Overview

This brochure summarizes protections provided by the Life Insurance Company Guaranty Corporation of New York (LICGC) to New York policyholders in the event of the financial insolvency of any New York-licensed life insurance company owing benefits under outstanding life insurance policies, annuity contracts or accident and health insurance policies.

The brochure responds to some of the most frequently asked questions concerning the LICGC and should not be considered a legal opinion of either the New York State Insurance Department or the Life Insurance Company Guaranty Corporation of New York.

If you have questions after reviewing the brochure, you may write to the LICGC in care of the New York State Insurance Department's Life Insurance Bureau, 25 Beaver Street, New York, NY 10004.

The LICGC is a not-for-profit New York corporation created under a special statute enacted in 1985, *The Life Insurance Company Guaranty Corporation of New York Act.* Every life insurance company licensed to do business in the State of New York must be a member of the LICGC as a condition of transacting an insurance business in the State. A Board of Directors, consisting of representatives of member insurers and the Superintendent of Insurance, manages the operations of the LICGC.

One of the State Insurance Department's most important responsibilities is regulating the activities of life insurers doing business in the State to ensure that the promises made in insurance policies are fulfilled. Therefore, each life insurer licensed in New York submits comprehensive annual and quarterly reports on its financial condition.

In addition, the Department's insurance examiners conduct regular on-site examinations of all **domestic life insurers** (those insurers incorporated in New York) to evaluate their financial condition, as well as their underwriting and claims-handling practices. Out-of state life insurers doing business in New York are subject to on-site examinations by their home state insurance departments.

The Department's record in regard to life insurer solvency is an excellent one. No policyholder of a domestic life insurer has ever lost a penny because a company couldn't meet its obligations. With the creation of the Life Insurance Guaranty Corporation in 1941, New York became the first state in the country to provide consumers with a measure of protection against life insurer insolvency. Since those original guaranty fund protections were established, the fund has been needed only twice to pay policyholder claims.

Q: How does the LICGC work?

A: The LICGC is required by law to provide funds to protect **New York resident policyholders** in the event of the insolvency of a **licensed life insurer**.

The LICGC is funded through assessments against member insurers made after a member insurer is declared insolvent by a court of law. Such funds are used to pay valid claims as well as administrative expenses.

In addition, insurance policies and annuity contracts issued by **domestic life insurers** prior to August 2, 1985 may also have protection provided by a separate fund, administered by the Life Insurance Guaranty Corporation, which was established before the LICGC was created in 1985.

Q: What types of insurance policies are protected by the LICGC?

A: The LICGC protects life insurance policies as well as annuity contracts and accident and health insurance policies issued by licensed life insurers, subject to certain limitations. Limited protection is also available for other types of contracts as discussed below.

Q: Are there any limits on the protection afforded by the LICGC?

A: The LICGC will provide up to $500,000 of coverage to a life insurance policyholder/beneficiary, an individual annuity (such as a Single Premium Deferred Annuity) contract holder or an **individual** accident and health insurance policyholder. In addition, the full benefits of **group** accident and health insurance policies issued by licensed life insurers are protected for a minimum of six months.

Also, limited coverage is afforded to funding agreements and group annuity contracts. Both group annuity contracts, including guaranteed interest contracts, and funding agreements, are frequently used for the investment of the assets of pension, profit-sharing and salary reduction type plans. Most often it is the plan trustee or sponsor who makes the investment. The extent of LICGC protection for an individual participant depends on the insurer's obligation as set forth in the contract.

If the contract does not guarantee annuity benefits with respect to any specific individual identified in the contract, the LICGC will provide coverage for the total invested with the insurer, up to $1 million. However, if the contract does guarantee annuity benefits with respect to specific individuals identified in the contract, then the LICGC will provide up to $500,000 of coverage to such individuals who are New York residents.

With respect to funding agreements that do not fund benefits under employee benefit plans, the LICGC provides aggregate coverage of up to $500,000. For more specific information about the type of contract through which your protection is provided, you should contact your employer's personnel office.

Q: My insurance company's home office is in another state, but the company is licensed in New York. Am I protected by the LICGC?

A: You are protected if you were a resident of New York State when you purchased the policy or are a resident at the time your insurance company becomes insolvent. Policies purchased from domestic life insurers prior to August 2, 1985 may have additional protection through the separate Life Insurance Guaranty Corporation, regardless of residency.

Q: I bought my life insurance policy when I lived in New York but now I live in Florida. Am I protected?

