

Advisory Notice

TO: All Member Insurers as defined in G.S. 58-62-16(11)

FROM: Life & Health Division

DATE: August 15, 2013

SUBJECT: Notice Concerning Coverage Limitations and Exclusions under the N.C. Life and Health Insurance Guaranty Association Act

ATTENTION: CHIEF EXECUTIVE OFFICER

On August 15, 2013, and pursuant to G.S. 58-62-86(b) and (c), this Department approved the revised Notice Concerning Coverage Limitations and Exclusions under the North Carolina Life and Health Insurance Guaranty Association Act ("Summary Document") adopted by the Association.

The North Carolina Life and Health Insurance Guaranty Association amended the Summary Document to reflect changes to the North Carolina Life and Health Insurance Guaranty Association Act adopted in House Bill 650 (SL 2013-136) effective July 1, 2013. The section of the Summary Document entitled "LIMITS ON AMOUNT OF COVERAGE" has been amended and should now read as follows:

LIMITS ON AMOUNT OF COVERAGE

1. The guaranty association cannot pay out more than the insurance company would owe under the policy or contract.
2. Except as provided in (3) (4) and (5) below, the guaranty association will pay a maximum of \$300,000 per individual, per insolvency, no matter how many policies or types of policies issued by the insolvent company.
3. The guaranty association will pay a maximum of \$500,000 with respect to basic hospital, medical and surgical insurance and major medical insurance.
4. The guaranty association will pay a maximum of \$1,000,000 with respect to the payee of a structured settlement annuity.
5. The guaranty association will pay a maximum of \$5,000,000 to any one unallocated annuity contract holder.

The section of the Summary Document entitled "EXCLUSIONS FROM COVERAGE" has been amended and should now read as follows:

EXCLUSIONS FROM COVERAGE

However, persons holding such policies are not protected by this 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 was issued by an 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;
- Any policy of reinsurance (unless an assumption certificate was issued);
- Interest rate yields that exceed the average rate specified in the law;
- Dividends;
- Experience or other credits given in connection with the administration of a policy by a group contractholder;
- 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), unless they fund a government lottery or a benefit plan of an employer, association or union, except that unallocated annuities issued to employee benefit plans protected by the Federal Pension Benefit Guaranty Corporation are not covered.
- A policy or contract commonly known as Medicare Part C or Part D or any regulations issued pursuant thereto.

Attached is a complete copy of the Summary Document as approved by this Department.

The provisions of Bulletin 07-B-01 relating to the formatting and permitted limited changes in the content of the Summary Document remain in effect.

If you have any questions concerning this bulletin, please contact Rebecca Hill of the Life & Health Division, at 919-807-6060 electronically at Rebecca.hill@ncdoi.gov