



DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF INSURANCE
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Bulletin 11-009

September 1, 2011

**REVISED COVERAGE UNDER THE NEVADA LIFE AND HEALTH
INSURANCE GUARANTY ASSOCIATION**

Assembly Bill No. 74, which was signed into law by Governor Sandoval on June 17, 2011, included provisions (sections 33.1 to 33.7, inclusive) which amend chapter 686C of the Nevada Revised Statutes (NRS) to expand coverage under the Nevada Life and Health Insurance Guaranty Association (guaranty association) to include unallocated annuities owned by a governmental retirement plan established under sections 401, 403(b) or 457 of the Internal Revenue Code (IRC).

The following summarizes actions that companies must take to comply with the revised law:

1. **Effective October 1, 2011, all Life and Health insurers must use the attached updated summary document describing coverage, limitations, and exclusions under the guaranty association.** Pursuant to NRS 686C.128, the guaranty association must prepare a summary document and disclaimer for approval by the Commissioner of Insurance (Commissioner) that describes coverage, limitations, and exclusions applicable under the guaranty association. For this purpose, the Commissioner has approved the attached revised summary and disclosure document which reflects updated contact information for the Nevada Division of Insurance (Division), as well as changes in guaranty association coverage approved during the 76th (2011) Session of the Nevada Legislature.

Effective October 1, 2011, life and health insurers must use the revised summary document in order to comply with NRS 686C.128.

2. **All insurers issuing unallocated annuities to governmental retirement plans established under sections 401, 403(b) or 457 of the IRC must submit their unallocated annuity contracts and related forms to the Division for review and approval.** Note that unallocated annuities issued to nongovernmental entities are still outside of the jurisdiction of the Division and will not be reviewed by our office. However, insurers may continue to file these contracts with the Division on an informational only basis.

Therefore, the Division recommends that all affected insurers review their unallocated annuity contracts and related forms and submit, for review by the Division, those that are intended to be issued to governmental retirement plans established under sections 401, 403(b) or 457 of the IRC.

Filing Guidance

When submitting contracts to the Division for review and approval, insurers must include a new, distinct identifying form number in the lower left hand corner of each form intended for use with governmental retirement plans.

Because Division review and approval is limited to contracts issued to the governmental plans described above, insurers must include a statement in the transmittal letter or in a separate document, acknowledging that the Division's approval is only valid for governmental retirement plans established under sections 401, 403(b) or 457 of the IRC in Nevada and certifying that the company will not issue the approved forms to other entities.

In order to facilitate the prompt review of affected forms by October 1, 2011, the Division recommends that insurers use the System for Electronic Rates and Forms Filing (SERFF) and indicate "AB74" in the Company Tracking Number field.



AMY L. PARKS

Acting Commissioner of Insurance

NEVADA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

GUARANTY ASSOCIATION ACT SUMMARY DOCUMENT (2011)

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

The Nevada Life and Health Insurance Guaranty Association may not provide coverage for a policy. If coverage is provided, it will be subject to substantial limitations and exclusions, and require continued residency in Nevada. A person should not rely on coverage by the Association when selecting an insurance company or when selecting an insurance policy.

Coverage is NOT provided for a policy or any portion of it that is not guaranteed by the Insurer or for which the policyholder has assumed the risk, such as a variable contract sold by prospectus.

Insurance companies are required by law to deliver this notice to you. **However, insurance companies and their agents are prohibited by law from using the existence of the Association for sales, solicitation or to induce the purchase of any kind of insurance policy.**

The state law that provides for this safety-net coverage is called the Nevada Life and Health Insurance Guaranty Association. Below is a brief summary of this law's coverages, exclusions and limits. The summary does not cover all provisions of the law, nor does it in any way change anyone's rights or obligations under the act, or the rights or obligations of the Association. **Anyone may obtain additional information from the Association or file a complaint with the Commissioner of Insurance to allege a violation of any provision of the Nevada Life and Health Insurance Guaranty Association Act, at the applicable address listed below:**

The Nevada Life and Health Insurance Guaranty Association

**P. O. Box 3302
Reno, Nevada 89505**

**Nevada Commissioner of Insurance
Department of Business and Industry
Division of Insurance
1818 E. College Parkway, Suite 103
Carson City, Nevada 89706**

COVERAGE

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

EXCLUSIONS FROM COVERAGE

However, persons holding such policies are **NOT** protected by this Association if:

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

The Association also does **NOT** provide coverage for:

- any policy or portion of a policy which is not guaranteed by the insurer or for which the individual has assumed the risk, such as a variable contract sold by prospectus;
- interest rate yields that exceed an average rate;
- dividends;
- 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); and
- unallocated annuity contracts (which give rights to group contract holders, not individuals) other than an annuity owned by a governmental retirement plan established under section 401, 403(b) or 457 of the Internal Revenue Code 26 U.S.C. §§ 401, 403(b) and 457, respectively, or trustees of such a plan.

LIMITS ON AMOUNT OF COVERAGE

The act also limits the amount the Association is obligated to pay. The Association cannot pay more than what the insurance company would owe under a policy or contract.

Also, for any one insured life, the Association will pay a maximum of \$300,000, regardless of how many policies and contracts there are with the same company, and even if they provide different types of coverage. Within this overall \$300,000 limit, the Association will not pay more than: 1) \$100,000 in cash surrender values; 2) \$100,000 in present values of an annuity; or 3) \$300,000 in life insurance death benefits.

With respect to health insurance for any one natural person, the Association will not pay more than: 1) \$100,000 for coverages other than disability insurance, basic hospital, medical and surgical insurance or major medical insurance, including any net cash for surrender or withdrawal; 2) \$300,000 for disability insurance; or 3) \$500,000 for basic hospital, medical and surgical insurance or major medical insurance.

With respect to each payee of a structured settlement annuity, or beneficiary or beneficiaries of the payee if deceased, the Association will not pay more than \$100,000 in present values of benefits from the annuity in the aggregate, including any net cash for surrender or withdrawal.

With respect to any one life or person, in no event will the Association be obligated to cover more than: 1) an aggregate of \$300,000 in benefits, excluding benefits for basic hospital, medical and surgical insurance or major medical insurance; or 2) an aggregate of \$500,000 in benefits, including benefits for basic hospital, medical or surgical insurance or major medical insurance.

With respect to one owner of several non-group policies of life insurance, whether the owner is a natural person or an organization and whether the persons insured are officers, managers, employees or other persons, the Association will not pay more than \$5,000,000 in benefits, regardless of the number of policies and contracts held by the owner.

With respect to each participant in a governmental retirement plan covered by an unallocated annuity contract as described in chapter 686C of the Nevada Revised Statutes, the Association will not pay more than an aggregate of \$100,000 regardless of the number of contracts issued by any single member company.

**FOR MORE INFORMATION AND ANSWERS TO THE MOST FREQUENTLY ASKED
QUESTIONS, PLEASE VISIT THE ASSOCIATION'S WEB SITE:
www.nvlifega.org**