

WEST VIRGINIA LEGISLATURE

2017 REGULAR SESSION

ENROLLED

Committee Substitute

for

House Bill 2683

BY DELEGATES WESTFALL, WHITE, HAMRICK,

HARTMAN AND FRICH

[Passed April 8, 2017; in effect ninety days from passage.]

1 AN ACT to amend and reenact §33-26-2, §33-26-3, §33-26-4, §33-26-5, §33-26-8, §33-26-9, §33-
2 26-10, §33-26-11, §33-26-12, §33-26-13, §33-26-14 and §33-26-18 of the Code of West
3 Virginia, 1931, as amended, all relating to West Virginia Insurance Guaranty Association
4 Act; modifying the purpose, scope and construction of act; adding and amending
5 definitions; clarifying and adding powers, duties and rights of association; limiting amount
6 payable for covered claims for deliberate intention, including workers' compensation
7 claims; limiting amount for covered claim for return of unearned premium; limiting amount
8 association must pay for the obligation of the insolvent insurer; setting time limits for filing
9 claims; specifying when obligation of insurer to defend an insured ceases; subject to
10 limitations, giving association rights, duties and obligations of the insolvent insurer;
11 allowing association to determine order of claims payment; prohibiting payment of
12 dividends during period of deferment; hiring of legal counsel for the defense of covered
13 claims; notification of claimants; setting forth the association's right to review and contest
14 settlements, releases, compromises, waivers and judgments; specifying when association
15 is not bound by a settlement, release, compromise or waiver; requiring association to
16 establish procedures for requesting financial information from insurers and claimants;
17 setting forth actions association may take where insured or claimant refuses to provide
18 requested financial information; allowing association to intervene as a party as a matter of
19 right before any court; requiring rules of association be subject to legislative approval;
20 requiring notice of claims be filed with the association; setting forth the persons from whom
21 the association may recover all amounts paid by the association on behalf of that person;
22 requiring association and associations in other states be recognized as claimants in the
23 liquidation of an insolvent insurer; requiring person having a claim to exhaust all coverage
24 under the policy; setting forth what constitutes a claim relating to exhaustion of coverage;
25 requiring association be reimbursed for any deductible claim if paid; requiring board of
26 directors to make recommendations to commissioner regarding solvency; allowing board

27 of directors to compile reports on insolvencies; and providing that reports and
28 recommendations of board are not subject to disclosure under the Freedom of Information
29 Act.

Be it enacted by the Legislature of West Virginia:

1 That §33-26-2, §33-26-3, §33-26-4, §33-26-5, §33-26-8, §33-26-9, §33-26-10, §33-26-11,
2 §33-26-12, §33-26-13, §33-26-14 and §33-26-18 of the Code of West Virginia, 1931, as amended,
3 be amended and reenacted, all to read as follows:

ARTICLE 26. WEST VIRGINIA GUARANTY ASSOCIATION ACT.

§33-26-2. Purpose.

1 The purpose of this article is to provide a mechanism for the payment of covered claims
2 under certain insurance policies to avoid excessive delay in payment and to the extent provided
3 in this article, minimize financial loss to claimants or policyholders because of the insolvency of
4 an insurer, and to permit and to provide an association to assess the cost of this protection among
5 insurers.

§33-26-3. Scope.

1 This article applies to all kinds of direct insurance, but is not applicable to the following:

2 (1) Life, annuity, health or disability insurance;

3 (2) Mortgage guaranty, financial guaranty or other forms of insurance offering protection
4 against investment risks;

5 (3) Fidelity or surety bonds, or any other bonding obligations;

6 (4) Credit insurance, vendors' single interest insurance or collateral protection insurance
7 or any similar insurance protecting the interests of a creditor arising out of a creditor-debtor
8 transaction;

9 (5) Insurance of warranties or service contracts including insurance that provides for the
10 repair, replacement or service of goods or property, indemnification for repair, replacement or
11 service for the operational or structural failure of the goods or property due to a defect in materials,

12 workmanship or normal wear and tear, or provides reimbursement for the liability incurred by the
13 issuer of agreements or service contracts that provide such benefits;

14 (6) Title insurance;

15 (7) Ocean marine insurance;

16 (8) Any transaction or combination of transactions between a person, including affiliates
17 of such person, and an insurer, including affiliates of the insurer, which involves the transfer of
18 investment or credit risk unaccompanied by transfer of insurance risk; or

19 (9) Any insurance provided by or guaranteed by a government entity or agency.

