

## CHAPTER 12

### LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION — MEMBERSHIP AND ASSESSMENTS

S.F. 556

**AN ACT** relating to the membership of the life and health insurance guaranty association, assessments to member insurers for insurance written by impaired or insolvent member insurers, and including applicability and effective date provisions.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. [Section 507C.3](#), Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 7. Health maintenance organizations formed under [chapter 514B](#) other than limited service organizations formed under [section 514B.33](#).

Sec. 2. [Section 508C.2](#), Code 2019, is amended to read as follows:

#### **508C.2 Purpose.**

1. The purpose of [this chapter](#) is to protect, subject to certain limitations, the persons specified in [section 508C.3, subsection 1](#), against failure in the performance of contractual obligations under life, and health, insurance policies and annuity policies, plans, or contracts specified in [section 508C.3, subsection 2](#), because of the impairment or insolvency of the member insurer which issued the policies, plans, or contracts.

2. To provide this protection, an association of member insurers is created to enable the guaranty of payments of benefits and of continuation of coverages as limited in by this chapter. Members of the association are subject to assessment to provide funds to carry out the purpose of [this chapter](#).

Sec. 3. [Section 508C.3, subsection 1](#), paragraphs a, b, and e, Code 2019, are amended to read as follows:

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

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

(1) Residents of this state.

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

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

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

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

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

Sec. 4. [Section 508C.3, subsections 2, 3, and 4](#), Code 2019, are amended to read as follows:

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

3. Coverage under [this chapter](#) shall not be provided to any of the following:

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

b. A person who is covered pursuant to [subsection 1](#), paragraph “c”, if that person is provided any coverage by the association of another state.

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

4. [This chapter](#) does not apply to any of the following:

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

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

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

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

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

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

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

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

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

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

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

(1) Claims A claim based on marketing materials.

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

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

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

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

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

~~l. m.~~ A portion of a covered policy to the extent it provides for interest or other ~~change~~ changes in value to be determined by the use of an index or other external reference stated in the covered policy, but which ~~has~~ have not been credited to the covered policy, or as to which the covered policy owner's rights are subject to forfeiture, as of the date the member insurer becomes an impaired or insolvent insurer under [this chapter](#), whichever is earlier. If a covered policy's interest or ~~change~~ changes in value ~~is~~ are credited less frequently than annually, then for purposes of determining the values that have been credited and are not subject to forfeiture under the covered policy, the interest or change in value determined by using the procedures defined in the covered policy will be credited as if the contractual date of crediting interest or changing values was the date of impairment or insolvency, whichever is earlier, and will the crediting interest or changing value shall not be subject to forfeiture.

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

~~n. o.~~ A portion of a policy or contract issued to a plan or program of an employer, association, or other person to provide life, health, or annuity benefits to employees, members, or others, to the extent that the plan or program is self-funded or uninsured, including but not limited to benefits payable by an employer, association, or other person under any of the following:

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

(2) A minimum premium group insurance plan.

(3) A stop-loss group insurance plan.

(4) An administrative services-only contract.

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

(1) Dividends or experience rating credits.

(2) Voting rights.

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

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

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

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

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

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

Sec. 5. [Section 508C.3](#), Code 2019, is amended by adding the following new subsection:

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

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

(2) Any of the following:

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

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

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

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

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

(b) (i) With respect to each individual participating in a retirement benefit plan established under section 401, 403(b), or 457 of the United States Internal Revenue Code, or each unallocated annuity contract account, excluding a plan established under section 401, 403(b), or 457 of the United States Internal Revenue Code, not more than two hundred fifty thousand dollars in the aggregate, in present value annuity benefits, including net cash surrender and net cash withdrawal values for the beneficiaries of the deceased individual.

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

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

b. The limitations on the association's obligation to cover benefits that are set forth under [this subsection](#) do not take into account the association's subrogation and assignment rights or the extent to which such benefits could be provided out of the assets of the impaired or insolvent insurer attributable to covered policies. The cost of the association's obligations under [this chapter](#) may be met by the use of assets attributable to covered policies or reimbursed to the association pursuant to the association's subrogation and assignment rights.

c. For purposes of [this chapter](#), benefits provided by a long-term care rider to a life insurance policy or annuity contract shall be considered the same type of benefits as the base life insurance policy or annuity contract to which the long-term rider relates.

