

LIFE AND HEALTH INSURANCE  
PROTECTION ASSOCIATION  
PLAN OF OPERATION

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LIFE AND HEALTH INSURANCE

PROTECTION ASSOCIATION

PLAN OF OPERATION

As of November, 2017

Article 1. Plan of Operation

- A. This Plan of Operation ("the Plan") shall become effective, as provided in Section 10-20-110(1)(a), upon written approval of the Commissioner or 30 days after submission to the Commissioner if the Commissioner has not disapproved it.
- B. Amendments to this Plan of Operation, as necessary or suitable to assure the fair, reasonable and equitable administration of the Association, shall be adopted by the Board of Directors and submitted to the Commissioner for approval. Any such amendments so submitted shall be effective upon written approval of the Commissioner or 30 days after submission if the Commissioner has not disapproved them.
- C. A copy of this Plan of Operation shall be available for inspection by any member insurer at the office of the Association during normal business hours, and a copy shall be provided to any member insurer upon request.

Article 2. Meeting of the Member Insurers

- A. An annual meeting of the member insurers of the Association shall be held for the election of directors at the office of the Association immediately preceding the annual meeting of the Board of Directors, unless the Chairman of the Board of Directors, upon proper notice, shall designate some other time, day or place.
- B. Member insurers shall be notified of the time, day and place of the annual meeting of the member insurers at least 45 days prior to such annual meeting.
- C. The members of the initial Board of Directors shall be elected by the member insurers at the organizational meeting. If there are more nominees than vacancies, each such insurer shall be entitled to one vote in person or by proxy for each member of the Board of Directors to be elected.
- D. At annual meetings of the member insurers other than the organizational meeting, if there are more nominees than vacancies, Directors shall be elected by member insurers by votes cast on a weighted basis using the net Colorado direct premiums received as provided by the Commissioner for the last available year on covered policies. Each

member insurer shall have at least one vote in person or by proxy for each member of the Board of Directors to be elected.

- E. At the organizational meeting and all subsequent annual meetings of the member insurers:
1. Proxy voting shall be permitted, except that the presence of not fewer than five-member insurers shall be required to constitute a quorum.
  2. The member insurers receiving the greatest number of votes, on a cumulative basis, shall be elected.
  3. In the event that there is not more than one nominee for each position to be filled, the Secretary shall cast one vote for each nominee.
- F. The record date for determining member insurers entitled to notice of or to vote at a meeting of member insurers shall be the date on which notice of the meeting is delivered, or if notice is waived, the date on which the meeting is held. A determination of the member insurers of record entitled to notice of or to vote at a meeting of member insurers shall apply to any adjournment of such meeting.

### Article 3. Board of Directors

- A. There shall be a Board of Directors in accordance with the provisions of Section 10-20-107.
1. The Board of Directors shall consist of nine-member insurers to be elected for staggered terms of three years so that the terms of all Directors shall not expire in the same year. To provide for staggered terms, three Directors shall be elected initially for terms of three years, three Directors shall be elected initially for terms of two years, and three Directors shall be elected initially for terms of one year.
    - a. The Board of Directors shall be elected by the member insurers as provided in Article 2 hereof, and shall fairly represent member insurers.
    - b. Each member of the Board shall designate its representative and any alternate from the same member insurer.
    - c. The previously elected Board members shall serve until their successors have been duly elected and qualified to serve.
    - d. No two directors shall be companies within the same affiliated insurance group.

2. Upon the election of members of the Board of Directors, the Association shall notify the Commissioner and request written approval of the members of the Board as elected. In the event the Commissioner shall determine that all member insurers are not fairly represented, the Commissioner shall disapprove the election of the Board members and order another election.
3. The Board of Directors shall:
  - a. Elect a Chairman, Vice Chairman, Secretary and Treasurer from among its members, and such other officers as it deems necessary. The posts of Secretary and Treasurer may be held by the same member. Each officer shall serve a term of one year or until a successor is elected. The Chairman, Vice Chairman, and Secretary and Treasurer shall constitute the Executive Committee.
  - b. Appoint, from among its members, a nominating committee. Such committee shall select a nominee to succeed each board member whose term expires at the annual meeting of the member insurers. Such nominees shall be made known to the member insurers at least 45 days prior to such annual meeting. Other nominees may be submitted to the Board, but not less than 30 days prior to such annual meeting, upon the petition of ten-member insurers.
  - c. In the event there is more than one nominee for each position to be filled, the Board shall make the names of said nominees known to member insurers at least 15 days prior to the annual meeting of the member insurers.
4. Vacancies occurring on the Board of Directors between annual meetings of the member insurers shall be filled by a majority vote of the remaining members of the Board with the approval of the Commissioner. Vacancies occurring in elective offices between the annual meetings shall be filled by majority vote of the Board. Such appointees shall serve for the unexpired terms.