§33-26-4. Construction.

1 This article shall be construed to effect the purpose under section two of this article which
2 constitutes an aid and guide to interpretation.

§33-26-5. Definitions.

1 As used in this article:

2 (1) "Account" means any one of the three accounts created by section six of this article.

3 (2) "Affiliate" means a person who directly or indirectly, through one or more
4 intermediaries, controls, is controlled by or is under common control with another person on
5 December 31 of the year immediately preceding the date the insurer becomes an insolvent
6 insurer.

7 (3) "Affiliate of the insolvent insurer" means a person who directly or indirectly, through
8 one or more intermediaries, controls, is controlled by or is under common control with an insolvent
9 insurer on December 31 of the year prior to the date the insurer becomes an insolvent insurer.

10 (4) "Association" means the West Virginia Insurance Guaranty Association created under
11 section six of this article.

12 (5) "Association similar to the association" means any guaranty association, security fund
13 or other insolvency mechanism that affords protection similar to that of the association. The term

14 shall also include any property and casualty insolvency mechanism that obtains assessments or
15 other contributions from insurers on a preinsolvency basis.

16 (6) "Claimant" means any insured making a first party claim or any person instituting a
17 liability claim, provided that no person who is an affiliate of the insolvent insurer may be a claimant.

18 (7) "Commissioner" means the Insurance Commissioner of West Virginia.

19 (8) "Control" means the possession, direct or indirect, of the power to direct or cause the
20 direction of the management and policies of a person, whether through the ownership of voting
21 securities, by contract other than a commercial contract for goods or nonmanagement services,
22 or otherwise, unless the power is the result of an official position with or corporate office held by
23 the person. Control shall be presumed to exist if a person, directly or indirectly, owns, controls,
24 holds with the power to vote, or holds proxies representing, ten percent or more of the voting
25 securities of any other person. This presumption may be rebutted by a showing that control does
26 not exist in fact.

27 (9) (A) "Covered claim" means an unpaid claim, including one for unearned premiums,
28 submitted by a claimant, which arises out of and is within the coverage and is subject to the
29 applicable limits of an insurance policy to which this article applies issued by an insurer, if the
30 insurer becomes an insolvent insurer after the effective date of this article and:

31 (i) The claimant or insured is a resident of this state at the time of the insured event:
32 *Provided*, That for entities other than an individual, the residence of a claimant, insured or
33 policyholder is the state in which its principal place of business is located at the time of the insured
34 event; or

35 (ii) The claim is a first party claim for damage to property with a permanent location in this
36 state.

37 (B) "Covered claim" does not include:

38 (i) Any amount awarded as punitive or exemplary damages;

39 (ii) Any amount sought as a return of premium under any retrospective rating plan;

40 (iii) Any amount due any reinsurer, insurer, insurance pool, underwriting association,
41 health maintenance organization, hospital plan corporation, professional health service
42 corporation or self-insurer as subrogation recoveries, reinsurance recoveries, contribution,
43 indemnification or otherwise. No such claim for any amount due any reinsurer, insurer, insurance
44 pool, underwriting association, health maintenance organization, hospital plan corporation or self-
45 insurer may be asserted against a person insured under a policy issued by an insolvent insurer
46 other than to the extent such claim exceeds the association obligation limitations set forth in
47 section eight of this article;

48 (iv) Any first party claim by an insured whose net worth exceeds \$25 million on December
49 31 of the year next preceding the date the insurer becomes an insolvent insurer: *Provided*, That
50 an insured's net worth on that date shall be considered to include the aggregate net worth of the
51 insured and all of its subsidiaries and affiliates as calculated on a consolidated basis: *Provided*,
52 *however*, That this exclusion does not apply to any claim for benefits under a workers'
53 compensation insurance policy required by chapter twenty-three of this code;

