

# ARKANSAS REGISTER

## Proposed Rule Cover Sheet



Secretary of State  
John Thurston  
500 Woodlane Street, Suite 026  
Little Rock, Arkansas 72201-1094  
(501) 682-5070  
[www.sos.arkansas.gov](http://www.sos.arkansas.gov)



Name of Department \_\_\_\_\_

Agency or Division Name \_\_\_\_\_

Other Subdivision or Department, If Applicable \_\_\_\_\_

Previous Agency Name, If Applicable \_\_\_\_\_

Contact Person \_\_\_\_\_

Contact E-mail \_\_\_\_\_

Contact Phone \_\_\_\_\_

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Name of Rule \_\_\_\_\_

Newspaper Name \_\_\_\_\_

Date of Publishing \_\_\_\_\_

Final Date for Public Comment \_\_\_\_\_

Location and Time of Public Meeting \_\_\_\_\_

**PROPOSED AMENDED RULE 49**

**LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION NOTICES**

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**Section 1. ~~Purpose~~**

The purpose of this Rule and Regulation ("Rule") is to implement Act 444 of 1989 (as amended), now codified as Ark. Code Ann. §§ 23-96-101, et seq., and Acts 1603 and 1604 of 2001.

**Section 2. ~~Authority~~**

This Rule is issued pursuant to the authority vested in the Commissioner under Ark. Code Ann. §§ 25-15-201, et seq., 23-61-108, 23-96-105(a), Acts 1603 107(c)(2), and 1604 other provisions of 2001, and 25-15-203 the Arkansas Insurance Code.

**Section 3. ~~Applicability~~2. Purpose and Scope**

The purpose of this Rule is to implement and provide guidance for compliance with the Arkansas Life and Health Insurance Guaranty Association Act, Ark. Code Ann. §§ 23-96-101, et seq. This Rule applies to every member insurer of the Arkansas Life and Health Insurance Guaranty Association as defined in Ark. Code Ann. § 23-96-104(12), and Acts 1603 and 1604 of 2001. 13).

**Section 4~~3~~. ~~Notices~~**

Pursuant to Ark. Code Ann. §§ 23-96-105(a), and Acts 1603 and 1604 of 2001, 23-96-107(c)(2), 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/or 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. Appendix B may be given to a prospective policy or contract owner at the time of solicitation and sale of a policy or contract.

**Section 5~~4~~. ~~Severability~~**

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

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**Section 65. Effective Date**

This Rule shall be effective ~~January 1, 2004, upon the date of the Commissioner's signature and statutory filing by the Commissioner,~~

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~~{signed by Mike Pickens}~~  
~~MIKE PICKENS~~

~~ALAN McCLAIN~~  
~~INSURANCE COMMISSIONER~~

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~~DECEMBER 18, 2003~~  
~~STATE OF ARKANSAS~~

~~DATE~~

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

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Residents of this state who purchase life insurance, annuities or health ~~and accident~~ insurance should know that the insurance companies licensed in this state to write these types of insurance are members of the Arkansas Life and Health 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 and contract owners who live in this state and, in some cases, to keep coverage in force. ~~The~~Please note that the valuable extra protection provided by the member insurers through the Guaranty Association is ~~returned, however, Arkansas law below, limited. This protection is not available from a reinsurer's or reinsurer's~~ insurance companies that are well managed and financially stable.

**DISCLAIMER**

The Arkansas Life and Health Insurance Guaranty Association ~~("("Guaranty Association") may not provide")~~ provides coverage for this policy. If of claims under some types of policies or contracts if the insurer or health maintenance organization becomes impaired or insolvent, **COVERAGE MAY NOT BE AVAILABLE FOR YOUR POLICY.** Even if coverage is provided, it may be subject to substantial limitations or there are significant limits and exclusions and require continued residency in this state. You should not rely on coverage by the. Coverage is always conditioned on residence in the State of Arkansas. Other conditions may also preclude coverage.

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The Guaranty Association in purchasing an insurance policy or contract:

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

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Insurance companies or their agents are required by law to provide you with this notice. However, insurance companies which are not answered by this document. Your insurer or health maintenance organization and their

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~~agents~~agent are prohibited by law from using the existence of the ~~Guaranty Association~~association or its coverage to ~~induce~~sell you to purchase any kind of an insurance policy or health maintenance organization coverage.

You should not rely on availability of coverage under the Guaranty Association when selecting an insurer or health maintenance organization.

