INTRODUCED BY SCAVELLO AND STREET, JUNE 9, 2020

REFERRED TO BANKING AND INSURANCE, JUNE 9, 2020

AN ACT

Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An act relating to insurance; amending, revising, and consolidating the law providing for the incorporation of insurance companies, and the regulation, supervision, and protection of home and foreign insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and fire insurance rating bureaus, and the regulation and supervision of insurance carried by such companies, associations, and exchanges, including insurance carried by the State Workmen's Insurance Fund; providing penalties; and repealing existing laws," in Life and Health Insurance Guaranty Association, further providing for purpose, for definitions, for coverage and limitations, for creation of association, for board of directors, for powers and duties of association, for assessments, for plan of operation, for powers and duties of the commissioner, for prevention of insolvencies, for credits for assessments paid, for miscellaneous provisions, for examination of the association and annual report, for immunity, for stay of proceedings and reopening default judgments, for prohibited advertisement or Insurance Guaranty Association Act in insurance sales and for prospective application.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Sections 1701, 1702, 1703, 1704(a), 1705(a), 1706 and 1707 of the act of May 17, 1921 (P.L.682, No.284), known as The Insurance Company Law of 1921, are amended to read:

Section 1701. Purpose.--The purpose of this article is to
protect, subject to certain limitations, the persons specified in section 1703(a) against failure in the performance of contractual obligations, under life and health insurance policies and annuity policies, plans or contracts specified in section 1703(b), because of the impairment or insolvency of the member insurer that issued the policies, plans or contracts. To provide this protection, an association of member insurers is created to pay benefits and to continue coverages as limited herein, and member insurers of the association are subject to assessment to provide funds to carry out the purpose of this article.

Section 1702. Definitions.--As used in this article the following words and phrases shall have the meanings given to them in this section:

"Account." Either of the two accounts created under section 1704.

"Association." The Pennsylvania Life and Health Insurance Guaranty Association created under section 1704.

"Authorized assessment" or "authorized." The term when used in the context of assessments means a resolution by the board of directors has been passed whereby an assessment will be called immediately or in the future from member insurers for a specified amount. An assessment is authorized when the resolution is passed.

"Benefit plan." A specific employee, union or association of natural persons benefit plan.

"Called assessment" or "called." The term when used in the context of assessments means that a notice has been issued by the association to member insurers requiring that an authorized assessment be paid within the time frame specified in the
An authorized assessment becomes a called assessment when notice is mailed by the association to member insurers.

"Commissioner." The Insurance Commissioner of the Commonwealth.

"Contractual obligation." Any obligation under a policy or contract or certificate under a group policy or contract or portion thereof for which coverage is provided under section 1703.

"Covered policy." Any policy or contract within the scope of this article under section 1703.

"Department." The Insurance Department of the Commonwealth.


"Extra contractual claims." The term shall include claims relating to bad faith in the payment of claims, punitive or exemplary damages or attorney costs and fees.

"Health benefit plan." Any hospital or medical expense policy or certificate, RANLI PPO policy or subscriber contract, hospital plan corporation, professional health services plan corporation or health maintenance organization subscriber contract or any other similar health contract. The term does not include:

(1) Accident only insurance.
(2) Credit insurance.
(3) Dental only insurance.
(4) Vision only insurance.
(5) Medicare supplement insurance.
(6) Benefits for long-term care, home health care,
community-based care or any combination thereof.

(7) Disability income insurance.

(8) Coverage for on-site medical clinics.

(9) Specified disease, hospital confinement indemnity or limited benefit health insurance if the types of coverage do not provide coordination of benefits and are provided under separate policies or certificates.

"Health maintenance organization." An organized system which combines the delivery and financing of health care and which provides basic health services to voluntarily enrolled subscribers for a fixed prepaid fee as defined in the act of December 29, 1972 (P.L.1701, No.364), known as the Health Maintenance Organization Act.

"Hospital plan corporation." A not-for-profit corporation engaged in the business of maintaining and operating a nonprofit hospital plan as defined in 40 Pa.C.S. Ch. 61 (relating to hospital plan corporations).

"Impaired insurer." A member insurer which, after the effective date of this article, is not an insolvent insurer and:

(1) is deemed by the Insurance Commissioner to be potentially unable to fulfill its contractual obligations; or

(2) is placed under an order of rehabilitation or conservation by a court of competent jurisdiction.

"Insolvent insurer." A member insurer which, after the effective date of this article, is placed under an order of liquidation by a court of competent jurisdiction with a finding of insolvency.


"Member insurer." Any insurer, RANLI PPO, hospital plan 20200SB1195PN1762
corporation, professional health services plan corporation or health maintenance organization licensed or which holds a certificate of authority to transact in this Commonwealth any kind of insurance, RANLI PPO business, hospital plan corporation business, professional health services plan corporation business or health maintenance organization business for which coverage is provided under section 1703 and includes any insurer, RANLI PPO, hospital plan corporation, professional health services plan corporation or health maintenance organization whose license or certificate of authority in this Commonwealth may have been suspended, revoked, not renewed or voluntarily withdrawn. The term does not include any of the following:

1. A nonprofit hospital or medical service organization.
2. A health maintenance organization.
3. A fraternal benefit society.
4. A mandatory State pooling plan.
5. A mutual assessment company or any entity that operates on an assessment basis.
6. An insurance exchange.
7. An organization that is a qualified charity issuing only qualified charitable gift annuities exempt from regulation under the act of October 16, 1996 (P.L.712, No.127), known as the Charitable Gift Annuity Exemption Act.
8. Any entity similar to any of the above.


"Owner." The owner of a policy or contract. The terms "policyholder," "contract holder" "policy owner" and "contract owner" mean the person who is identified as the legal owner.
under the terms of the policy or contract or who is otherwise vested with legal title to the policy or contract through a valid assignment completed in accordance with the terms of the policy or contract and properly recorded as the owner on the books of the member insurer. The terms "owner," "contract owner," "policy owner," "policyholder" and "contract holder" do not include persons with a mere beneficial interest in a policy or contract.

"Person." Any individual, corporation, limited liability company, partnership, association, governmental body or entity or voluntary organization.

"Plan sponsor." The term includes:
(1) the employer in the case of a benefit plan established or maintained by a single employer;
(2) the employee organization in the case of a benefit plan established or maintained by an employee organization; or
(3) in a case of a benefit plan established or maintained by two (2) or more employers or jointly by one or more employers and one or more employee organizations, the association, committee, joint board of trustees or other similar group of representatives of the parties that establish or maintain the benefit plan.

"Premiums." The amounts received on covered policies or contracts less premiums, considerations and deposits returned thereon and less dividends and experience credits thereon. The term does not include any amounts received for any policies or contracts or for the portions of any policies or contracts for which coverage is not provided under section 1703(b) except that assessable premium shall not be reduced on account of sections 1703(b)(2)(iii) relating to interest limitations and 1703(c)(1)
(ii) relating to limitations with respect to any one individual, any one participant and any one policy or contract holder. The term does not include any premiums in excess of five million ($5,000,000) dollars on any unallocated annuity contract not issued under a governmental retirement plan established under section 401, 403(b) or 457 of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.). The term does not include, with respect to multiple nongroup policies of life insurance owned by one owner, whether the policy or contract owner is an individual, firm, corporation or other person, and whether the persons insured are officers, managers, employees or other persons, premiums in excess of five million ($5,000,000) dollars with respect to these policies or contracts, regardless of the number of policies or contracts held by the owner.

"Principal place of business." The following apply:

(1) The principal place of business of a plan sponsor or a person other than a natural person means the single state in which the natural persons who establish policy for the direction, control and coordination of the operations of the entity as a whole primarily exercise that function, determined by the association in its reasonable judgment by considering all the following factors:

(i) The state in which the primary executive and administrative headquarters of the entity is located.

(ii) The state in which the principal office of the chief executive officer of the entity is located.

(iii) The state in which the board of directors or similar governing person or persons of the entity conducts the majority of its meetings.

(iv) The state in which the executive or management
committee of the board of directors, or similar governing person
or persons, of the entity conducts the majority of its meetings.

(v) The state from which the management of the overall
operations of the entity is directed.

(vi) In the case of a benefit plan sponsored by affiliated
companies comprising a consolidated corporation, the state in
which the holding company or controlling affiliate has its
principal place of business as determined using the factors
under subparagraphs (i), (ii), (iii), (iv), (v) and (vi).

(2) If, in the case of a plan sponsor, more than fifty
percent (50%) of the participants in the benefit plan are
employed in a single state, that state shall be deemed to be the
principal place of business of the plan sponsor.

(3) The principal place of business of a plan sponsor of a
benefit plan described in paragraph (3) under the definition of
plan sponsor in this section shall be deemed to be the principal
place of business of the association, committee, joint board of
trustees or other similar group of representatives of the
parties who establish or maintain the benefit plan that, in lieu
of a specific or clear designation of a principal place of
business, shall be deemed to be the principal place of business
of the employer or employee organization that has the largest
investment in the benefit plan in question.

"Professional health services plan corporation." A person
engaged in the business of maintaining and operating a nonprofit
health service plan as defined in 40 Pa.C.S. Ch. 63 (relating to
professional health services plan corporations).

"RANLI PPO." An entity not licensed as an insurance company
but assuming risk as defined in section 630.

"Receivership court." The court in the insolvent insurer's
or impaired insurer's state having jurisdiction over the
conservation, rehabilitation or liquidation of the member
insurer.

