

**FINAL
FISCAL NOTE**

Drafting Number: LLS 13-0395

Date: June 24, 2013

Prime Sponsor(s): Sen. Jahn
Rep. Williams

Bill Status: Signed into Law

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TITLE: CONCERNING THE LIFE AND HEALTH INSURANCE PROTECTION ASSOCIATION.

| Fiscal Impact Summary | FY 2013-2014 | FY 2014-2015 |
|--|---------------------|---------------------|
| State Revenue | | |
| State Expenditures | | |
| FTE Position Change | | |
| Effective Date: The bill was signed into law by the Governor and took effect on March 15, 2013. | | |
| Appropriation Summary for FY 2013-2014: None. | | |
| Local Government Impact: None. | | |

Summary of Legislation

This bill amends the statutes that govern the Life and Health Insurance Protection Association (LHIPA) to more closely match guaranty associations in other states. It is based on a model law developed by the National Association of Insurance Commissioners (NAIC). Among the provisions, the bill:

- allows LHIPA to cover an impaired insurer to keep it operating;
- requires the Commissioner of Insurance to notify LHIPA of an impaired insurer;
- clarifies that long-term care is a health coverage with \$300,000 coverage protection;
- raises the annual industry assessment maximum from 1 percent to 2 percent of a 3-year average of premiums;
- allows the LHIGA board to set administrative assessments;
- eliminates the exclusion for non-U.S. citizens; and
- excludes coverage for Medicare Parts C and D.

Background

The LHIPA was created by statute in 1991 to ensure that Colorado insurance consumers' claims are paid in the event that their life and/or health insurer becomes insolvent. It is fully funded by assessments on the life and health insurance industry. The LHIPA currently has approximately \$5.0 million in reserves and often recovers significant amounts of money once an insolvent insurer is liquidated to use towards addressing future impairments and insolvencies.

The regulation of insurance is delegated to the states by the federal government. To develop some consistency across states, the NAIC develops model laws which states can customize to reflect the individual needs of each state.

Statutory Public Entity Impact

This bill will enable LHIPA to increase its administrative assessments on insurers from \$150 to an amount the LHIPA board determines to be adequate to cover its costs. It also increases the cap on assessments that are made to cover the costs of an impaired or insolvent insurer. This will enable LHIPA to cover larger insolvencies should those occur.

Departments Contacted

Regulatory Agencies

Life and Health Insurance Protection Association