In the event of a merger in which the member insurer that is on the Board of Directors is not the surviving entity, the merger creates a vacancy on the Board of Directors. In the event of an administrative order or court order finding that a member insurer that is on the Board of Directors is insolvent or subject to supervision, rehabilitation or liquidation, the entry of such order creates a vacancy on the Board with respect to such member insurer.
5. Membership on the Board of Directors is non-assignable and non-transferrable.

- B.
1. At any meeting of the Board of Directors, each member of the Board shall have one vote.
  2. A majority of the Board shall constitute a quorum for the transaction of business and the acts of the majority of the Board members present at a meeting at which a quorum is present shall be the acts of the Board, except as provided in paragraph 3 below. Interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee thereof.
  3. An affirmative vote of a majority of the full Board is required to:
    - a. approve a contract with a servicing facility for overall administration of the Association, except that administration of specific functions with regard to specific insolvencies shall not require an affirmative vote of a majority of the full Board;
    - b. levy an assessment or provide for a refund;
    - c. borrow money;
    - d. approve reinsurance contracts, assumption agreements or guaranty plans, provided, however, that a reinsurance contract or an assumption agreement may be approved by the Executive Committee if such reinsurance contract or assumption agreement has been approved by the Committee designated by the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) to review and approve such contracts or agreements;
    - e. adopt amendments to the Plan of Operation.
- C.
1. An annual meeting of the Board shall be held at the office of the Association in Denver, Colorado on the third Friday in the month of July at 1:00 p.m., immediately following the annual meeting of the member insurers, unless the Chairman of the Board, upon proper notice, shall designate some other time, day or place.
  2. At each annual meeting the Board shall:
    - a. Review the Plan and submit proposed amendments, if any, to the Commissioner for approval.
    - b. Review each outstanding contract or agreement, if any, and make necessary or desirable corrections, improvements or additions.

- c. Review operating expenses and outstanding contractual obligations and determine whether an assessment, or a refund of a prior assessment, is necessary for the proper administration of the Association and if so, the amount of either. In order to avoid disproportionate clerical expense, (1) the Board may establish an amount below which assessments or refunds shall not be made; and (2) the Board may authorize the transfer of funds between accounts and classes.
    - d. Review, consider and act on any other matters deemed by it to be necessary and proper for the administration of the Association.
- D. The Board may hold other regular or special meetings at such times and with such frequency as it deems appropriate to conduct the business of the Association. Such meetings may be held telephonically. Any Board member not present may consent in writing to any specific action taken by the Board, but this shall not permit Board members to act through other Board members by proxy. Any action approved by the required number of Board members at such meeting, including those consenting in writing, shall be as valid a Board action as though authorized at an annual or regular meeting of the Board or at the meeting held in person.
  - 1. Meetings by consent. Any action required to be taken at a meeting of the Board of Directors or any action which may be taken at a meeting of the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be consented to in writing by all of the directors entitled to vote with respect to the subject matter thereof. Electronic mail constitutes a writing.
  - 2. Waiver of Notice. Whenever notice is required to be given to any director under the provisions of the Life and Health Insurance Protection Association Act or the Plan of Operation, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before, at or after the time stated therein, shall be equivalent to the giving of such notice.
- E. Special meetings of the Board of Directors may be called by the chairman and shall be called upon the request of any two Board members. At such special meeting the Board may consider and decide any matter deemed necessary for the proper administration of the Association. Not less than five days notice shall be given to each Board member of the time, place and purpose of any such special meeting.
- F. With respect to any insolvent member insurer the Association may, without requiring a meeting of the Board:
  - Dispose of any and all covered obligations the total liabilities of which in this state, for each category of covered policy, shall not exceed the dollar amount periodically prescribed pursuant to

resolution of the Board; and abide by any disposition of covered obligations approved by the Member Participation Council of the National Organization of Life & Health Insurance Guaranty Associations ("NOLHGA"), if the Association is at that time a member of NOLHGA, to the extent that the insolvent insurer is (i) a foreign or alien company or (ii) a domestic company the obligations of which may be covered by multiple state life and health insurance guaranty associations.