Sec. 6. [Section 508C.3, subsection 5](#), Code 2019, is amended to read as follows:

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

Sec. 7. [Section 508C.5, subsections 8, 10, 11, 12, 14, 17, 19, and 20](#), Code 2019, are amended to read as follows:

8. “Covered policy” or “covered contract” means a policy or contract, or a portion of a policy or contract, for which coverage is provided under [section 508C.3](#).

10. “Impaired insurer” means a member insurer which, ~~after July 1, 1987~~, is not an insolvent insurer but and is placed under an order of rehabilitation or conservation by a court of competent jurisdiction.

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

12. “Member insurer” means ~~a person~~ an insurer or health maintenance organization which is licensed or ~~who~~ which holds a certificate of authority to transact in this state any kind of insurance or health maintenance business for which coverage is provided under [section 508C.3](#), and including a person an insurer or health maintenance organization whose license or certificate of authority in this state has been suspended, revoked, not renewed, or voluntarily withdrawn but does not ~~including~~ include any of the following:

a. An entity which is a licensed company specified in [section 508C.3, subsection 4](#), paragraph “e” “f” or “f” “g”.

b. A mandatory state pooling plan.

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

d. An insurance exchange.

e. An entity which issues a charitable gift annuity under [chapter 508F](#).

f. An entity whose only business in this state is operating as a managed care organization. For purposes of this paragraph, “managed care organization” means an entity that is under contract with the Iowa department of human services to provide services to Medicaid recipients and that also meets the definition of “health maintenance organization” in [section 514B.1](#).

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

14. “Owner” of a policy of contract, “policy holder”, “policy owner”, or “contract owner” means the person who is identified as the legal owner of a policy or contract under the terms of the policy or contract or who is otherwise vested with legal title to the policy or contract through a valid assignment completed in accordance with the terms of the policy or contract and properly recorded as the owner on the books of the member insurer. “Owner”, “policy holder”, “policy owner”, or “contract owner” does not include a person with a mere beneficial interest in a policy or contract.

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

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

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

19. “Receivership court” means a court in an insolvent or impaired insurer’s state having jurisdiction over the conservation, rehabilitation, or liquidation of the insolvent or impaired insurer.

20. “Resident” means a person to whom a contractual obligation is owed and who resides in a state on the date of entry of a court order that determines a member insurer is an impaired

insurer or a court order that determines a member insurer is 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 the state of that person's principal place of business. A citizen of the United States who is a resident of a foreign country, or is a resident of a United States possession, territory, or protectorate that does not have an association similar to the association created by [this chapter](#), shall be deemed a resident of the state or domicile of the member insurer that issued the policy or contract.

Sec. 8. [Section 508C.5](#), Code 2019, is amended by adding the following new subsection:

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

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

Sec. 9. [Section 508C.6, subsection 1](#), Code 2019, is amended to read as follows:

1. A nonprofit legal entity is created to be known as the Iowa life and health insurance guaranty association. All member insurers shall be and shall remain members of the association as a condition of their authority to transact insurance or health maintenance organization business in this state. The association shall perform its functions under the plan of operation established and approved under [section 508C.10](#) and shall exercise its powers through the board of directors established in [section 508C.7](#). For purposes of administration and assessment, the association shall maintain all of the following accounts:

- a. A health insurance account.
- b. A life insurance account.
- c. An annuity account ~~, which shall include annuity contracts owned by a governmental retirement plan, or the plan's trustee, established under section 401, 403(b), or 457 of the United States Internal Revenue Code shall be covered by the annuity account, but shall otherwise exclude unallocated annuities.~~
- d. An unallocated annuity contract account, ~~excluding plans which shall exclude contracts owned by a governmental retirement benefit plan, or the plan's trustee, established under section 401, 403(b), or 457 of the United States Internal Revenue Code.~~

Sec. 10. [Section 508C.7, subsections 1 and 2](#), Code 2019, are amended to read as follows:

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

2. In approving selections or in appointing members to the board, the commissioner shall consider, among other factors, whether all member insurers, including member insurers

that primarily write life insurance, annuity contracts, or health benefit plans, are fairly represented.

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

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

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

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

c. Loan money to the impaired insurer and guarantee borrowings by the impaired insurer, provided the association has concluded, based on reasonable assumptions, that there is a likelihood of repayment of the loan and a probability that unless a loan is made the association would incur substantial liabilities under subsection 2.

