The Life & Health Insurance Guaranty Association System

The Nation's Safety Net

nolhga®

2019 EDITION

A Foundation of Protection

America's life and health insurance and annuity policyholders have a powerful friend—one whose presence is felt only in times of trouble. Should their insurer become insolvent and fail, residents of every state, the District of Columbia, and Puerto Rico† can count on their life and health insurance guaranty association to provide protection for both local and national insolvencies. These guaranty associations provide a safety net for American consumers, ensuring that eligible residents continue to receive insurance coverage without interruption.

In the face of an insolvency that affects policyholders in many states, one of the guaranty system's greatest strengths becomes evident—the seamless cooperation of state guaranty associations working together to provide protection to policyholders across the country. Even in a multi-state insolvency, the guaranty association system stands ready—the safety net is secure.

Each state's guaranty association law is based on a version of the National Association of Insurance Commissioners' Life and Health Insurance Guaranty Association Model Act, which has been updated several times since its creation in 1971. The most recent update, which occurred in 2017, maintained the increased coverage levels for annuities and long-term care insurance from the 2009 update while also adding Health Maintenance Organizations (HMOs) as member insurers. Since the 2017 update, most states have passed laws to include HMOs as guaranty association member insurers, and other states were in various stages of drafting or passing similar legislation as this brochure went to print.

It's important to note that guaranty association protection serves as a "floor" and not a "ceiling." In other words, policyholders will always receive 100% of their covered policy benefits up to the guaranty association's coverage level. Policies with benefits higher than the guaranty association's coverage level will continue to receive a share of their benefits from the remaining assets in the insolvent company, which may be substantial. Also, guaranty association coverage levels are applied on a "per person, per company" basis. Policyholders who have received guaranty association protection are eligible to receive the same protection again in the unlikely event that they have a policy with another insurer that is declared insolvent.

The core protections offered by the guaranty system safety net are similar no matter where policyholders live.* Some states provide additional benefit levels to their residents, but as the charts in this brochure illustrate, the foundation of coverage provided by the guaranty association system stretches across the nation.

† The Puerto Rico guaranty association is not a member of NOLHGA. For more information on the Puerto Rico association, call 787.775.1184.

* The NAIC Model Act and the state laws provide certain limitations and exclusions on coverage, including an aggregate coverage limit that may apply in certain instances. Anyone with specific coverage questions should contact the guaranty association of the state where they reside. Contact information for all guaranty associations can be found at www.nolhga.com.

LIFE INSURANCE

All NOLHGA's member guaranty associations offer resident policyholders up to $300,000 for life insurance death benefits and $100,000 for net cash surrender and net cash withdrawal values. Some states provide even more protection to their policyholders.

Policyholder Protection: Life Insurance Death Benefits

1. California covers 80% of death benefits with a $300,000 benefit limit.
2. In Utah, the $500,000 limit applies if death occurs before the guaranty association is triggered. If death occurs after triggering, the benefit is limited to the covered portion of the policy as defined by statutory reference to the covered cash value (see next chart).

Policyholder Protection: Life Insurance Net Cash Surrender & Net Cash Withdrawal Values

3. California covers 80% of the cash surrender value with a $100,000 benefit limit.

NOTE: The information and charts provided in this report are general in nature and are based on information available as of August 1, 2019. They are not intended as legal advice, and no liability is assumed in connection with their use. For specific coverage provisions, consult the applicable guaranty association statutes. The use or distribution of this brochure by a third party (i.e., an entity other than NOLHGA and its members) does not constitute or imply an endorsement by NOLHGA and its members of the third party or any product, process, or service provided by such third party.

