefits that are not unreasonable
28 in relation to the premium charged. The association shall
29 set the premium in accordance with a table of rates that the
30 association shall adopt. The premium shall reflect the amount
31 of insurance to be provided and the age and class of risk of
32 each insured, but shall not reflect any changes in the health
33 of the insured after the original policy or contract was last
34 underwritten.

35 (b) Any alternative policy or contract issued by the

1 association shall provide coverage of a type similar to that
2 of the policy or contract issued by the impaired or insolvent
3 insurer, as determined by the association.

4 (6) If the association elects to reissue terminated
5 coverage at a premium rate different from that charged under
6 the terminated policy or contract, the premium shall be
7 actuarially justified and set by the association in accordance
8 with the amount of insurance or coverage provided and the age
9 and class of risk, subject to approval of the domiciliary
10 insurance commissioner and the receivership court.

11 (7) The association's obligations with respect to coverage
12 under any policy or contract of ~~an~~ the impaired or insolvent
13 insurer or under any reissued or alternative policy or
14 contract, shall cease on the date the coverage, ~~or~~ policy, or
15 contract, is replaced by another similar policy or contract by
16 the policy or contract owner, the insured, the enrollee, or the
17 association.

18 (8) When proceeding under this paragraph "c" with respect
19 to a policy or contract carrying guaranteed minimum interest
20 rates, the association shall assure the payment or crediting of
21 a rate of interest consistent with section 508C.3, subsection
22 4, paragraph "a".

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

31 (10) Premiums due for coverage after entry of an order
32 of liquidation of an insolvent insurer shall belong to the
33 association and be payable at the direction of the association.
34 If the liquidator of an insolvent insurer requests, the
35 association shall provide a report to the liquidator regarding

1 the premiums collected by the association. The association
2 shall be liable for unearned premiums due to policy or contract
3 owners arising after the entry of the order of liquidation.

4 (11) The protection provided by this chapter shall not apply
5 where any guaranty protection is provided to a resident of this
6 state by the laws of the domiciliary state or by jurisdiction
7 of the impaired or insolvent insurer by an entity other than
8 this state.

9 Sec. 12. Section 508C.8, subsection 6, Code 2019, is amended
10 to read as follows:

11 6. *a.* The association shall have standing to appear
12 or intervene before any court or agency in this state with
13 jurisdiction over an impaired or insolvent insurer concerning
14 which the association is or may become obligated under this
15 chapter or with jurisdiction over any person or property
16 against which the association may have rights through
17 subrogation or otherwise. Standing shall extend to all matters
18 germane to the powers and duties of the association including
19 but not limited to proposals for reinsuring, reissuing,
20 modifying, or guaranteeing the covered policies or contracts
21 of the impaired or insolvent insurer and the determination of
22 the covered policies or contracts, and contractual obligations.
23 The association shall also have the right to appear or
24 intervene before any court or agency in another state with
25 jurisdiction over an impaired or insolvent insurer for which
26 the association is or may become obligated or with jurisdiction
27 over any person or property against whom the association may
28 have rights through subrogation or otherwise.

29 *b.* As a creditor of an impaired or insolvent insurer as
30 provided under [section 508C.13, subsection 3](#), and consistent
31 with the provisions of [section 507C.34](#), the association and
32 ~~other~~ similar associations shall be entitled to receive a
33 disbursement of assets out of the marshaled assets, from
34 time to time as the assets become available to reimburse
35 the association or similar associations, as a credit

1 against contractual obligations under this chapter. If the
 2 liquidator has not, within one hundred twenty days of a final
 3 determination of insolvency of ~~an~~ a member insurer by the
 4 receivership court, made an application to the court for the
 5 approval of a proposal to disburse assets out of marshaled
 6 assets to guaranty associations having obligations because
 7 of the insolvency, the association or similar associations
 8 shall be entitled to make application to the receivership
 9 court for approval of ~~its own~~ the association's or the similar
 10 association's proposal to disburse ~~these~~ the assets.

