FAQS

Q: Will I have to wait for payments once my insurer is taken over by the Superintendent?

A: When your insurer is initially taken over by the Superintendent, payments to you from your insurer may be suspended for a certain period. This may be necessary to allow the Superintendent time to sort out the affairs of the insurer. In some cases, you may have to wait many months before receiving payments; in other cases, benefits may not be delayed at all.

Q: I bought my life insurance policy when I lived in New York but now I live in Florida. Am I protected?

A: As long as you were a resident of New York state at the time of purchase and your insurer was licensed in New York, you are protected. You may also have additional protection in your current state of residence.

Q: My insurance company's home office is in another state, but the company is licensed in New York. Am I protected by the LICGC?

A: You are protected if you were a resident of New York State when you purchased the policy or are a resident at the time your insurance company becomes insolvent. Policies purchased from domestic life insurers prior to August 2, 1985 may have additional protection through the separate LIGC regardless of residency.

Q: I have a separate account variable annuity contract, i.e., my funds are invested separately from those of the company and I bear all the risk of gains and losses. What kind of protection do I have?

A: The LICGC provides no protection under the contract described above. You bear the entire risk under the contract. However, there are some separate accounts in which individuals do not bear the full amount of the risk; some protection would be available for these kinds of contracts. Assets in such separate accounts would normally retain their separate status in the event of the insolvency of the insurer and could not be used to pay the insurer's other debts and obligations that do not arise out of the business of the separate account.

Q: My separate account annuity guarantees a minimum return. Am I protected by the LICGC?

A: You are protected only for the portion of the contract that is guaranteed. Most of this guaranteed amount could be payable from the assets of the separate account. The LICGC would come into play only in the event of a shortfall as to the guaranteed amount.

Q: I have a 401(k) plan with my employer. I have selected a fixed interest option funded by a Guaranteed Investment Contract (GIC) issued by a life insurance company to my employer. Will my invested funds be protected?

A: If the GIC guarantees annuity benefits with respect to a specific individual identified in the contract, that individual is protected by the LICGC up to a maximum of $500,000. However, if the GIC does not guarantee annuity benefits with respect to any specific individual identified in the contract, the contract is protected up to a maximum of $1 million in the aggregate for all claims made under that contract.

Q: My husband and I each have an annuity contract worth $300,000. Does the $500,000 cap apply to us jointly?

A: No, the LICGC puts the aggregate limit of $500,000 on any one life, so the limit would apply to you and your husband separately.

LIFE INSURANCE POLICYHOLDER PROTECTION

and the

Life Insurance Company Guaranty Corporation of New York

This guide is provided for informational purposes only and does not constitute legal advice.

It is illegal for any person, including an insurer, agent or affiliate to use this brochure for the purpose of selling, soliciting or inducing the purchase of insurance.

www.dfs.ny.gov
(800) 342-3736

Important information about life insurance and how the LICGC protects policyholders when a licensed life insurer fails.

The Life Insurance Company Guaranty Corporation (LICGC) is a not-for-profit New York corporation that provides funds to New York resident policyholders in the event of the insolvency of a licensed life insurer.

ABOUT THE LICGC

With the creation of the Life Insurance Guaranty Corporation (LIGC) in 1941, New York became the first state in the country to provide consumers with a measure of protection against the insolvency of a domestic life insurer.

The LICGC was created under a special statute enacted in 1985, to include licensed non-domestic insurance companies and to increase the amount of capital that the fund could assess.

LICGC is managed by a Board of Directors, consisting of representatives of member insurers and the Superintendent of Financial Services. Every life insurance company licensed to do business in the State of New York must be a member of the LICGC as a condition of doing insurance business in the state.

The LICGC is funded through assessments against member insurers made after a member insurer is declared insolvent by a court of law. These funds are used to pay valid claims as well as administrative expenses.

WHAT HAPPENS WHEN AN INSURANCE COMPANY HAS FINANCIAL DIFFICULTY?

The Superintendent may seek an order from the New York State Supreme Court allowing him or her to take over a domestic insurer's operations if certain circumstances exist that affect a company's financial stability.

Once the Superintendent steps in to take over an insurer, official notice is sent to all policyholders explaining the circumstances that made the action necessary. In addition, notices are published in newspapers.

REHABILITATION VS. LIQUIDATION

Supervision of a company may take one of two forms: rehabilitation or liquidation.

In rehabilitation, the Superintendent attempts to return the company to a financially stable condition.

In liquidation, steps are taken toward the eventual dissolution of the company. Both approaches are designed to enable the Superintendent to protect policyholders and creditors.

If a company is domiciled in another state and is placed in rehabilitation or liquidation in that state, the Superintendent may seek a court order allowing him or her to take control of the company's assets in New York.

PROTECTIONS AND LIMITS ON PROTECTION

The LICGC provides up to $500,000 of coverage to a life insurance policyholder/ beneficiary, individual annuity (such as a Single Premium Deferred Annuity) contract holder or individual accident and health insurance policyholder. In addition, the full benefits of group accident and health insurance policies issued by licensed life insurers are protected for a minimum of six months. Insurance policies and annuity contracts issued by domestic life insurers prior to August 2, 1985 may also have protection provided by the LIGC.

FUNDING AGREEMENTS AND GROUP ANNUITY CONTRACTS

LICGC also provides some limited coverage to funding agreements and group annuity contracts.

Group annuity contracts, including guaranteed interest contracts and funding agreements, are frequently used for the investment of the assets of pension, profit-sharing and salary reduction plans. Most often it is the plan trustee or sponsor who makes the investment. The extent of LICGC protection for an individual participant depends upon the insurer's obligation s as set forth in the contract.

If a contract does not guarantee annuity benefits with respect to any specific individual identified in the contract, the LICGC will provide coverage for the total invested with the insurer, up to $1 million. If the contract does guarantee annuity benefits with respect to specific individuals identified in the contract, the LICGC provides up to $500,000 coverage to such individuals who are New York residents.

With respect to agreements that do not fund benefits under employee benefit plans, LICGC provides aggregate coverage of up to $500,000. Specific information about the type of contract through which protection is provided should be obtained from the employer.

SHOP CAREFULLY

Choose your insurance company carefully. Although the LICGC provides some protection, there are limitations on coverage, so don't ignore a company's financial condition and assume that you will be fully protected if the company fails to meet its obligations.

ABOUT DFS

The New York State Department of Financial Services licenses insurance companies, agents, brokers and insurance adjusters operating in New York state.

For more information, to file a complaint or to see if your company is currently licensed in New York State, visit us on the web at www.dfs.ny.gov or call us at (800) 342-3736.