"Resident." Any person who resides in this Commonwealth at
the time a member insurer is determined to be an impaired or
insolvent insurer and to whom a contractual obligation is owed.
A person may be a resident of only one state, which, in the case
of a person other than a natural person, shall be its principal
place of business. Citizens of the United States who are
residents of foreign countries or residents of United States
possessions, territories or protectorates that do not have an
association similar to the association created by this article
shall be deemed residents of the state of domicile of the member
insurer that issued the policies or contracts.

"Structured settlement annuity." An annuity purchased in
order to fund periodic payments for a plaintiff or other
claimant in payment for or with respect to personal injury
suffered by the plaintiff or other claimant.

"State." A state, the District of Columbia, Puerto Rico,
and a United States possession, territory or protectorate.

"Supplemental contract." Any agreement entered into for the
distribution of policy or contract proceeds.

"Unallocated annuity contract." Any annuity contract or
group annuity certificate which is not issued to and owned by an
individual, except to the extent of any annuity benefits
guaranteed to an individual by an insurer under such contract or
certificate.

Section 1703. Coverage and Limitations.--(a) This article
shall provide coverage to the following persons for the policies
and contracts specified in subsection (b):
(1) To persons who, regardless of where they reside, except for nonresident certificate holders or enrollees under group policies or contracts, are the beneficiaries, assignees or payees, including health care providers rendering services covered under health insurance policies or certificates of the persons covered under paragraph (2).

(2) To persons who are owners of or certificate holders or enrollees under these policies or contracts [or, in the case of], other than unallocated annuity contracts[, to the persons who are the contract holders] and structured settlement annuities, and who:

(i) are residents; or

(ii) are not residents, but only under all of the following conditions:

(A) the [insurers which] member insurer that issued such policies or contracts [are] is domiciled in this Commonwealth;

(B) [such insurers never held a license or certificate of authority in the states in which such persons reside;] the states in which the persons reside have associations similar to the association created by this article; and

[(C) these states have associations similar to the association created by this article; and

(D) these] (C) the persons are not eligible for coverage by [those associations.] associations in any other state due to the fact that such insurers, RANLI PPOs, hospital plan corporations, professional health services plan corporations, or health maintenance organizations were not licensed or did not hold a certificate of authority in the states in which the persons reside at the time specified in the state's guaranty association law.
(3) For unallocated annuity contracts specified in subsection (b), paragraphs (1) and (2) shall not apply, and this article shall, except as provided in paragraphs (5) and (6), provide coverage to:

(i) Persons who are the owners of the unallocated annuity contracts if the contracts are issued to or in connection with a specific benefit plan whose plan sponsor has its principal place of business in this Commonwealth.

(ii) Persons who are owners of unallocated annuity contracts issued to or in connection with government lotteries if the owners are residents.

(4) For structured settlement annuities specified in subsection (b), paragraphs (1) and (2) shall not apply, and this article shall, except as provided in paragraphs (5) and (6), provide coverage to a person who is a payee under a structured settlement annuity or beneficiary of a payee if the payee is deceased, if the payee:

(i) is a resident, regardless of where the contract owner resides; or

(ii) is not a resident, but only under both of the following conditions:

(A) (I) the contract owner of the structured settlement annuity is a resident; or

(II) the contract owner of the structured settlement annuity is not a resident; but

(1) the member insurer that issued the structured settlement annuity is domiciled in this Commonwealth; and

(2) the state in which the contract owner resides has an association similar to the association created by this article; and
(B) neither the payee or beneficiary nor the contract owner is eligible for coverage by the association of the state in which the payee or contract owner resides.

(5) This article shall not provide coverage to:

(i) a person who is a payee or beneficiary of a contract owner resident of this Commonwealth, if the payee or beneficiary is afforded any coverage by the association of another state;

(ii) a person covered under paragraph (3), if any coverage is provided by the association of another state to the person; or

(iii) a person who acquires rights to receive payments through a structured settlement factoring transaction as defined in 26 U.S.C. 5891(c)(3)(A) (relating to the taxation of structured settlement factoring transactions), regardless of whether the transaction occurred before or after the section became effective.

(6) This article is intended to provide coverage to a person who is a resident of this Commonwealth and, in special circumstances, to a nonresident. In order to avoid duplicate coverage, if a person who would otherwise receive coverage under this article is provided coverage under the laws of any other state, the person shall not be provided coverage under this article. In determining the application of the provisions of this paragraph in situations where a person could be covered by the association of more than one state, whether as an owner, payee, enrollee, beneficiary or assignee, this article shall be construed in conjunction with other state laws to result in coverage by only one association.

(b) (1) This article shall provide coverage to the persons specified in subsection (a) for policies or contracts of direct,
nongroup life insurance, health[, annuity] insurance, which for
the purposes of this article includes, RANLI PPO, hospital plan
corporation, professional health services plan corporation and
health maintenance organization subscriber policies, contracts,
and certificates, or annuities and supplemental [policies or]
contracts to any of these, for certificates under direct group
policies and contracts and for unallocated annuity contracts
issued by member insurers, except as limited by this article.
Annuity contracts and certificates under group annuity contracts
include, but are not limited to, guaranteed investment
contracts, deposit administration contracts, unallocated funding
agreements, allocated funding agreements, structured settlement
[agreements, lottery contracts] annuities, annuities issued to
or in connection with government lotteries and any immediate or
defered annuity contracts.

(2) [This] Except as otherwise provided in paragraph (3),
this article shall not provide coverage for any of the
following:

(i) Any portion of a policy or contract not guaranteed by
the member insurer or under which the risk is borne by the
policy or contract holder.

(ii) Any policy or contract of reinsurance, unless
assumption certificates have been issued.

(iii) Any portion of a policy or contract to the extent that
the rate of interest on which it is based[;], or the interest
rate, crediting rate or similar factor determined by use of an
index or other external reference stated in the policy or
contract employed in calculating returns or changes in value:

(A) averaged over the period of four (4) years prior to the
date on which the [association] member insurer becomes

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obligated with respect to such policy or contract] an impaired or insolvent insurer under this article, whichever is earlier, exceeds a rate of interest determined by subtracting two (2) percentage points from Moody's Corporate Bond Yield Average averaged for the same four-year period or for such lesser period if the policy or contract was issued less than four (4) years before the [association became obligated] member insurer becomes an impaired or insolvent insurer under this article, whichever is earlier; and

(B) on and after the date on which the [association] member insurer becomes [obligated with respect to such policy or contract] an impaired or insolvent insurer under this article, whichever is earlier, exceeds the rate of interest determined by subtracting three (3) percentage points from Moody's Corporate Bond Yield Average as most recently available.

(iv) Any portion of a policy or contract issued to a plan or program of an employer, association or similar entity to provide life, health or annuity benefits to its [employes or] employees, members or others to the extent that such plan or program is self-funded or uninsured, including, but not limited to, benefits payable by an employer, association or similar entity under:

(A) a Multiple Employer Welfare Arrangement as defined in section [514] 3(40) of the Employee Retirement Income Security Act of 1974 (Public Law 93-406, 29 U.S.C. § 1002(40));

(B) a minimum premium group insurance plan;

(C) a stop-loss group insurance plan; or

(D) an administrative services only contract.

(v) Any portion of a policy or contract to the extent that it provides dividends or experience rating credits [or provides
that], voting rights or for the payment of any fees or allowances [to be paid] to any person, including the policyholder or contract holder, in connection with the service to or administration of such policy or contract.

(vi) Any policy or contract issued in this Commonwealth by a member insurer at a time when it was not licensed or did not have a certificate of authority to issue such policy or contract in this Commonwealth.

(vii) Any unallocated annuity contract issued to an employee benefit plan protected under the Federal Pension Benefit Guaranty Corporation[, regardless of whether the Federal Pension Benefit Guaranty Corporation has yet become liable to make any payments with respect to the benefit plan.

(viii) Any portion of any unallocated annuity contract which is not issued to or in connection with a specific employee, union or association of natural persons benefit plan or a government lottery.

(ix) A portion of a policy or contract to the extent that the assessments required by section 1707 with respect to the policy or contract are preempted by Federal or State law.

(x) An obligation that does not arise under the express written terms of the policy or contract issued by the member insurer to the enrollee, certificate holder, contract owner or policy owner, including, without limitation:

(A) claims based on marketing materials;

(B) claims based on side letters, riders or other documents that were issued by the member insurer without meeting applicable policy or contract form filing or approval requirements;

(C) misrepresentations of or regarding policy or contract
benefits;
(D) extracontractual claims; or
(E) a claim for penalties or consequential or incidental
damages.
(xi) A contractual agreement that establishes the member
insurer's obligations to provide a book value accounting
guaranty for defined contribution benefit plan participants by
reference to a portfolio of assets that is owned by the benefit
plan or its trustee, which in each case is not an affiliate of
the member insurer.
(xii) A portion of a policy or contract to the extent it
provides for interest or other changes in value to be determined
by the use of an index or other external reference stated in the
policy or contract, but which have not been credited to the
policy or contract, or as to which the policy or contract
owner's rights are subject to forfeiture, as of the date the
member insurer becomes an impaired or insolvent insurer under
this article, whichever is earlier. If a policy's or contract's
interest or changes in value are credited less frequently than
annually, then for purposes of determining the values that have
been credited and are not subject to forfeiture under this
subparagraph, the interest or change in value determined by
using the procedures defined in the policy or contract will be
credited as if the contractual date of crediting interest or
changing values was the date of impairment or insolvency,
whichever is earlier, and will not be subject to forfeiture.
(xiii) A policy or contract providing any hospital, medical,
prevention drug or other health care benefits under Part C or
Part D of Title XVIII of the Social Security Act (Public Law 74–
271, 42 U.S.C. § 1395 et seq.), Title XIX of the Social Security
Act (Public Law 74-271, 42 U.S.C. § 1396 et seq.), Article XXIII-A or any regulations issued pursuant thereto.

