

ONE HUNDRED SIXTH LEGISLATURE - FIRST SESSION - 2019
COMMITTEE STATEMENT
LB159

Hearing Date: Tuesday February 05, 2019
Committee On: Banking, Commerce and Insurance
Introducer: Williams
One Liner: Change provisions of the Nebraska Life and Health Insurance Guaranty Association Act

Roll Call Vote - Final Committee Action:
Advanced to General File

Vote Results:

Aye: 8 Senators Gragert, Howard, Kolterman, La Grone, Lindstrom,
McCollister, Quick, Williams

Nay:

Absent:

Present Not Voting:

Oral Testimony:

Proponents:

Senator Matt Williams
Bruce Ramge
Robert Corn
Jim Hall
Coleen Nielsen

Representing:

Introducer
NE Department of Insurance
Mutual of Omaha
American Council of Life Insurers
NE Insurance Information Service

Opponents:

Representing:

Neutral:

Representing:

Summary of purpose and/or changes:

LB159 is a bill introduced on behalf of the Nebraska Department of Insurance to adopt the latest National Association of Insurance Commissioners' (NAIC) model updates to the Nebraska Life and Health Insurance Guaranty Association Act. The changes represent a nationwide compromise between life insurers and health insurers on long-term care insurance insolvencies, adds health maintenance organizations to the act, and is an NAIC accreditation standard for the Department. The legislation would provide, section by section, as follows:

Section 1 amends section 44-2702, the definition section of the act. Section 1 provides definitions for new terms utilized in the act including the terms "extra-contractual claims," "benefit plan," "health benefit plan," and "plan sponsor." Additionally, a number of existing definitions are also amended by the bill, most notably "member insurer" to include health maintenance organizations.

Section 2 amends section 44-2703 to clarify what coverages the act applies to and what coverages are excluded from the act. Section 2 adds healthcare providers into the list of beneficiaries, assignees, or payees. Section 2 also includes a statement that long-term care riders are covered, even if provisions of the underlying policy related to interest rates or crediting rates are not covered by the act.

The amendments to section 44-2703 also make it clear that the act does not apply to Medicaid or plans associated with Medicaid.

Because of the changes in the definitional section related to benefit plan and health benefit plan, the health insurance subsection of 44-2703 is amended to remove now unneeded language and a new subsection related to long-term care riders on life insurance policies is included to state that such a rider will be considered the same type of benefits as the base policy for the purposes of the act.

Section 3 amends section 44-2706 to increase the possible number of directors on the board of the association.

Section 4 amends section 44-2707, which provides powers and duties to the association. The amendments insert language related to actuarial justification in situations when the association reissues policies or sets premiums, provides authority to the association to provide the liquidator a report of premiums collected, permits the association to settle claims against it, and amends the associations powers and duties related to reinsurance. The section is also amended to make numerous changes for harmonization.

Section 5 amends section 44-2708 to change the manner of assessments related to the insolvency of a long-term care insurer. Currently, the long-term care assessments are solely health related. Section 44-2708 is amended to state that fifty percent of the assessment shall be allocated to health insurers and fifty percent to life insurers.

The amendments to section 44-2708 also provide additional authority to the board of the association when the maximum possible assessments will be insufficient to cover the anticipated claims. These powers include amending the plan of operation to allow for allocating funds from other claims and the assessment of other accounts.

Section 44-2708 is also amended to allow an insurer to use a certificate of contribution in its financial statement as an asset.

Section 6 amends section 44-2709 related to the association's plan of operation. The amendments add a deemer clause providing the plan of operation will be deemed approved if the director of insurance fails to disapprove the plan of operation within thirty days. The section is also amended to allow the plan of operation to include procedures for removal of a member of the board of directors and to require a policy of conflict of interests.

Section 7 amends section 44-2713 to clarify that it is an unfair trade practice in the business of insurance, subject to the Unfair Insurance Trade Practices Act, for a person to make use of the protection of the act in the sale of insurance.

Section 8 amends section 44-2718 to increase the stay placed on all proceedings against an impaired insurer from sixty days to one hundred eighty days and clarifies that this stay is not intended to inhibit the powers of a receiver appointed pursuant to the Nebraska Insurers, Supervision, Rehabilitation, and Liquidation Act.

Section 9 amends section 44-2719.01 to add coverage provided by a health maintenance organization.

Section 10 amends section 44-2719.02 to harmonize language.

Section 11 provides an emergency clause to the legislation.

Section 12 is the amendatory repealer.

Matt Williams, Chairperson