

# Arkansas Insurance Department

Mike Beebe  
Governor



Jay Bradford  
Commissioner

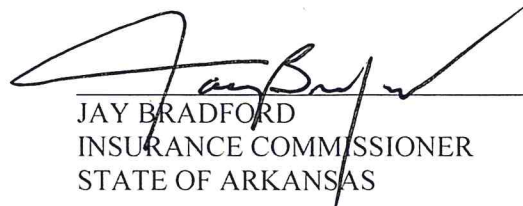
**BULLETIN NO.** 16-2013  
**DATE:** AUGUST 5, 2013  
**TO:** ALL LIFE INSURERS, ACCIDENT AND HEALTH INSURERS, AND ALL OTHER INTERESTED PERSONS  
**FROM:** ARKANSAS INSURANCE DEPARTMENT  
**SUBJECT:** ARKANSAS LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION INCREASED LIMITS FOR ACCIDENT AND HEALTH BENEFITS

The purpose of this bulletin is to provide immediate form notice requirements for life and accident and health insurers which issue policies or contracts subject to the Arkansas Life and Health Insurance Guaranty Association Act. Section Five (5) of Act 456 of 2013 by the Arkansas State Legislature, "An Act to Amend the Arkansas Life and Health Insurance Guaranty Association Act" (Act 456), raised the coverage liability limit of the Arkansas Life and Health Insurance Guaranty Association ("ALHIGA") for accident and health insurance benefits from \$300,000.00 to \$500,000.00 for policies subject to the Guaranty Association Act (with the proviso that coverage for disability insurance benefits and long term care insurance benefits do not exceed three \$300,000.00). The provisions of Act 456 go into effect August 16, 2013.

This bulletin provides preliminary form notice changes to Appendices "A" and "B" of Rule 49 of the Arkansas Insurance Department ("Department") to conform to Act 456. The Department's Rule 49 governs Guaranty Association notices. The Department intends to amend Rule 49 to integrate these form changes and have the Rule Appendices conform to the requirements of Act 456. Until Rule 49 is amended, the Department advises the industry to use the attached Appendix forms for notices related to Guaranty Association protection.

The ALHIGA increased limits for accident and health benefits is one of several changes legislative made to the Guaranty Association Act in Act 456. Please consult or review Act 456 itself if you have any questions related to this requirement or any new requirements.

Questions concerning this Bulletin may be directed to the Legal Division at (501) 371-2820 or by e-mail at [insurance.legal@arkansas.gov](mailto:insurance.legal@arkansas.gov).

  
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JAY BRADFORD  
INSURANCE COMMISSIONER  
STATE OF ARKANSAS

\_\_\_\_\_  
DATE *July 31, 2013*

APPENDIX "A"

**LIMITATIONS AND EXCLUSIONS UNDER THE  
ARKANSAS LIFE AND HEALTH INSURANCE  
GUARANTY ASSOCIATION ACT**

Residents of this state who purchase life insurance, annuities or health and accident insurance should know that the insurance companies licensed in this state to write these types of insurance are members of the Arkansas Life and Health Insurance Guaranty Association ("Guaranty Association"). The purpose of the Guaranty Association is to assure that policy and contract owners will be protected, within certain limits, in the unlikely event that a member insurer becomes financially unable to meet its obligations. If this should happen, the Guaranty Association will assess its other member insurance companies for the money to pay the claims of policy owners who live in this state and, in some cases, to keep coverage in force. The valuable extra protection provided by the member insurers through the Guaranty Association is not unlimited, however. And, as noted in the box below, this protection is not a substitute for consumers' care in selecting insurance companies that are well managed and financially stable.

**DISCLAIMER**

The Arkansas Life and Health Insurance Guaranty Association ("Guaranty Association") may not provide coverage for this policy. If coverage is provided, it may be subject to substantial limitations or exclusions and require continued residency in this state. You should not rely on coverage by the Guaranty Association in purchasing an insurance policy or contract.

Coverage is NOT provided for your policy or contract or any portion of it that is not guaranteed by the insurer or for which you have assumed the risk, such as non-guaranteed amounts held in a separate account under a variable life or variable annuity contract.

Insurance companies or their agents are required by law to provide you with this notice. However, insurance companies and their agents are prohibited by law from using the existence of the Guaranty Association to induce you to purchase any kind of insurance policy.

The Arkansas Life and Health Insurance Guaranty Association  
c/o The Liquidation Division  
1023 West Capitol  
Little Rock, Arkansas 72201

Arkansas Insurance Department  
1200 West Third Street  
Little Rock, Arkansas 72201-1904

The state law that provides for this safety-net is called the Arkansas Life and Health Insurance Guaranty Association Act ("Act"). Below is a brief summary of the Act's coverages, exclusions and limits. This summary does not cover all provisions of the Act; nor does it in any way change anyone's rights or obligations under the Act or the rights or obligations of the Guaranty Association.

## COVERAGE

Generally, individuals will be protected by the Guaranty Association if they live in this state and hold a life, annuity or health insurance contract or policy, or if they are insured under a group insurance contract issued by a member insurer. The beneficiaries, payees or assignees of policy or contract owners are protected as well, even if they live in another state.

## EXCLUSIONS FROM COVERAGE

However, persons owning such policies are NOT protected by the Guaranty Association if:

- They are eligible for protection under the laws of another state (this may occur when the insolvent insurer was incorporated in another state whose guaranty association protects insureds who live outside that state);
- The insurer was not authorized to do business in this state;
- Their policy or contract was issued by a nonprofit hospital or medical service organization, an HMO, a fraternal benefit society, a mandatory state pooling plan, a mutual assessment company or similar plan in which the policy or contract owner is subject to future assessments, or by an insurance exchange.