54 (v) Any third party claim relating to a policy of an insured whose net worth exceeds \$25
55 million on December 31 of the year next preceding the date the insurer becomes an insolvent
56 insurer: *Provided*, That an insured's net worth on that date shall be considered to include the
57 aggregate net worth of the insured and all of its subsidiaries and affiliates as calculated on a
58 consolidated basis: *Provided, however*, That this exclusion does not apply to:

59 (l) Third party claims against the insured where the insured has applied for or consented
60 to the appointment of a receiver, trustee or liquidator for all or a substantial part of its assets, filed
61 a voluntary petition in bankruptcy, filed a petition or an answer seeking a reorganization or
62 arrangement with creditors or to take advantage of any insolvency law, or if an order, judgment
63 or decree is entered by a court of competent jurisdiction, on the application of a creditor,
64 adjudicating the insured bankrupt or insolvent or approving a petition seeking reorganization of
65 the insured or of all or substantial part of its assets; or

66 (II) Any claim for benefits under a workers' compensation insurance policy required by
67 chapter twenty-three of this code;

68 (vi) Any claim that would otherwise be a covered claim but is an obligation to, or on behalf
69 of a, person who has a net worth greater than that allowed by the insurance guaranty association
70 law of the state of residence of the claimant at the time specified by that law and which association
71 has denied coverage to that claimant on that basis: *Provided*, That this exclusion does not apply
72 to any claim for benefits under a workers' compensation insurance policy required by chapter
73 twenty-three of this code;

74 (vii) Any first party claims by an insured which is an affiliate of the insolvent insurer;

75 (viii) Any fee or other amount relating to goods or services sought by, or on behalf of, any
76 attorney or other provider of goods or services retained by the insolvent insurer or an insured prior
77 to the date it was determined to be insolvent;

78 (ix) Any fee or other amount sought by, or on behalf of, any attorney or other provider of
79 goods or services retained by any insured or claimant in connection with the assertion or
80 prosecution of any claim, covered or otherwise, against the association; or

81 (x) Any claims for interest.

82 (10) "Insolvent insurer" means an insurer licensed to transact insurance in this state, either
83 at the time the policy was issued or when the insured event occurred, and against whom a final
84 order of liquidation has been entered with a finding of insolvency by a court of competent
85 jurisdiction in the insurer's state of domicile.

86 (11) "Member insurer" means any person who: writes any kind of insurance to which this
87 article applies under section three of this article, including farmers' mutual fire insurance
88 companies and the exchange of reciprocal or interinsurance contracts; and is licensed to transact
89 insurance in this state. An insurer shall cease to be a member insurer effective on the day
90 following the termination or expiration of its license to transact the kinds of insurance to which this
91 article applies, however the insurer shall remain liable as a member insurer for any and all

92 obligations, including obligations for assessments levied prior to the termination or expiration of
93 the insurer's license and assessments levied after the termination or expiration, which relate to
94 any insurer which became an insolvent insurer prior to the termination or expiration of the insurer's
95 license.

96 (12) "Net direct written premiums" means direct gross premiums written in this state on
97 insurance policies to which this article applies, less return premiums on the policies and dividends
98 paid or credited to policyholders on such direct business. "Net direct written premiums" does not
99 include premiums on contracts between insurers or reinsurers.

100 (13) "Person" means any individual or legal entity, including governmental entities.

101 (14) "Receiver" means receiver, liquidator, rehabilitator or conservator as the context may
102 require.

103 (15) "Self-insurer" means a person that covers its liability through a qualified individual or
104 group self-insurance program or any other formal program created for the specific purpose of
105 covering liabilities typically covered by insurance.

§33-26-8. Powers and duties of the association.

