

# Questions and Answers about the Louisiana Life and Health Insurance Guaranty Association

## **WHAT IS THE LOUISIANA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION?**

The Louisiana Life and Health Guaranty Association (LLHIGA) is a guaranty fund that covers most life insurance policies, health insurance policies and annuities sold in Louisiana, if the insurance company issuing the policy cannot pay its claims. LLHIGA's coverage is similar to the Federal Deposit Insurance Corporation's coverage of commercial banks. LLHIGA operates as a non-profit association and is comprised of all life and health insurance companies licensed to do business in Louisiana. LLHIGA is governed by a board of directors approved by Louisiana's Insurance Commissioner.

There is another guaranty association system, which covers policyholders of property and casualty insurers, such as automobile and homeowners. Information on protection through that system is available through the Louisiana Insurance Guaranty Association (LIGA), 2142 Quail Run Dr., Baton Rouge, LA 70808, (225) 757-1688.

## **WHO IS PROTECTED?**

LLHIGA covers individual policyholders and their beneficiaries; and certificate holders under group contracts.

## **DOES IT MATTER WHERE I LIVE?**

LLHIGA is statutorily limited to only protect Louisiana residents. However, it does not matter where the policyholder's beneficiaries live.

## **HOW IS PROTECTION COVERED?**

LLHIGA provides coverage directly, or through outside administrators or other insurance companies. In multi-state insolvencies, LLHIGA works through the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) to transfer the policies or arrange for claims administration.

## **WHAT BENEFITS ARE PROVIDED?**

With respect to an insured's life, LLHIGA is liable for: \$300,000 in life insurance death benefits, \$100,000 cash or withdrawal values for life insurance benefits, \$250,000 in present value of annuity benefits, and \$500,000 in health benefits. There is a limit of \$500,000 for all benefits combined, per insured life. LLHIGA does not guaranty unallocated annuities except those qualified under Section 403 (b) of the U.S. Internal Revenue Code.

## **MAY MY INSURANCE COVERAGE BE CONTINUED?**

In many cases, LLHIGA will continue coverage for the full policy period. It may do this directly or it may transfer the policy to another insurer or administrator.

## **WHEN DOES LLHIGA PROVIDE BENEFITS?**

Generally, LLHIGA will be able to provide coverage when the company has been declared financially impaired or insolvent by a court of law, the La Department of Insurance, or the Board of Directors of LLHIGA. LLHIGA must also receive data on who is insured, his or her domicile and the amount of benefit claims before benefits can be covered. LLHIGA receives this information from the state authorities that have taken control of the company.

**WHO PAYS FOR THESE GUARANTEES?**

In order to cover costs of providing benefits to policyholders, LLHIGA collects the money it needs from its insurance company members. The amount the member companies must pay depends on how much insurance they write of the same type or types (life or health or annuities) for which the association is collecting. These collections, or assessments, are performed after an insurer is declared financially impaired or insolvent by a court, the Louisiana Commissioner of Insurance or the Board of Directors of LLHIGA.

**WHAT IS THE DIFFERENCE BETWEEN REHABILITATION AND LIQUIDATION?**

Rehabilitation is a process whereby an insolvent or an impaired insurance company is placed under a Court approved plan to return the company to solvency. Depending on the rehabilitation plan, claims may be prorated, delayed or suspended for a period of time. Often, companies placed in rehabilitation may subsequently be placed in liquidation. The Court appointed supervisor of the company should periodically advise you of your company.

Liquidation is a process whereby assets of an insolvent insurance company are sold in order to pay claims. Since insolvent companies do not have adequate assets to pay claims, guaranty associations make up the difference. Normally, following an order of liquidation, the Court appointed supervisor would send each claimant a proof-of-claim form. Each claimant should complete the proof-of-claim form and return it to the supervisor. The supervisor will then verify the claim and forward it to the appropriate guaranty association for payment.

**WHO CAN PROVIDE ME WITH INFORMATION ABOUT MY CLAIM OR POLICY?**

Usually, the Court appointed rehabilitator or liquidator can provide you with specific information regarding policies and claims. In many cases, you will receive periodic notices from the rehabilitator or liquidator concerning the status of the insurer. You should read these notices since they will advise you of your rights and responsibilities.

**Any questions regarding LLHIGA can be directed to Executive Director, Phyllis Perron, or any LLHIGA staff person.**

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