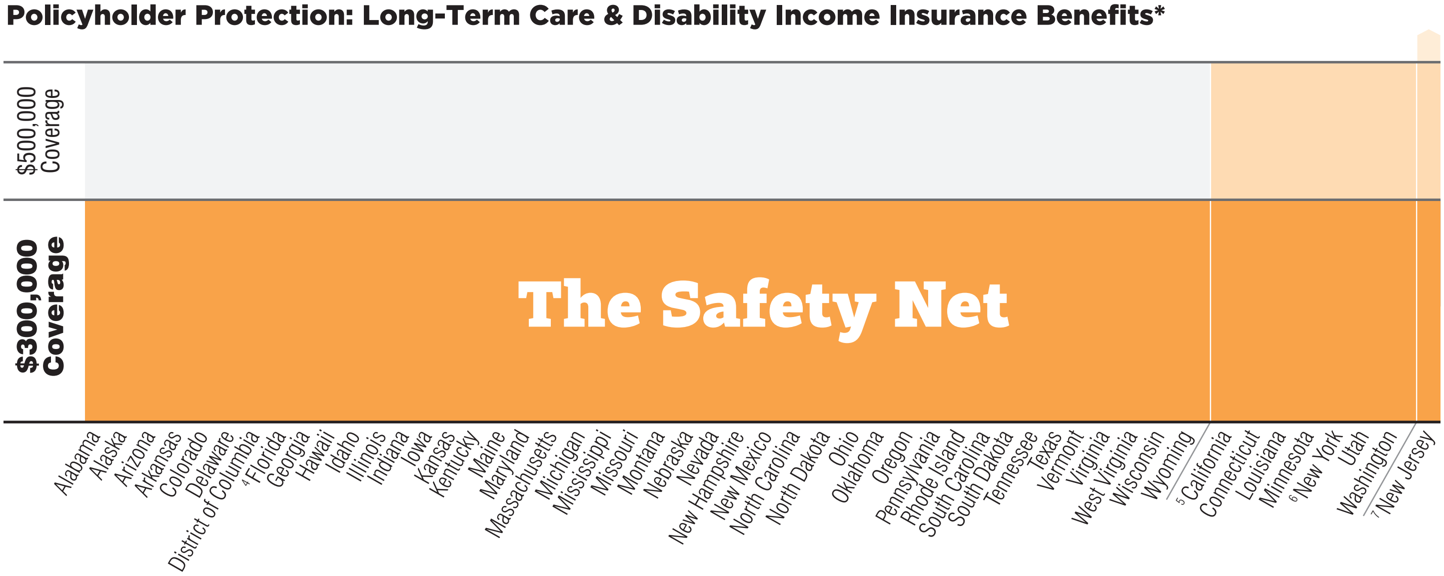
HEALTH INSURANCE

As the following charts show, most of NOLHGA's member guaranty associations offer three levels of health benefits at or greater than the following:

- $500,000 for basic hospital, medical, and surgical insurance or major medical insurance (this is referred to as a "health benefit plan" in some state statutes)
- $300,000 for disability income insurance and long-term care insurance
- $100,000 for other covered health insurance

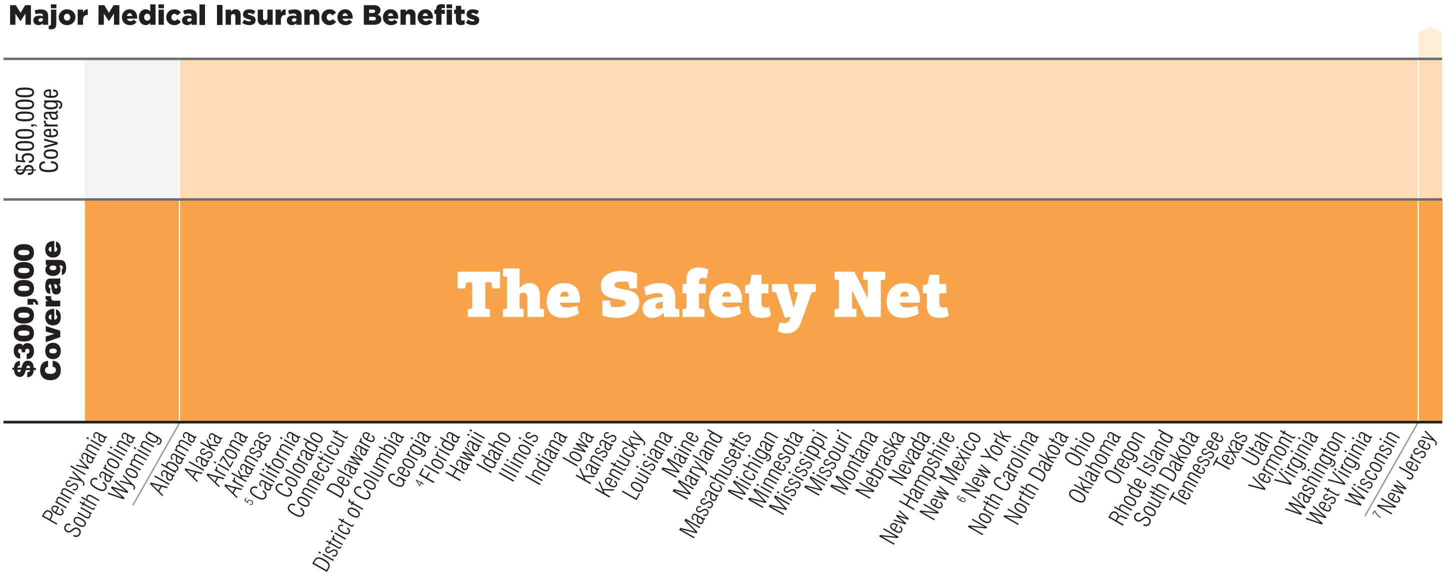
As noted earlier, some guaranty associations have added Health Maintenance Organizations (HMOs) as guaranty association members and offer the same three levels of health benefit protection to those policies. Contact your state's guaranty association (go to www.nolhga.com and click on Policyholder Information) to determine if it provides coverage to HMOs.