1 (a) The association shall:

2 (1) Be obligated to pay covered claims existing prior to the final order of liquidation, that
3 arise within thirty days after the final order of liquidation or before the policy expiration date if the
4 expiration date is less than thirty days after the final order of liquidation, or that arise before the
5 insured replaces the policy or causes its cancellation, if the insured does so within thirty days of
6 the final order of liquidation. This obligation shall be satisfied by paying to the claimant an amount
7 as follows:

8 (A) The full amount of a covered claim for benefits under a workers' compensation
9 insurance policy: *Provided*, That any covered claim for deliberate intention, including any action
10 pursuant to section two, article four, chapter twenty-three of this code, may not exceed \$300,000
11 per claim.

12 (B) An amount not exceeding \$10,000 per policy for a covered claim for the return of
13 unearned premium.

14 (C) An amount not exceeding \$300,000 per claim for all other covered claims: *Provided*,
15 That for purposes of this limitation, all claims of any kind whatsoever arising out of, or related to,
16 bodily injury or death to any one person constitutes a single claim, regardless of the number of
17 claims made, or the number of claimants.

18 In no event may the association be obligated to pay a claimant an amount in excess of
19 the obligation of the insolvent insurer under the policy or coverage from which the claim arises.
20 Notwithstanding any other provisions of this article, a covered claim may not include a claim filed
21 with the association after the earlier of: (i) Twenty-five months after the date of the final order of
22 liquidation; or (ii) the final date set by the court for the filing of claims against the liquidator or
23 receiver of an insolvent insurer.

24 Any obligation of the association to defend an insured on a covered claim shall cease
25 upon the association's: (i) Payment, either by settlement releasing the insured or on a judgment,
26 of an amount equal to the lesser of the association's covered claim obligation limit or the
27 applicable policy limit; or (ii) tender of such amount.

28 (2) Be considered the insurer only to the extent of its obligation on the covered claims and
29 to that extent, subject to the limitations provided in this article, have all rights, duties and
30 obligations of the insolvent insurer as if the insurer had not become insolvent, including, but not
31 limited to, the right to pursue and retain salvage and subrogation recoverable on paid covered
32 claim obligations. The association may not be considered the insolvent insurer for any purpose
33 relating to the issue of whether the association is amenable to the personal jurisdiction of the
34 courts of any state.

35 (3) Allocate claims paid and expenses incurred among the three accounts separately, and
36 assess member insurers separately for each account amounts necessary to pay the obligations
37 of the association under subdivision (1) of this subsection subsequent to an insolvency, the

38 expenses of handling covered claims subsequent to an insolvency, the cost of preparing any
39 reports specified in section thirteen of this article and other expenses authorized by this article.
40 The assessments of each member insurer shall be in the proportion that the net direct written
41 premiums of the member insurer for the calendar year prior to the assessment on the kinds of
42 insurance in the account bears to the net direct written premiums of all member insurers for the
43 calendar year prior to the assessment on the kinds of insurance in the account: *Provided*, That
44 farmers mutual insurance companies that do not issue workers' compensation insurance policies
45 may not be assessed to pay for the obligations of the association payable from the workers'
46 compensation insurance account. Each member insurer shall be notified of the assessment not
47 later than thirty days before it is due. No member insurer may be assessed in any one year on
48 any account an amount greater than two percent of that member insurer's net direct written
49 premiums for the calendar year preceding the assessment on the kinds of insurance in the
50 account. If the maximum assessment, together with the other assets of the association in any
51 account, does not provide in any one year in any account an amount sufficient to make all
52 necessary payments from that account, the funds available shall be prorated and the unpaid
53 portion shall be paid as soon after that as funds become available. The association shall pay
54 claims in any order that it deems reasonable, including the payment of claims as they are received
55 from the claimant or in groups or categories of claims. The association may exempt or defer, in
56 whole or in part, the assessment of any member insurer, if the assessment would cause the
57 member insurer's financial statement to reflect the amounts of capital or surplus less than the
58 minimum amounts required for a certificate of authority by any jurisdiction in which the member
59 insurer is authorized to transact insurance: *Provided, however*, That during the period of
60 deferment, no dividends may be paid to shareholders or policyholders. Deferred assessments
61 shall be paid when the payment does not reduce capital or surplus below required minimums.
62 The payments shall be refunded to those companies receiving larger assessments by virtue of
63 the deferment, or at the election of any such company, credited against future assessments.

