

31A-27a-402 Continuance of coverage.

- (1) Notwithstanding any policy or contract language or any other statute, and unless ordered otherwise by the receivership court upon application by the receiver, a reinsurance contract by which the insurer assumes the insurance obligations of another insurer is cancelled upon entry of an order of liquidation.
- (2)
 - (a) Notwithstanding any policy or contract language or any other statute, and subject to Subsection (2)(c), the following in effect at the time of issuance of an order of liquidation shall continue in force as provided in this section until the time period specified in Subsection (2) (b):
 - (i) a policy;
 - (ii) an insurance contract, other than reinsurance by which the insurer has ceded insurance obligations to another person;
 - (iii) a surety bond; or
 - (iv) a surety undertaking.
 - (b) Any item listed in Subsection (2)(a) continues in force:
 - (i) until the earlier of:
 - (A) 30 days from the day on which the liquidation order is entered;
 - (B) the day on which the policy coverage expires;
 - (C) the day on which the insured:
 - (I) replaces the insurance coverage with equivalent insurance with another insurer; or
 - (II) otherwise terminates the policy;
 - (D) the day on which the liquidator effects a transfer of the policy obligation pursuant to Subsection 31A-27a-405(1)(i); or
 - (E) the date proposed by the liquidator and approved by the receivership court to cancel coverage; or
 - (ii) unless further extended by the receiver with the approval of the receivership court.
 - (c) This Subsection (2) does not apply to:
 - (i) life insurance;
 - (ii) disability income insurance;
 - (iii) long-term care insurance;
 - (iv) health insurance; or
 - (v) an annuity.
- (3) An order of liquidation under Section 31A-27a-401 terminates coverages at the time specified in Subsections (1) and (2) for purposes of any other statute.
- (4)
 - (a) A life insurance policy, disability income insurance policy, long-term care insurance policy, health insurance policy, or an annuity continues in force:
 - (i) if covered by an affected guaranty association or portions are covered by one or more affected guaranty associations, under applicable law;
 - (ii) subject to the terms of the policy or annuity, including any terms restructured pursuant to a court-approved rehabilitation plan; and
 - (iii) to the extent necessary to permit an affected guaranty association to discharge its statutory obligations.
 - (b) A life insurance policy, disability income insurance policy, long-term care insurance policy, health insurance policy, or an annuity not covered by one or more guaranty associations, or those portions not covered by one or more guaranty associations terminates as provided under Subsection (2), except to the extent that the liquidator proposes and the receivership

court approves the use of property of the estate, consistent with Section 31A-27a-701, for the purpose of continuing the contract or coverage by transferring the contract or coverage to an assuming reinsurer.

- (5) The cancellation of a bond or surety undertaking does not release any cosurety or guarantor.
- (6) Except as otherwise provided in this chapter, the obligations of the insolvent insurer's reinsurers may not be released or discharged of a policy ceded to a reinsurer by a termination under this section.
- (7) A contract by which the insurer reinsures obligations arising under a life insurance policy, disability income insurance policy, long-term care insurance policy, or an annuity continues or terminates as provided in Section 31A-27a-513.

Enacted by Chapter 309, 2007 General Session