11 Sec. 13. Section 508C.8, subsection 7, paragraphs a and c,
 12 Code 2019, are amended to read as follows:

13 a. A person receiving benefits under this chapter is deemed
 14 to have assigned the rights under, and any causes of action
 15 against any person for losses arising under, resulting from,
 16 or otherwise relating to, the covered policy or contract to
 17 the association to the extent of the benefits received under
 18 this chapter, whether the benefits are payments of contractual
 19 obligations or on account of contractual obligations, a
 20 continuation of coverage, or ~~the~~ provision of substitute or
 21 alternative policies, contracts, or coverages. The association
 22 may require an assignment to the association of the rights
 23 and causes of action by any enrollee, payee, policyholder
 24 policy or contract owner, beneficiary, insured, or annuitant
 25 as a condition precedent to the receipt of any rights right
 26 or benefits conferred by this chapter upon the person. The
 27 association shall be subrogated to ~~these~~ the rights of any
 28 enrollee, payee, policy or contract holder, beneficiary,
 29 insured, or annuitant against the assets of the impaired or
 30 insolvent insurer.

31 c. In addition to the rights pursuant to ~~subsection 3,~~
 32 paragraphs "a" and "b", the association shall have all common
 33 law rights of subrogation and any other equitable or legal
 34 remedy which would have been available to the impaired ~~or~~
 35 insurer, insolvent insurer, or owner, beneficiary, enrollee,

1 or payee of a covered policy or covered contract with respect
2 to the covered policy or covered contract, including without
3 limitation, in the case of a structured settlement annuity,
4 any rights of the owner, beneficiary, or payee of the annuity,
5 to the extent of benefits received pursuant to **this chapter**,
6 against ~~the~~ a person originally or by succession responsible
7 for the losses arising from the personal injury relating to
8 the annuity or payment for the annuity, excepting any such
9 person responsible solely by reason of serving as an assignee
10 in respect of a qualified assignment under section 130 of the
11 Internal Revenue Code.

12 Sec. 14. Section 508C.8, subsection 8, Code 2019, is amended
13 by striking the subsection.

14 Sec. 15. Section 508C.8, subsection 10, paragraph g, Code
15 2019, is amended to read as follows:

16 *g.* For the purposes of **this chapter** and to the extent
17 approved by the commissioner, exercise the powers of a
18 domestic life ~~or~~ insurer, health insurer. ~~However, or health~~
19 maintenance organization, but the association shall not issue
20 insurance policies or annuity contracts other than those issued
21 to perform the ~~contractual~~ association's obligations ~~of the~~
22 ~~impaired or insolvent insurer~~ under this chapter.

23 Sec. 16. Section 508C.8, subsection 10, Code 2019, is
24 amended by adding the following new paragraphs:

25 NEW PARAGRAPH. *i.* Unless prohibited by law, in accordance
26 with the terms and conditions of the policy or contract, file
27 for actuarially justified rate or premium increases for any
28 policy or contract for which the association provides coverage
29 under this chapter.

30 NEW PARAGRAPH. *j.* Take other necessary or appropriate
31 action to discharge the association's duties and obligations
32 under this chapter or to exercise the association's powers
33 under this chapter.

34 Sec. 17. Section 508C.8, subsection 11, paragraph a,
35 subparagraph (3), subparagraph division (c), Code 2019, is

1 amended to read as follows:

2 (c) Within thirty days following the date of election, the
3 association and each reinsurer under reinsurance contracts
4 assumed by the association shall calculate the net balance due
5 to or from the association under each reinsurance contract as
6 of the date of election with respect to policies or contracts
7 covered, in whole or in part, by the association, which
8 calculation shall give full credit to all items paid by either
9 the member insurer or its receiver or the reinsurer prior to
10 the date of election. The reinsurer shall pay the receiver any
11 amounts due for losses or events prior to the date of the order
12 of liquidation, subject to any setoff for premiums unpaid for
13 periods prior to the date of the order for liquidation, and the
14 association or reinsurer shall pay any remaining balance due
15 the other, in each case within five days of the completion of
16 the aforementioned calculation. Any ~~disputes~~ dispute over the
17 amounts due to either the association or the reinsurer shall be
18 resolved by arbitration pursuant to the terms of the affected
19 reinsurance ~~contracts~~ contract or, if the contract ~~contains no~~
20 does not contain an arbitration clause, as otherwise provided
21 by law. If the receiver has received any amounts due the
22 association pursuant to subparagraph division (b), the receiver
23 shall remit the same amounts to the association as promptly as
24 practicable.