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

a. The association may do either of the following:

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

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

b. Provide moneys, pledges, notes, guarantees, or other means as reasonably necessary to discharge the association's duties described in this subsection.

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

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

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

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

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

(3) With respect to nongroup ~~life and health insurance policies or and~~ contracts covered by the association, make available to each known insured, enrollee, or annuitant, or owner if other than the insured or annuitant, and with respect to an individual formerly an insured, enrollee, or ~~formerly an~~ annuitant under a group policy or contract who is not eligible for replacement group coverage, substitute coverage on an individual basis in accordance with the provisions of subparagraph (4), if the insureds, enrollees, or annuitants had a right under law or under the terminated policy, ~~or contract~~, or annuity to convert coverage to individual coverage or to continue an individual policy, ~~or contract~~, or annuity in force until a specified age or for a specified time, during which the member insurer had no right to unilaterally make changes in any provision of the policy, ~~or contract~~, or annuity or had a right only to make changes in premium by class.

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

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

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

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

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

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

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

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

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

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

(10) Premiums due for coverage after entry of an order of liquidation of an insolvent insurer shall belong to the association and be payable at the direction of the association. If the liquidator of an insolvent insurer requests, the association shall provide a report to the liquidator regarding the premiums collected by the association. The association shall be liable for unearned premiums due to policy or contract owners arising after the entry of the order of liquidation.

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

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

6. a. The association shall have standing to appear or intervene before any court or agency in this state with jurisdiction over an impaired or insolvent insurer concerning which the association is or may become obligated under this chapter or with jurisdiction over any person or property against which the association may have rights through subrogation or otherwise. Standing shall extend to all matters germane to the powers and duties of the association including but not limited to proposals for reinsuring, reissuing, modifying, or guaranteeing the covered policies or contracts of the impaired or insolvent insurer and the determination of the covered policies or contracts, and contractual obligations. The association shall also have the right to appear or intervene before any court or agency in another state with jurisdiction over an impaired or insolvent insurer for which the association is or may become obligated or with jurisdiction over any person or property against whom the association may have rights through subrogation or otherwise.



b. As a creditor of an impaired or insolvent insurer as provided under [section 508C.13, subsection 3](#), and consistent with the provisions of [section 507C.34](#), the association and other similar associations shall be entitled to receive a disbursement of assets out of the marshaled assets, from time to time as the assets become available to reimburse the association or similar associations, as a credit against contractual obligations under [this chapter](#). If the liquidator has not, within one hundred twenty days of a final determination of insolvency of ~~an a member~~ insurer by the receivership court, made an application to the court for the approval of a proposal to disburse assets out of marshaled assets to guaranty associations having obligations because of the insolvency, the association or similar associations shall be entitled to make application to the receivership court for approval of ~~its own~~ the association's or the similar association's proposal to disburse ~~these the~~ the assets.

Sec. 13. [Section 508C.8, subsection 7](#), paragraphs a and c, Code 2019, are amended to read as follows:

a. A person receiving benefits under [this chapter](#) is deemed to have assigned the rights under, and any causes of action against any person for losses arising under, resulting from, or otherwise relating to, the covered policy or contract to the association to the extent of the benefits received under [this chapter](#), whether the benefits are payments of contractual obligations or on account of contractual obligations, a continuation of coverage, or ~~the~~ provision of substitute or alternative policies, contracts, or coverages. The association may require an assignment to the association of the rights and causes of action by any enrollee, payee, policyholder policy or contract owner, beneficiary, insured, or annuitant as a condition precedent to the receipt of any rights right or benefits conferred by [this chapter](#) upon the person. The association shall be subrogated to ~~these the~~ the rights of any enrollee, payee, policy or contract holder, beneficiary, insured, or annuitant against the assets of the impaired or insolvent insurer.

c. In addition to the rights pursuant to [subsection 3](#), paragraphs "a" and "b", the association shall have all common law rights of subrogation and any other equitable or legal remedy which would have been available to the impaired ~~or insurer, insolvent insurer, or owner,~~ insurer, insolvent insurer, or owner, beneficiary, enrollee, or payee of a covered policy or covered contract with respect to the covered policy or covered contract, including without limitation, in the case of a structured settlement annuity, any rights of the owner, beneficiary, or payee of the annuity, to the extent of benefits received pursuant to [this chapter](#), against ~~the a~~ a person originally or by succession responsible for the losses arising from the personal injury relating to the annuity or payment for the annuity, excepting any such person responsible solely by reason of serving as an assignee in respect of a qualified assignment under section 130 of the Internal Revenue Code.