(xiv) Structured settlement annuity benefits to which a payee or beneficiary has transferred the payee's or beneficiary's rights in a structured settlement factoring transaction as defined in 26 U.S.C. § 5891(c)(3)(A) (relating to the taxation of structured settlement factoring transactions), regardless of whether the transaction occurred before or after the section became effective.

(3) The exclusion from coverage referenced in paragraph (2)(iii) shall not apply to any portion of a policy or contract, including a rider, that provides long-term care or any other health insurance benefits.

(c) (1) The benefits for which the association may become liable shall in no event exceed the lesser of:

(i) the contractual obligations for which the member insurer is liable or would have been liable if it were not an impaired or insolvent insurer; or

(ii) (A) With respect to any one life, regardless of the number of policies or contracts, the following shall apply:

(I) Three hundred thousand ($300,000) dollars in life insurance death benefits, but not more than one hundred thousand ($100,000) dollars in net cash surrender and net cash withdrawal values for life insurance.

[(II) Three hundred thousand ($300,000) dollars in health insurance benefits, including any net cash surrender and net cash withdrawal values.]

(III) Three hundred thousand ($300,000) dollars in annuity benefits, including one hundred thousand ($100,000) dollars in net cash surrender and net cash withdrawal values.
(IV) Three hundred thousand ($300,000) dollars in long-term care insurance benefits, as defined under section 1103, including any cash surrender and net cash withdrawal values.

(II) For health insurance benefits:

(1) One hundred thousand ($100,000) dollars for coverages or benefits not defined as disability income insurance as defined by 31 Pa. Code § 88.167 (relating to disability income protection coverage), health benefit plans as defined by section 1702 of this article or long-term care insurance as defined in section 1103, including any net cash surrender and net cash withdrawal values.

(2) Three hundred thousand ($300,000) dollars for disability income insurance, as defined by 31 Pa. Code § 88.167, and long-term care insurance benefits as defined under section 1103, including any cash surrender and net cash withdrawal values.

(3) Five hundred thousand ($500,000) dollars for health benefit plans.

(III) Two hundred fifty thousand ($250,000) dollars in the present value of annuity benefits, including net cash surrender and net cash withdrawal values.

(B) With respect to each individual participating in a governmental retirement plan established under section 401, 403(b) or 457 of the Internal Revenue Code of 1986 covered by an unallocated annuity contract or the beneficiaries of each such individual if deceased, in the aggregate, [three hundred thousand ($300,000)] two hundred fifty thousand ($250,000) dollars in [annuity benefits, including one hundred thousand ($100,000) dollars in] present value annuity benefits, including net cash surrender and net cash withdrawal values.

(C) With respect to each payee of a structured settlement...
annuity, or beneficiary or beneficiaries of the payee if deceased, two hundred fifty thousand ($250,000) dollars in present value annuity benefits, in the aggregate, including net cash surrender and net cash withdrawal values, if any.

[(C)] (D) With respect to [any] either one contract [holder covered by any] owner provided coverage under subsection (a)(3)(ii) or one plan sponsor whose plans own directly or in trust one or more unallocated annuity [contract] contracts not included in clause (B), five million ($5,000,000) dollars in benefits, irrespective of the number of such contracts held by that contract [holder,] owner or plan sponsor. In the case where one or more unallocated annuity contracts are covered contracts under this article and are owned by a trust or other entity for the benefit of two (2) or more plan sponsors, coverage shall be afforded by the association if the largest interest in the trust or entity owning the contract or contracts is held by a plan sponsor whose principal place of business is in this Commonwealth and in no event shall the association be obligated to cover more than five million ($5,000,000) dollars in benefits with respect to all these unallocated contracts.

[(2)] (E) The association shall not, however, be liable to expend more than three hundred thousand ($300,000) dollars in the aggregate with respect to any one individual under subparagraph (ii)(A) [and (B), (B) or (C) of paragraph (1)[.], except with respect to benefits for health benefit plans under subclause (II)(3) of clause (A), in which case the aggregate liability of the association shall not exceed five hundred thousand ($500,000) dollars with respect to any one individual, or with respect to one owner of multiple nongroup policies of life insurance, whether the policy or contract owner is an
individual, firm, corporation or other person, and whether the
persons insured are officers, managers, employees or other
persons, more than five million ($5,000,000) dollars in
benefits, regardless of the number of policies and contracts
held by the owner.

(F) The limitations specified in this section are
limitations on the benefits for which the association is
obligated before taking into account either the association's
subrogation and assignment rights or the extent to which those
benefits could be provided out of the assets of the impaired or
insolvent insurer attributable to covered policies. The costs of
the association's obligations under this article may be met by
the use of assets attributable to covered policies or reimbursed
to the association pursuant to the association's subrogation and
assignment rights.

(G) For purposes of this article, benefits provided by a
long-term care rider to a life insurance policy or annuity
contract shall be considered the same type of benefits as the
base life insurance policy or annuity contract to which the
rider relates.

(d) In performing its obligations to provide coverage under
section 1706, the association shall not be required to
guarantee, assume, reinsure, reissue or perform, or cause to be
guaranteed, assumed, reinsured, reissued or performed, the
contractual obligations of the insolvent or impaired insurer
under a covered policy, that do not materially affect the
economic values or economic benefits of the covered policy.

Section 1704. Creation of Association.--(a) There is hereby
created a nonprofit, unincorporated association to be known as
the Pennsylvania Life and Health Insurance Guaranty Association.
All member insurers shall be and remain members of the association as a condition of their license or authority to transact insurance, RANLI PPO business, hospital plan corporation business, professional health services plan corporation business or health maintenance organization business in this Commonwealth. The association shall perform its functions under the plan of operation established and approved under section 1708 and shall exercise its powers through a board of directors established under section 1705. For purposes of administration and assessment the association shall maintain two accounts:

1. The life insurance and annuity account which includes the following subaccounts:
   a. Life insurance account.
   b. Annuity account, which shall include annuity contracts owned by a governmental retirement plan or its trustee established under section 401, 403(b) or 457 of the Internal Revenue Code of 1986, but shall otherwise exclude unallocated annuities.
   c. Unallocated annuity account which shall exclude contracts qualified under section owned by a governmental retirement benefit plan or its trustee under section 401, 403(b) or 457 of the Internal Revenue Code of 1986.

2. The health insurance account.

* * *

Section 1705. Board of Directors.--(a) The board of directors of the association shall consist of not less than seven (7) nor more than eleven (11) member insurers serving terms as established in the plan of operation. The members of the board shall be selected by member insurers.
subject to the approval of the commissioner. Vacancies on the
board shall be filled for the remaining period of the term by a
majority vote of the remaining board members, subject to the
approval of the commissioner. To select the initial board of
directors and initially organize the association, the
commissioner shall give notice to all member insurers of the
time and place of the organizational meeting. In determining
voting rights at the organizational meeting, each member insurer
shall be entitled to one (1) vote in person or by proxy. If the
board of directors is not selected within sixty (60) days after
notice of the organizational meeting, the commissioner may
appoint the initial members.

* * *

Section 1706. Powers and Duties of Association.--(a) If a
member insurer is an impaired [domestic] insurer, the
association may, in its discretion and subject to any conditions
imposed by the association that do not impair the contractual
obligations of the impaired insurer that are approved by the
commissioner [and that are, except in cases of court-ordered
conservation or rehabilitation, also approved by the impaired
insurer]:

(1) guarantee, assume, reissue or reinsure or cause to be
guaranteed, assumed, reissued or reinsured any or all of the
policies or contracts of the impaired insurer; or

(2) provide such moneys, pledges, notes, guarantees or other
means as are proper to effectuate paragraph (1) and assure
payment of the contractual obligations of the impaired insurer
pending action under paragraph (1); or

(3) loan money to the impaired insurer.

(b) (1) If a member insurer is an impaired insurer, whether
domestic, foreign or alien, and the insurer is not paying claims
timely, then subject to the preconditions specified in paragraph
(2), the association shall, in its discretion, either:

(i) take any of the actions specified in subsection (a),
subject to the conditions therein; or

(ii) provide substitute benefits in lieu of the contractual
obligations of the impaired insurer solely for health claims,
periodic annuity benefit payments, death benefits, supplemental
benefits and cash withdrawals for policy or contract owners who
petition therefor under claims of emergency or hardship in
accordance with standards proposed by the association and
approved by the commissioner.

(2) The association shall be subject to the requirements of
paragraph (1) only if:

(i) the laws of its state of domicile provide that until all
payments of or on account of the impaired insurer's contractual
obligations by all guaranty associations, along with all
expenses thereof and interest on all such payments and expenses,
shall have been repaid to the guaranty associations or a plan of
repayment by the impaired insurer shall have been approved by
the guaranty associations:

(A) the delinquency proceeding shall not be dismissed;

(B) neither the impaired insurer nor its assets shall be
returned to the control of its shareholders or private
management;

(C) it shall not be permitted to solicit or accept new
business or have any suspended or revoked license restored;

(ii) in the case where the impaired insurer is a domestic
insurer, it has been placed under an order of rehabilitation by
a court of competent jurisdiction in this Commonwealth; or
(iii) in the case where the impaired insurer is a foreign or alien insurer, it has been prohibited from soliciting or accepting new business in this Commonwealth, its certificate of authority has been suspended or revoked in this Commonwealth, and a petition for rehabilitation or liquidation has been filed in a court of competent jurisdiction in its state of domicile by the commissioner of the state.]