64 (4) Investigate claims brought against the association and adjust, compromise, settle, and
65 pay covered claims to the extent of the association's obligation and deny all other claims. The
66 association may appoint and direct legal counsel retained under liability insurance policies for the
67 defense of covered claims.

68 (5) Notify claimants in this state as determined necessary by the commissioner and upon
69 the commissioner's request, to the extent records are available to the association.

70 (6) (A) Have the right to review and contest as set forth in this subsection settlements,
71 releases, compromises, waivers and judgments to which the insolvent insurer or its insureds were
72 parties prior to the entry of the final order of liquidation. In an action to enforce settlements,
73 releases and judgments to which the insolvent insurer or its insureds were parties prior to the
74 entry of the final order of liquidation, the association may assert the following defenses, in addition
75 to the defenses available to the insurer:

76 (i) The association is not bound by a settlement, release, compromise or waiver executed
77 by an insured or the insurer, or any judgment entered against an insured or the insurer by consent
78 or through a failure to exhaust all appeals, if the settlement, release, compromise, waiver or
79 judgment was:

80 (I) Executed or entered within one hundred twenty days prior to the entry of a final order
81 of liquidation and the insured or the insurer did not use reasonable care in entering into the
82 settlement, release, compromise, waiver or judgment, or did not pursue all reasonable appeals of
83 an adverse judgment; or

84 (II) Executed by or taken against an insured or the insurer based on default, fraud,
85 collusion or the insurer's failure to defend.

86 (ii) If a court of competent jurisdiction finds that the association is not bound by a
87 settlement, release, compromise, waiver or judgment for the reasons described in subparagraph
88 (i), paragraph (A), subdivision (6) of this subsection, the settlement, release, compromise, waiver
89 or judgment shall be set aside and the association may defend any covered claim on the merits.

90 The settlement, release, compromise, waiver or judgment may not be considered as evidence of
91 liability or damages in connection with any claim brought against the association or any other
92 party under this article.

93 (iii) The association may assert any statutory defenses or other defenses or rights of offset
94 against any settlement, release, compromise or waiver executed by an insured or the insurer, or
95 any judgment taken against the insured or the insurer.

96 (B) As to any covered claims arising from a judgment under any decision, verdict or finding
97 based on the default of the insolvent insurer or its failure to defend, the association, either on its
98 own behalf or on behalf of an insured may apply to have the judgment, order, decision, verdict or
99 finding set aside by the same court or administrator that entered the judgment, order, decision,
100 verdict or finding and may defend the claim on the merits.

101 (7) Handle claims through its employees or through one or more insurers or other persons
102 designated as servicing facilities. Designation of a servicing facility is subject to the approval of
103 the commissioner, but the designation may be declined by a member insurer.

104 (8) Reimburse each servicing facility for obligations of the association paid by the facility
105 and for expenses incurred by the facility while handling claims on behalf of the association and
106 shall pay the other expenses of the association authorized by this article.

107 (9) Establish procedures for requesting financial information from insureds and claimants
108 on a confidential basis for purposes of applying sections of this article concerning the net worth
109 of first and third-party claimants, subject to that information being shared with any other
110 association similar to the association and the liquidator for the insolvent company on the same
111 confidential basis. If the insured or claimant refuses to provide the requested financial information
112 and an auditor's certification of the same where requested and available, the association may
113 consider the net worth of the insured or claimant to be in excess of \$25 million at the relevant
114 time.

115 (b) The association may:

116 (1) Employ or retain persons that are necessary to handle claims and perform other duties
117 of the association.

118 (2) Borrow funds necessary to effect the purposes of this article in accord with the plan of
119 operation.

120 (3) Sue or be sued, and the power to sue includes the power and right to intervene as a
121 party as a matter of right before any court in this state that has jurisdiction over an insolvent insurer
122 as defined by this article.