- G. With respect to any insolvent member insurer the obligations of which cannot be disposed of in accordance with part F, above, the Board shall:
1. Consider and determine the legal obligations of the Association with regard to any reported insolvency.
  2. Consider and decide what methods or facilities, as permitted under Section 10-20-108, shall be adopted or utilized to assure fulfillment of the covered obligations of the insolvent member insurer for each of the categories of covered policies.
  3. Assure that timely action is taken to gain access to and effect proper control of records of the insolvent member insurer which are deemed necessary to the prompt and economical handling of its legally imposed duties.
  4. Consider and decide to what extent and in what manner the Board shall exercise the powers authorized by Section 10-20-108(13)(e) to bring legal actions or provide for the defense thereof in order to avoid payment of improper claims.
  5. Consider and decide what assessment, if any, should be levied. Notices of assessments to member insurers shall be in sufficient detail as to form a basis for the payment of such assessment by the member insurer. The Board shall promptly inform the Commissioner of the failure of any member to pay an assessment made pursuant to this paragraph when due. In order to avoid disproportionate clerical expenses, the Board may, (1) establish amounts below which refunds and assessments shall not be made; and (2) authorize the transfer of funds between accounts and classes.

At each annual meeting of the Board of Directors, the Board shall review all Class A and Class B assessments previously authorized by the Board but uncalled by the Association at the time of such annual meeting. At such annual meeting, the Board may elect to continue the authorized but uncalled assessment, cancel the assessment or call for payment of the assessment by the member insurers.

6. Take all steps permitted by law, and deemed necessary, to protect the Association's rights as pertaining to the insolvent member insurer and its policyholders.
  7. Issue to each member insurer paying an assessment for the life and annuity accounts a certificate of contribution as provided under Section 10-20-109(8).
  8. In addition to the foregoing powers, the Board shall have and exercise such other powers as may be reasonably necessary to implement the provisions of the Act.
- H. Members of the Board may be reimbursed from the assets of the Association for expenses incurred by them as members of the Board of Directors upon approval of such expenses by the Chairman or other officer of the Association, but members of the Board shall not be compensated by the Association for their services as members of the Board of Directors. No officer may approve his or her own expenses.
- I. Member Insurer Procedure for Assessment Protests
1. Protests by member insurers are governed by C.R.S. Section 10-20-110(10).
  2. The Board shall consider each protest pursuant to and in compliance with all statutory requirements. The member insurer has the burden of proving to the Board that a protest should be granted. Based on the grounds stated in the protest, the Board will determine whether the statutory requirements for a valid assessment have been met. The Board will notify the member insurer of its decision to grant or deny the protest.
  3. In order to avoid shortfalls caused by the protest procedure, the Board may authorize the transfer of funds between accounts and classes.
  4. In the alternative to rendering a decision with respect to any protest based on a question regarding the assessment base, the Association may refer such protests to the Commissioner for a final decision, with or without a recommendation from the Association.
- J. Procedure for Granting Abatement or Deferral
1. Pursuant to and in compliance with all statutory requirements, the Board shall consider and decide whether any assessment shall be deferred or abated. The Board will grant an abatement or deferral if, in its opinion, payment of the assessment would endanger the ability of the member insurer to fulfill its contractual obligations.
    - a. Each member insurer that has been placed under an Order of Liquidation with a finding of insolvency shall receive an automatic abatement. This



automatic abatement shall not apply if a resolution of the Board specifies otherwise with respect to a specific member insurer.

- b. Each member insurer that has been placed under an Order of Rehabilitation shall receive an automatic deferral. This automatic deferral shall not apply if a resolution of the Board specifies otherwise with respect to a specific member insurer.

- 2. In the event an assessment against a member insurer is abated or deferred, in whole or in part, the amount by which such assessment is abated or deferred may be assessed against the other member insurers. In order to avoid shortfalls caused by the abatement and deferral process, the Board may authorize the transfer of funds between accounts and classes.