[(c)]  (b) If a member insurer is an insolvent insurer, the association shall, in its discretion, either:

(1)  (i) guarantee, assume, reissue or reinsure or cause to be guaranteed, assumed, reissued or reinsured the policies or contracts of the insolvent insurer; or

[(2)]  (ii) assure payment of the contractual obligations of the insolvent insurer and provide such moneys, pledges, guarantees or other means as are reasonably necessary to discharge such duties; or

[(3) with respect only to life and health insurance policies, provide] (2) Provide benefits and coverages in accordance with [subsection (d)].

(d) (1) When proceeding under subsection (b)(1)(ii) or (c)(3), the association shall, with respect to only life and health insurance policies, do all of the following:

(i)  [Assure With respect to policies and contracts, assure payment of benefits [for premiums identical to the premiums and benefits (except for terms of conversion and renewability)] that would have been payable under the policies or contracts of the insolvent insurer, for claims incurred as follows:

(A) With respect to group policies and contracts, not later than the earlier of the next renewal date under such policies or
contracts or forty-five (45) days, but in no event less than thirty (30) days, after the date on which the association becomes obligated with respect to such policies or contracts.  

(B) With respect to [individual] nongroup policies and contracts and annuities, not later than the earlier of the next renewal date (if any) under such policies or contracts or one year, but in no event less than thirty (30) days, from the date on which the association becomes obligated with respect to such policies or contracts.

(ii) Make diligent efforts to provide all known insureds, enrollees, annuitants or group policyholders or contract holders with respect to group policies or contracts thirty (30) days notice of the termination of the benefits provided.

(iii) With respect to [individual] nongroup policies and contracts, make available to each known insured, enrollee, annuitant or owner if other than the insured, enrollee or annuitant and with respect to an individual formerly an insured, enrollee or annuitant under a group policy or contract who is not eligible for replacement group coverage, make available substitute coverage on an individual basis in accordance with the provisions of [paragraph (2)] subparagraph (iv), if the insureds, enrollees or annuitants had a right under law or the terminated policy, contract or annuity to convert coverage to individual coverage or to continue an individual policy, contract or annuity in force until a specified age or for a specified time, during which the insurer, RANLI PPO, hospital plan corporation, professional health services plan corporation or health maintenance organization had no right unilaterally to make changes in any provision of the policy, contract or annuity or had a right only to make changes in premium by class.
In providing the substitute coverage required under paragraph (1)(iii) subparagraph (iii), the association may offer either to reissue the terminated coverage or to issue an alternative policy[] or contract at actuarially justified rates subject to prior approval of the commissioner.

Alternative or reissued policies or contracts shall be offered without requiring evidence of insurability and shall not provide for any waiting period or exclusion that would not have applied under the terminated policy or contract.

The association may reinsure any alternative or reissued policy or contract.

Alternative policies or contracts adopted by the association shall be subject to the approval of the commissioner. The association may adopt alternative policies or contracts of various types for future issuance without regard to any particular impairment or insolvency.

Alternative policies or contracts shall contain at least the minimum statutory provisions required in this Commonwealth and provide benefits that shall not be unreasonable in relation to the premium charged. The association shall set the premium in accordance with a table of rates which it shall adopt. The premium shall reflect the amount of insurance to be provided and the age and class of risk of each insured, but shall not reflect any changes in the health of the insured after the original policy or contract was last underwritten.

Any alternative policy or contract issued by the association shall provide coverage of a type similar to that of the policy or contract issued by the impaired or insolvent insurer, as determined by the association.
If the association elects to reissue terminated coverage at a premium rate different from that charged under the terminated policy or contract, the premium shall be actuarially justified and set by the association in accordance with the amount of insurance or coverage provided and the age and class of risk, subject to approval of the commissioner or by a court of competent jurisdiction.

The association's obligations with respect to coverage under any policy or contract of the impaired or insolvent insurer or under any reissued or alternative policy or contract shall cease on the date such coverage or policy or contract is replaced by another similar policy or contract by the policyholder, contract holder, the insured, the enrollee or the association.

When proceeding under subsection [(b)(1)(ii) or (c)] (b)(2) with respect to any policy or contract carrying guaranteed minimum interest rates, the association shall assure the payment or crediting of a rate of interest consistent with section 1703(b)(2)(iii).

Nonpayment of premiums within thirty-one (31) days after the date required under the terms of any guaranteed, assumed, alternative or reissued policy or contract or substitute coverage shall terminate the association's obligations under such policy, contract or coverage under this article with respect to such policy, contract or coverage, except with respect to any claims incurred or any net cash surrender value which may be due in accordance with the provisions of this article.

Premiums due for coverage after entry of an order of liquidation of an insolvent insurer shall belong to and be
payable at the direction of the association, and the association shall be liable for unearned premiums due to policy or contract owners arising after the entry of such order.

[(h)] (f) The protection provided by this article shall not apply where any guaranty protection is provided to residents of this Commonwealth by the laws of the domiciliary state or jurisdiction of the impaired or insolvent insurer other than this Commonwealth.

[(i)] (g) In carrying out its duties under [subsections (b) and (c)] subsection (b) and subject to approval by the court, the association may do the following:

(1) Impose permanent policy or contract liens in connection with any guarantee, assumption or reinsurance agreement if the association finds that the amounts which can be assessed under this article are less than the amounts needed to assure full and prompt performance of the association's duties under this [act] article or that the economic or financial conditions as they affect member insurers are sufficiently adverse to render the imposition of such permanent policy or contract liens to be in the public interest.

(2) Impose temporary moratoriums or liens on payments of cash values and policy loans, or any other right to withdraw funds held in conjunction with policies or contracts, in addition to any contractual provisions for deferral of cash or policy loan value. In addition, in the event of a temporary moratorium or moratorium charge imposed by the receivership court on payment of cash values or policy loans, or on any other right to withdraw funds held in conjunction with policies or contracts, out of the assets of the impaired or insolvent insurer, the association may defer the payment of cash values,
policy loans or other rights by the association for the period
of the moratorium or moratorium charge imposed by the
receivership court, except for claims covered by the association
to be paid in accordance with a hardship procedure established
by the liquidator or rehabilitator and approved by the
receivership court.

(h) A deposit in this Commonwealth, held pursuant to law or
required by the commissioner for the benefit of creditors,
including policy or contract owners, not turned over to the
domiciliary liquidator upon the entry of a final order of
liquidation or order approving a rehabilitation plan of a member
insurer domiciled in this Commonwealth or in a reciprocal State,
pursuant to Article IV of the act of May 17, 1921 (P.L.789,
No.285), known as The Insurance Department Act of 1921, shall be
promptly paid to the association. The association shall be
entitled to retain a portion of any amount so paid to it equal
to the percentage determined by dividing the aggregate amount of
policy or contract owners' claims related to that insolvency for
which the association has provided statutory benefits by the
aggregate amount of all policy or contract owners' claims in
this Commonwealth related to that insolvency and shall remit to
the domiciliary receiver the amount so paid to the association
less the amount retained pursuant to this subsection. Any amount
so paid to the association and retained by it shall be treated
as a distribution of estate assets pursuant to applicable
Commonwealth receivership law dealing with early access
disbursements.

[[j]] (i) If the association fails to act within a
reasonable period of time as provided in subsection (b)(1)
section (b), the commissioner shall have
the powers and duties of the association under this article with respect to impaired or insolvent insurers.

[(k)] (j) The association may render assistance and advice to the commissioner, upon [his] the request of the commissioner, concerning rehabilitation, payment of claims, continuance of coverage or the performance of other contractual obligations of any impaired or insolvent insurer.

[(l)] (k) The association shall have standing to appear or intervene before any court or agency in this Commonwealth with jurisdiction over an impaired or insolvent insurer concerning which the association is or may become obligated under this article. Such standing shall extend to all matters germane to the powers and duties of the association, including, but not limited to, proposals for reinsuring, reissuing, modifying or guaranteeing the policies or contracts of the impaired or insolvent insurer and the determination of the policies or contracts and contractual obligations. The association shall also have the right to appear or intervene before a court or agency in another state with jurisdiction over an impaired or insolvent insurer for which the association is or may become obligated or with jurisdiction over [a third party] any person or property against whom the association may have rights through subrogation [of the insurer's policyholders] or otherwise.

[(m)] (l) (1) Any person receiving benefits under this article shall be deemed to have assigned the rights under and any causes of action relating to the covered policy or contract to the association to the extent of the benefits received because of this article, whether the benefits are payments of or on account of contractual obligations, continuation of coverage or provision of substitute or alternative policies, contracts or
coverages. The association may require an assignment to it of such rights and cause of action by any payee, policy or contract owner, beneficiary, insured, enrollee or annuitant as a condition precedent to the receipt of any rights or benefits conferred by this article upon such person.

(2) The subrogation rights of the association under this subsection shall have the same priority against the assets of the impaired or insolvent insurer as that possessed by the person entitled to receive benefits under this article.

