

Contact Information

The third-party administrator (a business hired to process claims and do other administrative work related to the company's insurance policies), the state insurance department, the state Senior Health Insurance Program (SHIP), and the state guaranty association may be able to answer your questions.

Third party administrator – phone number, mailing address, website

State insurance department – phone number, mailing address, website

Senior Health Insurance Program – phone number, mailing address, website

State guaranty association – phone number, mailing address, website

Your Long-Term Care Insurance Company Is Closing (In Liquidation): What You Need to Know to Keep Your Coverage



STATE INSURANCE DEPARTMENT

replace with
LOGO

State Insurance Department
[Street Address]
[City, ST ZIP Code]

DRAFTING NOTE: States should adapt the language in this brochure to match terminology used in the state regarding the state insurance department, the commissioner, the state guaranty association, and the Senior Health Insurance Program.

Why did I get this document?

You got this document because you have a long-term care insurance policy. The insurance company that issued the policy is going out of business. A state insurance department has put your company into liquidation.

What is liquidation?

Liquidation is similar to bankruptcy. If state insurance regulators decide an insurance company can't recover from its financial problems, they'll ask the state court to order the company liquidated. The company's insurance policies will continue to protect policyholders who pay their premiums.

Who is the Liquidator?

By law, the state insurance commissioner is the Liquidator of the company. The Liquidator takes control of the company's operations.

How does liquidation affect me?

Most states have insurance guaranty associations to protect their residents. State life and health insurance guaranty associations take over the company's long-term care insurance policies. You'll pay premiums and file claims with the state guaranty association, usually in the state where you lived when the company was liquidated, even if you don't live in that state now.

Guaranty Associations

What will happen to my long-term care policy and what do I need to do?

When an insurer is liquidated, state guaranty associations take over the policies. The guaranty association, usually the one in the state where you lived when the company was liquidated, will manage your policy and claims, even if you bought your policy in another state or live in another state now.

If your policy is guaranteed renewable, it can't be canceled.

State Health Insurance Assistance Programs (SHIP): A free health benefits counseling service for Medicare beneficiaries and their families and caregivers. SHIPs mission is to educate, advocate, counsel and empower people to make informed healthcare benefit decisions. SHIP is an independent program funded by Federal agencies. It isn't affiliated with the insurance industry.

State Insurance Commissioner: A state regulator who heads the state insurance department and monitors and regulates insurance sales and claims in the state. Insurance commissioners either are appointed by the governor or elected. The commissioner also decides when an insurance company should be declared insolvent or put in rehabilitation. The insurance commissioner can ask the state court to put an insurance company into rehabilitation and try to return it to financial health. Or, the commissioner can ask the state to put an insolvent company into liquidation and run the company.

State Insurance Department: The state regulatory agency responsible to enforce the state's own laws and regulations for all types of insurance.

Third Party Administrator: A business hired to process claims and do other administrative work related to another company's insurance policies.

Claims

Will the claims I've already submitted be paid?

Yes. The guaranty association will continue to pay claims following the terms of your policy. State law limits guaranty association coverage. In most states, the benefit limit is \$300,000 for long-term care insurance. The most you could be paid in claims would be the maximum your policy can pay **or** the state guaranty association limit, **whichever is lower**.

Will I be able to submit claims in the future? How?

Yes. The guaranty association will tell you how to submit claims.

Decisions

What decisions will I be asked to make? How will I know when I have to make those decisions? How long will I have to make those decisions?

The state guaranty association will tell you if you need to make any decisions about your coverage. The notice will explain the decisions and give you a deadline to make those decisions. **Don't miss the deadline!**

Who can help me make those decisions?

You may be asked to make some very important decisions. You should discuss any decisions about your insurance coverage with your family, an attorney, and/or a financial advisor. If you have questions, call the state guaranty association. If you need more information, call your state insurance department. (See contact information below.)

What are my rights when my company is placed in liquidation?

You still have the rights described in your policy as well as any rights you have under state law. If your policy is guaranteed renewable it can't be canceled.

Glossary

Benefits: Money an insurance company pays to policyholders or care providers for services the insurance policy covers.

