



MICHIGAN LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION

SUMMARY OF COVERAGE AND LIMITATIONS AND EXCLUSIONS UNDER THE MICHIGAN LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION

Introduction

Welcome to the Michigan Life & Health Insurance Guaranty Association (MLHIGA) web site. Michigan residents who purchase life insurance, annuities or health insurance should know that most insurance companies licensed in Michigan to write these types of insurance are members of the Michigan Life & Health Insurance Guaranty Association (MLHIGA). The purpose of this association is to assure that policyholders may be protected, **within limits**, in the unlikely event that a member insurer becomes financially unable to meet its obligations. If this should happen, MLHIGA will assess its other member insurance companies for the money to pay the covered claims of insured persons who live in Michigan and, in some cases, to keep coverage in force. If coverage is provided, it may be subject to limitations or exclusions and may require residency in Michigan. This protection is not a substitute for consumers' care in selecting companies that are well managed and financially stable.

Guaranty Association Act

The Michigan Life & Health Insurance Guaranty Association Act, Chapter 77 of the Insurance Code of 1956, MCL 500.7701 to 500.7780, details the specific coverage, exemptions and limitations provided to certain policyholders. The general information provided by this summary or the MLHIGA web site 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 MLHIGA. For a definitive statement of the law governing MLHIGA, you must refer to the MLHIGA Act itself. If there is any inconsistency between this summary or the MLHIGA web site and any applicable law, then such law will control.

Coverage

Generally, individuals will be protected by MLHIGA if they reside in Michigan and own a life, health or annuity contract issued by a member insurer licensed in Michigan or if they reside in Michigan and are insured under a group life or health insurance contract issued by a member insurer licensed in Michigan. For owners of unallocated annuity contracts, coverage will be provided if the contract is issued in connection with a specific plan whose sponsor has its principal place of business in Michigan or if the individual is a resident of Michigan and the contract is issued in connection with a government lottery. For payees (or beneficiaries of deceased payees) of structured settlement annuities, coverage will be provided only if the payee is a resident of Michigan. In limited situations, coverage might also be available to certain non-residents.

You may find out if your insurance company is licensed in Michigan by contacting the Department of Insurance and Financial Services at P.O. Box 30220, Lansing, Michigan 48909-7720, telephone

number (517) 284-8800 or 877-999-6442. Please be aware, although licensed in Michigan, policies issued by the following entities are not covered by MLHIGA: a nonprofit health care corporation, a health maintenance organization, a fraternal benefit society, a nonprofit dental care corporation (e.g. Delta Dental), a mandatory state pooling plan, a mutual assessment company or similar plan in which the policyholder is subject to future assessments, an insurance exchange, or an organization limited to the issuance of charitable gift annuities.

Protection can be provided in one of several different ways. For example, MLHIGA may provide coverage directly or a financially sound insurer may take over the troubled company's assets and policies and assume responsibilities for continuing coverage and paying covered claims. MLHIGA may also work with other state guaranty associations to develop an overall plan to provide protection for the failed insurer's policyholders. In any case, delays could be necessary to sort out the affairs of the financially troubled insurer.

Limits on Amount of Coverage

The MLHIGA Act limits the amount MLHIGA is obligated to cover for each insolvent company as follows:

- (1) MLHIGA cannot cover more than what the insurance company would owe under a policy or contract;
- (2) for any one life, regardless of the number of policies or contracts held with the same company, MLHIGA will cover a maximum of:
 - (a) \$300,000 in life insurance death benefits, but not more than \$100,000 in net cash surrender and net cash withdrawal values for life insurance;
 - (b) \$250,000 in the present value of annuity benefits, including net cash surrender and net cash withdrawal values;
 - (c) for health insurance:
 - (i) \$300,000 in disability income insurance benefits or long-term care benefits;
 - (ii) \$500,000 in basic hospital, medical, and surgical insurance benefits;
 - (iii) \$100,000 in all other health insurance benefits.
 - (d) In no event is the association obligated to cover more than an aggregate of \$300,000 in all benefits (other than basic hospital, medical, and surgical benefits) for any one life.

The limits mentioned above are applied per any “one life” per insolvent company.