25 Sec. 18. Section 508C.8, subsection 11, paragraph f,
26 subparagraph (3), Code 2019, is amended to read as follows:

27 (3) Give a policyholder, contract holder, enrollee,
28 certificate holder, or beneficiary an independent cause of
29 action against a reinsurer that is not otherwise set forth in
30 the reinsurance contract.

31 Sec. 19. Section 508C.8, subsection 15, unnumbered
32 paragraph 1, Code 2019, is amended to read as follows:

33 In carrying out its duties in connection with guaranteeing,
34 assuming, reissuing, or reinsuring policies or contracts under
35 subsections ~~2~~ 1 and ~~3~~ 2, the association may, ~~subject to~~

1 ~~approval of the receivership court,~~ issue substitute coverage
2 for a policy or contract that provides an interest rate,
3 crediting rate, or similar factor determined by the use of
4 an index or other external reference stated in the policy or
5 contract employed in calculating returns or changes in value by
6 issuing an alternative policy or contract in accordance with
7 the following provisions:

8 Sec. 20. Section 508C.9, subsection 3, Code 2019, is amended
9 to read as follows:

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

22 *b.* The amount of a class B assessment, except for
23 assessments related to long-term care insurance, shall be
24 allocated for assessment purposes among the accounts pursuant
25 to an allocation formula which may be based on the premiums or
26 the reserves of the impaired or insolvent insurer or any other
27 standard deemed by the board in its sole discretion as being
28 fair and reasonable under the circumstances.

29 *c.* The amount of the class B assessment for long-term care
30 insurance written by the impaired or insolvent insurer shall be
31 allocated according to a methodology included in the plan of
32 operation pursuant to section 508C.10, and as approved by the
33 commissioner. The methodology shall provide for fifty percent
34 of the assessment to be allocated to accident and health member
35 insurers and fifty percent to be allocated to life and annuity

1 member insurers.

2 ~~b.~~ d. Class B assessments against member insurers for
 3 each account shall be in the proportion that the average of
 4 the aggregate premiums received on business in this state by
 5 each assessed member insurer on policies or contracts covered
 6 by each account for the three most recent calendar years for
 7 which information is available, preceding the year in which
 8 the member insurer became insolvent, or, in the case of an
 9 assessment with respect to an impaired insurer, the three
 10 most recent calendar years for which information is available
 11 preceding the year in which the member insurer became impaired,
 12 bears to the premiums received on business in this state for
 13 those calendar years by all assessed member insurers.

14 ~~e.~~ e. Assessments for funds to meet the requirements of the
 15 association with respect to an impaired or insolvent insurer
 16 shall not be authorized or called until necessary to implement
 17 the purposes of [this chapter](#). Classification of assessments
 18 under [subsection 2](#) and computation of assessments under this
 19 subsection shall be made with a reasonable degree of accuracy,
 20 recognizing that exact determinations may not always be
 21 possible. The association shall notify each member insurer of
 22 its anticipated pro rata share of an authorized assessment not
 23 yet called within one hundred eighty days after the assessment
 24 is authorized.

25 Sec. 21. Section 508C.9, subsection 5, paragraph a,
 26 subparagraphs (1) and (2), Code 2019, are amended to read as
 27 follows:

28 (1) Subject to the provisions of subparagraph (2) of this
 29 paragraph "a", the total of all assessments authorized by the
 30 association with respect to a member insurer for each of the
 31 accounts established pursuant to [section 508C.6](#), and designated
 32 as the health ~~insurane~~ account, the life insurance account,
 33 the annuity account, and the unallocated annuity contract
 34 account, shall not in any one calendar year exceed two percent
 35 of that member insurer's average annual premiums received in

1 this state on the policies and contracts covered by the account
2 during the three calendar years preceding the year in which the
3 member insurer becomes impaired or insolvent.

