

# WEST VIRGINIA LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION

P.O. BOX 816  
HUNTINGTON, WEST VIRGINIA 25712



Dear HMO:

As you may already be aware, the State of West Virginia's Legislature recently passed amendments to the life and health insurance guaranty association law. These amendments will include HMOs as members of the West Virginia Life and Health Insurance Guaranty Association ("WVLHGA"), effective June 6, 2018. For a copy of the updated guaranty association act, please visit our website at [www.wvlifega.org](http://www.wvlifega.org). As a new member of the WVLHGA, you no doubt have questions. By this letter we hope to highlight some important information about the WVLHGA and its operations and to provide you with contact information to allow you to ask other questions you may have.

**Objectives of the Guaranty Association:** The amendments to the governing statute continue the role of the WVLHGA in providing safety net coverage for policyholder and provider claims in the event a member insurer, including an HMO, should become insolvent. With few exceptions, the WVLHGA provides such protection only to residents of West Virginia. The legislation also provides statutory limits on the protection provided for the various lines of business covered by the legislation.

**Membership in the Association:** By statute, every insurer and/or HMO licensed in the state of West Virginia is automatically a member of the Association. That means your policyholders or subscribers will automatically be eligible for the statutory benefits and your company will be required to participate in assessments as authorized by the Association's board of directors pursuant to the WVA Code 33-26A-1 et seq.

**Governance of the Association:** The Association is governed by a board of directors which consists of member insurers elected by the Association's members and approved by the Insurance Commissioner. The governing legislation provides flexible powers for the Association to meet its statutory benefit obligations, including the power to provide guarantees relating to policies, to assumption reinsure policies to other solvent carriers and to enter into other arrangements that will result in fulfillment of the Association's obligations to policyholders. The Insurance Commissioner has authority to oversee the operations of the WVLHGA and to examine the Guaranty Association in the same manner insurers are examined. The Commissioner is also required by the statute to approve the Guaranty Association's Plan of Operation and any amendments to it.

**Triggering of the Guaranty Association:** Upon the issuance of a liquidation order from an appropriate state court, the WVLHGA is triggered and becomes obligated to provide the claims coverage for West Virginia residents. As noted above, the WVLHGA has a range of options it can utilize to meet these obligations. Where the insolvent company has been licensed in multiple states, the National Organization of Life and Health Guaranty Associations (known as "NOLHGA") provides a vehicle for consolidation of multiple state Guaranty Association efforts through its Task Force process. Many of the arrangements for TPAs, assumption reinsurance and other services necessary to handle individual state obligations are made available to all state guaranty associations who wish to participate. For over thirty years, NOLHGA has been successful in its Task Force efforts to facilitate the meeting of state Guaranty Association obligations to life (including annuities) and health insurance policyholders.

**Guaranty Association Assessments:** To cover the costs of the Guaranty Association in meeting its obligations to policyholders of insolvent insurers, the governing legislation provides that once a liquidation order has been entered, the WVLHGA has the power to authorize one or more assessments to cover such costs, such assessments being tailored to the needs of each insolvency. Estate assets of the liquidation estate are frequently made available to the Guaranty Associations, reducing the amount of any necessary assessments. Assessments are limited to a total of 2% of a company's written premium in any given calendar year. Assessments can be authorized either for Class A administrative purposes or for Class B specific insolvency purposes.

**Premium Data Collection:** In authorizing assessments, the WVLHGA relies on the NAIC Annual Statement data for the State of West Virginia as provided by member insurers in their annual filings. In addition, separate Exhibits that allows life, health and annuity insurers to provide more detailed information about their premiums is currently filed by insurers who file life or health insurance blanks. The Exhibit allows insurers to adjust their aggregated premium numbers to remove such items as stop-loss premiums, Medicare and Medicaid premiums and self-insurance considerations. Each year, NOLHGA undertakes an extensive process using the Annual Statement data and the information provided in the Exhibits to refine premium data for the use of all state guaranty associations who wish to use them. These extensive efforts are made by NOLHGA to provide accurate data to guaranty associations for assessment purposes.

**Other Information:** If you are interested in receiving other detailed information regarding the West Virginia Guaranty Association, please feel free to contact the Association's staff by telephone at (304) 733-6904. General information (including links to the actual legislation, etc.) is also available on the Guaranty Association's website at [www.wvlifega.org](http://www.wvlifega.org).