(3) In addition to paragraphs (1) and (2), the association shall have all common law rights of subrogation and any other equitable or legal remedy which would have been available to the impaired or insolvent insurer or owner or holder, beneficiary, enrollee or payee of a policy or contract with respect to such policy or contracts[.] (including without limitation, in the case of a structured settlement annuity, any rights of the owner, beneficiary or payee of the annuity, to the extent of benefits received pursuant to this article, against a person originally or by succession responsible for the losses arising from the personal injury relating to the annuity or payment therefore), excepting any such person responsible solely by reason of serving as an assignee in respect of a qualified assignment under section 130 of the Internal Revenue Code of 1986.

(4) If the preceding provisions of this subsection are invalid or ineffective with respect to any person or claim for any reason, the amount payable by the association with respect to the related covered obligations shall be reduced by the amount realized by any other person with respect to the person or claim that is attributable to the policies or contracts (or
portion thereof) covered by the association.

(5) If the association has provided benefits with respect to a covered obligation and a person recovers amounts as to which the association has rights as described in paragraphs (1), (2), (3) and (4) the person shall pay to the association the portion of the recovery attributable to the policies or contracts (or portion thereof) covered by the association.

[(n) The] (m) In addition to the rights and powers elsewhere in this article, the association may do the following:

(1) Enter into such contracts as are necessary or proper to carry out the provisions and purposes of this article.

(2) Sue or be sued, including taking any legal actions necessary or proper to recover any unpaid assessments under section 1707 and to settle claims or potential claims against it.

(3) Borrow money to effect the purposes of this article; any notes or other evidence of indebtedness of the association not in default shall be legal investments for domestic insurers or member insurers and may be carried as admitted assets.

(4) Employ or retain such persons as are necessary to handle the financial transactions of the association and perform such other functions as become necessary or proper under this article.

(5) Take such legal action as may be necessary to avoid payment of improper claims.

(6) Exercise, for the purposes of this article and to the extent approved by the commissioner, the powers of a domestic life [or] insurer, health insurer, RANLI PPO, hospital plan corporation, professional health services plan corporation or health maintenance organization, but in no case may the
association issue [insurance] policies or [annuity] contracts other than those issued to perform its obligations under this article.

(7) Organize itself as a corporation or in other legal form permitted by the laws of this Commonwealth.

(8) Request information from a person seeking coverage from the association in order to aid the association in determining its obligations under this article with respect to the person, and the person shall promptly comply with the request.

(9) In accordance with the terms and conditions of the policy or contract, file for actuarially justified rate or premium increases for any policy or contract for which it provides coverage under this article.

(10) Take other necessary or appropriate action to discharge its duties and obligations under this article or to exercise its powers under this article.

[(o)] (n) The association may join an organization of one or more other state associations of similar purposes, to further the purposes and administer the powers and duties of the association.

(o) (1) (i) At any time within one hundred eighty (180) days of the date of the order of liquidation, the association may elect to succeed to the rights and obligations of the ceding member insurer that relate to policies, contracts, or annuities covered, in whole or in part, by the association, in each case under any one or more reinsurance contracts entered into by the insolvent insurer and its reinsurers and selected by the association. Any such assumption shall be effective as of the date of the order of liquidation. The election shall be effected by the association or the National Organization of Life and
Health Insurance Guaranty Associations (NOLHGA) on its behalf sending written notice, return receipt requested, to the affected reinsurers.

(ii) To facilitate the earliest practicable decision about whether to assume any of the contracts of reinsurance, and in order to protect the financial position of the estate, the receiver and each reinsurer of the ceding member insurer shall make available upon request to the association or to NOLHGA on its behalf as soon as possible after commencement of formal delinquency proceedings (A) copies of in-force contracts of reinsurance and all related files and records relevant to the determination of whether such contracts should be assumed, and (B) notices of any defaults under the reinsurance contracts or any known event or condition which with the passage of time could become a default under the reinsurance contracts.

(iii) The following clauses shall apply to reinsurance contracts so assumed by the association:

(A) The association shall be responsible for all unpaid premiums due under the reinsurance contracts for periods both before and after the date of the order of liquidation, and shall be responsible for the performance of all other obligations to be performed after the date of the order of liquidation, in each case which relate to policies, contracts or annuities covered, in whole or in part, by the association. The association may charge policies, contracts or annuities covered in part by the association, through reasonable allocation methods, the costs for reinsurance in excess of the obligations of the association and shall provide notice and an accounting of these charges to the liquidator.

(B) The association shall be entitled to any amounts payable...
by the reinsurer under the reinsurance contracts with respect to
losses or events that occur in periods after the date of the
order of liquidation and that relate to policies, contracts or
annuities covered, in whole or in part, by the association,
provided that, upon receipt of any such amounts, the association
shall be obliged to pay to the beneficiary under the policy,
contract or annuity on account of which the amounts were paid a
portion of the amount equal to the lesser of:

(I) The amount received by the association; and

(II) The excess of the amount received by the association
over the amount equal to the benefits paid by the association on
account of the policy, contract or annuity less the retention of
the member insurer applicable to the loss or event.

(C) Within thirty (30) days following the association's
election date, the association and each reinsurer under
contracts assumed by the association shall calculate the net
balance due to or from the association under each reinsurance
contract as of the election date with respect to policies,
contracts or annuities covered, in whole or in part, by the
association, which calculation shall give full credit to all
items paid by either the member insurer or its receiver or the
reinsurer prior to the election date. The reinsurer shall pay
the receiver any amounts due for losses or events prior to the
date of the order of liquidation, subject to any set-off for
premiums unpaid for periods prior to the date, and the
association or reinsurer shall pay any remaining balance due the
other, in each case within five (5) days of the completion of
the aforementioned calculation. Any disputes over the amounts
due to either the association or the reinsurer shall be resolved
by arbitration pursuant to the terms of the affected reinsurance

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contracts or, if the contract contains no arbitration clause, as
otherwise provided by law. If the receiver has received any
amounts due the association pursuant to subparagraph (iii)(B),
the receiver shall remit the same to the association as promptly
as practicable.

(D) If the association or receiver, on the association's
behalf, within sixty (60) days of the election date, pays the
unpaid premiums due for periods both before and after the
election date that relate to policies, contracts or annuities
covered, in whole or in part, by the association, the reinsurer
shall not be entitled to terminate the reinsurance contracts for
failure to pay premium insofar as the reinsurance contracts
relate to policies, contracts or annuities covered, in whole or
in part, by the association, and shall not be entitled to set
off any unpaid amounts due under other contracts, or unpaid
amounts due from parties other than the association, against
amounts due the association.

(2) During the period from the date of the order of
liquidation until the election date or liquidation, if the
election date does not occur, until one hundred eighty (180)
days after the date of the order of liquidation.

(i) (A) neither the association nor the reinsurer shall
have any rights or obligations under reinsurance contracts that
the association has the right to assume under paragraph (1),
whether for periods prior to or after the date of the order of
liquidation; and

(B) the reinsurer, the receiver and the association shall,
to the extent practicable, provide each other data and records
reasonably requested;

(ii) provided that once the association has elected to
assume a reinsurance contract, the parties' rights and obligations shall be governed by paragraph (1).

(3) If the association does not elect to assume a reinsurance contract by the election date pursuant to paragraph (1), the association shall have no rights or obligations, in each case for periods both before and after the date of the order of liquidation, with respect to the reinsurance contract.

(4) When policies, contracts or annuities, or covered obligations with respect thereto, are transferred to an assuming insurer, reinsurance on the policies, contracts or annuities may also be transferred by the association, in the case of contracts assumed under paragraph (1), subject to all the following:

(i) Unless the reinsurer and the assuming insurer agree otherwise, the reinsurance contract transferred shall not cover any new policies of insurance, contracts or annuities in addition to those transferred.

(ii) The obligations described in paragraph (1) shall no longer apply with respect to matters arising after the effective date of the transfer.

(iii) Notice shall be given in writing, return receipt requested, by the transferring party to the affected reinsurer not less than thirty (30) days prior to the effective date of the transfer.

(5) The provisions of this subsection shall supersede the provisions of any state law or of any affected reinsurance contract that provides for or requires any payment of reinsurance proceeds, on account of losses or events that occur in periods after the date of the order of liquidation, to the receiver of the insolvent insurer or any other person. The receiver shall remain entitled to any amounts payable by the
reinsurer under the reinsurance contracts with respect to losses  
or events that occur in periods prior to the date of the order  
of liquidation, subject to applicable setoff provisions.

(6) Except as otherwise provided in this section, nothing in  
this subsection shall alter or modify the terms and conditions  
of any reinsurance contract. Nothing in this section shall  
abrogate or limit any rights of any reinsurer to claim that it  
is entitled to rescind a reinsurance contract. Nothing in this  
section shall give a policyholder, contract owner, enrollee,  
certificate holder, or beneficiary an independent cause of  
action against a reinsurer that is not otherwise set forth in  
the reinsurance contract. Nothing in this section shall limit or  
affect the association's rights as a creditor of the estate  
against the assets of the estate. Nothing in this section shall  
apply to reinsurance agreements covering property or casualty  
risks.

(7) For the purposes of this subsection, "election date"  
shall mean the date of the association's election to succeed to  
the rights and obligations of a ceding member insurer that  
relate to policies, contracts or annuities covered, in whole or  
in part, by the association, in each case under any one or more  
reinsurance contracts entered into by the insolvent insurer and  
its reinsurers and selected by the association.