4 (2) If two or more assessments are authorized in one
5 calendar year with respect to member insurers that become
6 impaired or insolvent in different calendar years, the average
7 annual premiums for purposes of the aggregate assessment
8 percentage limitation referred to in subparagraph (1) of this
9 paragraph "a" shall be equal and limited to the higher of the
10 three-year average annual premiums for the applicable account
11 as calculated pursuant to [this section](#).

12 Sec. 22. Section 508C.9, subsections 6, 7, and 8, Code 2019,
13 are amended to read as follows:

14 6. By an equitable method as established in the plan
15 of operation, the board may refund to member insurers, in
16 proportion to the contribution of each member insurer to
17 that account, the amount by which the assets of the account,
18 including assets accruing from assignment, subrogation, net
19 realized gains, and income from investments, exceed the amount
20 the board finds is necessary to carry out during the coming
21 year the obligations of the association with regard to that
22 account. A reasonable amount may be retained in any account to
23 provide funds for the continuing expenses of the association
24 and for future losses claims.

25 7. In determining its premium rates and ~~policyowner~~
26 policy owner dividends as to any kind of insurance or health
27 maintenance organization business within the scope of this
28 chapter, it is proper for a member insurer to consider the
29 amount reasonably necessary to meet its assessment obligations
30 under [this chapter](#).

31 8. The association shall issue to each member insurer paying
32 a class B assessment under [this chapter](#), a certificate of
33 contribution in a form prescribed by the commissioner for the
34 amount of the assessment so paid. All outstanding certificates
35 shall be of equal dignity and priority without reference to

1 amounts or dates of issue. A certificate of contribution may
2 be shown by the member insurer in its financial statement as an
3 asset in the form, for the amount, and for a period of time as
4 the commissioner may approve.

5 Sec. 23. Section 508C.10, subsection 1, paragraph b, Code
6 2019, is amended to read as follows:

7 b. If the association fails to submit a suitable plan
8 of operation ~~within one hundred eighty days following July~~
9 ~~1, 1987,~~ or if at any time the association fails to submit
10 suitable amendments to the plan, the commissioner shall, after
11 notice and hearing, adopt rules pursuant to chapter 17A as
12 necessary or advisable to effectuate this chapter. The rules
13 shall continue in force until modified by the commissioner or
14 superseded by a plan submitted by the association and approved
15 by the commissioner.

16 Sec. 24. Section 508C.11, subsections 1 and 2, Code 2019,
17 are amended to read as follows:

18 1. The commissioner shall:

19 a. Upon request of the board of directors, provide the
20 association with a statement of the premiums for each member
21 insurer.

22 b. When an impairment is declared and the amount of the
23 impairment is determined, serve a demand upon the impaired
24 insurer to make good the impairment within a reasonable time.
25 Notice to the impaired insurer constitutes notice to its
26 shareholders, if any. The failure of the impaired insurer
27 to promptly comply with the demand shall not excuse the
28 association from the performance of its powers and duties under
29 this chapter.

30 2. After notice and hearing, the commissioner may suspend
31 or revoke the certificate of authority to transact insurance
32 business in this state of a member insurer which fails to pay
33 an assessment when due, or fails to comply with the plan of
34 operation. As an alternative, the commissioner may levy an
35 administrative penalty on any member insurer which fails to

1 pay an assessment when due. The administrative penalty shall
2 not exceed five percent of the unpaid assessment per month.
3 However, an administrative penalty shall not be less than one
4 hundred dollars per month.

5 Sec. 25. Section 508C.12, subsection 1, unnumbered
6 paragraph 1, Code 2019, is amended to read as follows:

7 To aid in the detection and prevention of member insurer
8 insolvencies or impairments the commissioner shall:

9 Sec. 26. Section 508C.12, subsection 1, paragraph a,
10 subparagraph (1), subparagraph division (c), Code 2019, is
11 amended to read as follows:

12 (c) A formal order is made that a ~~company~~ member insurer
13 restrict its premium writing, obtain additional contributions
14 to surplus, withdraw from the state, reinsure all or any part
15 of its business, or increase capital, surplus, or any other
16 account for the security of policyholders, contract owners,
17 certificate holders, or creditors.