The Guaranty Association also does NOT provide coverage for:

- Any policy or contract or portion thereof which is not guaranteed by the insurer or for which the owner has assumed the risk, such as non-guaranteed amounts held in a separate account under a variable life or variable annuity contract;
- Any policy of reinsurance (unless an assumption certificate was issued);
- Interest rate yields that exceed an average rate;
- Dividends and voting rights and experience rating credits;
- Credits given in connection with the administration of a policy by a group contract holder;
- Employers' plans to the extent they are self-funded (that is, not insured by an insurance company, even if an insurance company administers them);
- Unallocated annuity contracts (which give rights to group contractholders, not individuals);
- Unallocated annuity contracts issued to/in connection with benefit plans protected under Federal Pension Benefit Corporation ("FPBC")(whether the FPBC is yet liable or not);
- Portions of an unallocated annuity contract not owned by a benefit plan or a government lottery (unless the owner is a resident) or issued to a collective investment trust or similar pooled fund offered by a bank or other financial institution);
- Portions of a policy or contract to the extent assessments required by law for the Guaranty Association are preempted by State or Federal law;

- Obligations that do not arise under the policy or contract, including claims based on marketing materials or side letters, riders, or other documents which do ~~not~~ not meet filing requirements, or claims for policy misrepresentations, or extra-contractual or penalty claims;
- Contractual agreements establishing the member insurer's obligations to provide book value accounting guarantees for defined contribution benefit plan participants (by reference to a portfolio of assets owned by a nonaffiliate benefit plan or its trustees).

#### LIMITS ON AMOUNT OF COVERAGE

The Act also limits the amount the Guaranty Association is obligated to cover: The Guaranty Association cannot pay more than what the insurance company would owe under a policy or contract. Also, for any one insured life, the Guaranty Association will pay a maximum of \$300,000 in life and annuity benefits and \$500,000 in health insurance benefits - no matter how many policies and contracts there were with the same company, even if they provided different types of coverages. Within these overall limits, the Association will not pay more than \$300,000 in disability and long term care benefits, \$500,000 in health insurance benefits, \$300,000 in present value of annuity benefits, or \$300,000 in life insurance death benefits or net cash surrender values - again, no matter how many policies and contracts there were with the same company, and no matter how many different types of coverages. There is a \$1,000,000 limit with respect to any contract holder for unallocated annuity benefits, irrespective of the number of contracts held by the contract holder. These are limitations for which the Guaranty Association is obligated before taking into account either its subrogation and assignment rights or the extent to which those benefits could be provided out of the assets of the impaired or insolvent insurer.

APPENDIX "B"

**NOTICE OF  
THE ARKANSAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION ACT**

The Arkansas Life and Health Insurance Guaranty Association Act (the "Act") provides protection, subject to certain limitations and exclusions, against loss under life and health insurance policies and annuity contracts issued by insolvent insurers licensed in this state. Some limitations and exclusions apply; some are listed below.

This notice is provided to you only to make you aware of the existence of the limited protection under the Act. It confers no rights to any policyholder or contract holder not provided under the Act. It does not change or vary any exclusion or limitation contained in the Act. Specific reference must be made to the Act to determine whether any particular policy or contract is covered, the amount of any coverage which may be available, and applicable limitations or exclusions.

Some of the limitations and exclusions are as follows:

1. The Act limits the amount the Guaranty Association is obligated to pay: The Association cannot pay more than what the insurer would owe under a policy or contract. Also, for any one insured, the Guaranty Association will pay a maximum of \$300,000 in life and annuity benefits and \$500,000 in health insurance benefits no matter how many policies or contracts you have with the same insurer even if they provide different coverages. Within this overall \$300,000 limit for life and annuity benefits, the Association will pay a maximum of \$300,000 in net cash surrender values, \$300,000 in life insurance death benefits, and \$300,000 in present value of annuities. . The Association will pay up to \$500,000 for health insurance which does not include disability and long term care insurance which will continue to be subject to the \$300,000 limit for health insurance. This new limit will be effective as of August 25, 2013. There is a \$1,000,000 limit with respect to any one contract holder for unallocated annuity benefits irrespective of the number of participants in the plan.
2. You are not covered:
  - a. If you are not a resident of Arkansas at the time the order of the insurer's insolvency was issued;
  - b. Your insurer was not licensed in this state; or,
  - c. Your insurer was a self-insured plan, trust or other similar entity, health maintenance organization or other entity excluded under the Act.
3. Obligations not specifically provided in the policy or contract are not covered by the Act. Examples of obligations, which are not covered by the Act, include damages or loss due to misrepresentations of policy benefits, inaccurate solicitation material, unfiled policy documents or endorsements, and extra-contractual damages, penalties and similar damages or claims.
4. Dividends or interest rate yields that do not meet specifications described in the Act are not covered under the Act.

**You should not rely upon coverage under the Act when buying a life or health insurance policy or selecting an insurer, and neither agents nor insurers should use the existence of the Guaranty Association to induce you to purchase a product from them.**

For more information relative to the Act, you may contact:

The Arkansas Life and Health  
Insurance Guaranty Association  
c/o The Liquidation Division  
1023 West Capitol, Suite 2  
Little Rock, AR 72201

Arkansas Insurance Department  
1200 West Third Street  
Little Rock, AR 72201-1904