The Arkansas Life and Health Insurance Guaranty Association  
c/o The Liquidation Division  
1023 West Capitol Avenue  
Little Rock, Arkansas 72201

Arkansas Insurance Department  
~~4200 West Third Street~~  
1 Commerce Way, Suite 102  
Little Rock, Arkansas 72201-1904/72202

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The state law that provides for this safety-net is called the Arkansas Life and Health Insurance Guaranty Association Act ("Act"), which is codified at Ark. Code Ann. §§ 23-96-101, et seq. 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~~any person'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 health 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:

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- 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; or,
- 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

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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'~~Employer 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/ or in connection with benefit plans protected under the Federal Pension Benefit Corporation ("FPBC"), regardless of 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 Statestate or Federalfederal 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, orand extra-contractual or penalty claims; or;
- 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 trusteestrustee(s)).

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#### 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 in life insurance death benefits without regard to the number of~~ policies and contracts there were with the same company, even if they provided different types of coverages. ~~Within this overall \$300,000 limit, the~~The Guaranty Association will ~~not pay more than \$300,000~~a maximum of \$500,000 in health benefits, provided that coverage for disability insurance benefits, and long-term care insurance benefits shall not exceed \$300,000. The Guaranty Association will pay \$300,000 in present value of annuity benefits, or \$300,000 in life insurance death benefits ~~or including net cash surrender and net cash withdrawal values~~—again, no matter how many policies and contracts there were with the same company, and no matter how many different types of coverages. There is a \$1,000,000 limit with respect to any contract holder for unallocated annuity benefits, ~~irrespective of the number of contracts held by the contract holder.~~ These are limitations ~~for under~~ which the Guaranty Association is obligated ~~before taking into account~~to

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~~operate prior to considering~~ either its subrogation and assignment rights or the extent to which those benefits could be provided ~~out-of-the~~~~from~~ assets of the impaired or insolvent insurer.

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# **NOTICE OF THE ARKANSAS LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION ACT**

The Arkansas Life and Health Insurance Guaranty Association Act (the "Act") provides protection, subject to certain limitations and exclusions, against loss under life and health 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 Guaranty Association cannot pay more than what the ~~insurer~~ insurance company would owe under a policy ~~of, contract, or certificate.~~ Also, for any one insured life, the Guaranty Association will pay a maximum of \$300,000 ~~no matter how many in life insurance death benefits without regard to the number of policies or and contracts you have there were,~~ with the same ~~insurer~~ company, even if they ~~provide~~ provided different types of coverages. ~~Within this overall \$300,000 limit, the The~~ Guaranty Association will pay a maximum of \$300,000 ~~in net cash surrender values, \$300,500,000 in life insurance death benefits, health benefits, provided that coverage for disability insurance benefits and long-term care insurance benefits shall not exceed \$300,000. The Guaranty Association will pay \$300,000 in present value of annuities, and \$300,000 in disability or health insurance benefits, annuity benefits, including net cash surrender and net cash withdrawal values.~~ 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.~~ ~~These are limitations under which the Guaranty Association is obligated to operate prior to considering either its subrogation and assignment rights or the extent to which those benefits could be provided from assets of the impaired or insolvent insurer.~~
2. You are not covered:
  - a. If you are not a resident of Arkansas at the time the order of the ~~insurer's~~ 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 or 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

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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 health insurance policy, annuity contract, or when selecting an insurer, and neither. Neither agents nor insurers should use the existence of the Guaranty Association to induce you to purchase a product from them.**

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

The Arkansas Life and Health  
Insurance Guaranty Association  
Way, Suite 102  
c/o The Liquidation Division  
1023 West Capitol, Suite 2  
Little Rock, AR 72201

Arkansas Insurance Department  
1200 West Third Street Commerce  
Little Rock, AR 72201-490472202

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# **PROPOSED AMENDED RULE 49**

## **LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION NOTICES**

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### **Section 1. Authority**

This Rule is issued pursuant to the authority vested in the Commissioner under Ark. Code Ann. §§ 25-15-201, *et seq.*, 23-61-108, 23-96-107(c)(2) and other provisions of the Arkansas Insurance Code.

### **Section 2. Purpose and Scope**

The purpose of this Rule is to implement and provide guidance for compliance with the Arkansas Life and Health Insurance Guaranty Association Act, Ark. Code Ann. §§ 23-96-101, *et seq.* This Rule applies to every member insurer of the Arkansas Life and Health Insurance Guaranty Association as defined in Ark. Code Ann. § 23-96-104(13).

### **Section 3. Notices**

Pursuant to Ark. Code Ann. §§ 23-96-105(a) and 23-96-107(c)(2), 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 or contract owner prior to or at the time of delivery of the policy or contract. At the option of the member insurer, Appendix B may be given to a prospective policy or contract owner at the time of solicitation and sale of a policy or contract.