18 Sec. 27. Section 508C.12, subsections 2, 3, and 6, Code
19 2019, are amended to read as follows:

20 2. The commissioner may seek the advice and recommendations
21 of the board of directors concerning any matter affecting
22 the commissioner's duties and responsibilities regarding the
23 financial condition of member insurers, and ~~companies~~ insurers
24 or health maintenance organizations seeking admission to
25 transact insurance business in this state.

26 3. The board of directors may upon majority vote make
27 reports and recommendations to the commissioner upon any matter
28 germane to the solvency, liquidation, rehabilitation, or
29 conservation of a member insurer or germane to the solvency of
30 ~~a company~~ an insurer or health maintenance organization seeking
31 to transact ~~insurance~~ business in this state. These reports
32 and recommendations are not public records pursuant to chapter
33 22.

34 6. Upon majority vote, the board of directors may make
35 recommendations to the commissioner for the detection and

1 prevention of member insurer insolvencies.

2 Sec. 28. Section 508C.13, subsections 3 and 4, Code 2019,
3 are amended to read as follows:

4 3. For the purpose of carrying out its obligations under
5 this chapter, the association shall be deemed to be a creditor
6 of the impaired or insolvent insurer to the extent of assets
7 attributable to covered policies reduced by any amounts to
8 which the association is entitled pursuant to its subrogation
9 rights under [section 508C.8, subsection 7](#). Assets of the
10 impaired or insolvent insurer attributable to covered policies
11 or contracts shall be used to continue all covered policies or
12 contracts and pay all contractual obligations of the impaired
13 or insolvent insurer as required by [this chapter](#). As used
14 in [this subsection](#), "*assets attributable to covered ~~policies~~*"
15 *policies or contracts*" means that proportion of the assets which
16 the reserves that should have been established for the policies
17 or contracts bear to the reserves that should have been
18 established for all policies of insurance or health benefit
19 plans written by the impaired or insolvent insurer.

20 4. *a.* Prior to the termination of a liquidation,
21 rehabilitation, or conservation proceeding, the court may
22 take into consideration the contributions of the respective
23 parties, including the association, ~~similar associations of~~
24 ~~other states~~, the shareholders, contract owners, certificate
25 holders, enrollees, and ~~policyowners~~ policy owners of the
26 insolvent insurer, and any other party with a bona fide
27 interest, in making an equitable distribution of the ownership
28 rights of the insolvent insurer. When considering the
29 contributions, consideration shall be given to the welfare
30 of the ~~policyholders~~ contract owners, certificate holders,
31 enrollees, and policy owners of the continuing or successor
32 member insurer.

33 *b.* A distribution to stockholders, if any, of an impaired or
34 insolvent insurer shall not be made until the total amount of
35 valid claims of the association and of similar associations of

1 other states for funds expended in carrying out its powers and
2 duties under [section 508C.8](#) with respect to the member insurer
3 have been fully recovered by the association and the similar
4 associations.

5 Sec. 29. Section 508C.13, subsection 5, paragraphs a, b, and
6 c, Code 2019, are amended to read as follows:

7 a. Subject to the limitations of paragraphs "b", "c", and
8 "d", if an order for liquidation or rehabilitation of an a
9 member insurer domiciled in this state has been entered, the
10 receiver appointed under the order may recover, on behalf of
11 the member insurer, from any affiliate that controlled it,
12 the amount of distributions other than stock dividends paid
13 by the member insurer on its capital stock, made at any time
14 during the five years preceding the petition for liquidation
15 or rehabilitation.

16 b. Distributions are not recoverable if the member
17 insurer shows that when paid the distributions were lawful
18 and reasonable and that the member insurer did not know and
19 could not reasonably have known that the distributions might
20 adversely affect the ability of the member insurer to fulfill
21 its contractual obligations.

22 c. A person who was an affiliate that controlled the member
23 insurer at the time the distributions were paid ~~is~~ shall be
24 liable up to the amount of distributions received. A person
25 who was an affiliate that controlled the member insurer at the
26 time the distributions were declared ~~is~~ shall be liable up to
27 the amount of distributions that would have been received if
28 ~~they~~ the distributions had been paid immediately. If two or
29 more persons are liable with respect to the same distributions,
30 ~~they~~ the persons are jointly and severally liable.