K. All provisions in this Plan of Operation which permit the Board to authorize the transfer of funds between accounts and classes also require the Board to treat all transfers as inter-account loans and to repay all amounts so transferred from the appropriate account and class.

L. Interested Directors

- 1. The vote of an Interested Director may not be counted when the Board of Directors or a committee of the Board takes action on a transaction where such Interested Director is directly or indirectly a party to the transaction.
- 2. For purposes of this Plan of Operation, an “Interested Director” shall include (without limitation) a Director:
  - a. in the case of action by the Board with respect to any member insurer (whether impaired or insolvent or otherwise), a Director that is such organization or an affiliate of such organization; or
  - b. in the case of action by the Board with respect to a person or entity other than a member insurer, a Director that is an affiliate of such person or entity; or
  - c. which otherwise has (or its affiliates have) a material financial interest in the matter or transaction which is the subject of action by the Board.
- 3. Notwithstanding the foregoing provisions, no Director shall be deemed to be an Interested Director by virtue of the fact that such Director may be subject to assessments by the Association as a result of actions by the Board.

#### Article 4. Operations

- A. The official address of the Association shall be the address of the office of the Chairman of the Board of Directors unless otherwise designated by the Board of Directors.
- B. The Board of Directors may employ or retain such persons, firms or corporations to perform such administrative functions as are necessary for the Board's performance of the duties imposed upon the Association. The Board may use the mailing address of such person, firm or corporation as the official address of the Association. Such persons may include an executive director with such authority as may be delegated by the Board to implement and carry out broad directives of the Board made pursuant to its statutory authority and duties. Such person shall be knowledgeable about insurance matters, conversant with the law as it related to covered policies of insurance and administratively capable of implementing the Board's directives. Such persons may also include attorneys at law, actuaries, accountants, claims Personnel and such other specialists or persons whose advice or assistance is deemed by the Board to be necessary to the discharge of its duties imposed by law. The Board may agree to compensate such persons so as best to serve the interests of the Association and the public. Such persons, firms or corporations shall keep and maintain such records of their activities as may be required by the Board.
- C. The Board may open such bank accounts as it deems necessary for the proper administration of association business. Reasonable delegation and withdrawal authority to such accounts for Association business will be made consistent with prudent fiscal policy.
- D. In order to effectuate the purposes set forth in Section 10-20-112 concerning the prevention of insolvencies, the Board of Directors may develop procedures for discovering and reporting any member insurer that may be insolvent or in an impaired financial condition which is hazardous to the interest of the policyholders of such insurer or to the public interest. No such reports shall be considered public documents. The Board of Directors may review the Insurance Code and appropriate regulations with a view toward making recommendations to the Commissioner for the improved and more certain detection and prevention of member insurer insolvencies.
- E. Pursuant to the Association's authority under Section 10-20-108, the Board of Directors may adopt for future issuance without regard to any particular insolvency, and submit to the Commissioner for approval, policy forms of various types, containing at least the minimum statutory provisions required in this state, and associated tables of premium rates. Policy forms and rates so adopted and approved may be used to provide substitute benefits or alternative continued coverage with respect to the covered policies or contracts of an insolvent member insurer.