### **Section 4. Severability**

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

**Section 5. Effective Date**

This Rule shall be effective upon the date of the Commissioner's signature.

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ALAN McCLAIN  
INSURANCE COMMISSIONER  
STATE OF ARKANSAS

---

DATE



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

Residents of this state who purchase life insurance, annuities or health insurance should know that the insurance companies licensed in this state to write these types of insurance are members of the Arkansas Life and Health 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 and contract owners who live in this state and, in some cases, to keep coverage in force. Please note that the valuable extra protection provided by the member insurers through the Guaranty Association is limited. This protection is not a substitute for a consumers' careful consideration in selecting insurance companies that are well managed and financially stable.

**DISCLAIMER**

The Arkansas Life and Health Insurance Guaranty Association ("Guaranty Association") provides coverage of claims under some types of policies or contracts if the insurer or health maintenance organization becomes impaired or insolvent. **COVERAGE MAY NOT BE AVAILABLE FOR YOUR POLICY.** Even if coverage is provided, there are significant limits and exclusions. Coverage is always conditioned on residence in the State of Arkansas. Other conditions may also preclude coverage.

The Guaranty Association will respond to any questions you may have which are not answered by this document. Your insurer or health maintenance organization and agent are prohibited by law from using the existence of the association or its coverage to sell you an insurance policy or health maintenance organization coverage.

You should not rely on availability of coverage under the Guaranty Association when selecting an insurer or health maintenance organization.

The Arkansas Life and Health Insurance Guaranty  
Association  
c/o The Liquidation Division  
1023 West Capitol Avenue  
Little Rock, Arkansas 72201

Arkansas Insurance Department  
1 Commerce Way, Suite 102  
Little Rock, Arkansas 72202

The state law that provides for this safety net is called the Arkansas Life and Health Insurance Guaranty Association Act ("Act"), which is codified at Ark. Code Ann. §§ 23-96-101, *et seq.* 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 any person'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 health 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; or
- Their policy or contract was issued by a hospital or medical service organization, 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, voting rights, and experience rating credits;
- Credits given in connection with the administration of a policy by a group contract holder;
- Employer 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 or in connection with benefit plans protected under the Federal Pension Benefit Corporation (“FPBC”), regardless of whether the FPBC is yet liable;
- 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, claims for policy misrepresentations, and extra-contractual or penalty claims; or
- 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 trustee(s).

#### 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 in life insurance death benefits without regard to the number of policies and contracts there were with the same company, even if they provided different types of coverages. The Guaranty Association will pay a maximum of \$500,000 in health benefits, provided that coverage for disability insurance benefits and long-term care insurance benefits shall not exceed \$300,000. The Guaranty Association will pay \$300,000 in present value of annuity benefits, including net cash surrender and net cash withdrawal values. There is a \$1,000,000 limit with respect to any contract holder for unallocated annuity benefits. These are limitations under which the Guaranty Association is obligated to operate prior to considering either its subrogation and assignment rights or the extent to which those benefits could be provided from assets of the impaired or insolvent insurer.



**NOTICE OF  
THE ARKANSAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION ACT**

The Arkansas Life and Health Insurance Guaranty Association Act (the "Act") provides protection, subject to certain limitations and exclusions, against loss under life and health insurance policies and annuity contracts issued by insolvent insurers licensed in this state.

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 Guaranty Association cannot pay more than what the insurance company would owe under a policy, contract, or certificate. Also, for any one insured life, the Guaranty Association will pay a maximum of \$300,000 in life insurance death benefits without regard to the number of policies and contracts there were with the same company, even if they provided different types of coverages. The Guaranty Association will pay a maximum of \$500,000 in health benefits, provided that coverage for disability insurance benefits and long-term care insurance benefits shall not exceed \$300,000. The Guaranty Association will pay \$300,000 in present value of annuity benefits, including net cash surrender and net cash withdrawal values. There is a \$1,000,000 limit with respect to any contract holder for unallocated annuity benefits. These are limitations under which the Guaranty Association is obligated to operate prior to considering either its subrogation and assignment rights or the extent to which those benefits could be provided from assets of the impaired or insolvent insurer.
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 or organization 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 health insurance policy, annuity contract, or when selecting an insurer. 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 Health  
Insurance Guaranty Association  
c/o The Liquidation Division  
1023 West Capitol, Suite 2  
Little Rock, AR 72201

Arkansas Insurance Department  
1 Commerce Way, Suite 102  
Little Rock, AR 72202

Arkansas Insurance Department

Summary – Proposed Amended Rule 49

Act 520 of 2019 amended the Arkansas Life and Health Insurance Guaranty Association Act to add health maintenance organizations to the entities covered by the Guaranty Fund. The Proposed Amended Rule incorporates that change and modifies the forms accordingly.