123 (4) Negotiate and become a party to contracts that are necessary to carry out the purpose
124 of this article.

125 (5) Perform other acts that are necessary or proper to effectuate the purpose of this article.

126 (6) Refund to the member insurers in proportion to the contribution of each member insurer
127 to an account that amount by which the assets of the account exceed the liabilities, if, at the end
128 of any calendar year, the board of directors finds that the assets of the association in any account
129 exceed the liabilities of that account as estimated by the board of directors for the coming year.

§33-26-9. Plan of operation.

1 (a) The association shall:

2 (1) Submit to the commissioner a plan of operation and any amendments thereto
3 necessary or suitable to assure the fair, reasonable and equitable administration of the
4 association. The plan of operation and any amendments thereto become effective upon approval
5 in writing by the commissioner.

6 (2) If the association fails to submit a suitable plan of operation within ninety days following
7 the effective date of this article or if at any time thereafter the association fails to submit suitable
8 amendments to the plan, the commissioner shall, after notice and hearing, adopt rules for
9 legislative approval as are necessary or advisable to effectuate the provisions of this article. The
10 rules shall continue in force until modified by the commissioner or superseded by a plan submitted

11 by the association and approved by the commissioner. All such rules shall be proposed in
12 accordance with chapter twenty-nine-a of this code.

13 (b) All member insurers shall comply with the plan of operation.

14 (c) The plan of operation shall:

15 (1) Establish the procedures whereby all the powers and duties of the association under
16 section eight of this article will be performed.

17 (2) Establish procedures for handling assets of the association.

18 (3) Establish the amount and method of reimbursing members of the board of directors
19 under section seven of this article.

20 (4) Establish procedures by which claims may be filed with the association and establish
21 acceptable forms of proof of covered claims.

22 (5) Establish regular places and times for meetings of the board of directors.

23 (6) Establish procedures for records to be kept of all financial transactions of the
24 association, its agents and the board of directors.

25 (7) Provide that any member insurer aggrieved by a final action or decision of the
26 association may appeal to the commissioner within thirty days after the action or decision.

27 (8) Establish the procedures whereby selections for the board of directors will be submitted
28 to the commissioner.

29 (9) Contain additional provisions necessary or proper for the execution of the powers and
30 duties of the association.

31 (d) The plan of operation may provide that any or all powers and duties of the association,
32 except those under subdivision (3), subsection (a), and subdivision (2), subsection (b), section
33 eight of this article are delegated to a corporation, association or other organization which
34 performs or will perform functions similar to those of this association, or its equivalent, in two or
35 more states. Such a corporation, association or organization shall be reimbursed as a servicing

36 facility would be reimbursed and shall be paid for its performance of any other functions of the
37 association. A delegation under this subsection may take effect only with the approval of both the
38 board of directors and the commissioner, and may be made only to a corporation, association or
39 organization which extends protection not substantially less favorable and effective than that
40 provided by this article.

§33-26-10. Duties and powers of the commissioner.

1 (a) The commissioner shall:

2 (1) Notify the association of the existence of an insolvent insurer not later than three
3 business days after he or she receives notice of the determination of the insolvency.

4 (2) Upon request of the board of directors, provide the association a statement of the net
5 direct written premiums of each member insurer.

6 (b) The commissioner may:

7 (1) Require that the association notify the insureds of the insolvent insurer and any other
8 interested parties of the determination of insolvency and of their rights under this article. The
9 notification shall be by mail at their last known address, where available, but if sufficient
10 information for notification by mail is not available, notice by publication in a newspaper of general
11 circulation is sufficient.

12 (2) Suspend or revoke, after notice and hearing, the certificate of authority to transact
13 insurance in this state of any member insurer which fails to pay an assessment when due or fails
14 to comply with the plan of operation. As an alternative, the commissioner may levy a fine on any
15 member insurer which fails to pay an assessment when due. The fine may not exceed five percent
16 of the unpaid assessment per month, except that no fine may be less than \$100 per month.

17 (3) Revoke the designation of any servicing facility if he or she finds that claims are being
18 handled unsatisfactorily.