Claim: A request a policyholder makes to be paid benefits from their policy for eligible services.

Coverage Limit: The maximum policy benefit a guaranty association will pay. State law sets this limit, which may be less than the benefit limit in the policy.

Guaranty Association: State-based organizations created under the laws of all 50 states, Puerto Rico, and the District of Columbia to protect policyholders of an insolvent insurance company.

Guaranty Association Coverage: The benefits a state guaranty association provides policyholders when their insurance company is in liquidation. In most states, guaranty associations have *coverage limits* (dollar limits on total lifetime benefits). A policy stops paying benefits when this limit is reached (or when the benefit limit of the original policy is reached, whichever is *lower*). State law sets guaranty association coverage limits so the limits vary from state to state.

Guaranteed Renewable Policy: A policy in which the insurance company guarantees the policyholder the right to renew the policy for life, as long as the policyholder pays the premiums. Most long-term care insurance policies are "guaranteed renewable." The insurance company may increase the premiums on guaranteed renewable policies but only for all policies of that particular type. It can't single out an individual's guaranteed renewable policy for a premium increase.

Insolvency: When an insurance company can't meet its financial obligations to its policyholders or creditors.

Lapse: When a policy ends because the policyholder stopped paying premiums for the policy. The policyholder loses insurance protection after a policy lapses.

Liquidation: A legal step a state insurance department takes when an insurance company can't recover from its financial troubles. Liquidation is similar to bankruptcy. State insurance regulators decide if an insurance company should be in liquidation and ask the state court to order the company liquidated. The company's insurance policies continue to protect policyholders who pay their premiums.

Liquidator: The state insurance commissioner. The Liquidator takes control of the company's operations.

Long-term Care Insurance: Insurance that offers benefits to pay for nursing home care, home health care, and other services for individuals who can't do daily living activities or must be supervised due to chronic illness or impairment.

Policy Benefit Limit: The maximum benefit a policy will pay. Most policies have a benefit limit. Some policies state the maximum benefit limit in years (one, two, three or more, or even lifetime). Others write the policy benefit limit as a total dollar amount. Policies often use words such as "total lifetime benefit," "maximum lifetime benefit," or "total plan benefit" to describe their benefit limit.

Premium: The amount charged for insurance coverage.

Rehabilitation: A legal step a state insurance department takes when an insurance company is in financial trouble. If the insurance department thinks the insurance company may not have enough assets to pay claims, the department may step in to try to return the company to financial health.

Rehabilitator: The state insurance commissioner. The commissioner takes legal control of the company and does an independent, in-depth financial analysis of the company.

Reinstatement Provisions: A right in the insurance policy that may let the policyholder reinstate the policy if certain conditions are met after the policy has been cancelled because premiums weren't paid.

You'll get much more information from the state guaranty association about your policy and if there's anything you need to do. You also may get communication from other organizations about the insurance company's liquidation and your policy.

What is an insurance guaranty association?

Insurance companies fund guaranty associations. All insurance companies (with limited exceptions) licensed to sell insurance in a state must join the state's insurance guaranty association. If a member company becomes insolvent, the guaranty association takes over its policies and pays claims following state laws.

Premiums

Should I keep paying my premiums?

Yes. It is **very** important that you keep paying your policy premiums in full and on time. If you don't, you could lose your policy and your insurance coverage. If you stop paying your premiums, your policy will "lapse," meaning your coverage will end. If your policy lapses, you'll lose your insurance protection. If that happened and you changed your mind, you might not be able to get your coverage back. Whether you could would depend on the "reinstatement provisions" in your policy.

Will my premiums change?

They could. Guaranty associations have the right to change premiums, as long as the change applies to all of those same policies in a state. The guaranty association must file a notice about premium changes with state insurance departments. If your premiums are changing, you'll get a notice in advance.

What if I can't afford my premiums?

You should contact the state guaranty association to find out what your options are. These options may include ones not described in your policy. Some options assume you'll keep your policy. Others assume you'll give up your insurance coverage. Think through your choices **very** carefully.