- F. By December 1, 1991, the Board of Directors shall prepare and submit to the Commissioner for approval a summary document in accordance with Section 10-20-119(2) describing the general purposes and current limitations of the Act.
- G. In the event in the judgment of the Board of Directors the maximum assessment under Section 10-20-109(5), in combination with the association's borrowing authority, will be insufficient in any one year to cover the outstanding and anticipated covered claims against the Association relating to one or more insolvent member insurers under any account or accounts, the Board of Directors shall provide that the Association shall make partial and periodic payments on such claims in accordance with a schedule to be adopted by the Board of Directors. Such schedule may give preference to health claims, periodic annuity benefit payments, death benefits, supplemental benefits and cash withdrawals under emergency or hardship standards adopted by the Board of Directors. Such schedule may be adjusted from time to time as changes in the volume and type of such covered claims may warrant.
- H. The Board of Directors may refund to member insurers, in proportion to the contribution of each insurer to that account, the amount by which the assets of the account exceed the amount the Board finds is necessary to carry out during the coming year the obligations of the Association with regard to that account, including assets accruing from assignment, subrogation, net realized gains and income from investments. A reasonable amount may be retained in any account to provide funds for the continuing expenses of the Association and for future losses. In its sole discretion, the Board of Directors shall, at least annually, determine the amount of funds to maintain on reserve for continuing expenses and future losses in accordance with C.R.S. 10-20-109(6) and may take into account the following: historic costs and expenses of the Association's obligations; historic assessments of the Association; historic borrowing of the Association; existing and reasonably probable current and future obligations of the Association; reserves for future losses and expenses maintained by similar insurance guaranty associations, and other relevant factors. Refunds may be made by payments to the member insurers with respect to past Class B assessments paid by the member insurers or by the establishment of credits to the member insurers with respect to future Class B assessments. Refunds, whether by payment or credit, shall be made in the same proportion and same degree among member insurers and among accounts as the assessments being refunded were paid by the member insurers and received by the Association. Any portion of any refund applied against the outstanding premium tax offset available to the member insurers shall be applied first against any carry-over premium tax offset established by C.R.S. § 10-20-113, and then in such manner as is designated by the Board.
- I. With respect to each insolvency, if the Association accrues an amount less than or equal to \$10,000 in administrative, legal accounting expenses and payments for policyholder liabilities, the Board may resolve to pay such expenses with funds from a Class A assessment instead of imposing a Class B assessment for such amounts.

J. Composite Account. The Association may create a composite account which operates as follows: To the extent funds held by the Association with respect to an impaired or insolvent insurer are not expected to be needed for the Association to satisfy its obligations with respect to the impaired or insolvent insurer, the Association may return that excess to the member insurers, either by credit or refund, or the Association may deposit the excess into the composite account in the sole discretion of the Board.

K. Premium Tax Offset. In the event that the total amount of all premium tax offsets for all member insurers exceeds \$2 million in any year, the Association shall prorate the amount of member insurer offset associated with Class B assessments against premium tax liability and shall notify each member insurer of the maximum amount of offset allowable for that year and the amount of the excess offset, if any, which may be carried forward to future years in accordance with C.R.S. Section 10-20413(1). The insurer's applicable premium tax liability shall not be determined by the Association but shall act as an absolute limit on the amount of any offset. The following formulas shall be used to determine each member insurer's maximum amount of tax offset.

1. Formula to determine COMBINED ANNUAL LIFE OFFSET AMOUNT for each member insurer which continues to do business in Colorado:

- a. Step One: Identify the total Class B assessments for the life account for the prior year, identified as ANNUAL LIFE ASSESSMENT PAID.
- b. Step Two: Determine the ANNUAL LIFE OFFSET AMOUNT by performing the following calculation:

$$(\text{ANNUAL LIFE ASSESSMENT PAID}) \times (20\%).$$

- c. Step Three: Determine the COMBINED ANNUAL LIFE OFFSET AMOUNT by performing the following calculation:  
ANNUAL LIFE OFFSET AMOUNT + (20% X the ANNUAL LIFE ASSESSMENT PAID two years prior) + (20% X the ANNUAL LIFE ASSESSMENT PAID three years prior) + (7.5% X the ANNUAL LIFE ASSESSMENT PAID four years prior) + (7.5% X the ANNUAL LIFE ASSESSMENT PAID five years prior) = COMBINED ANNUAL LIFE OFFSET AMOUNT.

2. Formula to determine COMBINED ANNUAL ANNUITY OFFSET AMOUNT for each member insurer which continues to do business in Colorado:

a. Step One: Identify the total Class B assessments for the annuity account for the prior year, identified as ANNUAL ANNUITY ASSESSMENT PAID.

b. Step Two: Determine the ANNUAL ANNUITY OFFSET AMOUNT by performing the following calculation:

$$(\text{ANNUAL ANNUITY ASSESSMENT PAID}) \times (20\%).$$

c. Step Three: Determine the COMBINED ANNUAL ANNUITY OFFSET AMOUNT by performing the following calculation:

$$\begin{aligned} & \text{ANNUAL ANNUITY OFFSET AMOUNT} + (20\% \times \text{the ANNUAL ANNUITY ASSESSMENT PAID two years prior}) + (20\% \times \text{the ANNUAL ANNUITY ASSESSMENT PAID three years prior}) + (7.5\% \times \text{the ANNUAL ANNUITY ASSESSMENT PAID four years prior}) + (7.5\% \times \text{the ANNUAL ANNUITY ASSESSMENT PAID five years prior}) = \text{COMBINED ANNUAL ANNUITY OFFSET AMOUNT.} \end{aligned}$$

