

COMMONWEALTH OF VIRGINIA

SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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May 29, 2018

Administrative Letter 2018 – 02

To: All Companies Licensed under Chapters 10, 11, 12, 40, 41, 42, 43, 45 or 61 of Title 38.2 of the Code of Virginia

**Re: Virginia Life, Accident and Sickness Insurance Guaranty Association
Notice of Protection Provided by the Virginia Life, Accident and
Sickness Insurance Guaranty Association**

This Administrative Letter Withdraws and Replaces Administrative Letter 2014-05.

The purpose of this Administrative Letter is to inform health maintenance organizations, life, accident and sickness companies (insurers), subject to Chapter 17 of Title 38.2 of the Code of Virginia, of the updated disclaimer required to be attached to policies in order to comply with the provisions of Chapter 706 enacted by the Virginia General Assembly during its 2018 legislative session.

Chapter 706, which will become effective July 1, 2018, amends and re-enacts § 38.2-1016.1 (Organization, Admission and Licensing of Insurers), §§ 38.2-1700 through 38.2-1710, 38.2-1714 and 38.2-1715 (Virginia Life, Accident and Sickness Insurance Guaranty Association), §§ 38.2-4302, 38.2-4310 and 38.2-4319 (Health Maintenance Organizations), §§ 38.2-5506, 38.2-5509 and 38.2-5510 (Risk-Based Capital Act), and § 55-532 (Disposition of Assets by Nonprofit Health Care Entities), and repeals §§ 38.2-4317 and 38.2-4317.1 (Health Maintenance Organizations) updating and expanding the scope of the Guaranty Association to include health maintenance organizations. Pursuant to amendments in § 38.2-1715, the Guaranty Association is required to prepare and submit to the Commission for approval, a summary document describing the general purposes and limitations of Chapter 17, which includes a disclaimer that discusses limitations, exclusions, and the types of policies that are covered by the Guaranty Association.

The summary document entitled *Notice of Protection Provided by the Virginia Life, Accident and Sickness Insurance Guaranty Association* (Notice), was initially approved effective November 1, 2010, and updated effective January 1, 2015. This Notice has been revised to include health maintenance organizations as covered under the Virginia Life, Accident and Sickness Insurance Guaranty Association. Beginning July 1, 2018, insurers are required to attach this revised Notice to policies or contracts delivered to

policy or contract owners. **Insurers are required to attach this Notice to policies or contracts delivered to Virginia policy or contract owners only.** Insurers are required to retain evidence of compliance with this Notice requirement so long as the policy or contract remains in effect.

Questions regarding this letter may be directed to:

Elsie Andy
Manager
Forms and Rates Section
Life and Health Division
Bureau of Insurance
State Corporation Commission
P.O. Box 1157
Richmond, Virginia 23218
804-371-9072
elsie.andy@scc.virginia.gov

Cordially,

A handwritten signature in black ink, appearing to read "Scott A. White", with a long horizontal flourish extending to the right.

Scott A. White
Commissioner of Insurance

Attachment

**NOTICE OF
PROTECTION PROVIDED BY
VIRGINIA LIFE, ACCIDENT AND SICKNESS
INSURANCE GUARANTY ASSOCIATION**

This notice provides a **brief summary** of the Virginia Life, Accident and Sickness Insurance Guaranty Association ("the Association") and the protection it provides for policyholders. This safety net was created under Virginia law, which determines who and what is covered and the amounts of coverage.

The Association was established to provide protection in the unlikely event that a life, annuity or accident and sickness insurance company (including a health maintenance organization) licensed in the Commonwealth of Virginia becomes financially unable to meet its obligations and is taken over by its Insurance Department. If this should happen, the Association will typically arrange to continue coverage and pay claims, in accordance with Virginia law, with funding from assessments paid by other life and health insurance companies licensed in the Commonwealth of Virginia.

The basic protections provided by the Association are:

- Life Insurance
 - o \$300,000 in death benefits
 - o \$100,000 in cash surrender and withdrawal values

- Health Insurance
 - o \$500,000 for health benefit plans
 - o \$300,000 in disability income insurance benefits
 - o \$300,000 in long-term care insurance benefits
 - o \$100,000 in other types of accident and sickness insurance benefits

- Annuities
 - o \$250,000 in withdrawal and cash values

The maximum amount of protection for each individual, regardless of the number of policies or contracts, is \$350,000, except for health benefit plans, for which the limit is increased to \$500,000.

Note: Certain policies and contracts may not be covered or fully covered. For example, coverage does not extend to any portion(s) of a policy or contract that the insurer does not guarantee, such as certain investment additions to the account value of a variable life insurance policy or a variable annuity contract. There are also various residency requirements and other limitations under Virginia law.

To learn more about the above protections, please visit the Association's website at www.valifega.org or contact:

VIRGINIA LIFE, ACCIDENT AND SICKNESS
INSURANCE GUARANTY ASSOCIATION
c/o APM Management Services, Inc.
1503 Santa Rosa Road, Suite 101
Henrico, VA 23229-5105
804-282-2240

STATE CORPORATION COMMISSION
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23218-1157
804-371-9741
Toll Free Virginia only: 1-800-552-7945
<http://scc.virginia.gov/boi/index.aspx>

Insurance companies and agents are not allowed by Virginia law to use the existence of the Association or its coverage to encourage you to purchase any form of insurance. When selecting an insurance company, you should not rely on Association coverage. If there is any inconsistency between this notice and Virginia law, then Virginia law will control.