House Life & Health Insurance Subcommittee Am. #1

Amendment No._____

FILED
Date _____
Time _____
Clerk _____
Comm. Amdt. _____

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Signature of Sponsor

AMEND Senate Bill No. 1157 House Bill No. 1300*

by deleting all language after the enacting clause and substituting the following:

SECTION 1. Tennessee Code Annotated, Section 56-4-101(a), is amended by deleting subdivision (8) and substituting the following:

(8) For receiving and reviewing a change of ownership, or a second or subsequent change of business plan in a calendar year for a captive insurance company, four hundred dollars ($400); and

SECTION 2. Tennessee Code Annotated, Section 56-13-103(e), is amended by deleting the subsection and substituting the following:

(e) If the commissioner is satisfied that the documents and statements filed by an applicant captive insurance company comply with this chapter, then the commissioner may grant a license authorizing it to do insurance business in this state. The commissioner may make the license effective as of any date on or before the date the license is signed as long as the effective date is no earlier than the date of incorporation of the applicant captive insurance company.

SECTION 3. Tennessee Code Annotated, Section 56-13-104, is amended by designating the existing language as subsection (a) and adding the following as a new subsection:

(b) A license issued pursuant to this chapter is a "Certificate of Authority".

SECTION 4. Tennessee Code Annotated, Section 56-13-105, is amended by deleting subsection (c) and substituting the following:

(c)

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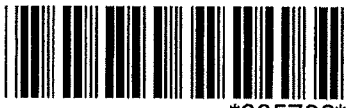
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(1) Capital and surplus required under subsection (a) must be in the form of cash, cash equivalent, marketable securities, or an irrevocable letter of credit issued by a bank approved by the commissioner.

(2) Marketable securities must consist of bonds of the United States, or any agency or instrumentality of the United States, which have been included in the three (3) highest grades by any of the recognized securities rating firms, bonds of this state, or bonds publicly issued by any solvent institution created or existing under the laws of the United States or any state of the United States, which have been included in the three (3) highest grades by any of the recognized securities rating firms.

(3) Captive insurance companies using marketable securities to meet the capital and surplus requirements of subsection (a) shall file with the commissioner a certificate of an official with whom the securities are deposited, stating the time and amount, and that the official is satisfied that they are worth the amount required under subsection (a) and that the deposit is made with the official by the company for the protection of all policyholders and creditors.

(4) Notwithstanding subdivision (c)(1), the commissioner may decline to accept as a deposit any specific issue of securities that the commissioner has determined may not provide the necessary protection to policyholders and creditors.

SECTION 5. Tennessee Code Annotated, Section 56-13-112, is amended by deleting subsection (d) and substituting the following:

(d) Except where specifically provided otherwise, insurance by a captive insurance company of any workers' compensation or accident and health qualified self-insured plan of its parent and affiliates, and the assumption of risk by a captive insurance company under any service contract issued by a parent or affiliate, is deemed to be reinsurance.

SECTION 6. Tennessee Code Annotated, Title 56, Chapter 13, Part 1, is amended by adding the following as a new section:

56-13-118.

(a) No captive insurance company shall make any material change or changes to its plan of operation until the department has approved the change or changes.

(b) Notwithstanding § 56-4-101(a)(8), each captive insurance company is entitled to file one (1) material change of plan of operation each year free of charge. However, each subsequent material change of plan of operation filed during each year is subject to the fee described in § 56-4-101(a)(8).

(c) For purposes of this section and § 56-4-101(a)(8), the "plan of operation" and "business plan" have the same meaning.

(d) A change in any information filed with the application that does not constitute a material change, or a change otherwise requiring commissioner approval, must be filed with the commissioner within thirty (30) days, but does not require prior approval under this section.

(e) This section does not apply to a plan of operation change filed by a protected cell captive insurance company for the purposes of creating a new unincorporated or incorporated protected cell. This section applies to all other plan of operation changes filed by protected cell captive insurance companies on their own behalf or on behalf of an unincorporated or incorporated protected cell.

SECTION 7. Tennessee Code Annotated, Section 56-13-120, is amended by designating the existing language as subsection (a) and adding the following as a new subsection:

(b) Section 56-13-103(c)(3) applies to any action taken by the commissioner pursuant to this section.

SECTION 8. Tennessee Code Annotated, Title 56, Chapter 13, Part 1, is amended by adding the following as a new section:

(a) For purposes of this section:

(1) "Foreign" means outside the United States, its territories, or possessions;

(2) "Foreign currency" means currency issued by a government outside the United States that is recognized by the United States as a legitimate government-issued currency and freely exchangeable with United States currency; and

(3) "Foreign securities" means securities that are ordinarily traded on an exchange outside the United States.

(b) A captive insurance company or an individual cell of a captive insurance company may, with the approval of the commissioner, include within its plan of operation that the company will:

(1) Receive payments of premium in a specified foreign currency or foreign securities and will pay claims on insured losses in a specified currency or foreign securities;

(2) Authorize the payment of claims in a specified foreign currency or foreign securities; and

(3) Hold foreign currency or foreign securities as surplus for the payment of future claims.

(c) In determining the exchange rate between United States currency and the foreign currency or foreign securities, the captive insurance company shall identify in its approved plan of operation a publicly available and reliable exchange rate index. If the exchange rate index identified in the plan of operation is not available, then the commissioner must determine the appropriate exchange rate for the purpose of calculating the amount of premium tax due.