Policyholder Protection: Long-Term Care & Disability Income Insurance Benefits*



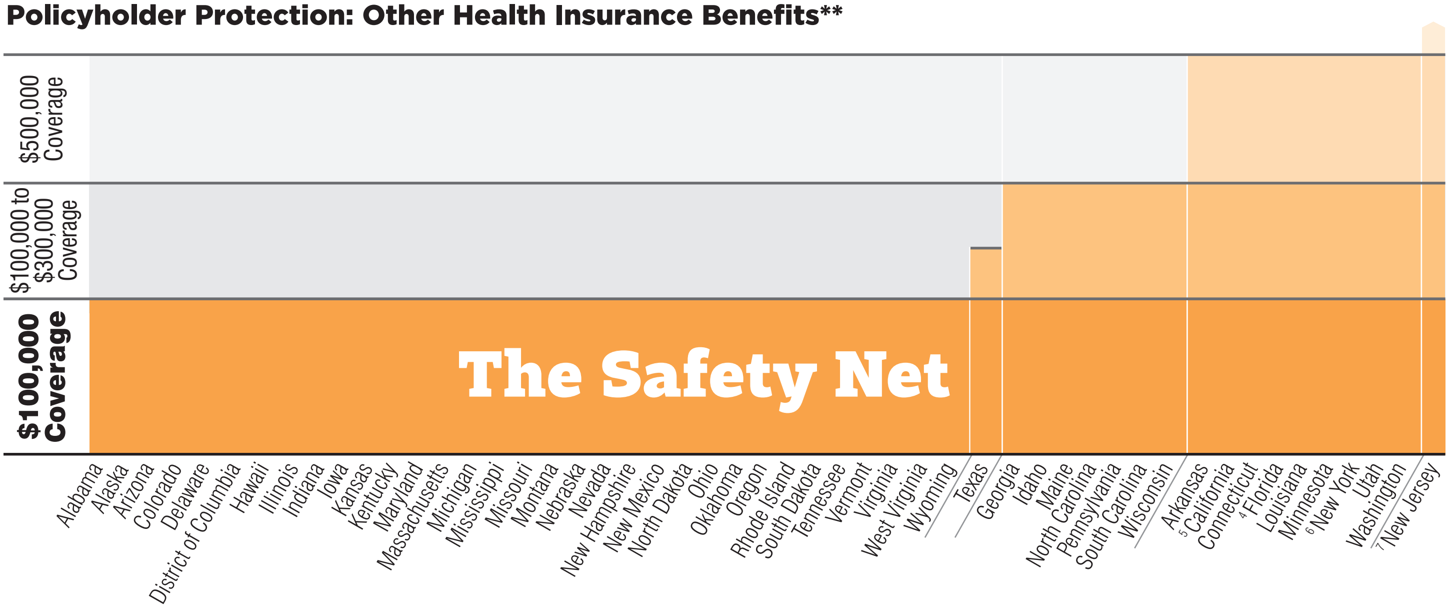
* Some states may apply lower coverage benefits to long-term care (LTC) policies depending on the effective date of the state's statutory increase in LTC coverage benefits. If you have a question about the amount of LTC benefits for a particular insolvency case, please contact your state's guaranty association.

