

*Colorado Legislative Council Staff Fiscal Note*  
**STATUTORY PUBLIC ENTITY**  
**FISCAL IMPACT**

**Drafting Number:** LLS 13-0395  
**Prime Sponsor(s):** Sen. Jahn  
Rep. Williams

**Date:** January 28, 2013  
**Bill Status:** Senate Business Labor & Technology  
**Fiscal Analyst:** Clare Pramuk (303-866-2677)

**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		
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2013-2014:</b> None.		
<b>Local Government Impact:</b> 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