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BILL ANALYSIS

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House Bill 6097 (as passed by the House)  
Sponsor: Representative Joe Haveman  
House Committee: Insurance  
Senate Committee: Banking and Financial Institutions

Date Completed: 6-22-10

### **CONTENT**

**The bill would amend Chapter 77 of the Insurance Code (the Michigan Life and Health Insurance Guaranty Association Act) to do the following:**

- Exclude from coverage under the chapter any policy or contract that provided benefits under Medicare Part C or D, and exclude from coverage a portion of a policy or contract to the extent that assessments required under the chapter were preempted by State or Federal law.**
- Increase the maximum amount of certain benefits that the Life and Health Insurance Guaranty Association is obligated to cover from \$100,000 to \$250,000.**

#### Exclusions from Coverage

The Michigan Life and Health Insurance Guaranty Association is a nonprofit entity created under Chapter 77 for the purpose of protecting people against the failure of an insurer to perform contractual obligations under a policy or annuity contract. The chapter provides coverage to specified people for direct, nongroup life, health, annuity, and supplemental policies or contracts, for certificates under those policies or contracts, and for unallocated annuity contracts issued by member insurers, except as limited by the chapter.

Insurers that transact a type of insurance or annuity for which coverage is provided under Chapter 77 are required to be members of the Association as a condition of authority to transact insurance in this State. The Association assesses member insurers as necessary to carry out its powers and duties.

Under the bill, Chapter 77 would not provide coverage for a policy or contract providing any hospital, medical, prescription drug, or other health care benefits under Title 18 of the Social Security Act (Medicare) Part C or D, or under regulations issued under either part. (Medicare Part C created the Medicare Advantage program, which offers health coverage provided by approved private companies. Medicare Part D provides prescription drug benefits.)

The chapter also would not provide coverage for a portion of a policy or contract to the extent that the assessments required under Chapter 77 were preempted by State or Federal law.

## Benefit Limits

Chapter 77 establishes limits on the amount that the Association is obligated to cover, including a limit of \$100,000 in the present value of annuity benefits, including net cash surrender and net cash withdrawal values, or \$250,000 for an individual qualified retirement annuity.

The bill would increase the \$100,000 limit to \$250,000, and would delete the reference to individual qualified retirement annuities.

("Individual qualified retirement annuity" means an annuity issued to an individual or custodian on behalf of the individual under Section 408 or 408A of the Internal Revenue Code, which deal with individual retirement accounts (IRAs) and Roth IRAs, or an annuity certificate issued to an individual under Section 403(b) of the Code, which provides for retirement accounts for employees of certain nonprofit charitable organizations and schools.)

With respect to an individual participating in a governmental retirement plan, including a plan under Section 401(k), 403(b), or 457 of the Internal Revenue Code, or the beneficiaries of such an individual if he or she is deceased, the benefits that the Association is obligated to cover may not exceed \$100,000 in present value annuity benefits, including net cash surrender and net cash withdrawal values. The bill would increase that limit to \$250,000.

For each payee of a structured settlement annuity, or the beneficiary of a deceased payee, the benefits that the Association is obligated to cover may not exceed \$100,000 in present value annuity benefits, including net cash surrender and net cash withdrawal values. The bill would increase the limit to \$250,000.

These increases in maximum benefits would not apply to a member insurer that was under a rehabilitation or liquidation order on the bill's effective date.

MCL 500.7704

Legislative Analyst: Curtis Walker

## **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Elizabeth Pratt  
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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.