3. Formula to determine MAXIMUM TAX OFFSET:

a. Step One: Identify the AMOUNT OF OFFSET CARRY-OVER from the prior year.

b. Step Two: Determine the COMBINED PLUS CARRY-OVER by performing the following calculation:

$$\begin{aligned} & (\text{AMOUNT OF OFFSET CARRY-OVER from the prior year}) + \\ & (\text{COMBINED LIFE ANNUAL OFFSET AMOUNT}) + \\ & (\text{COMBINED ANNUITY ANNUAL OFFSET AMOUNT}) - \\ & \text{COMBINED PLUS CARRY-OVER.} \end{aligned}$$

c. Step Three: Determine the CONTRIBUTION PERCENTAGE of individual member insurers by performing the following calculation:

$$\begin{aligned} & (\text{all Class B assessments paid by the member insurer for the life account for five years prior}) + (\text{all Class B assessments paid by the member insurer for the annuity account for five years prior}) / (\text{all Class B assessments paid by all member insurers for the life and annuity accounts for five years prior}) \end{aligned}$$

d. Step Four: Determine the OFFSET CAP by performing the following calculation:

$(2,000,000) \times (\text{CONTRIBUTION PERCENTAGE}) = \text{OFFSET CAP.}$

- e. Step Five: Determine the MAXIMUM TAX OFFSET by comparing the OFFSET CAP to the COMBINED PLUS CARRY-OVER. If the OFFSET CAP is less than the COMBINED PLUS CARRY-OVER, the OFFSET CAP is the MAXIMUM TAX OFFSET. If the COMBINED PLUS CARRY-OVER is less than the OFFSET CAP, the COMBINED PLUS CARRY-OVER is the MAXIMUM TAX OFFSET.
- f. Step Six: Determine the AMOUNT OF CARRY-OVER by performing the following calculation:

$(\text{COMBINED PLUS CARRY-OVER}) - (\text{MAXIMUM TAX OFFSET}) = \text{AMOUNT OF CARRY-OVER.}$

If the AMOUNT OF CARRY-OVER is less than 0, the AMOUNT OF CARRY-OVER shall be 0.

- 4. Informing Member Insurers Which Continue To Do Business in Colorado. Pursuant to C.R.S. Section 10-20-113(1), the Association will notify each member insurer of the maximum amount of offset allowable for that year (MAXIMUM TAX OFFSET) and of the excess offset, if any, which may be carried forward to future years (AMOUNT OF CARRY-OVER for next year) along with the calculations utilized by the Association to determine those amounts.
- 5. Formula to determine MAXIMUM TAX OFFSET of an insurer which has ceased to do business in Colorado:
  - a. Follow the same steps as for member insurers which continue to do business in Colorado.
- 6. Informing Member Insurers Which Cease To Do Business in Colorado. Pursuant to C.R.S. Section 10-20-113(1), the Association will notify each member insurer which has ceased to do business in Colorado of the maximum amount of offset allowable for that year (Maximum Tax Offset) which may be set off against its premium tax liability along with the calculations utilized by the Association to determine that amount.
- 7. In the event that the total amount of all premium tax offsets for all member insurers does not exceed \$2 million in any year, the Association will notify each member insurer of the maximum amount of offset allowable for that year without application of each member insurer's share of the OFFSET CAP along with the calculations utilized by the Association to determine that amount.

