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SHARON PRIEST
SECRETARY OF STATE
STATE OF ARKANSAS

BY _____

Sharon Priest
Secretary of State
State Capitol Room 01
Little Rock, Arkansas 72201-1094

For Office
Use Only:

Effective Date

1/1/99

Code Number

054.00.98--011

FINAL RULE AND REGULATION 49

Name of Agency Arkansas Insurance Department

Department Legal Division

Contact Person Jean Langford Phone (501) 371-2820

Statutory Authority for Promulgating Rules: Ark. Code Ann. §23-61-108, §§25-15-201, et seq.
and others (See Citations in enclosed Rule)

	Date
Intended Effective Date	Legal Notice Published <u>August 3-9, 1998</u>
<u> </u> Emergency	Final Date for Public comment . . . <u>September 23, 1998</u>
<u> </u> 10 Days After Filing	Filed with Legislative Council . . . <u>Not applicable</u>
<u>XX</u> Other	Reviewed by Legislative Council . . <u>June 3, 1998</u>
<u>January 1, 1999</u>	Adopted by State Agency <u>October 6, 1998</u>

CERTIFICATION OF AUTHORIZED OFFICER
I Hereby Certify That The Attached Rules Were Adopted
In Compliance with Act 434 of 1967 As Amended

Jean Langford
Signature

(501) 371-2820
Phone Number

Chief Counsel
Title

October 8, 1998
Date

October 6, 1998



ARKANSAS INSURANCE DEPARTMENT

Mike Pickens, Commissioner

1200 West Third Street
Little Rock, AR 72201-1904
501-371-2820
FAX 501-371-2629

BULLETIN NO. 19 -98

TO: ALL LICENSED LIFE AND/OR DISABILITY INSURERS, BOARD OF DIRECTORS OF THE ARKANSAS LIFE AND DISABILITY INSURANCE GUARANTY ASSOCIATION, INSURER AND AGENT TRADE ASSOCIATIONS, AND OTHER INTERESTED PARTIES

FROM: ARKANSAS INSURANCE DEPARTMENT

SUBJECT: ADOPTION OF REVISED RULE AND REGULATION 49, "LIFE AND DISABILITY INSURANCE GUARANTY FUND NOTICES"

Effective January 1, 1999, the Department has readopted revised Rule and Regulation 49. Enclosed is a full copy of Rule 49 with two Appendices. Please distribute the Rule's Appendix A and Appendix B to your agents and representatives for future use.

Appendix A is the revised and updated notice to be given to each policy or contract owner prior to or at time of delivery of the policy or contract. Appendix B is a new notice which, at the option of the member of the Guaranty Association, is to be delivered to applicants or prospective policy owners at solicitation or sale of the policy or contract.

The few changes made to the Rule at final adoption include:

- 1) Inserting the effective date of January 1, 1999 in Section 6 on Page 1;
- 2) Adding a phrase, to be consistent with similar language in Appendix A, to the last narrative sentence in Appendix B before the information contact listings at the bottom of the page: "and neither agents nor insurers should use the existence of the Guaranty Association to induce you to purchase a product from them".

Direct your inquiries on the readopted Rule and Regulation 49 to Chief Counsel Jean Langford, Legal Division, at (501) 371-2820, or "jean.langford@mail.state.ar.us".

A handwritten signature in black ink, appearing to read "Mike Pickens", written over a horizontal line.

MIKE PICKENS
INSURANCE COMMISSIONER

ENCLOSURE: Final Rule and Regulation 49

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STATE OF ARKANSAS

RULE AND REGULATION 49
LIFE AND DISABILITY INSURANCE GUARANTY FUND NOTICES

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Section 1. Purpose

The purpose of this Rule and Regulation ("Rule") is to implement Act 444 of 1989, now codified as Ark. Code Ann. §§23-96-101, et seq., as amended by Act 950 of 1997.

Section 2. Authority

This Rule is issued pursuant to the authority vested in the Commissioner under Ark. Code Ann. §§23-61-108, 23-96-105(a) as amended by Act 950 of 1997, and 25-15-203.

