



Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 23-1015	Date:	April 24, 2023
Prime Sponsors:	Rep. Brown; McCluskie	Bill Status:	House Public & Behavioral Health
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Bill Topic: PROTECT AGAINST INSURERS' IMPAIRMENT & INSOLVENCY

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Statutory Public Entity

The bill makes several changes to procedures relating to insolvent insurers, including adding health maintenance organizations to the Colorado Life and Health Protection Association. It will increase state workload and potentially increase revenue to the Colorado Life and Health Protection Association, a nonprofit statutory entity.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

The bill makes several changes to the regulation of insurance regarding impaired or insolvent insurers.

First, the bill changes the priority of distribution of insurance claims paid from an insurer's estate in the event of the insurer's liquidation. Specifically, class 1 distribution priority payments will include payments that an impaired or insolvent insurer owes to the risk adjustment program that are necessary to prevent another insurer from becoming impaired or insolvent. This adjustment is in effect through June 30, 2026. Second, the bill makes changes to the "Life and Health Insurance Protection Association Act" to:

- add health maintenance organizations (HMOs) as members of the Colorado Life and Health Insurance Protection Association and subject HMOs to assessments from the association;
- allocate responsibility for long-term care insurance assessments between health insurance and life insurance association members; and
- specify that the act does not provide coverage to a person who acquires rights to receive, or to a payee or beneficiary that transfers its rights in, a structured settlement factoring transaction, as defined in federal law, regardless of when the transaction occurred.

Background

All life and health insurers in Colorado are members of the [Colorado Life and Health Protection Association](#), which is a nonprofit statutory entity under Colorado law. In the event an insurer is impaired or insolvent, the association may impose an assessment on member insurers in order to pay the costs of outstanding claims against the impaired or insolvent insurer. The association is governed by a board of directors and overseen by the Commissioner of Insurance.

State Expenditures

The Division of Insurance in the Department of Regulatory Agencies may have a one-time workload increase to update rules, work with the association on implementing the changes under the bill, and communicate the changes with covered life and health insurers. In addition, changes to rules and the addition of HMOs to the guarantee association may require additional legal services from the Department of Law. No change in appropriations is required.

Statutory Public Entity

By adding HMOs as members, the bill potentially increases revenue to the Colorado Life and Health Protection Association. Specifically, adding HMOs will increase assessment revenue, assuming the assessment rate stays the same for all carriers. At the same time, additional recurring revenue may decrease the frequency and amount of revenue collected through special assessments imposed when a member insurer becomes impaired or insolvent. These revenue impacts have not been estimated at this time.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Health Care Policy and Financing
Regulatory Agencies

Judicial

Law