



## FREQUENTLY ASKED QUESTIONS

**What happens when my insurance company goes out of business?**

In most cases, a guaranty association will continue coverage as long as premiums are paid or cash value exists. It may do this directly, or, most often, it may transfer the policy to another insurance company. In any case, policyholders should continue making premium payments to keep their coverage in force.

**How is policy coverage determined?**

Coverage is determined by Minnesota law and policy language at the time the guaranty association is activated to provide protection (e.g. when the member insurer is found to be insolvent and ordered liquidated by a court). In light of changes in the law and the variations in policy language, the association cannot make statements regarding coverage of a specific policy unless it is a policy with a company for which the association has been activated to provide protection.

**What is the Minnesota Life & Health Insurance Guaranty Association?**

The Minnesota Life and Health Insurance Guaranty Association was created by the Minnesota legislature in 1977 to protect state residents who are policyholders and beneficiaries of policies issued by an insolvent insurance company, up to specified limits. All insurance companies (with limited exceptions) licensed to write life and health insurance or annuities in Minnesota are required, as a condition of doing business in the state, to be members of the guaranty association. If a member company becomes insolvent, money to continue coverage and pay claims is obtained through assessments of the guaranty association's other member insurance companies writing the same line or lines of insurance as the insolvent company. All 50 states, the District of Columbia, and Puerto Rico have life and health insurance guaranty associations.

**Who is protected?**

Life and health insurance guaranty associations cover individual policyholders and their beneficiaries; typically, persons protected by certificates of insurance issued under policies of group life or group health insurance, and participants in certain group pension plans which invest in certain covered policies or contracts are also covered. Limits on benefits and coverage are established by state law. For more information about coverage, see the questions below or contact this guaranty association.

**Does it matter where I live?**

Yes. The guaranty association covers only Minnesota resident policyholders, certificate holders and participants in covered pension plans. Residency is determined on the date that a member insurer is initially determined to be an impaired or insolvent insurer. Guaranty association coverage is, however, currently provided to residents of all 50 states, Puerto Rico, and the District of Columbia through other guaranty associations. If you are a resident of another state, please contact your department of insurance for contact information for the guaranty association in your state or visit the "Facts & Figures Association Contact Info" section at [www.nolhga.com](http://www.nolhga.com) for a complete list of guaranty associations. You may also want to go to the [Links](#) section of this site to determine if your state's guaranty association has a Web site. Note that guaranty association coverage varies by state. As a result, coverage provided by the Guaranty Association Act of this state may not be the same as coverage provided by another state's law.

**How can I find out if my company is licensed in Minnesota?**

Call the Minnesota Department of Commerce at 800.657.3978 or use the department's [License Lookup by Insurance Company](#). The department maintains complete and current records of all insurance companies licensed to do business in the state.

**What contracts are covered?**

Generally, direct individual or direct group life and health insurance policies, including long-term care policies and annuity contracts (except the non-guaranteed portion of a variable annuity contract), issued by the guaranty association's member insurers are covered by the association. Such coverage is limited by the terms and exceptions of the Minnesota Life And Health Insurance Guaranty Association Act (Chapter 61B, Minnesota Statutes). (See Question #9: What is NOT protected by the guaranty association?)

Types of property and casualty insurance--such as automobile, homeowners, professional liability, medical malpractice, workers' compensation, etc.--may be protected by the Minnesota Insurance Guaranty Association. That guaranty association can be reached at:

Minnesota Insurance Guaranty Association  
4640 West 77th Street, Suite 342  
Edina, Minnesota 55435  
Telephone: 952.831.1908

**Coverage limits, and are all covered policies fully protected?**

Not always. If your insurance company fails, the maximum amount of protection provided by the Minnesota guaranty association for each type of policy, no matter how many of that type of policy you bought from your company, is:

Life Insurance Death Benefit: \$500,000. per insured life

Life Insurance Net Cash Surrender: \$130,000. per contract owner

Health Insurance Claims: \$500,000 per insured life

Fixed Annuity Net Cash Surrender Value: \$250,000 per contract owner

Structured Settlement Annuities and Fixed Annuities with a period certain benefit of at least ten years to life: \$410,000 in present value per annuitant

Unallocated Group Annuities: subject to a maximum amount per covered plan--\$250,000 per individual resident participant

These dollar amounts are effective for a rehabilitation or insolvency that occurs after May 8, 2009.