19 (c) Any final order of the commissioner under this article is subject to judicial review as
20 provided by section fourteen, article two of this chapter.

§33-26-11. Effect of paid claims.

1 (a) Any person recovering under this article is considered to have assigned the person's
2 rights under the policy to the association to the extent of the person's recovery from the
3 association. Every insured or claimant seeking the protection of this article shall cooperate with
4 the association to the same extent as that person would have been required to cooperate with
5 the insolvent insurer. The association has no cause of action against the insured of the insolvent
6 insurer for any sums it has paid out except such causes of action as the insolvent insurer would
7 have had if the sums had been paid by the insolvent insurer and except as provided in subsection
8 (b) of this section. In the case of an insolvent insurer operating on a plan whereby insurance
9 policies with assessment liability have been issued to insureds, payments of claims by the
10 association may not operate to reduce the liability of the insureds to the receiver, liquidator or
11 statutory successor for unpaid assessments.

12 (b) The association may recover from the following persons all amounts paid by the
13 association on behalf of the person, whether for indemnity or defense or otherwise:

14 (1) Any insured whose net worth on December 31 of the year immediately preceding the
15 date the insurer becomes an insolvent insurer exceeds \$25 million: *Provided*, That an insured's
16 net worth on such date shall be considered to include the aggregate net worth of the insured and
17 all of its subsidiaries and affiliates as calculated on a consolidated basis: *Provided, however*, That
18 this provision may not apply to any claim for benefits under a workers' compensation insurance
19 policy required by chapter twenty-three of this code; and

20 (2) Any person who is an affiliate of the insolvent insurer.

21 (c) The association and any association similar to the association in another state shall be
22 recognized as claimants in the liquidation of an insolvent insurer for any amounts paid by them
23 on covered claims obligations as determined under this article or similar laws in other states and

24 shall receive dividends and any other distributions at the priority set forth in section nineteen-a,
25 article ten of this chapter. The receiver, liquidator or statutory successor of an insolvent insurer
26 shall be bound by determinations of covered claim eligibility under this article and by settlements
27 of claims made by the association or a similar organization in another state. The court having
28 jurisdiction shall grant such claims priority equal to that to which the claimant would have been
29 entitled, in the absence of this article, against the assets of the insolvent insurer. The expenses
30 of the association or similar organization in handling claims shall be accorded the same priority
31 as the receiver's expenses.

32 (d) The association shall periodically file with the receiver or the liquidator of the insolvent
33 insurer statements of the covered claims paid by the association and estimates of anticipated
34 claims against the association which shall preserve the rights of the association against the assets
35 of the insolvent insurer.

§33-26-12. Exhaustion of other coverage; deductible reimbursement.

1 (a) Any person having a claim under an insurance policy, whether or not it is a policy
2 issued by a member insurer, and the claim under such other policy arises from the same facts,
3 injury, or loss that gave rise to the covered claim against the association, shall first exhaust all
4 coverage provided by any such policy. Any amount payable on a covered claim under this article
5 shall be reduced by the full applicable limits stated in such other insurance policy and the
6 association shall receive a full credit for such stated limits or, where there are no applicable stated
7 limits, the claim shall be reduced by the total recovery. Notwithstanding the foregoing, no person
8 may be required to exhaust any right under the policy of an insolvent insurer.

9 (1) A claim under a policy providing liability coverage to a person who may be jointly and
10 severally liable with or a joint tortfeasor with the person covered under the policy of the insolvent
11 insurer that gives rise to the covered claim is considered to be a claim arising from the same facts,
12 injury or loss that gave rise to the covered claim against the association.

13 (2) A claim under an insurance policy shall also include, for purposes of this section:

14 (A) A claim against a health maintenance organization, a hospital plan corporation or a
15 professional health service corporation; and

16 (B) Any amount payable by or on behalf of a self-insurer.

17 (3) To the extent that the association's obligation is reduced by the application of this
18 section, the liability of the person insured by the insolvent insurer's policy for the claim shall be
19 reduced in the same amount.