**QUESTIONNAIRE FOR FILING PROPOSED RULES WITH THE**  
**ARKANSAS LEGISLATIVE COUNCIL**

DEPARTMENT/AGENCY Arkansas Insurance Department  
DIVISION Legal  
DIVISION DIRECTOR Jim Brader  
CONTACT PERSON Amanda Rose  
ADDRESS 1 Commerce Way, Suite 102 Little Rock, AR 72202  
PHONE NO. 501-371-2820 FAX NO. 501-371-2639 E-MAIL amanda.rose@arkansas.gov  
NAME OF PRESENTER AT COMMITTEE MEETING Amanda Rose and Steve Uhrynowycz  
PRESENTER E-MAIL amanda.rose@arkansas.gov and steve.uhrynowycz@arkansas.gov

**INSTRUCTIONS**

- A. Please make copies of this form for future use.  
B. Please answer each question **completely** using layman terms. You may use additional sheets, if necessary.  
C. If you have a method of indexing your rules, please give the proposed citation after "Short Title of this Rule" below.  
D. Submit two (2) copies of this questionnaire and financial impact statement attached to the front of two (2) copies of the proposed rule and required documents. Mail or deliver to:

Jessica C. Sutton  
Administrative Rules Review Section  
Arkansas Legislative Council  
Bureau of Legislative Research  
One Capitol Mall, 5<sup>th</sup> Floor  
Little Rock, AR 72201

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1. What is the short title of this rule? Rule 49 – Life and Health Insurance Guaranty Association Notices
2. What is the subject of the proposed rule? Coverage provided by the Life and Health Insurance Guaranty Association
3. Is this rule required to comply with a federal statute, rule, or regulation? Yes \_\_\_\_\_ No X  
If yes, please provide the federal rule, regulation, and/or statute citation. n/a
4. Was this rule filed under the emergency provisions of the Administrative Procedure Act? Yes \_\_\_\_\_ No X  
If yes, what is the effective date of the emergency rule? n/a  
When does the emergency rule expire? n/a  
Will this emergency rule be promulgated under the permanent provisions of the Administrative Procedure Act? Yes \_\_\_\_\_ No \_\_\_\_\_

5. Is this a new rule? Yes\_\_\_\_ No\_\_X\_\_ If yes, please provide a brief summary explaining the rule.

Does this repeal an existing rule? Yes \_\_\_\_ No\_\_X\_\_ If yes, a copy of the repealed rule is to be included with your completed questionnaire. If it is being replaced with a new rule, please provide a summary of the rule giving an explanation of what the rule does.

Is this an amendment to an existing rule? Yes\_\_X\_\_No\_\_\_\_ If yes, please attach a mark-up showing the changes in the existing rule and a summary of the substantive changes. **Note: The summary should explain what the amendment does, and the mark-up copy should be clearly labeled “mark-up.”**

6. Cite the state law that grants the authority for this proposed rule? If codified, please give the Arkansas Code citation.

Ark. Code Ann. §§ 23-61-108 and 23-63-2010.

7. What is the purpose of this proposed rule? Why is it necessary?

Act 520 of 2019 amended the Arkansas Life and Health Insurance Guaranty Association Act to add health maintenance organizations to the entities covered by the Guaranty Fund. The Rule incorporates that change.

8. Please provide the address where this rule is publicly accessible in electronic form via the Internet as required by Arkansas Code § 25-19-108(b).

<https://insurance.arkansas.gov/pages/industry-regulation/legal/proposed-rules/>

9. Will a public hearing be held on this proposed rule? Yes\_\_\_\_ No\_\_X\_\_  
If yes, please complete the following:

Date:\_\_\_\_\_

Time:\_\_\_\_\_

Place:\_\_\_\_\_

10. When does the public comment period expire for permanent promulgation? (Must provide a date.)

To be determined upon the Governor’s permission to proceed.

11. What is the proposed effective date of this proposed rule? (Must provide a date.)

March 15, 2020

12. Please provide a copy of the notice required under Ark. Code Ann. § 25-15-204(a), and proof of

the publication of said notice.

To be published upon the Governor's permission to proceed.

13. Please provide proof of filing the rule with the Secretary of State as required pursuant to Ark. Code Ann. § 25-15-204(e).

The Secretary of State will be given the required filing upon the Governor's permission to proceed.