**What is NOT protected by the guaranty association?**

Policies with insurers not licensed to do business in Minnesota; Health Maintenance Organization (HMO) contracts; policy benefits the insurer does not guarantee or for which the policyholder bears the risk (such as the non-guaranteed portion of a variable life insurance or annuity contract); self-insured employer plans; interest rate yields that exceed the guaranty association maximum rate; and fraternal benefit society insurance certificates. Certain, less commonly known insurance policies and arrangements not listed here are also not protected. If you are unsure about whether your policy is excluded from guaranty association protection, you should review the current Guaranty Association Act.

**For example, if I own three fixed annuities worth \$100,000 each and my insurance company fails, how much is protected?**

The total protection per owner per member company is \$250,000 for fixed annuity contracts. As a result, if an individual owned three \$100,000 annuities with the same insolvent insurance company, the individual would have total guaranty association coverage of \$250,000. The value in excess of this statutory coverage limit would be eligible for submission as a creditor claim in the receivership, and the annuity holder may receive distributions as the company's assets are liquidated by the receiver.

**My spouse and I are joint owners of a fixed annuity contract with a cash surrender value of \$300,000 (for example)--how does the \$250,000 limit apply to us?**

If there are joint owners of an annuity contract, each owner would be covered up to the maximum of \$250,000 each. Other limitations, such as interest earnings when compared to the statutory interest rate, may also apply.

**Does the guaranty association provide coverage for long-term care insurance?**

Yes, it is considered to be Health Insurance.

**What does it mean in the Notice to Policyholders when it states that the association shall not be responsible for more than \$10,000,000 in claims?**

This \$10,000,000 is in reference to unallocated annuities as part of a defined contribution retirement plan such as a 401, 403(b), or 457. This does not apply to individual annuity contracts.

**What will happen to my insurance coverage if the guaranty association becomes liable for my policy?**

Protection can be provided in one of several different ways. For example, a financially sound insurer may take over the troubled company's policies and assume the responsibility for continuing coverage and paying covered claims. The Minnesota guaranty association may provide coverage directly by continuing the insurer's policies or issuing replacement policies with the guaranty association; in some situations, the Minnesota guaranty association may work with other state guaranty associations to develop an overall plan to provide protection for the failed insurer's policyholders. The amount of protection provided and when you receive it may depend on the particular arrangement worked out for handling the failed insurer's obligations.

For group health and cancelable individual health insurance, state law allows the guaranty association to continue your coverage only for a limited time based on the renewal date of your policy-for group policies, no less than 30 days and no more than 45 days; for individual cancelable policies, no less than 30 days and no more than one year.

**When might the guaranty association provide benefits?**

If your insurer is no longer able to fulfill its obligations, ongoing benefit payments to you may be reduced or suspended by the courts in order to sort out the affairs of the financially troubled insurer. As a result, you may have to wait many months before the guaranty association is activated to provide benefit payments. Hardship provisions may be instituted by the receiver to continue benefit payments.

**How will I know if my life or health insurance company has failed or is unable to fulfill its obligations to its policyholders?**

You will receive a notification from the receiver and/or the Minnesota guaranty association if your insurance company is found to be insolvent and ordered liquidated.

**Why hasn't my agent or company told me more about the Minnesota Life & Health Insurance Guaranty Association?**

The law prohibits insurance agents and companies from using the Minnesota guaranty association in any advertising. Provided, effective August 1, 2009, it is not a violation to explain verbally to an applicant or potential applicant the coverage provided by the Minnesota Life & Health Insurance Guaranty Association at any time during the application process. The guaranty association is not and should not be a substitute for your prudent selection of an insurance company that is well managed and financially stable. Agents are prohibited by statute from using this Web site or the existence of the guaranty association as an inducement to purchase insurance.

NOTE: This information is not intended as legal advice, and no liability is assumed in connection with its use. **The applicable state guaranty association statute is the controlling authority, regardless of any information presented on this site.** Users should seek advice from a qualified attorney and should not rely on this compilation when considering any questions relating to guaranty association coverage.