



Ohio Legislative Service Commission

Bill Analysis

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S.B. 223

131st General Assembly
(As Introduced)

Sen. Bacon

BILL SUMMARY

- Increases Ohio Life and Health Insurance Guaranty Association (Guaranty Association) coverage limitations for certain types of covered policies.
- Expands coverage to specified non-Ohio residents.
- Provides for the coverage of structured settlement annuities.
- Specifically excludes Medicare Managed Care plans from Guaranty Association coverage.
- Revises the definition of "impaired insurer."

CONTENT AND OPERATION

The bill amends the law in relation to the Ohio Life and Health Insurance Guaranty Association (Guaranty Association), which provides benefits to covered individuals in the case of default on the part of certain life and health insurers.

Coverage limit increases

The Ohio Guaranty Association Law imposes maximum payout limitations for the various types of insurance policies covered. The bill increases certain of these limitations as follows:

- Basic hospital, medical, and surgical insurance, major medical insurance – from \$100,000 to \$500,000;

- Disability and long-term care insurance – from \$100,000 to \$300,000.¹

The bill also adds a \$250,000 maximum coverage limitation (present value) for each payee of a structured settlement annuity or the beneficiary of such an annuity.²

Coverage for certain non-Ohio residents

The bill specifies that the Guaranty Association is to provide coverage for Ohio residents and, under certain, limited situations, nonresidents. However, it specifies that the Guaranty Association is not intended to provide duplicate coverage and that if any person who would otherwise receive coverage under the Ohio Guaranty Association Law receives coverage under the laws of another state, then that person is not to be provided coverage by the Guaranty Association. The bill specifies that Ohio Guaranty Association Law is to be construed in conjunction with other state laws to result in coverage by only one association.³ The bill modifies the definition of "resident" to reflect this change. Under the bill, U.S. citizens who either reside in a foreign country or reside in a U.S. possession, territory, or protectorate that does not have an association similar to the Guaranty Association are to be considered residents of the state of domicile of the insurer that issued the policy or contract.⁴

Structured settlement annuities

The bill modifies the Ohio Guaranty Association Law to directly address structured settlement annuities. The bill defines "structured settlement annuity" as an annuity purchased in order to fund periodic payments for a claimant in payment for or with respect to personal injury suffered by the claimant.⁵ The bill makes distinct Guaranty Association eligibility requirements with regard to structured settlement annuities. Under the bill, persons who are payees, or the beneficiary of deceased payee, under a structured settlement annuity are eligible for Guaranty Association benefits if the payee is an Ohio resident, regardless of where the contract owner of the structured settlement resides. If such a payee is *not* an Ohio resident, then the payee or the payee's beneficiary is still eligible if both of the following apply:

¹ R.C. 3956.04(C)(2)(a)(ii), (iii), (iv), and (v) and (C)(2)(b).

² R.C. 3956.04(C)(2)(d).

³ R.C. 3956.04(A).

⁴ R.C. 3956.01(H).

⁵ R.C. 3956.01(I).



- The contract owner resides in Ohio (if the contract owner does *not* reside in Ohio, then this requirement is satisfied if the insurer issuing the annuity resides in Ohio and the state in which the contract owner resides has an association similar to the Guaranty Association);
- The payee, beneficiary, and the contract owner are not eligible for coverage by a guaranty association in which the payee or contract owner resides.⁶

Medicare managed care exclusion

The bill adds policies issued in relation to Medicare Part C and D to the list of policies or contracts that are specifically excluded from Guaranty Association eligibility. These are Medicare managed care plans and are commonly referred to as Medicare Advantage plans and Medicare Prescription Drug plans.⁷

"Impaired insurer" definition

The bill changes the definition of "impaired insurer" to remove discretion on the part of the Superintendent of Insurance as to whether an insurer is impaired. The definition under current law is any insurer that is solvent, but that has either (1) been judged by the Superintendent as being unable to meet its contractual obligations or (2) been placed under an order of rehabilitation or conservation by a court. The bill removes the first part of the definition.⁸

HISTORY

ACTION	DATE
Introduced	10-07-15

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⁶ R.C. 3956.04(A)(4) and (5).

⁷ R.C. 3956.04(B)(2)(I).

⁸ R.C. 3956.01(D).