Section 3. Applicability and Scope

This Rule applies to every member insurer of the Arkansas Life and Disability Insurance Guaranty Association as defined in Ark. Code Ann. §23-96-104(12), as amended by Act 950 of 1997.

Section 4. Notices

Pursuant to Ark. Code Ann. §23-96-105, as amended by Act 950 of 1997, the Commissioner hereby promulgates this Rule in order to establish the form and content of the coverage documents to be delivered to policy or contract owners.

Appendix A is to be used by each member insurer and shall be given to each policy and contract owner either prior to or at the time of delivery of the policy or contract. Appendix B may at the option of the member insurer be given to a prospective policy or contract owner at the time of solicitation and sale of a policy or contract.

Section 5. Severability

Any section or provision of this Rule held by a court to be unconstitutional or otherwise invalid will not affect the validity of any other section or provision of this Rule.

Section 6. Effective Date

This Rule shall be effective January 1, 1999, upon signature and statutory filing by the Commissioner.


MIKE PICKENS
INSURANCE COMMISSIONER

10/6/98

DATE

APPENDIX "A"

**LIMITATIONS AND EXCLUSIONS UNDER THE
ARKANSAS LIFE AND DISABILITY INSURANCE
GUARANTY ASSOCIATION ACT**

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STATE OF ARKANSAS

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

DISCLAIMER

The Arkansas Life and Disability Insurance Guaranty Association ("Guaranty Association") may not provide coverage for this policy. If coverage is provided, it may be subject to substantial limitations or exclusions and require continued residency in this state. You should not rely on coverage by the Guaranty Association in purchasing an insurance policy or contract.

Coverage is NOT provided for your policy or contract or any portion of it that is not guaranteed by the insurer or for which you have assumed the risk, such as non-guaranteed amounts held in a separate account under a variable life or variable annuity contract.

Insurance companies or their agents are required by law to provide you with this notice. However, insurance companies and their agents are prohibited by law from using the existence of the Guaranty Association to induce you to purchase any kind of insurance policy.

The Arkansas Life and Disability Insurance Guaranty Association
C/o The Liquidation Division
1200 West Third Street (Third & Cross)
Little Rock, Arkansas 72201-1904

Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

The state law that provides for this safety-net is called the Arkansas Life and Disability Insurance Guaranty Association Act ("Act"). Below is a brief summary of the Act's coverages, exclusions and limits. This summary does not cover all provisions of the Act; nor does it in any way change anyone's rights or obligations under the Act or the rights or obligations of the Guaranty Association.

COVERAGE

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

EXCLUSIONS FROM COVERAGE

However, persons owning such policies are NOT protected by the Guaranty 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 or contract was issued by a nonprofit hospital or medical service organization, an HMO, a fraternal benefit society, a mandatory state pooling plan, a mutual assessment company or similar plan in which the policy or contract owner is subject to future assessments, or by an insurance exchange.

The Guaranty Association also does NOT provide coverage for:

- Any policy or contract or portion thereof which is not guaranteed by the insurer or for which the owner has assumed the risk, such as non-guaranteed amounts held in a separate account under a variable life or variable annuity contract;
- Any policy of reinsurance (unless an assumption certificate was issued);
- Interest rate yields that exceed an average rate;
- Dividends and voting rights and experience rating credits;
- 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);
- Unallocated annuity contracts (which give rights to group contractholders, not individuals);
- Unallocated annuity contracts issued to/in connection with benefit plans protected under Federal Pension Benefit Corporation ("FPBC")(whether the FPBC is yet liable or not);
- Portions of an unallocated annuity contract not owned by a benefit plan or a government lottery (unless the owner is a resident) or issued to a collective investment trust or similar pooled fund offered by a bank or other financial institution);
- Portions of a policy or contract to the extent assessments required by law for the Guaranty Association are preempted by State or Federal law;
- Obligations that do not arise under the policy or contract, including claims based on marketing materials or side letters, riders, or other documents which do not meet filing requirements, or claims for policy misrepresentations, or extra-contractual or penalty claims;
- Contractual agreements establishing the member insurer's obligations to provide book value accounting guarantees for defined contribution benefit plan participants (by reference to a portfolio of assets owned by a nonaffiliate benefit plan or its trustees).