L. Premium Tax Offset after July 1, 2000. With respect to any insolvency of, assessment of, offset created for, or liquidation of any member insurer commenced on or after July 1, 2000, the applicable provisions of Article 4(K) - Premium Tax Offset shall be modified as follows:

1. All references in Article 4(K) to an aggregate annual limit of \$2 million for premium tax offsets for member insurers shall be replaced with an annual \$4 million limit for premium tax offsets for member insurers.
2. All references to annual offset amounts available to individual member insurers in the amount of 20% of an assessment paid for each of the three years subsequent to payment of an assessment and in the amount of 7.5% of the assessment paid for each of the two years thereafter shall be replaced with an annual offset amount of 20% of the assessment paid for each of the five years after payment of such assessment.
3. All other provisions of Article 4, Section K - Premium Tax Offset shall remain in full force and effect with respect to any insolvency of, assessment of, offset created for, or liquidation of any member insurer commenced on or after July 1, 2000.

M. Joint and Common Interest - Disclosure of Documents and Other Information.

1. The Association, Commissioner and/or the supervisor, rehabilitator, liquidator or other receiver of an insurer ("Receiver") may share joint and common interests (including, but not limited to, under C.R.S. §§ 10-20-108(10), 10-20-111 and 10-20-112) and as otherwise provided by statute and in common law with respect to various matters which are the subject of potential or pending insolvencies or other litigation. To the extent that the Association, Commissioner and/or Receiver share a joint or common interest, the Association, by agreement with the Commissioner and/or Receiver, may share and exchange with the Commissioner and/or Receiver documents or other confidential information protected by the attorney/client privilege, the work product doctrine and any other applicable privilege or protection, as set forth in this Plan.
2. Any such agreement shall provide that, in the sole and exclusive discretion of each, the Association, Commissioner and/or the Receiver may share and exchange with the other information which is subject to the attorney/client privilege, the work product doctrine or any other applicable privilege or protection relevant to the above-referenced matters. The Association shall not be required by the terms and provisions of this Plan or any such agreement to release privileged or protected information to the Commissioner or the Receiver or to any other person. Specifically, neither this Plan or any such agreement shall qualify as grounds to demand the production of any document or information. Except as set forth

herein, unless expressly stated in writing to the contrary by the party making the communication, it is strictly intended that any communications between the Association, Commissioner and/or the Receiver subject to the terms and provisions of such agreement, including, but not limited to, attorney/client communications, attorney work product, conversations, documents, interview memoranda and the results of research or investigations, are confidential and are protected from disclosure to any third party by legal privileges and by the joint representation and work product doctrines.

3. Any agreement entered into under this Section M shall provide that by sharing protected documents related to joint or common interest shared by the Association, Commissioner and/or the Receiver, neither the Association, Commissioner nor the Receiver waives the ability to assert the attorney/client privilege, the work product doctrine or other applicable privilege or protection with respect to third parties. None of the information or documents obtained by the Association, Commissioner and/or the Receiver covered by any such agreement shall be disclosed to third parties without the consent of the person (the Association, the Commissioner and the Receiver) who provided the information.
4. Any agreement entered into under this Section M shall provide that, despite sharing joint and common interest, the Association, Commissioner and/or the Receiver are aware and acknowledge that, in certain other matters, the interest of the Association, Commissioner and/or the Receiver may conflict and the Association, Commissioner and/or the Receiver may hold adverse interests. Such agreement shall provide that, with respect to those conflicts and adverse interests, the Association, Commissioner and/or the Receiver each understand and acknowledge that it and its counsel have the right to take actions against the others' interest, including, but not limited to, advising their own respective clients to cooperate with a third party, generating and disclosing evidence or information to a third party (apart from the confidential disclosures covered by this Section M) and cross-examining other persons at trial or other proceedings, provided that in no event may the Association, Commissioner and/or Receiver or their counsel disclose the documents or other information shared pursuant to such agreement, unless that information would otherwise be subject to discovery.

#### Article 5. Records and Reports

- A. Minutes of the proceedings of each Board Meeting shall be written. The original of these minutes shall be retained by the Secretary of the Board of Directors or by such other person as the Board may designate. The Board of Directors may, upon majority vote, make reports and recommendations to the Commissioner upon any matter germane to the solvency, liquidation, rehabilitation or conservation of any member insurer or to the solvency of any company seeking to do an insurance business in this state. Such reports and recommendations shall not be considered public documents.