20 (b) Any person having a claim which may be recovered under more than one Insurance
21 Guaranty Association or its equivalent shall seek recovery first from the association of the place
22 of residence of the insured except that if it is a first party claim for damage to property with a
23 permanent location, he or she shall seek recovery first from the association of the location of the
24 property, and if it is a workers' compensation claim, the person shall seek recovery first from the
25 association of the residence of the claimant. Any recovery under this article shall be reduced by
26 the amount of the recovery from any other insurance guaranty association or its equivalent.

27 (c) To the extent the association pays any deductible claim for which the insurer would
28 have been entitled to reimbursement from the insured, the association is entitled to the full amount
29 of the reimbursement and available collateral as provided under this subsection to the extent
30 necessary to reimburse the association. Reimbursements paid to the association pursuant to this
31 subsection may not be treated as distributions or as early access payments. To the extent that
32 the association pays a deductible claim that is not reimbursed either from collateral or by insured
33 payments, or incurred expenses in connection with large deductible policies that are not
34 reimbursed under this subsection, the association has an exclusive cause of action against the
35 insured, including the right to enforce against the insured the rights of the insurer with respect to
36 any obligation of the insured to reimburse the insurer for deductibles or pay claims within a
37 deductible. Further, the fund is vested with a first lien in any collateral provided by the insured to
38 the insolvent insurer to secure the insured's performance, to the extent of claims paid by the
39 association, which lien can be perfected by notice to the liquidator. Nothing in this subsection

40 limits any rights of the association that may otherwise exist under applicable law to obtain
41 reimbursement from insureds for claims payments made by the association under policies of the
42 insurer or for the association's related expenses.

§33-26-13. Prevention of insolvencies.

1 To aid in the detection and prevention of insurer insolvencies:

2 (1) The board of directors may, upon majority vote, make recommendations to the
3 commissioner on matters generally related to improving or enhancing regulation for solvency.

4 (2) At the conclusion of any domestic insurer insolvency in which the association was
5 obligated to pay covered claims, the board of directors may, upon majority vote, prepare a report
6 on the history and causes of the insolvency, based on the information available to the association
7 and submit the report to the commissioner.

8 (3) Reports and recommendations provided under this section may not be considered
9 public documents subject to disclosure under chapter twenty-nine-b of this code.

§33-26-14. Examination of association; financial report.

1 The association shall be subject to examination and regulation by the commissioner. The
2 board of directors shall submit, not later than April 30 of each year, a financial report for the
3 preceding calendar year, in a form approved by the commissioner.

§33-26-18. Stay of proceedings; reopening of default judgments.

1 (a) All proceedings in which the insolvent insurer is a party or obligated to defend a party
2 in any court in this state shall, subject to waiver by the association in specific cases involving
3 covered claims, be stayed for six months and such additional time as may be determined by the
4 court from the date the insolvency is determined to permit proper defense by the association of
5 all pending causes of action.

6 (b) The liquidator, receiver or statutory successor of an insolvent insurer covered by this
7 article shall permit access by the association, or its authorized representative to such of the
8 insolvent insurer's records that are necessary for the association in carrying out its functions under

9 this article with regard to covered claims. In addition, the liquidator, receiver or statutory successor
10 shall provide the association or its representative with copies of such records upon the request
11 by the association and at the expense of the association.

12 (c) As to any covered claims arising from a judgment under any order, decision, verdict or
13 finding based on the default of the insolvent insurer or its wrongful failure to defend an insured,
14 the association either on its own behalf or on behalf of such insured may apply to have such
15 judgment, order, decision, verdict or finding set aside by the same court or administrator that
16 made such judgment, order, decision, verdict or finding and shall be permitted to defend against
17 such claim on the merits.

The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

.....
Chairman, House Committee

.....
Chairman, Senate Committee

Originating in the House.

In effect ninety days from passage.

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Clerk of the House of Delegates

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Clerk of the Senate

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Speaker of the House of Delegates

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President of the Senate

The within this the.....
day of, 2017.

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Governor