Sec. 14. [Section 508C.8, subsection 8](#), Code 2019, is amended by striking the subsection.

Sec. 15. [Section 508C.8, subsection 10](#), paragraph g, Code 2019, is amended to read as follows:

g. For the purposes of [this chapter](#) and to the extent approved by the commissioner, exercise the powers of a domestic life ~~or insurer, health insurer.~~ insurer, health insurer. ~~However, or health maintenance organization,~~ but the association shall not issue insurance policies or annuity contracts other than those issued to perform the contractual association's obligations of the impaired or insolvent insurer under [this chapter](#).

Sec. 16. [Section 508C.8, subsection 10](#), Code 2019, is amended by adding the following new paragraphs:

NEW PARAGRAPH. i. Unless prohibited by law, in accordance with the terms and conditions of the policy or contract, file for actuarially justified rate or premium increases for any policy or contract for which the association provides coverage under [this chapter](#).

NEW PARAGRAPH. j. Take other necessary or appropriate action to discharge the association's duties and obligations under [this chapter](#) or to exercise the association's powers under [this chapter](#).

Sec. 17. [Section 508C.8, subsection 11](#), paragraph a, subparagraph (3), subparagraph division (c), Code 2019, is amended to read as follows:

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

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

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

Sec. 19. [Section 508C.8, subsection 15](#), unnumbered paragraph 1, Code 2019, is amended to read as follows:

In carrying out its duties in connection with guaranteeing, assuming, reissuing, or reinsuring policies or contracts under [subsections 2 1 and 3 2](#), the association may, ~~subject to approval of the receivership court,~~ issue substitute coverage for a policy or contract that provides an interest rate, crediting rate, or similar factor determined by the use of an index or other external reference stated in the policy or contract employed in calculating returns or changes in value by issuing an alternative policy or contract in accordance with the following provisions:

Sec. 20. [Section 508C.9, subsection 3](#), Code 2019, is amended to read as follows:

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

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

c. The amount of the class B assessment for long-term care insurance written by the impaired or insolvent insurer shall be allocated according to a methodology included in the plan of operation pursuant to [section 508C.10](#), and as approved by the commissioner. The methodology shall provide for fifty percent of the assessment to be allocated to accident and health member insurers and fifty percent to be allocated to life and annuity member insurers.

b. d. Class B assessments against member insurers for each account shall be in the proportion that the average of the aggregate premiums received on business in this state by each assessed member insurer on policies or contracts covered by each account for the three most recent calendar years for which information is available, preceding the year in

which the member insurer became insolvent, or, in the case of an assessment with respect to an impaired insurer, the three most recent calendar years for which information is available preceding the year in which the member insurer became impaired, bears to the premiums received on business in this state for those calendar years by all assessed member insurers.

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

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

(1) Subject to the provisions of subparagraph (2) of this paragraph “a”, the total of all assessments authorized by the association with respect to a member insurer for each of the accounts established pursuant to [section 508C.6](#), and designated as the health insurance account, the life insurance account, the annuity account, and the unallocated annuity contract account, shall not in any one calendar year exceed two percent of that member insurer’s average annual premiums received in this state on the policies and contracts covered by the account during the three calendar years preceding the year in which the member insurer becomes impaired or insolvent.

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

Sec. 22. [Section 508C.9, subsections 6, 7, and 8](#), Code 2019, are amended to read as follows:

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

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

8. The association shall issue to each member insurer paying a class B assessment under [this chapter](#), a certificate of contribution in a form prescribed by the commissioner for the amount of the assessment so paid. All outstanding certificates shall be of equal dignity and priority without reference to amounts or dates of issue. A certificate of contribution may be shown by the member insurer in its financial statement as an asset in the form, for the amount, and for a period of time as the commissioner may approve.