(p) The board of directors of the association shall have  
discretion and may exercise reasonable business judgment to  
determine the means by which the association is to provide the  
benefits of this article in an economical and efficient manner.

(q) Where the association has arranged or offered to provide  
the benefits of this article to a covered person under a plan or  
arrangement that fulfills the association's obligations under
this article, the person shall not be entitled to benefits from
the association in addition to or other than those provided
under the plan or arrangement.

(r) Venue in a suit against the association arising under
the article shall be in Dauphin County, Pennsylvania. The
association shall not be required to give an appeal bond in an
appeal that relates to a cause of action arising under this
article.

(s) In carrying out its duties in connection with
guaranteeing, assuming, reissuing, or reinsuring policies or
contracts under subsection (a) or (b), the association may issue
substitute coverage for a policy or contract that provides an
interest rate, crediting rate or similar factor determined by
use of an index or other external reference stated in the policy
or contract employed in calculating returns or changes in value
by issuing an alternative policy or contract in accordance with
the following provisions:

(1) In lieu of the index or other external reference
provided for in the original policy or contract, the alternative
policy or contract provides for:

   (i) a fixed interest rate;

   (ii) payment of dividends with minimum guarantees; or

   (iii) a different method for calculating interest or changes
        in value.

(2) There is no requirement for evidence of insurability,
waiting period or other exclusion that would not have applied
under the replaced policy or contract.

(3) The alternative policy or contract is substantially
similar to the replaced policy or contract in all other material
terms.
Section 1707. Assessments.--(a) For the purpose of providing the funds necessary to carry out the powers and duties of the association, the board of directors shall assess the member insurers, separately for each account, at such time and for such amounts as the board finds necessary. Assessments shall be due not less than thirty (30) days after prior written notice to the member insurers and shall accrue interest at eight per centum (8%) per annum on and after the due date.

(b) There shall be two classes of assessments, as follows:

(1) Class A assessments shall be made for the purpose of meeting administrative and legal costs and other expenses [and examinations conducted under the authority of section 1710(e)]. Class A assessments may be [made] authorized and called whether or not related to a particular impaired or insolvent insurer.

(2) Class B assessments shall be [made] authorized and called to the extent necessary to carry out the powers and duties of the association under section 1706 with regard to an impaired or an insolvent insurer.

(c) (1) The amount of any Class A assessment shall be determined by the board and may be [made] authorized and called on a pro rata or non-pro rata basis. If pro rata, the board may provide that it be credited against future Class B assessments. [A non-pro rata assessment shall not exceed two hundred ($200) dollars per member insurer in any one calendar year.] The amount of [any] a Class B assessment, except for assessments related to long-term care insurance, shall be allocated for assessment purposes [among] between the accounts and among the subaccounts of the life insurance and annuity account, pursuant to an allocation formula which may be based on the premiums or reserves of the impaired or insolvent insurer or any other

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standard deemed by the board in its sole discretion as being fair and reasonable under the circumstances.

(2) The amount of the Class B assessment for long-term care insurance written by the impaired or insolvent insurer shall be allocated according to a methodology included in the plan of operation and approved by the commissioner. The methodology shall provide for 50% of the assessment to be allocated to accident and health member insurers and 50% to be allocated to life and annuity member insurers.

(3) For the purposes of the methodology in paragraph (2) and the formula in the plan of operation only, a "life and annuity member insurer" means a member insurer for which (i) the sum of its assessable life insurance premiums and annuity premiums is greater than or equal to (ii) its assessable health insurance premiums, which shall include its assessable RANLI PPO, hospital plan corporation, professional health services plan corporation and health maintenance organization premiums, but shall exclude its assessable premiums written for disability income and long-term care insurance. For purposes of this definition, assessable premiums shall be measured within the Commonwealth. An "accident and health member insurer" means any member insurer not defined as a "life and annuity member insurer."

[(2)] (4) Class B assessments against member insurers for each account and subaccount shall be in the proportion that the premiums received on business in this Commonwealth by each assessed member insurer for policies or contracts covered by each account for the three (3) most recent calendar years for which information is available preceding the year in which the member insurer became [impaired or] insolvent[, as the case may be,] (or, in the case of an assessment with respect to an
impaired insurer, the three (3) most recent calendar years for
which information is available preceding the year in which the
member insurer became impaired), bears to [such] premiums
received on business in this Commonwealth for [such] those
calendar years by all assessed member insurers.

[(3)] (5) Assessments for funds to meet the requirements of
the association with respect to an impaired or insolvent insurer
shall not be [made] authorized or called until necessary to
implement the purposes of this article. Classification of
assessments under subsection (b) and computation of assessments
under this subsection shall be made with a reasonable degree of
accuracy, recognizing that exact determinations may not always
be possible. The association shall notify each member insurer of
the member insurer's anticipated pro rata share of an authorized
assessment not yet called within one hundred eighty (180) days
after the assessment is authorized.

(d) The association may abate or defer, in whole or in part,
the assessment of a member insurer if, in the opinion of the
board, payment of the assessment would endanger the ability of
the member insurer to fulfill its contractual obligations. In
the event an assessment against a member insurer is abated, or
deferred in whole or in part, the amount by which such
assessment is abated or deferred may be assessed against the
other member insurers in a manner consistent with the basis for
assessments set forth in this section. Once the conditions that
caus[ed a deferral have been removed or rectified, the member
insurer shall pay all assessments that were deferred pursuant to
a repayment plan approved by the association.

(e) (1) [The] (i) Subject to the provisions of
subparagraph (ii), the total of all assessments [upon a]
authorized by the association with respect to a member insurer
for the life and annuity account and for each subaccount
[thereunder] of the life insurance and annuity account and for
the health account shall not in any one (1) calendar year exceed
two per centum (2%) [and for the health account shall not in any
one (1) calendar year exceed two per centum (2%) of such] of
that member insurer's average annual premiums received in this
Commonwealth on the policies and contracts covered by the
subaccount or account during the three (3) calendar years
preceding the year in which the member insurer became an
impaired or insolvent insurer. [If the maximum assessment,
together with the other assets of the association in any
account, does not provide in any one (1) year in either account
an amount sufficient to carry out the responsibilities of the
association, the necessary additional funds shall be assessed as
soon thereafter as permitted by this article.]

(ii) If two (2) or more assessments are authorized in one
(1) calendar year with respect to member insurers that become
impaired or insolvent in different calendar years, the average
annual premiums for purposes of the aggregate assessment
percentage limitation referenced in subparagraph (i) shall be
equal and limited to the higher of the three (3) year average
annual premiums for the applicable subaccount or account as
calculated pursuant to this section.

(iii) If the maximum assessment, together with the other
assets of the association in any account, does not provide in
any one (1) year in either account an amount sufficient to carry
out the responsibilities of the association, the necessary
additional funds shall be assessed as soon thereafter as
permitted by this article.
The board may provide in the plan of operation a method of allocating funds among claims, whether relating to one or more impaired or insolvent insurers, when the maximum assessment will be insufficient to cover anticipated claims.

(3) [If a one per centum (1%) assessment for any subaccount of the life and annuity account in any one (1) year does not provide an amount sufficient to carry out the responsibilities of the association, then pursuant to subsection (c)(2), the board shall access all subaccounts of the life and annuity account for the necessary additional amount, subject to the maximum stated in subsection (e)(1).] If the maximum assessment for a subaccount of the life and annuity account in one (1) year does not provide an amount sufficient to carry out the responsibilities of the association, then pursuant to subsection (c)(2), the board shall access the other subaccounts of the life and annuity account for the necessary additional amount, subject to the maximum stated in paragraph (1).

(f) The board may, by an equitable method as established in the plan of operation, refund to member insurers, in proportion to the contribution of each member insurer to that account, the amount by which the assets of the account exceed the amount the board finds is necessary to carry out during the coming year the obligations of the association with regard to that account, including assets accruing from assignment, subrogation, net realized gains and income from investments. A reasonable amount may be retained in any account to provide funds for the continuing expenses of the association and for future losses.

(g) It shall be proper for any member insurer, in determining its premium rates and policyowner dividends as to any kind of insurance, RANLI PPO business, hospital plan...
(h) The association shall issue to each member insurer paying an assessment under this article, other than class A assessment, a certificate of contribution, in a form prescribed by the commissioner, for the amount of the assessment so paid. All outstanding certificates shall be of equal dignity and priority without reference to amounts or dates of issue. A certificate of contribution may be shown by the member insurer in its financial statement as an asset in such form and for such amount, if any, and period of time as the commissioner may approve.

(i) (1) A member insurer that wishes to protest all or part of an assessment shall pay when due the full amount of the assessment as set forth in the notice provided by the association. The payment shall be available to meet association obligations during the pendency of the protest or any subsequent appeal. Payment shall be accompanied by a statement in writing that the payment is made under protest and setting forth a brief statement of the grounds for the protest.

(2) Within sixty (60) days following the payment of an assessment under protest by a member insurer, the association shall notify the member insurer in writing of its determination with respect to the protest unless the association notifies the member insurer that additional time is required to resolve the issues raised by the protest.
Within thirty (30) days after a final decision has been made, the association shall notify the protesting member insurer in writing of the final decision. Within sixty (60) days of receipt of notice of the final decision, the protesting member insurer may appeal that final action to the commissioner.

In the alternative to rendering a final decision with respect to a protest based on a question regarding the assessment base, the association may refer protests to the commissioner for a final decision, with or without a recommendation from the association.