A: As long as you were a resident of this State at the time of purchase and your insurer was licensed here, you are protected. You may also have protection in your current state of residence.

Q: I have a separate account variable annuity contract, i.e., my funds are invested separately from those of the company and I bear all the risk of gains and losses. What kind of protection do I have?

A: The LICGC provides no protection under the contract described above. As noted, you bear the entire risk under the contract. However, there are some separate accounts in which individuals do not bear the full amount of the risk and some protection would be available for these kinds of contracts. Assets in such separate accounts would normally retain their separate status in the event of the insolvency of the issuing insurer and could not be used to pay that insurer's other debts and obligations that do not arise out of the business of the separate account.

Q: My separate account annuity guarantees a minimum return. Am I protected by the LICGC?

A: You are protected, but only for the portion of the contract that is guaranteed. Presumably, most of this guaranteed amount would be payable from the assets of the separate account. The LICGC would come into play only in the event of a shortfall as to the guaranteed amount.

Q: I have a 401(k) plan with my employer. I have selected a fixed interest option funded by a guaranteed investment contract (GIC) issued by a life insurance company to my employer. Will my invested funds be protected?

A: A 401(k) plan is a retirement savings plan in which employees contribute through payroll deductions to a fund to be used for retirement. If the guaranteed interest contract guarantees annuity benefits with respect to specific individuals identified in the contract, then such individual is protected by the LICGC up to a maximum of $500,000.

However, if the guaranteed interest contract does not guarantee annuity benefits with respect to any specific individual identified in the contract, the contract is protected up to a maximum of $1 million in the aggregate for all claims made under that contract.

Q: My husband and I each have an annuity contract worth $300,000. Does the $500,000 cap apply to us jointly?

A: No, the LICGC puts the aggregate limit of $500,000 on any one life. Therefore, the limit would apply to you and your husband separately.

Q: How can I find out if my insurer is licensed in New York State?

A: The New York Insurance Department maintains a list of all companies currently licensed in New York State. The list is located on the Department's Web site, **www.ins.state.ny.us** — click on "Publications" to locate the link for the "Directory of Insurance Companies."

Q: What happens when an insurance company experiences financial difficulty?

A: The Insurance Law provides that the Superintendent may seek an order from the New York State Supreme Court to allow him or her to take over a domestic insurer's operations if any of a variety of circumstances exist, including situations that affect a company's financial stability.

This supervision of a company may take either of two forms: rehabilitation or liquidation. The essential difference is that under rehabilitation, the Superintendent attempts to return the company to a financially stable condition, whereas under liquidation, steps are taken toward the eventual dissolution of the company. Both are designed to enable the Superintendent to protect the insurer's policyholders and other creditors.

If a company is domiciled in another state that has placed it in rehabilitation or liquidation, the Superintendent may seek a court order allowing him or her to take control of the company's assets in New York. The LICGC is available to pay policyholder claims after a court declares any licensed insurer insolvent. This declaration is typically found in a court order of rehabilitation or liquidation.

Q: Will I have to wait for payments once my insurer is taken over by the Superintendent?

A: When your insurer is initially taken over by the Superintendent, payments to you from your insurer may be suspended. Delays could be necessary to allow the Superintendent time to sort out the affairs of the financially troubled insurer. As a result, in some cases, you may have to wait many months before receiving payments; in other cases, benefits may not be delayed at all.

Q: How will I know if my insurer is taken over by the Superintendent?

A: Once the Superintendent of Insurance steps in to take over an insurer, official notice is sent to all policyholders explaining the circumstances that made the action necessary. In addition, notices are published in the newspapers.

The Life Insurance Company Guaranty Corporation was created to provide protection for New York life insurance policyholders in the event of insurer insolvency. However, the best protection for consumers is care in selecting an insurer and a policy.

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New York State
Insurance Department

Policyholder Protection

Provided by the Life Insurance Company Guaranty Corporation of New York

It is illegal for any person, including an insurer, agent or affiliate of an insurer to use this brochure for the purpose of selling insurance, or soliciting or inducing the purchase of insurance.

As an insurance consumer, you should select your insurance company carefully. Although the Life Insurance Company Guaranty Corporation provides broad protection, there are limitations on coverage. You should not ignore a company's financial condition on the assumption that you will be fully protected if the company fails to meet its obligations.

DAVID A. PATERSON
Governor

JAMES J. WRYNN
Superintendent of Insurance