



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

HOUSE LABOR AND COMMERCE

ALASKA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION UPDATE

by

Department of Commerce, Community, and Economic Development
Division of Insurance

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January 20, 2017



Alaska Life and Health Insurance Guaranty Association (ALHIGA)

- Statutory nonprofit legal entity created in 1990
- Based on the National Association of Insurance Commissioners (NAIC) Life and Health Insurance Guaranty Association Model Act (MDL 520).
- Purpose is to protect consumers against failure to meet contractual obligations under life and health insurance policies and annuity contracts due to impairment or insolvency of a member insurer
- Protects policy owners, insureds, beneficiaries, annuitants, payees and assignees against losses (both in terms of paying claims and continuing coverage) which might otherwise occur due to the impairment or insolvency of an insurer.
- Life and annuity contracts in particular are long-term arrangements for security. – thus continued coverage is an important aspect of the protections available through the Guaranty Association, as an insured may have impaired health or be at an advanced age and unable to obtain new or similar coverage from other insurers.
- Mandatory for every insurer authorized to sell insurance covered by the Act.
- Members are assessed to provide funds for the administrative and legal costs of the association.
- If a member is impaired or insolvent, the association is authorized to further assess the members as necessary to meet the duties of the association
- Last substantively updated during the 2000 legislative session with the enactment of HB 398
- NAIC substantively revised the Life and Health Insurance Guaranty Association Model Act in 2009 and adopted amendments in 2016.
- This legislation would bring Alaska's statute current with these revisions.



Alaska Life and Health Insurance Guaranty Association (ALHIGA)

- Updates AS 21.79 to adopt and remain consistent (with one exception) the latest national standards set forth in the National Association of Insurance Commissioners (NAIC) Model Act (MDL 520).
- Requires hospital and medical service corporations to become members of the association.
- At least 18 states require hospital and medical service corporations to be members of their state's guaranty association.
- Increases the benefits for which the association may become liable, in the aggregate, to increase the coverage limit for net cash surrender and net cash withdrawal values of annuities. from \$100,000 to \$250,000 with respect to an individual participating in a governmental retirement benefit plan established under 26 U.S.C. 401, 26 U.S.C. 403(b) or 26 U.S.C. 457 and covered by an unallocated annuity contract, or to a beneficiary of the individual if the individual is deceased.
- Increases the benefits for which the association may become liable, in the aggregate, for net cash surrender and net cash withdrawal values, if any, from \$100,000 to \$250,000 with respect to each payee of a structured settlement annuity, or beneficiary of the payee if the payee is deceased.



Alaska Life and Health Insurance Guaranty Association (ALHIGA)

- Provides authority for the association to provide loans to assure payment of the contractual obligations of the impaired insurer until those obligations are guaranteed, reinsured, or assumed.
- Provides authority for the association to impose a permanent policy or contract lien under a guarantee, assumption, or reinsurance agreement if the policy or contract lien is approved by a court and the association finds that the amount that may be assessed under AS 21.79 is less than the amount needed to assure full and prompt performance of the association's duties under the chapter.
- Increases the amount of a non pro rata assessment of members by the association board from \$250 per calendar year to \$500 per calendar year.
- Requires the association board to adopt policies and procedures for addressing conflicts of interest, removing board members for cause, and removing board members who become impaired or insolvent.
- Removes the requirement that records of meetings of the association may only be made public after an insurer is no longer impaired or insolvent.
- Extends the immunity protections under AS 21.79.140 to organizations of one or more state guaranty associations of similar purposes and to the organizations' agents and employees.



Conclusion

Questions?