



November 21, 2019

WELCOME TO HEALTH MAINTENANCE ORGANIZATION MEMBERS

As you may already be aware, the Texas Legislature recently passed amendments to the Texas Life and Health Insurance Guaranty Association (“TLHIGA”) enabling and governing law, Chapter 463 of the Texas Insurance Code. These amendments included adding HMOs as members of the TLHIGA as of September 1, 2019. As a new member of the TLHIGA, you no doubt have questions. This letter will highlight some important information about the TLHIGA and its operations and to provide you with contact information to allow you to ask other additional questions.

***Purpose of the TLHIGA:*** The purpose of the TLHIGA is to provide a safety net for Texas resident policyholders when a member company is found to be insolvent and ordered liquidated by a court. The recent amendments to the governing statute continue the role of the TLHIGA in providing safety net coverage for policyholder and provider claims in the event of the insolvency and liquidation of a member company, including an HMO. With few exceptions, the TLHIGA provides such protection only to residents of Texas. The legislation also provides statutory limits on the protection provided for the various lines of business covered by the TLHIGA.

***Membership in the TLHIGA:*** All insurers or HMOs licensed in Texas to write a line of business covered by the TLHIGA are automatically members of the TLHIGA. That means your policyholders or subscribers will automatically be eligible for the statutory protection and your company will be required to participate in assessments as authorized by the TLHIGA’s Board of Directors pursuant to the governing statute and Plan of Operation.

***Governance of the TLHIGA:*** The TLHIGA is governed by a nine-member board of directors which consists of five member company representatives and four public directors. All TLHIGA directors are appointed by the Texas Commissioner of Insurance. The governing statute provides flexible powers for the TLHIGA to meet its statutory benefit obligations, including the power to provide guarantees relating to policies, to assumption reinsure policies to other solvent carriers or to enter into other arrangements that will result in fulfillment of the TLHIGA’s obligations to policyholders. The Texas Commissioner of Insurance has authority to oversee the operations of the TLHIGA and to examine the TLHIGA in the same manner as insurers. The Commissioner is also required by the statute to approve the TLHIGA’s Plan of Operation, including any amendments. The TLHIGA must also comply with the provisions of the Texas Open Meetings Act and the Texas Open Records Act.

***Triggering of the TLHIGA:*** Typically, upon the issuance of a liquidation order from a court, the TLHIGA is triggered and becomes obligated to provide the continuation of coverage under the insolvent company’s policies owned by Texas residents. As noted above, the TLHIGA 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 Insurance Guaranty Associations (known as "NOLHGA") provides a vehicle for consolidation and coordination of multiple state guaranty association efforts through its task force process. Many of the arrangements for engagement of third party administrators, assumption reinsurance transactions and other services necessary to handle individual guaranty association's obligations are developed by the task force and then 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.

***TLHIGA Assessments:*** Assessments can be authorized either for administrative purposes not related to a specific insolvency, Class A assessments, or costs to meet its obligations to policyholders of insolvent member insurers once a liquidation order has been entered, Class B assessments. Estate assets of the liquidation estate are frequently made available to the TLHIGA, reducing the amount of any necessary Class B assessments. Assessments in a calendar year may not exceed 2% of a member's average annual premiums for a specific three year period. Member insurers are allowed to offset Class A assessment payments as a credit against premium taxes due in the following year and to offset Class B assessment payments over the following five years.

***Premium Data Collection:*** In authorizing assessments, the TLHIGA relies on the NAIC Annual Statement data for the State of Texas, as provided by member insurers in their annual filings. In addition, the Life, Health & Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit and the Adjustment to the Life, Health & Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit (collectively, the "Base and Adjustment Exhibits") allow life, health and annuity insurers to provide more detailed information about their premiums. The Base and Adjustment Exhibits allow 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 Base and Adjustment 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 in order to provide accurate and consistent data to guaranty associations for assessment purposes.

***Company Contact Information:*** The TLHIGA maintains two addresses for each member; one for the distribution of administrative communications and the other for assessments. NOLHGA has developed an online contact information collection portal for member companies to submit contact information that will be distributed to all the guaranty associations where they are members. Enclosed is a flyer that provides the URL for accessing the portal. If you have questions, please contact Jarett Terry at [jterry@txlifega.org](mailto:jterry@txlifega.org).

***Summary Document:*** The TLHIGA is required to prepare a summary document describing its general purposes and current coverage limitations that will be distributed to policy, contract or certificate holders or enrollees when issuing new policies or contracts. The current summary

document was approved by the Texas Commissioner of Insurance on November 20, 2019. Guidance on the use of the summary document is provided in the attached notice.

**Other Information:** If you are interested in receiving other detailed information regarding the TLHIGA, please feel free to contact me by telephone at (800) 982-6362 or by email at [bboles@txlifega.org](mailto:bboles@txlifega.org). General information is also available on the TLHIGA's website at [www.txlifega.org](http://www.txlifega.org).

A handwritten signature in black ink, appearing to read "Bart A. Boles". The signature is fluid and cursive, with a long horizontal stroke at the end.

Bart A. Boles  
Executive Director