

**Notice Concerning Coverage Limitations and Exclusions under the North Dakota
Life and Health Insurance Guaranty Association Act**

A resident of North Dakota who purchases life insurance, annuities or accident and health insurance should know that an insurance company licensed in this state to write these types of insurance is a member of the North Dakota Life and Health Insurance Guaranty Association. The purpose of this association is to assure that a policyowner will be protected, within statutory limits, if a member insurer becomes financially unable to meet its obligations. If this should happen, the guaranty association will assess its other member insurance companies for the money to pay the claims of the insured persons who live in this state and, in some cases, to keep coverage in force. The valuable extra protection provided by these insurers through the guaranty association is not unlimited, however. And, as noted in the box below, this protection is not a substitute for consumers' care in selecting companies that are well-managed and financially stable.

The North Dakota Life and Health Insurance Guaranty Association may not provide coverage for this policy. If coverage is provided, it may be subject to substantial limitations or exclusions, and require continued residency in North Dakota. You should not rely on coverage by the North Dakota Life and Health Insurance Guaranty Association in selecting an insurance company or in selecting an insurance policy.

Coverage is NOT provided for your policy or any portion of it that is not guaranteed by the insurer or for which you have assumed the risk, such as a variable contract sold by prospectus or self-funded plans.

Your insurance company or its agent is required by law to give or send you this notice. However, your insurance company and its agents are prohibited by law from using the existence of the guaranty association to induce you to purchase any kind of insurance policy.

The North Dakota Life and Health Insurance Guaranty Association
P.O. Box 2422
Fargo, North Dakota 58108-2422

State of North Dakota Department of Insurance
600 East Blvd. Avenue, Dept. 401
Bismarck, North Dakota 58505

The state law that provides for this safety-net coverage is called the North Dakota Life and Health Insurance Guaranty Association Act. On the back page is a brief summary of this law's coverages, exclusions and limits. This summary does not cover all provisions of the law; nor does it in any way change anyone's rights or obligations under the act or the rights or obligations of the guaranty association.

COVERAGE

Generally, an individual will be protected by the life and health insurance guaranty association if the individual lives in North Dakota and hold a life or health insurance contract, annuity contract, or if the individual is insured under a group insurance contract, issued by a member insurer. A beneficiary, payee or assignee of an insured person is protected as well, even if the insured is a nonresident of North Dakota.

EXCLUSIONS FROM COVERAGE

However, a person holding a policy is not protected by this association if:

- the individual is eligible for protection under the laws of another state (this may occur when the insolvent insurer was incorporated in another state whose guaranty association protects insureds who live outside that state);
- the insurer was not authorized to do business in this state;
- the policy is issued by an organization which is not a member of the North Dakota Life and Health Insurance Guaranty Association. Health Maintenance organizations, fraternal benefit societies, and the Comprehensive Health Association of North Dakota are not members of the guaranty association.

The association also does **not** provide coverage for:

- a policy or portion of a policy which is not guaranteed by the insurer or for which the individual has assumed the risk, such as a variable contract sold by prospectus;
- a policy of reinsurance (unless an assumption certificate was issued);
- an interest rate yield that exceeds an average rate;
- a dividend;
- a credit given in connection with the administration of a policy by a group contractholder;
- an employers' plan to the extent that it is self-funded (that is, not insured by an insurance company, even if an insurance company administers them).

LIMITS ON AMOUNT OF COVERAGE

The act also limits the amount the association is obligated to pay. The association cannot pay more than what the insurance company would owe under a policy or contract. Also, for any one insured life, the association will pay a maximum of \$300,000 – no matter how many policies and contracts were in force with the same company, even if the policies provided different types of coverages. Within this overall \$300,000 limit, the association will not pay more than \$100,000 in cash surrender values, \$100,000 in health insurance benefits, \$100,000 in present value of annuities, or \$300,000 in life insurance death benefits – again, no matter how many policies and contracts there were with the same company, and no matter how many different types of coverages.

Note to benefit plan trustees or other holders of unallocated annuities (GICs, DACs, etc.) covered by the act: for unallocated annuities that fund governmental retirement plans under § § 401(k), 403(b) or 457 of the Internal Revenue Code, the limit is \$100,000 in present value of annuity benefits including net cash surrender and net cash withdrawal per participating individual. In no event shall the association be liable to spend more than \$300,000 in the aggregate per individual. For covered unallocated annuities that fund other plans, a special limit of \$5,000,000 applies to each contractholder, regardless of the number of contracts held with the same company or number of persons covered. In all cases, of course, the contract limits also apply.

COMPLAINTS AND COMPANY FINANCIAL INFORMATION

A written complaint to allege a violation of any provision of the Life and Health Insurance Guaranty Association Act must be filed with the North Dakota Insurance Department, 600 East Boulevard Avenue, Dept. 401, Bismarck, North Dakota 58505; telephone –(701) 328-2440. Financial information for an insurance company, if the information is not proprietary, is available at the same address and telephone number.