31 Sec. 30. Section 508C.18, Code 2019, is amended to read as
32 follows:

33 **508C.18 Prohibited advertisements.**

34 A person, including an a member insurer, agent, or affiliate
35 of an a member insurer, shall not make, publish, disseminate,

1 circulate, or place before the public, or cause directly or
2 indirectly, to be made, published, disseminated, circulated,
3 or placed before the public in a newspaper, magazine, or other
4 publication, or in the form of a notice, circular, pamphlet,
5 letter, or poster, or over a radio station or television
6 station, or in any other way, an advertisement, announcement,
7 or statement, written or oral, which uses the existence of the
8 insurance guaranty association of this state for the purpose
9 of sales, solicitation, or inducement to purchase any form of
10 insurance or other coverage covered by [this chapter](#). However,
11 this section does not apply to the association or any other
12 entity which does not sell or solicit insurance or coverage by
13 a health maintenance organization.

14 Sec. 31. Section 508C.18A, subsection 1, Code 2019, is
15 amended to read as follows:

16 1. *a.* ~~On or after March 1, 2012, an A member insurer shall~~
17 ~~not deliver an insurance a policy or contract in Iowa to the~~
18 ~~owner of the policy or owner, contract owner, certificate~~
19 ~~holder, or enrollee unless a summary document describing the~~
20 ~~general purposes and current provisions of [this chapter](#) and~~
21 ~~containing a disclosure in compliance with [subsection 2](#) is~~
22 ~~delivered to the policy or owner, contract owner, certificate~~
23 ~~holder, or enrollee at the same time.~~

24 *b.* The summary document shall also be available upon request
25 by an insurance a policy or owner, contract owner, certificate
26 holder, or enrollee.

27 *c.* The distribution, delivery, contents, or interpretation
28 of ~~this~~ the summary document does not guarantee that either
29 the ~~insurance~~ policy or contract, or the policy owner, ~~of~~ the
30 ~~policy or contract~~ owner, certificate holder, or enrollee,
31 is covered in the event of the impairment or insolvency of a
32 member insurer.

33 *d.* The summary document shall be revised by the association
34 and approved by the commissioner as amendments to [this chapter](#)
35 may require. Failure to receive a summary document does not

1 give the insurance policy or contract owner, certificate
2 holder, enrollee, or insured any greater rights than those
3 stated in [this chapter](#).

4 Sec. 32. Section 508C.18A, subsection 2, paragraphs b, d, e,
5 and g, Code 2019, are amended to read as follows:

6 *b.* Prominently warn the insurance policy or contract owner,
7 certificate holder, or enrollee that the association may not
8 cover the policy or contract or, if coverage is available, it
9 will be subject to substantial limitations and exclusions and
10 conditioned on continued residence in this state.

11 *d.* State that the member insurer and its the member
12 insurer's agents are prohibited by law from using the existence
13 of the association for the purpose of sales, solicitation,
14 or inducement to purchase any form of insurance or health
15 maintenance organization coverage.

16 *e.* State that the insurance policy or owner, contract owner,
17 certificate holder, or enrollee should not rely on coverage
18 from the association when selecting an insurer or health
19 maintenance organization.

20 *g.* Provide other information as directed by the
21 commissioner, including but not limited to sources for
22 information about the financial condition of ~~an~~ a member
23 insurer provided that the information is not proprietary and is
24 subject to disclosure under [chapter 22](#).

25 Sec. 33. Section 508C.18A, subsection 3, Code 2019, is
26 amended to read as follows:

27 3. A member insurer shall retain evidence of compliance with
28 the provisions of [this section](#) for as long as the insurance
29 policy or contract for which the notice is given remains in
30 effect.

31 Sec. 34. Section 514B.25A, Code 2019, is amended by striking
32 the section and inserting in lieu thereof the following:

33 **514B.25A Impairment and insolvency protection.**

34 The provisions of chapter 508C shall apply to health
35 maintenance organizations.

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1 Sec. 35. APPLICABILITY. This Act applies to any member
2 insurer that becomes insolvent or unable to fulfill the member
3 insurer's contractual obligations on or after the effective
4 date of this Act.

5 Sec. 36. EFFECTIVE DATE. This Act, being deemed of
6 immediate importance, takes effect upon enactment.