Policyholder Protection: Basic Hospital, Medical & Surgical Insurance or Major Medical Insurance Benefits



HEALTH INSURANCE

Policyholder Protection: Other Health Insurance Benefits**



** Coverages not defined as disability income; basic hospital, medical, and surgical insurance; major medical insurance; or long-term care insurance.

4. In Florida, the medical insurance limit will be $500,000 beginning January 1, 2020 (with the exception of long-term care policies, which are covered up to $300,000).
5. California's health insurance benefit protection has increased from the January 1, 1991, statutory amount of $200,000 based on changes in the health-care cost component of the Consumer Price Index to the date of the insolvency. As of June 30, 2019, the amount of benefit protection for health insurance was $585,772. Benefit protection for an insolvency occurring after June 30, 2019, could increase or decrease depending on changes in the health-care cost component of the Consumer Price Index.
6. New York provides coverage for health, disability, and long-term care insurance only if it has been issued by a life insurance company. The $500,000 benefit limit applies to individual health policies; group or blanket health insurance is covered up to the limits stated in the policy.
7. New Jersey sets no dollar cap on its medical coverage, covering claims up to the limits of the policy but limiting the benefit to 80% if the provider seeks coverage as opposed to the insured. New Jersey also applies other exclusions and limitations as stated in its statute.

ANNUITIES

All NOLHGA's member guaranty associations offer resident policyholders $250,000 or more in benefits for annuities.[8]

Policyholder Protection: Annuity Benefits

8. The above protection applies to individual annuity contracts or group annuity certificates which are issued to and owned by an individual or under which the insurer guarantees annuity benefits to an individual under the contract. The protection is subject to applicable limits and exclusions on coverage, including an exclusion for portions of an annuity contract not guaranteed by the insurer or under which the risk is borne by the contract owner.
9. California covers 80% of the annuity contract value with a $250,000 benefit limit.
10. In Minnesota, the benefit is $410,000 for structured settlements and for annuities that have been annuitized for not less than lifetime or for a period certain not less than 10 years.
11. In these states, the $300,000 or $500,000 benefit limit applies if the annuity is in payout status. If the annuity is deferred, a $100,000 cash value limit applies (in Florida and Georgia, the cash value limit is $250,000).
12. North Carolina applies a $300,000 annuity limit except in the case of structured settlement annuities (SSAs), for which the limit is $1 million.

Keeping Promises

Learning that your life, annuity, or health insurance company is in trouble can be frightening, but policyholders can take comfort in knowing that the guaranty association safety net will be there when they need it. By continuing coverage for policyholders of a failed insurer and providing benefits under its policies, state life and health insurance guaranty associations play a vital role in standing behind the promises made by the insurance industry. Since the early 1980s, guaranty associations have:

- Provided protection to more than 2.6 million policyholders
- Guaranteed more than $25.6 billion in coverage benefits
- Contributed approximately $6.9 billion toward fulfillment of insurer promises

Each state, along with the District of Columbia and Puerto Rico, has a nonprofit life and health insurance guaranty association to protect its residents if a life or health insurance company licensed in the state fails. When a company failure occurs, affected associations are triggered to provide benefits to policyholders living in their states. If the company does not have enough funds to meet its obligations to policyholders, each guaranty association collects funds from its other member insurance companies to ensure that the eligible claims of resident policyholders continue to be paid to the limits of its law.

For life and annuity policies, guaranty associations may also provide continuing coverage—a vital aspect of the safety net. In many cases, it would be difficult for people whose company has failed to find comparable coverage elsewhere. When a failure does occur, guaranty associations often fund the transfer of the policies of an insolvent insurer (including the policies of those who might otherwise be uninsurable) to a financially sound insurer. In other cases, guaranty associations simply provide covered benefits directly.

The guaranty system safety net has evolved over the years as guaranty associations have become more experienced in meeting the needs of policyholders of failed insurers. One major step in this evolution was the creation of the National Organization of Life & Health Insurance Guaranty Associations (NOLHGA) in 1983. NOLHGA was created to help state guaranty associations deal efficiently with the large-scale challenges presented by the failure of a national insurance company that affects policyholders in many states.

In short, the guaranty system safety net has grown stronger through the years, and it stands ready to protect policyholders if their company fails.

To contact your state's life and health insurance guaranty association, please visit the NOLHGA website (www.nolhga.com) and click on Policyholder Information for a menu of association website links.

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