



Frequently Asked Questions

The following information answers common questions about the Texas Life & Health Insurance Guaranty Association (“Association”) and the coverage it provides to policyholders of insolvent insurance companies. For the law that governs the Association, please refer to Texas Insurance Code Chapter 463 or contact the Association at the address below.

These FAQs are based on the Association’s governing law as of September 1, 2019 and the information applies to insolvencies occurring on or after September 1, 2019. For questions regarding Association coverage for insolvencies that began before September 1, 2019, please contact the Association.

This information is subject to change if the Texas Legislature changes the Association’s governing law. If there is any inconsistency between the information in these FAQs and any applicable law, then the law will control.

1. What is the Texas Life and Health Insurance Guaranty Association?

The Association is a non-profit entity created by the Texas Legislature in 1973 to provide insurance coverage to Texas residents when an insurance company fails (found to be insolvent and ordered liquidated). The coverage is subject to certain limits outlined in the Association’s governing law and only covers life, health, and annuity policies. The Association continues the coverage under most in-force insurance policies and pays claims. Policyholders must make any required premium payments for coverage to be provided. All 50 states, the District of Columbia, and Puerto Rico have similar life and health insurance guaranty associations for their residents.

2. What kinds of insurance policies are covered by the Association?

The Association covers direct individual and group life insurance, health insurance, disability insurance, long-term care insurance, and annuity contracts written by insurance companies and HMOs licensed in Texas. All coverage is subject to certain terms, conditions, and limitations of the Association’s governing law, Chapter 463 of the Texas Insurance Code, as described in the chart shown with Question #4.

3. What is not covered by the Association?

- Insurance policies with insurance companies not licensed to do business in Texas;
- Benefits of an insurance policy that are not guaranteed by the insurance company (such as the non-guaranteed portion of variable life insurance or annuity policies) or those benefits for which the policyholder bears the risk (such as certain portions of variable or indexed annuities);

- Amounts credited to policies based on interest rates that exceed the average rate set by the Association’s governing law;
- Self-insured employer plans;
- Coverage with an insurance exchange;
- Fraternal benefit society insurance certificates;
- Certain charitable gift annuities;
- Property and casualty insurance policies (such as auto, homeowner’s, workers compensation, etc.) and;
- Certain other insurance policies and arrangements listed in sections 463.052 and 463.203 of the Association’s governing law.

4. Are all policies fully covered?

The Association’s governing law has dollar limits and coverage restrictions, so some policy benefits are only partially covered.

Also, coverage is provided on each insured life or each policy owner rather than by insurance policy. This means if one person is the insured life or owner of more than one policy, the benefits of the policies are added together before the limits are applied.

These dollar limits and coverage restrictions apply for each insolvent insurer, so if you have policies with more than one insurer that becomes insolvent, the limits apply separately for each insolvent insurer.

Here are the maximum dollar limits of coverage provided by the Association by type of policy or policy benefits:

Life insurance death benefit	\$300,000 per life
Life insurance cash surrender	\$100,000 per life
Multiple non-group life	\$5 million to one owner of multiple non-group life policies (and subject to the per insured life limits above)
Health insurance benefits	\$500,000 for basic hospital, medical-surgical, & major medical \$300,000 for long-term disability and long-term care

	\$200,000 for other supplemental types of health insurance coverage (Medicare Supplement, for example) all of these are applied on a per individual basis
Annuity benefits (present value)	\$250,000 per life
Structured settlement annuity benefits	\$250,000 per Texas resident payee
Allocated Group Annuity benefits	\$250,000 per life
Unallocated Group Annuity benefits	\$5,000,000 per contract owner or \$250,000 per plan participant under a 401, 403(b), or 457 governmental retirement plan covered by an unallocated annuity
Overall Benefit Limit (usually applicable when a policyholder has policies of different types with the same insolvent insurance company)	\$300,000 with respect to single life (except for benefits covered under the \$500,000 health insurance limit and the \$5 million non-group life insurance limit, and then those limits apply)

5. Are there other limits on Association coverage?

Yes. In addition to the dollar amount coverage limits described in question 4, there are limitations on coverage by type of benefit. For example, there is no coverage for policy benefits the insurance company does not guarantee, policy benefits for which the policyholder bears the risk (such as the non-guaranteed portion of a variable life insurance or annuity contract), interest earnings that exceed an average interest rate dictated by state law, and separate account annuity values. For a complete list, see Texas Insurance Code 463.203.