(d) For the purpose of calculating the amount of premium tax due under § 56-13-114, a policy issued by a captive insurance company payable in foreign currency or

foreign securities is deemed to be of an equivalent value in United States currency as of the date that coverage is bound and is payable in United States currency when due under § 56-13-114.

(e) For captive insurance companies and protected cells that have received permission pursuant to subsection (b), all reports required to be filed pursuant to § 56-13-108 must be converted to United States currency for the reporting period covered by the annual report.

SECTION 9. Tennessee Code Annotated, Section 56-13-204(1)(A), is amended by deleting the subdivision and substituting the following:

(A) A protected cell captive insurance company may establish one (1) or more protected cells if the commissioner has approved in writing a plan of operation or amendments to a plan of operation submitted by the protected cell captive insurance company with respect to each protected cell. A plan of operation must include, but is not limited to, the specific business objectives and investment guidelines of the protected cell. However, the commissioner may require additional information in the plan of operation. The commissioner may make the approval of a plan of operation or amendments to a plan of operation effective as of any date on or before the date the approval is signed as long as the effective date is no earlier than the date on which the plan of operation or amendments to the plan of operation were filed with the department;

SECTION 10. Tennessee Code Annotated, Section 56-13-204(1)(E), is amended by deleting the subdivision and substituting the following:

(E) An incorporated protected cell may be organized and operated in any form of business organization authorized by the commissioner, including, but not limited to, an individual series of a limited liability company as provided for in title 48, chapter 249. Each incorporated protected cell of a protected cell captive insurer must be treated as a captive insurer for purposes of this chapter and has the power to enter into contracts, including an individual series of a limited liability company. Unless otherwise permitted

by the organizational documents of a protected cell captive insurer, each incorporated protected cell of the protected cell captive insurer must have the same directors, secretary, and registered office as the protected cell captive insurer;

SECTION 11. Tennessee Code Annotated, Section 56-13-204, is amended by adding the following as new subdivisions:

(17) Biographical affidavits are not required for participants in unincorporated cells. However, biographical affidavits are required for owners of incorporated cells, including series members of a series LLC; and

(18) A protected cell captive insurance company formed or licensed under this chapter may establish and operate both unincorporated and incorporated protected cells.

SECTION 12. Tennessee Code Annotated, Section 56-13-209, is amended by redesignating the current subsection (d) as subsection (e) and adding the following as a new subsection (d):

(d) With the consent of the affected protected cell captive insurance company or companies, the owners or the participants of the protected cells, and the commissioner, an individual protected cell of a captive insurance company may merge or otherwise combine assets and liabilities with another individual protected cell of a protected cell captive insurance company. The commissioner may require the affected protected cell captive insurance companies and the individual protected cells to make necessary changes to their business plans, organizational documents, participation agreements, or other governing documents prior to approving the change in affiliation. The formation date of a protected cell that merges or otherwise combines assets and liabilities with another protected cell captive insurance company is the date of the original formation of the surviving protected cell. The surviving protected cell must acquire all of the assets and liabilities, including outstanding insurance liabilities, of the merging protected cell. A hearing is not required for mergers of protected cells effectuated under this section.

SECTION 13. This act shall take effect upon becoming a law, the public welfare requiring it.

House Life & Health Insurance Subcommittee Am. #1

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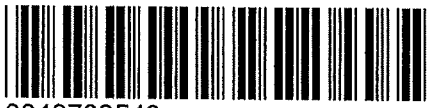
AMEND Senate Bill No. 942* **House Bill No. 1044**

by deleting all language after the enacting clause and substituting the following:

SECTION 1. Tennessee Code Annotated, Section 56-7-2207(b), is amended by adding the following as a new subdivision:

(7) Notwithstanding this title to the contrary, neither the definition of case characteristics in § 56-7-2203(5), nor any other provision in this chapter, prohibits a pool created under § 56-26-204 from using case characteristics, claim experience, health status, or duration of coverage since issue in determining initial or adjusted premium rates for employers pooling their liabilities under § 56-26-204;

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.



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AMEND Senate Bill No. 1120* **House Bill No. 1342**

by deleting subdivision (a)(2) of Section 1 and redesignating subdivision (a)(1) as subsection (a).

AND FURTHER AMEND by adding the following language immediately before the period in subsection (e) in Section 1:

in excess of the cost sharing amount required in accordance with the insured's health benefits coverage for the items and services provided

AND FURTHER AMEND by adding the following language immediately before the period in subsection (h) in Section 2:

in excess of the cost sharing amount required in accordance with the insured's health benefits coverage for the items and services provided

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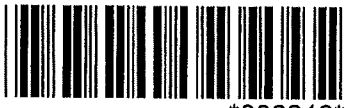
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House Life & Health Insurance Subcommittee Am. #1

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AMEND Senate Bill No. 510 **House Bill No. 419***

by deleting § 56-7-3502(1) in SECTION 1 and substituting the following:

(1) "Allowed amount" means the contractually agreed upon payment amount between a carrier and a healthcare entity participating in the carrier's network, excluding any member deductible, copay, or other obligation;

AND FURTHER AMEND by deleting the language ", but is not limited to," in § 56-7-3502(3)(B) in SECTION 1.

AND FURTHER AMEND by deleting the word "shall" in the last sentence of § 56-7-3504(b)(3) in SECTION 1 and substituting the word "may".

AND FURTHER AMEND by deleting the language "six hundred dollars ($600)" in § 56-7-3509 in SECTION 1 and substituting the language "five hundred ninety-nine dollars ($599)".

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