- B. Copies of minutes, reports, recommendations, records and documents shall be furnished to each Board member, to the Commissioner and to any member insurer upon request; provided, however, that such minutes, reports, recommendations or other records and documents relating to the portions of such proceeding which were closed, because of confidential nature of the matters addressed, shall also be confidential, and distribution of such minutes, reports, recommendations, records and documents shall be limited to the members of the Board of Directors and the Association's attorneys, employees or agents, considered by the Board of Directors to be necessary or pertinent to the discussion of the matters addressed or performance of the actions taken during such confidential proceedings.
- C. 1. The Board of Directors shall make an annual report as required by Section 10-20-115 not later than 120 days after the close of the fiscal year of the Association to the Commissioner. Such report shall include a financial report for the preceding year in a form approved by the Commissioner and a review of the activities of the Association during the preceding calendar year.
2. The Board of Directors shall assure that the Association will periodically file with the Liquidator of an insolvent insurer statements of the covered claims and associated expenses paid by the Association and estimates of anticipated claims against the Association. This periodic filing preserves the rights of the association for claims against the assets of an insolvent insurer.
3. At the conclusion of any insurer insolvency in which the Association was required to pay covered claims, the Board of Directors shall, in cooperation with other similar associations in other states which were also so obligated, prepare a report to the Commissioner bearing on the history and causes of the insolvency, pursuant to Section 10-20-112(7).
- D. The Board shall annually appoint certain of the member insurers as an audit committee, and engage a certified public accountant to audit the financial affairs of the Association. An audit committee shall consist of three members of the Board of Directors. Such committee and accountant shall report their findings to the Board of Directors.

#### Article 6. Membership

- A. The "member insurers" of the Association shall consist of every person designated in the Act as a member insurer.
- B. When a person ceases to be a member insurer, such person shall remain liable for any assessment or assessments with respect to any insurer that became an impaired or insolvent insurer prior to the termination of such member insurer's membership in the Association.

- C. Any notice which must be provided under this Plan of Operation may be provided by e-mail. To assist in the efficient and economical operation of the Association, each member insurer may provide one or more e-mail addresses to which notices may be provided.

Article 7. Appeals

The procedure by which member insurers may protest assessments is addressed in Article 3, Paragraph I.

Article 8. Indemnification

- A. All persons, except the Commissioner and his representatives, described in Section 10-20-117, including but not limited to the individual representatives of the member insurers serving on the Board of Directors, shall be indemnified by the Association for all reasonable expenses incurred on account of any action taken or not taken by them in the performance of their powers and duties under the Life and Health Insurance Protection Association Act, unless such persons shall be finally adjudged to have committed a breach of duty involving gross negligence, bad faith, dishonesty, willful misfeasance or reckless disregard of the responsibilities of their office or position. Such expenses shall include, but not be limited to, attorneys' fees, judgments, decrees, fines, penalties and amounts paid in settlement actually and necessarily incurred in the defense of any action, suit or proceeding, whether civil, criminal, administrative or investigative, including all appeals, brought against such persons, their testators or intestates. In the event of settlement before final adjudication, with or without court approval, such indemnity shall be provided only if the Association is advised by independent legal counsel that such persons did not, in counsel's opinion, commit such a breach of duty.
- B. This Article is intended to operate as a supplement and additional safeguard to, and not in place of, the immunity granted by Section 10-20-117.

Article 9. Distribution of Assets Upon Dissolution

Unless otherwise provided by the Colorado Life and Health Insurance Protection Association Act, the assets of the Association in the process of dissolution shall be applied and distributed as follows:

- A. All liabilities and obligations of the Association shall be paid and discharged, or adequate provisions shall be made therefor.

- B. Assets held by the Association on condition requiring return, transfer or conveyance, which condition occurs by reason of the dissolution, shall be returned, transferred or conveyed in accordance with such requirement.
- C. Other assets, if any, shall be distributed in accordance with the provisions of the Plan of Operation to the extent that the Plan of Operation determines the distributive rights of members, or any class of members, or provides for distribution to others.
- D. Any remaining assets may be distributed to such persons, societies, organizations, governmental entities, political subdivisions or domestic or foreign corporations, whether for profit or nonprofit, including members or any class of members, as may be specified M. a plan of distribution adopted as provided in the Colorado Nonprofit Corporation Act.

Article 10. Conformity to Statute

Colo. Rev. Stat. 10-20-101-120 (the Life and Health Insurance Protection Association Act) as written, and as may be hereafter amended, is incorporated as a part of this Plan and as such is attached hereto.