Sec. 23. [Section 508C.10, subsection 1](#), paragraph b, Code 2019, is amended to read as follows:

b. If the association fails to submit a suitable plan of operation ~~within one hundred eighty days following July 1, 1987~~, or if at any time the association fails to submit suitable amendments to the plan, the commissioner shall, after notice and hearing, adopt rules pursuant to [chapter 17A](#) as necessary or advisable to effectuate [this chapter](#). The rules shall

continue in force until modified by the commissioner or superseded by a plan submitted by the association and approved by the commissioner.

Sec. 24. [Section 508C.11, subsections 1 and 2](#), Code 2019, are amended to read as follows:

1. The commissioner shall:

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

b. When an impairment is declared and the amount of the impairment is determined, serve a demand upon the impaired insurer to make good the impairment within a reasonable time. Notice to the impaired insurer constitutes notice to its shareholders, if any. The failure of the impaired insurer to promptly comply with the demand shall not excuse the association from the performance of its powers and duties under [this chapter](#).

2. After notice and hearing, the commissioner may suspend or revoke the certificate of authority to transact insurance business in this state of a member insurer which fails to pay an assessment when due, or fails to comply with the plan of operation. As an alternative, the commissioner may levy an administrative penalty on any member insurer which fails to pay an assessment when due. The administrative penalty shall not exceed five percent of the unpaid assessment per month. However, an administrative penalty shall not be less than one hundred dollars per month.

Sec. 25. [Section 508C.12, subsection 1](#), unnumbered paragraph 1, Code 2019, is amended to read as follows:

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

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

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

Sec. 27. [Section 508C.12, subsections 2, 3, and 6](#), Code 2019, are amended to read as follows:

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

3. The board of directors may upon majority vote make reports and recommendations to the commissioner upon any matter germane to the solvency, liquidation, rehabilitation, or conservation of a member insurer or germane to the solvency of a company an insurer or health maintenance organization seeking to transact insurance business in this state. These reports and recommendations are not public records pursuant to [chapter 22](#).

6. Upon majority vote, the board of directors may make recommendations to the commissioner for the detection and prevention of member insurer insolvencies.

Sec. 28. [Section 508C.13, subsections 3 and 4](#), Code 2019, are amended to read as follows:

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

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

b. A distribution to stockholders, if any, of an impaired or insolvent insurer shall not be made until the total amount of valid claims of the association and of similar associations of other states for funds expended in carrying out its powers and duties under [section 508C.8](#) with respect to the member insurer have been fully recovered by the association and the similar associations.

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

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

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

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

Sec. 30. [Section 508C.18](#), Code 2019, is amended to read as follows:

**508C.18 Prohibited advertisements.**

A person, including ~~an~~ a member insurer, agent, or affiliate of ~~an~~ a member insurer, shall not make, publish, disseminate, circulate, or place before the public, or cause directly or indirectly, to be made, published, disseminated, circulated, or placed before the public in a newspaper, magazine, or other publication, or in the form of a notice, circular, pamphlet, letter, or poster, or over a radio station or television station, or in any other way, an advertisement, announcement, or statement, written or oral, which uses the existence of the insurance guaranty association of this state for the purpose of sales, solicitation, or inducement to purchase any form of insurance or other coverage covered by [this chapter](#). However, [this section](#) does not apply to the association or any other entity which does not sell or solicit insurance or coverage by a health maintenance organization.

Sec. 31. [Section 508C.18A, subsection 1](#), Code 2019, is amended to read as follows:

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

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

c. The distribution, delivery, contents, or interpretation of ~~this~~ the summary document does not guarantee that either the ~~insurance~~ policy or contract, or the policy owner, of the ~~policy~~

~~or~~ contract owner, certificate holder, or enrollee, is covered in the event of the impairment or insolvency of a member insurer.

d. The summary document shall be revised by the association and approved by the commissioner as amendments to [this chapter](#) may require. Failure to receive a summary document does not give the insurance policy or contract owner, certificate holder, enrollee, or insured any greater rights than those stated in [this chapter](#).

Sec. 32. [Section 508C.18A, subsection 2](#), paragraphs b, d, e, and g, Code 2019, are amended to read as follows:

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

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

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

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

Sec. 33. [Section 508C.18A, subsection 3](#), Code 2019, is amended to read as follows:

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

Sec. 34. [Section 514B.25A](#), Code 2019, is amended by striking the section and inserting in lieu thereof the following:

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

The provisions of [chapter 508C](#) shall apply to health maintenance organizations.

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

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

Approved March 29, 2019