Introducer's Statement of Intent

LB159

Chairperson: Senator Matt Williams

Committee: Banking, Commerce and Insurance

Date of Hearing: February 05, 2019

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB159 was introduced on behalf of the Director of Insurance. The legislation proposes to adopt the latest National Association of Insurance Commissioners (NAIC) amendments to the NAIC Model Life and Health Insurance Guaranty Association Act, codified in Nebraska as the Nebraska Life and Health Insurance Guaranty Association Act, Neb. Rev. Stat. § 44-2701 et seq.

Insurance guaranty associations are statutory entities consisting of all licensed insurance companies that provide payment of certain claims of insolvent insurers. In Nebraska, two types of associations exist, the Life and Health Insurance Guaranty Association, which guarantees claims of insolvent life and health insurance companies, and the Property and Liability Insurance Guaranty Association, which guarantees claims of insolvent property and casualty companies. Both associations assess member companies of the association to pay for the claims of the insolvent insurers within the line of insurance.

The latest update from the NAIC makes two major revisions to the life and health insurance guaranty association model. The first revision provides a fifty percent split between life insurers and health insurers for the assessments for insolvencies related to long-term care insurance. Under current law, such assessments are made solely on health insurers. The split in the assessments more accurately reflects the nature of long-term care insurance and reflects a nationwide compromise between health insurers and life insurers on the subject.

The second major revision provides for the inclusion of Health Maintenance Organizations (HMOs) into the life and health insurance guaranty association. HMOs have long been exempt from the Nebraska Life and Health Insurance Guaranty Association Act, unless an HMO is controlled by an insurance company licensed in Nebraska. The NAIC has worked with HMO industry, life insurers, and health insurers to include HMOs in the state insurance guaranty associations. HMOs involved in Medicaid programs will continue to be exempt.

The changes included in LB159 are considered an accreditation standard by the NAIC

Principal Introducer: _________________________________

Senator Matt Williams