LIMITS ON AMOUNT OF COVERAGE

The Act also limits the amount the Guaranty Association is obligated to cover. The Guaranty Association cannot pay more than what the insurance company would owe under a policy or contract. Also, for any one insured life, the Guaranty Association will pay a maximum of \$300,000 - no matter how many policies and contracts there were with the same company, even if they provided different types of coverages. Within this overall \$300,000 limit, the Association will not pay more than \$100,000 in health insurance benefits, \$100,000 in present value of annuity benefits, or \$100,000 in life insurance death benefits or net

1 cash surrender values - again, no matter how many policies and contracts there were with the same
2 company, and no matter how many different types of coverages. There is a \$1,000,000 limit with respect
3 to any contract holder for unallocated annuity benefits, irrespective of the number of contracts held by the
4 contract holder. These are limitations for which the Guaranty Association is obligated before taking into
5 account either its subrogation and assignment rights or the extent to which those benefits could be
6 provided out of the assets of the impaired or insolvent insurer.

APPENDIX "B"

NOTICE OF
THE ARKANSAS LIFE AND DISABILITY
INSURANCE GUARANTY ASSOCIATION ACT

FILED
AR. REGISTER DIV.
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STATE OF ARKANSAS

The Arkansas Life and Disability Insurance Guaranty Association Act (the "Act") provides protection, subject to certain limitations and exclusions, against loss under life and disability (health and accident) insurance policies and annuity contracts issued by insolvent insurers licensed in this state. Some limitations and exclusions apply; some are listed below.

This notice is provided to you only to make you aware of the existence of the limited protection under the Act. It confers no rights to any policyholder or contract holder not provided under the Act. It does not change or vary any exclusion or limitation contained in the Act. Specific reference must be made to the Act to determine whether any particular policy or contract is covered, the amount of any coverage which may be available, and applicable limitations or exclusions.

Some of the limitations and exclusions are as follows:

1. The Act limits the amount the Guaranty Association is obligated to pay: The Association cannot pay more than what the insurer would owe under a policy or contract. Also, for any one insured, the Guaranty Association will pay a maximum of \$300,000 no matter how many policies or contracts you have with the same insurer even if they provide different coverages. Within this overall \$300,000 limit, the Association will pay a maximum of \$100,000 in net cash surrender values, \$100,000 in life insurance death benefits, \$100,000 in present value of annuities, and \$100,000 in disability or health insurance benefits. There is a \$1,000,000 limit with respect to any one contract holder for unallocated annuity benefits irrespective of the number of participants in the plan.
2. You are not covered:
 - a. If you are not a resident of Arkansas at the time the order of the insurer's insolvency was issued;
 - b. Your insurer was not licensed in this state; or,
 - c. Your insurer was a self-insured plan, trust or other similar entity, health maintenance organization or other entity excluded under the Act.
3. Obligations not specifically provided in the policy or contract are not covered by the Act. Examples of obligations, which are not covered by the Act, include damages or loss due to misrepresentations of policy benefits, inaccurate solicitation material, unfiled policy documents or endorsements, and extra-contractual damages, penalties and similar damages or claims.
4. Dividends or interest rate yields that do not meet specifications described in the Act are not covered under the Act.

You should not rely upon coverage under the Act when buying a life or disability insurance policy or selecting an insurer, and neither agents nor insurers should use the existence of the Guaranty Association to induce you to purchase a product from them.

For more information relative to the Act, you may contact:

The Arkansas Life and Disability
Insurance Guaranty Association
C/o The Liquidation Division
1200 West Third Street
Little Rock, AR 72201-1904

Arkansas Insurance Department
1200 West Third Street
Little Rock, AR 72201-1904