If the protest or appeal on the assessment is upheld, the amount paid in error or excess shall be returned to the member insurer. Interest on a refund due a protesting member insurer shall be paid at the rate actually earned by the association.

The association may request information of member insurers in order to aid in the exercise of its power under this section and member insurers shall promptly comply with a request.

Section 2. Section 1708(c) introductory paragraph and (d) of the act are amended and subsection (c) is amended by adding paragraphs to read:

Section 1708. Plan of Operation.--* * *

(c) The plan of operation shall, in addition to requirements enumerated elsewhere in this article[, contain the following]:

* * *

(8) Establish procedures whereby a director may be removed for cause, including in the case where a member insurer director becomes an impaired or insolvent insurer.

(9) Require the board of directors to establish a policy and
procedures for addressing conflicts of interests.

(d) The plan of operation may provide that any or all powers and duties of the association, except those under sections 1706(n)(3) and 1707, are delegated to a corporation, association or other organization which performs or will perform functions similar to those of this association or its equivalent in two or more states. Such a corporation, association or organization shall be reimbursed for any payments made on behalf of the association and shall be paid for its performance of any function of the association. A delegation under this subsection shall take effect only with the approval of both the board of directors and the commissioner and may be made only to a corporation, association or organization which extends protection not substantially less favorable and effective than that provided by this article.

Section 3. Sections 1709, 1710, 1711, 1712, 1713, 1715, 1716, 1717 and 1718 of the act are amended to read:

Section 1709. Powers and Duties of the Commissioner.--(a) In addition to the powers and duties enumerated elsewhere in this article, the commissioner shall:

(1) Upon request of the board of directors, provide the association with a statement of the premiums in this and any other appropriate states for each member insurer.

(2) When an impairment is declared and the amount of the impairment is determined, serve a demand upon the impaired insurer to make good the impairment within a reasonable time; notice to the impaired insurer shall constitute notice to its shareholders, if any; the failure of the impaired insurer to promptly comply with such demand shall not excuse the association from the performance of its powers and duties under
this article.

[(3) In any liquidation or rehabilitation proceeding involving a domestic insurer, be appointed as the liquidator or rehabilitator.]

(b) The commissioner may suspend or revoke, after notice and hearing, the license or certificate of authority to transact insurance business in this Commonwealth of any member insurer which fails to pay an assessment when due or fails to comply with the plan of operation. As an alternative, the commissioner may levy a forfeiture on any member insurer which fails to pay an assessment when due. Such forfeiture shall not exceed five per centum (5%) of the unpaid assessment per month, but no forfeiture shall be less than one hundred ($100) dollars per month.

(c) Any final action of the board of directors or the association may be appealed to the commissioner by any member insurer if such appeal is taken within sixty (60) days of its receipt of notice of the final action being appealed. [If a member company is appealing an assessment, the amount assessed shall be paid to the association and available to meet association obligations during the pendency of an appeal. If the appeal on the assessment is upheld, the amount paid in error or excess shall be returned to the member company.] Any final action or order of the commissioner shall be subject to judicial review in a court of competent jurisdiction in accordance with the laws of this Commonwealth that apply to the actions or orders of the commissioner.

(d) The liquidator, rehabilitator or conservator of any impaired or insolvent insurer may notify all interested persons of the effect of this article.
Section 1710. Prevention of Insolvencies.--(a) To aid in the detection and prevention of member insurer insolvencies or impairments, it shall be the duty of the commissioner:

(1) To notify the commissioners of all the other states, territories of the United States and the District of Columbia within thirty (30) days following the action taken or the date the action occurs, when [he] the commissioner takes any of the following actions against a member insurer:

(i) revocation of license or certificate of authority;
(ii) suspension of license or certificate of authority; or
(iii) makes any formal order that such [company] member insurer restrict its premium writing, obtain additional contributions to surplus, withdraw from the Commonwealth, reinsure all or any part of its business or increase capital, surplus or any other account for the security of [policyholders] policy owners, contract owners, certificate holders or creditors.

This notice shall be mailed to all commissioners within thirty (30) days following the action taken or the date on which such action occurs.

(2) To report to the board of directors when [he] the commissioner has taken any of the actions set forth in paragraph (1) or has received a report from any other commissioner indicating that any such action has been taken in another state. Such report to the board of directors shall contain all significant details of the action taken or the report received from another commissioner.

(3) To report to the board of directors when [he] the commissioner has reasonable cause to believe from any examination, whether completed or in process, of any member
(4) To furnish to the board of directors the National Association of Insurance Commissioners' (NAIC) Insurance Regulatory Information System (IRIS) ratios and listing of companies not included in the ratios developed by the National Association of Insurance Commissioners, and the board may use the information contained therein in carrying out its duties and responsibilities under this section. Such report and the information contained therein shall be kept confidential by the board of directors until such time as made public by the commissioner or other lawful authority.

(b) The commissioner may seek the advice and recommendations of the board of directors concerning any matter affecting the duties and responsibilities of the commissioner regarding the financial condition of member insurers and companies, insurers, RANLI PPOs, hospital plan corporations, professional health services plan corporations or health maintenance organizations seeking admission to transact insurance business in this Commonwealth.

(c) The board of directors may, upon majority vote, make reports and recommendations to the commissioner upon any matter germane to the solvency, liquidation, rehabilitation or conservation of any member insurer or germane to the solvency of any insurers, RANLI PPOs, hospital plan corporations, professional health services plan corporations or health maintenance organizations seeking to do insurance business in this Commonwealth. Such reports and recommendations shall not be considered public documents.

(d) It shall be the duty of the board of directors
may, upon majority vote, [to] notify the commissioner of any
information indicating [any] a member insurer may be an impaired
or insolvent insurer.

[(e) (1) The board of directors may, upon majority vote,
request that the commissioner order an examination of any member
insurer which the board in good faith believes may be an
impaired or insolvent insurer. Within thirty (30) days of the
receipt of such request, the commissioner shall begin such
examination. The examination may be conducted as a National
Association of Insurance Commissioners examination or may be
conducted by such persons as the commissioner designates. The
cost of such examination shall be paid by the association, and
the examination report shall be treated as are other examination
reports. In no event shall such examination report be released
to the board of directors prior to its release to the public,
but this shall not preclude the commissioner from complying with
subsection (a).

(2) The commissioner shall notify the board of directors
when the examination is completed. The request for an
examination shall be kept on file by the commissioner, but it
shall not be open to public inspection prior to the release of
the examination report to the public.]

[(f)] [(e) The board of directors may, upon majority vote,
make recommendations to the commissioner for the detection and
prevention of member insurer insolvencies.

[(g) The board of directors shall, at the conclusion of any
insurer insolvency in which the association was obligated to pay
covered claims, prepare a report to the commissioner containing
such information as it may have in its possession bearing on the
history and causes of such insolvency. The board shall cooperate
with the boards of directors of guaranty associations in other
states in preparing a report on the history and causes of
insolvency of a particular insurer, and may adopt by reference
any report prepared by such other associations.

Section 1711. Credits for Assessments Paid.--(a) A member
insurer may offset against its premium or income tax liability
to this Commonwealth a proportionate part of the assessments
described in section 1707 to the extent of twenty per centum
(20%) of the amount of such assessment for each of the five (5)
calendar years following the year in which such assessment was
paid. In the event a member insurer should cease doing business,
all uncredited assessments may be credited against its premium
or income tax liability for the year it ceases doing business.
(b) The proportionate part of an assessment which may be
offset against a member's premium or income tax liability to the Commonwealth shall be determined according
to a fraction of which the denominator is the total premiums (in
the category assessed) received by the member insurer
during the calendar year immediately preceding the year in which
the assessment is paid and the numerator is that portion of the
premiums received during such year on account of policies or
contracts of life insurance (including or limited to annuities
and unallocated annuities per account or subaccount, as
applicable per the assessment), or health and accident insurance
(including RANLI PPO, hospital plan corporation, professional
health services plan corporation and health maintenance
organization subscriber policies, contracts and certificates),
in which the premium rates are guaranteed during the continuance
of the respective policies or contracts without a right
exercisable by the member insurer to increase said
(c) A member insurer that is exempt from taxes referenced in subsection (a) may recoup its assessments by assigning available offsets (as calculated under subsection (b)) to a taxable member or members of its controlled group, as the term is defined under section 1563(a) of the Internal Revenue Code of 1986. Such assigned offsets may be utilized by the taxable member or members in the manner provided under subsection (a).

(d) A member insurer that is exempt from taxes referenced in subsection (a) and has no taxable members of a controlled group as referenced in subsection (c) may recoup its assessments by a surcharge on its premiums in a sum reasonably calculated to recoup the assessments over a reasonable period of time, as approved by the commissioner. Amounts recouped shall not be considered premiums for any other purpose, including the computation of gross premium tax, the medical loss ratio or agent commission. If a member insurer collects excess surcharges, the member insurer shall remit the excess amount to the association, and the excess amount shall be applied to reduce future assessments in the appropriate account.

(e) Any sums which are acquired by refund, pursuant to section 1707(f), from the association by member insurers, and which have theretofore been offset against premium or income taxes as provided in this section and are not then needed for the purposes of this [act] article, shall be paid by such member insurers to this Commonwealth in such manner as the tax authorities may require. The association shall notify the commissioner that such refunds have been made.

(f) No offset against premium or income tax liability shall be permitted to the extent that a member insurer's rates
Section 1712. Miscellaneous Provisions.--(a) Nothing in this article shall be construed to reduce the liability for unpaid assessments of the insureds of an impaired or insolvent insurer operating under a plan with assessment liability.