As an example of this “one life” limitation, if you own three annuities with the same annuitant from the same insurance company, each worth \$100,000 and that company is declared insolvent and ordered liquidated, only \$250,000, **in total**, may be protected because that is the maximum amount protected under the MLHIGA Act for all annuities from a single insurer.

Note to benefit plan trustees or other holders of unallocated annuities (GICs, DACs, etc.) covered by the act: for unallocated annuities that fund **governmental retirement plans only** under sections 401(k), 403(b) or 457 of the Internal Revenue Code, the limit is \$250,000 in present value of annuity benefits per participating individual; for covered unallocated annuities that fund other plans, benefits are not available on an individual basis and a special limit of \$5,000,000 applies to the contract holder, regardless of the number of contracts held with the same company or number of persons

covered by the plan. Coverage is dependent on plan sponsor having its principal place of business in Michigan. In all cases, of course, the contract limits also apply.

Exclusions from Coverage

Persons holding policies otherwise covered are **not** protected by MLHIGA 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); or
- the insurer was not authorized to do business in Michigan.

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;
- any policy of reinsurance (unless an assumption certificate was issued);
- interest rate yields that exceed an average rate set by formula in the MLHIGA Act;
- dividends;
- obligations not arising from the express written terms of the policy or contract;
- insurer's obligation to provide a book value accounting guaranty for defined contribution benefit plan participants by reference to a portfolio of assets owned by benefit plan;
- interest determined by external reference that has not been credited to the policy or is subject to forfeiture;
- employers' plans that are self-funded (that is, not fully insured by an insurance company, even if an insurance company administers them);
- unallocated annuity contracts, unless they fund a government lottery or a benefit plan of an employer, association or union, however, unallocated annuities issued to employee benefit plans protected by the federal Pension Benefit Guaranty Corporation are not covered. An unallocated annuity contract is an annuity contract or group annuity certificate which is not issued to and owned by an individual, except to the extent of an annuity benefit guaranteed to an individual by an insurer under the contract or certificate. The term shall also include, but not be limited to, guaranteed investment contracts and deposit administration contracts;
- policies issued by the following entities, even though licensed in Michigan: a nonprofit health care corporation, a health maintenance organization, a fraternal benefit society, a nonprofit dental care corporation (e.g. Delta Dental), a mandatory state pooling plan, a mutual assessment company or similar plan in which the policyholder is subject to future assessments, an insurance exchange, or an organization limited to the issuance of charitable gift annuities;
- a portion of a policy or contract to the extent that the assessments required by section 7709 of the MLHIGA Act for the policy or contract are preempted by federal or state law;
- a policy or contract providing any hospital, medical, prescription drug, or other health care benefits under Part C or Part D of Title XVIII of the Social Security Act, 42 USC 1395W-21 to 1395W-29 and 42 USC 1395W-101 to 1395W-152, or under regulations issued under Part C or Part D of Title XVIII of the Social Security Act, 42 USC 1395W-21 to 1395W-29 and 42 USC 1395W-101 to 1395W-152.

- MLHIGA **will not** provide duplicate coverage to **any** individual that is also covered by the laws of another state or another state's guaranty association.

Contact

The intent of this summary and the MLHIGA web site is to briefly explain how MLHIGA provides protection to Michigan policyholders in the event their insurance company becomes insolvent. If you have any questions that are not answered here, you should contact MLHIGA or consult with your attorney.

Disclaimer

The information provided by this summary and the MLHIGA web site is subject to change without notice. The statements made herein are for information purposes only. MLHIGA has not reviewed any specific policy, or verified the information provided regarding residency or other relevant factors. Moreover, whether coverage will be provided to any specific policyholder can only be determined by reference to the statute in effect, at the earliest, at the time that the insurer is declared insolvent. For these reasons, no final determination of coverage can be made until an insurer is declared insolvent and the specific factual and legal circumstances can be reviewed. Nothing contained herein is intended to guarantee coverage for any insured, or to bind MLHIGA in any way. Finally, this summary and the MLHIGA web site are for general information purposes and should not be relied upon as legal advice.

January 14, 2016