6. When is the Association’s coverage of a policy determined?

Coverage is determined at the time the insurance company is declared insolvent and ordered liquidated by a court, and it is based on the provisions of the insurance policy and Texas law at that time (not the law when the policy was issued). Only Texas residents on the liquidation date are eligible for coverage. If you bought your policy when you lived in Texas and moved to another state, the guaranty association of the state where you live on the liquidation date would provide coverage.

7. What happens if the benefits under my policy(ies) are greater than the coverage limits?

If benefits due to you under your insurance policy or policies are greater than the coverage the Association can provide because of the dollar limits in the law, the amount not covered by the Association can be submitted to the court-appointed liquidator of the insolvent company as a claim against the liquidated assets. The liquidator will provide instructions to submit these claims, and approved claims may be paid in part, in whole, or not at all depending on the funds available, similar to the payment of claims in bankruptcies. The Association is not involved with the processing, approval, or payment of claims submitted to the liquidator.

8. Are variable annuities covered?

Generally speaking, a variable annuity that has general account guarantees, meaning guarantees by the insurance company, are eligible for coverage, subject to dollar limits and other limits, such as the interest rate limitation. However, coverage of specific annuities will be determined by the Association when the insurance company is declared insolvent, based on the terms of the annuity and the Association's governing law at that time. Annuity terms that are relevant to determine coverage include the type of annuity, whether benefits are guaranteed, and details about the contract owner and annuitant.

9. What is a Retained Asset Account and is it covered?

A Retained Asset Account ("RAA") is a generic name for an account established by a life insurance company to reflect the company's obligation to pay a death benefit to a beneficiary. An RAA is an alternative for the beneficiary that is due a lump sum death benefit. If the RAA option is chosen, the company holds the death benefit funds in its general account and will typically pay interest on the funds while they are in the general account. When the beneficiary requests some or all of the death benefit funds, the company provides checks to the beneficiary. The interest paid on an RAA is paid to the beneficiary. Because an RAA is a death benefit under a life insurance policy, it is covered by the Association just like other life insurance policy death benefits are covered.

10. Does it matter where I live?

Yes. The Association provides coverage to individual policyholders, and certificate holders under group policies, who are Texas residents when a member insurance company fails (found to be insolvent and ordered liquidated).

The Association also covers Texas resident payees under structured settlement annuities, no matter where the owner of the structured settlement annuity resides, but only if coverage is not provided by another state's guaranty association.

11. How will I know if my life or health insurance company has failed or is unable to fulfill its obligations to its policyholders?

You will receive a notification from the court-appointed liquidator or the Association if your insurance company has failed.

12. How long will I have to wait to receive the coverage provided by the Association?

The Association works hard to pay all claims on time. However, benefit payments may be delayed when a company fails because it takes some time for the Association to assume control of the policy and benefit payment administration. This usually takes only 30-45 days. The payment of some policy benefits, such as policy loans and cash surrenders, may be suspended by the court while the status of the company is evaluated.

13. How is Association coverage provided?

Coverage from the Association can be provided in one of the following ways:

1. Paying benefits as they become due while continuing the company's policies or issuing replacement policies,
2. Paying for a financially sound company to take over the insolvent company's policies and assume the responsibility for continuing coverage and paying claims/benefits, or
3. Working with other state guaranty associations and the liquidator of the insolvent company to develop an overall plan to provide coverage to policyholders. The amount of coverage provided and when you receive it may depend on the particular arrangement worked out for handling the failed company's obligations.

14. Should I continue to pay my premiums?

Yes. If you are paying premiums for your policy and wish to keep your coverage in place, you must continue to pay your premiums. The premiums will go to the Association since it provides coverage under your policy. If you stop paying premiums, your coverage likely will terminate.