14. Please give the names of persons, groups, or organizations that you expect to comment on these rules? Please provide their position (for or against) if known.

None are known at this time.

### **FINANCIAL IMPACT STATEMENT**

#### **PLEASE ANSWER ALL QUESTIONS COMPLETELY**

**DEPARTMENT** Arkansas Insurance Department  
**DIVISION** Legal  
**PERSON COMPLETING THIS STATEMENT** Amanda Rose  
**TELEPHONE NO.** 501-371-2820 **FAX NO.** 501-371-2639 **EMAIL:** amanda.rose@arkansas.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

**SHORT TITLE OF THIS RULE** Rule 49 – Life and Health Insurance Guaranty Association Notices

1. Does this proposed, amended, or repealed rule have a financial impact?  
Yes \_\_\_\_\_ No X
2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?  
Yes X No \_\_\_\_\_
3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes X No \_\_\_\_\_

If an agency is proposing a more costly rule, please state the following:

(a) How the additional benefits of the more costly rule justify its additional cost;

N/A

(b) The reason for adoption of the more costly rule;

N/A

(c) Whether the more costly rule is based on the interests of public health, safety, or welfare, and if so, please explain; and

N/A

- (d) Whether the reason is within the scope of the agency's statutory authority, and if so, please explain.

N/A

4. If the purpose of this rule is to implement a federal rule or regulation, please state the following:

- (a) What is the cost to implement the federal rule or regulation?

**Current Fiscal Year**

General Revenue n/a  
Federal Funds n/a  
Cash Funds n/a  
Special Revenue n/a  
Other (Identify) n/a  
  
Total n/a

**Next Fiscal Year**

General Revenue n/a  
Federal Funds n/a  
Cash Funds n/a  
Special Revenue n/a  
Other (Identify) n/a  
  
Total n/a

- (b) What is the additional cost of the state rule?

**Current Fiscal Year**

General Revenue n/a  
Federal Funds n/a  
Cash Funds n/a  
Special Revenue n/a  
Other (Identify) n/a  
  
Total n/a

**Next Fiscal Year**

General Revenue n/a  
Federal Funds n/a  
Cash Funds n/a  
Special Revenue n/a  
Other (Identify) n/a  
  
Total n/a

5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

**Current Fiscal Year**

\$ n/a

**Next Fiscal Year**

\$ n/a

Insurers should already have this information available within their practices and procedures.

6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

**Current Fiscal Year**

\$ n/a

**Next Fiscal Year**

\$ n/a

There should not be any substantial financial impact.

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7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes \_\_\_\_\_ No X \_\_\_\_\_

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously

with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:
  - (a) justifies the agency's need for the proposed rule; and
  - (b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;
- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
  - (a) the rule is achieving the statutory objectives;
  - (b) the benefits of the rule continue to justify its costs; and
  - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.



**Request for Governor's Approval of Proposed Rules and Regulations**

**Department/Agency:** Arkansas Insurance Department

**Short Title of Rule:** Rule 49 – Life and Health Insurance Guaranty Association Notices

**New Rule:** Yes No ☒ X

**Amendment to Existing Rule:** Yes ☒ X No ☐

**State Mandate:** Yes No ☒ X

**Federal Mandate:** ☐ Yes No ☒ X

If yes, please provide the rule, regulation, and/or statute citation:

**Authority to Promulgate the Rule:** Ark. Code Ann. §§ 23-61-108, 23-96-107(c)(2), and 25-15-201, *et seq.*

**Proposed Effective Date:** March 15, 2020

**Emergency Rule:** ☐ Yes No ☒ X

**Expedited Rule Requested:** Yes No ☒ X

**Summary of Proposed New Rule or Proposed Amendment to Existing Rule:**

The Arkansas Life and Health Insurance Guaranty Association Act was amended during the General Assembly's 2019 regular session to add coverage for health maintenance organizations. This Rule is being amended to provide the appropriate language and forms given this amendment to the law. It was also updated with regard to the amount of coverage provided by the Fund.

**Financial Impact:** ☐ Yes ☒ X No ☐ Unknown; **If yes or unknown, please explain:**

**Public Hearing:** Yes ☐ No ☒ X

**Controversial:** ☐ Yes No ☒ X

**Documents Required for Approval Process**

Please note that the Governor's office will not begin the approval process if any of the following applicable documents are not enclosed with the approval request.

☒ X BLR Questionnaire

☒ X BLR Financial Impact Statement

☒ X Proposed Rule – clean version

☒ X Mark-Up of Rule, if amended from previous version

n/a Copy of Act or Regulation, if Rule is pursuant to State or Federal mandate