(b) Records shall be kept of all negotiations and meetings of the board of directors to discuss the activities of the association in carrying out its powers and duties under section 1706. The records of the association with respect to an impaired or insolvent insurer shall not be disclosed prior to the termination of a liquidation, rehabilitation or conservation proceeding involving the impaired or insolvent insurer, except upon the termination of the impairment or insolvency of the member insurer, or upon the order of a court of competent jurisdiction. Nothing in this subsection shall limit the duty of the association to render a report of its activities under section 1713.

(c) For the purpose of carrying out its obligations under this article, the association shall be deemed to be a creditor of the impaired or insolvent insurer to the extent of assets attributable to covered policies reduced by any amounts to which the association is entitled as subrogee pursuant to section 1706. Assets of the impaired or insolvent insurer attributable to covered policies shall be used to continue all covered policies and pay all contractual obligations of the impaired or insolvent insurer as required by this article. Assets attributable to covered policies, as used in this subsection,
are that proportion of the assets which the reserves that should have been established for such policies or contracts bear to the reserves that should have been established for all policies of insurance or health benefit plans written by the impaired or insolvent insurer.

(d) As a creditor of the impaired or insolvent insurer as established in subsection (c) and consistent with section 536 of the act of May 17, 1921 (P.L.789, No.285), known as The Insurance Department Act of 1921, the association and other similar associations shall be entitled to receive a disbursement of assets out of the marshaled assets, from time to time as the assets become available to reimburse it, as a credit against contractual obligations under this article. If the liquidator has not, within one hundred twenty (120) days of a final determination of insolvency of a member insurer by the receivership court, made an application to the court for the approval of a proposal to disburse assets out of marshaled assets to guaranty associations having obligations because of the insolvency, then the association shall be entitled to make application to the receivership court for approval of its own proposal to disburse these assets.

(e) (1) Prior to the termination of any liquidation, rehabilitation or conservation proceeding, the court may take into consideration the contributions of the respective parties, including the association, the shareholders, contract owners, certificate holders, enrollees and policy owners of the insolvent insurer, and any other party with a bona fide interest, in making an equitable distribution of the ownership rights of such insolvent insurer. In such a determination, consideration shall be given to the welfare of the...
policyholders, contract owners, certificate holders and enrollees of the continuing or successor member insurer.

(2) No distribution to stockholders, if any, of an impaired or insolvent insurer shall be made until and unless the total amount of valid claims of the association with interest thereon for funds expended in carrying out its powers and duties under section 1706 with respect to such member insurer have been fully recovered by the association.

(e)(f) (1) If an order for liquidation or rehabilitation of an member insurer domiciled in this Commonwealth has been entered, the receiver appointed under such order shall have a right to recover on behalf of the member insurer, from any affiliate that controlled it, the amount of distributions, other than stock dividends paid by the member insurer on its capital stock, made at any time during the five (5) years preceding the petition for liquidation or rehabilitation subject to the limitations of paragraphs (2) to (4).

(2) No such distribution shall be recoverable if the member insurer shows that when paid the distribution was lawful and reasonable and that the member insurer did not know and could not reasonably have known that the distribution might adversely affect the ability of the member insurer to fulfill its contractual obligations.

(3) Any person who was an affiliate that controlled the member insurer at the time the distributions were paid shall be liable up to the amount of distributions he received. Any person who was an affiliate that controlled the member insurer at the time the distributions were declared shall be liable up to the amount of distributions he would have received if they had been
paid immediately. If two or more persons are liable with respect
to the same distributions, they shall be jointly and severally
liable.

(4) The maximum amount recoverable under this subsection
shall be the amount needed in excess of all other available
assets of the insolvent insurer to pay the contractual
obligations of the insolvent insurer.

(5) If any person liable under paragraph (3) is insolvent,
all its affiliates that controlled it at the time distribution
was paid shall be jointly and severally liable for any resulting
deficiency in the amount recovered from the insolvent affiliate.

Section 1713. Examination of the Association and Annual
Report.--The association shall be subject to examination and
regulation by the commissioner. The board of directors shall
submit to the commissioner each year, not later than one hundred
twenty (120) days after the association's fiscal year, a
financial report in a form approved by the commissioner and a
report of its activities during the preceding fiscal year. Upon
the request of a member insurer, the association shall provide
the member insurer with a copy of the report.

Section 1715. Immunity.--There shall be no liability on the
part of and no cause of action of any nature shall arise against
any member insurer or its agents or employees, the
association or its agents or employees, members of
the board of directors or the commissioner or his
representatives of the commissioner for any action or omission
by them in the performance of their powers and duties under this
article. Such immunity shall extend to the participation in any
organization of one or more other state associations of similar
purposes and to any such organization and its agents or
Section 1716. Stay of Proceedings and Reopening Default Judgments.--All proceedings in which the insolvent insurer is a party in any court in this Commonwealth shall be stayed sixty (60) one hundred eighty (180) days from the date an order of liquidation, rehabilitation or conservation is final to permit proper legal action by the association on any matters germane to its powers or duties. As to judgment under any decision, order, verdict or finding based on default, the association may apply to have such judgment set aside by the same court that made such judgment and shall be permitted to defend against such suit on the merits.

Section 1717. Prohibited Advertisement or of Insurance Guaranty Association [Act] Article in Insurance and Other Coverage Sales.--(a) No person, including [an] a member insurer, agent or affiliate of [an] a member insurer, shall make, publish, disseminate, circulate or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated or placed before the public, in any newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio station or television station, or in any other way, any advertisement, announcement or statement, written or oral, which uses the existence of the association for the purpose of sales, solicitation or inducement to purchase any form of insurance or other coverage covered by this article, provided, however, that this section shall not apply to the association or any other entity which does not sell or solicit insurance[.], or coverage by a RANLI PPO, hospital plan corporation, professional health services plan corporation or health maintenance organization.

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(b) Within one hundred eighty (180) days of the effective
date of this article, the association shall prepare a summary
document describing the general purposes and current limitations
of the article and complying with subsection (c). This summary
document [should] shall be submitted to the commissioner for
approval. Sixty (60) days after receiving such approval, no
member insurer may deliver a policy or contract [described in
section 1703(b)(1)] to a [policyholder or contract holder]
policy owner, contract owner, certificate holder or enrollee
unless the summary document is delivered to the [policyholder or
contract holder] policy owner, contract owner, certificate
holder or enrollee prior to or at the time of delivery of the
policy or contract [except if subsection (d) applies]. The
summary document [should] shall also be available upon request
by a [policyholder] policy owner, contract owner, certificate
holder or enrollee. The distribution, delivery or contents or
interpretation of [this] the summary document shall not mean
that either the policy or the contract or the [holder] policy
owner, contract owner, certificate holder or enrollee thereof
would be covered in the event of the impairment or insolvency of
a member insurer. The [description] summary document shall be
revised by the association as amendments to the article may
require. Failure to receive [this] the summary document does not
give the [policyholder, contract holder,] policy owner, contract
owner, certificate holder, enrollee or insured any greater
rights than those stated in this article.

(c) The summary document prepared under subsection (b) shall
contain a clear and conspicuous disclaimer on its face. The
commissioner shall promulgate a regulation establishing the form
and content of the disclaimer. The disclaimer shall:
(1) State the name and address of the association and department.

(2) Prominently warn the policy owner, contract owner, certificate holder or enrollee that the association may not cover the policy or contract or, if coverage is available, it will be subject to substantial limitations and exclusions and conditioned on continued residence in this Commonwealth.

(3) State the types of policies or contracts for which guaranty funds will provide coverage.

(4) State that the member insurer and its agents are prohibited by law from using the existence of the association for the purpose of sales, solicitation or inducement to purchase any form of insurance or coverage by a RANLI PPO, hospital plan corporation, professional health services plan corporation or health maintenance organization.

(5) Emphasize that the policy owner, contract owner, certificate holder or enrollee should not rely on coverage under the association when selecting an insurer, RANLI PPO, hospital plan corporation, professional health services plan corporation or health maintenance organization.

(6) Explain rights available and procedures for filing a complaint to allege a violation of any provisions of this article.

(7) Provide other information as directed by the commissioner, including, but not limited to, sources for information about the financial condition of insurers, RANLI PPOs, hospital plan corporations, professional health services plan corporations or health maintenance organizations provided.
that the information is not proprietary and is subject to disclosure under that state's public records law.

(d) [No insurer or agent may deliver a policy or contract described in section 1703(b)(1) and excluded under section 1703(b)(2) from coverage under this article unless the insurer or agent, prior to or at the time of delivery, gives the policyholder or contract holder a separate written notice which clearly and conspicuously discloses that the policy or contract is not covered by the association. The commissioner shall by regulation specify the form and content of the notice.] A member insurer shall retain evidence of compliance with subsection (b) for so long as the policy or contract for which the notice is given remains in effect.

[Section 1718. Prospective Application.--This article shall not apply to any insurer which was declared insolvent before the effective date of this article.]

Section 4. The following shall apply:

(1) The provisions of this act shall only apply to a member insurer that is placed, on or after the effective date of this section, under an order of liquidation by a court of competent jurisdiction with a finding a insolvency or that is unable to fulfill its contractual obligations.

(2) All matters relating to insolvencies of any member insurer declared to be insolvent before the effective date of this section, including assessments and credits, shall be covered pursuant to Article XVII provisions prior to the effective date of this section.

Section 5. This act shall take effect immediately.