15. Do I have to file additional paperwork or forms with the Association to receive coverage?

No. You file the same paperwork as before, although you may need to send it to a new address, which will be provided to you. The insurance policies covered by the Association will continue to exist so long as all premiums due under the policy are paid. You will receive notices from the liquidator or the Association as needed if there are changes that affect you or your policy.

16. Is my policy automatically terminated or cancelled since my insurance company is insolvent and being liquidated?

No. The Association continues your insurance policy according to the terms of your policy. You must pay any premiums required by your policy to keep it in force. Some health insurance

policies can be canceled with advance notice, and if you have such a policy, the Association will notify you before it is canceled.

17. Where does the Association get the money to provide this coverage?

The Association is funded by companies licensed to sell life, health, or annuity policies in Texas. These companies are automatically members of the Association as required by law. The Association also may receive funds from the liquidator of an insolvent company based on the coverage the Association has provided to policyholders.

18. What types of companies are not members of the Association?

Certain types of companies are not members of the Association, so the insurance they provide is not covered. These include:

- Fraternal benefit societies
- Mandatory state pooling plans
- Reciprocal or inter-insurance exchanges
- A company or organization only licensed to issue charitable gift annuities

19. How can I find out if my company is licensed in Texas?

You may call the Texas Insurance Department at +1 (800) 252-3439 or look up a company under the “Do More Online” section at the bottom of the Texas Department of Insurance website’s homepage, www.tdi.texas.gov.

20. What if I move to another state after I buy my insurance policy?

Generally speaking, you are covered by the guaranty association of the state where you live on the liquidation date for the company. Although all 50 states, plus the District of Columbia and Puerto Rico, have guaranty associations, the level of coverage may vary, and not all insurance companies are licensed in all states. If you move to another state, you should contact the insurance department or guaranty association in that state to determine whether your insurance company is licensed there and for more information about the limits of guaranty association coverage in that state.

21. How can I find out about the financial condition of an insurance company or HMO?

The Association does not provide financial advice or comment on the financial condition of insurance companies. You may obtain information from an insurance agent or an insurance company rating agency, such as Standard and Poor’s, AM Best, Moodys, Fitch Ratings, etc. You may also contact the Texas Insurance Department at +1 (800) 252-3439 for information on a particular company.

22. Why hasn't my agent or insurance company told me more about the Association?

The Association's governing law prohibits using the existence of Association coverage as a reason or inducement to buy insurance. The Association should not be considered a substitute for the prudent selection of a well-managed and financially stable company. **Agents are prohibited under Texas law from using Association coverage or the existence of the Association as an inducement to sell insurance.**

23. Is the Association a state agency?

No. The Association is a separate, non-profit legal entity, with its membership made up of all insurance companies and HMOs licensed to sell life and health policies and annuities in Texas. In fact, state law makes membership mandatory for any insurance company licensed in Texas to write the types of insurance policies and contracts covered by the Association.

24. Where can I go to get more information about the coverage provided by the Association?

Go to Texas Insurance Code Chapter 463 for the Association's governing law
or

Call or write the Association at
TLHIGA
1717 West 6th Street, Suite 230
Austin, Texas 78703
Tel: +1 (512) 476-5101
Fax: +1 (512) 472-1470
Toll-Free: +1 (800) 982-6362
questions@txlifega.org

The Association does not provide specific determinations on coverage for insurance policies until a company is insolvent and ordered liquidated.

25. What is NOLHGA?

The National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") is a voluntary association made up of the life and health insurance guaranty associations of all 50 states and the District of Columbia. NOLHGA was founded in 1983 to help the state guaranty associations coordinate their efforts to provide coverage to policyholders when a life or health insurance company's insolvency affects people in many states. When a company licensed in multiple states is declared insolvent, NOLHGA, on behalf of the affected member state guaranty associations, assembles a task force of guaranty association officials. This task force analyzes the company's policies; develops a mechanism to ensure coverage continues while covered claims are paid; and, where appropriate, arranges for covered policies to be transferred to a healthy company.