

# Life & Health Insurance Guaranty Corporation

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Executive Director  
Elizabeth Hoffman

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February 11, 2022

J. Van Lear Dorsey, Principal Counsel  
Maryland Insurance Administration

Good afternoon Mr. Dorsey,

The Life and Health Insurance Guaranty Corporation (Maryland) (the “Corporation”) is a statutory entity created by the Maryland General Assembly in 1970 and is composed of all insurers licensed to sell life insurance, accident and health insurance, including long term care insurance, and individual annuities in the State of Maryland. The statutory purpose of the Corporation is to protect Maryland resident policyholders against an insurer’s failure to fulfill its contractual obligations. The Corporation’s protection is limited to Maryland residents who are holders of life and health insurance policies, including long term care policies, and individual annuities issued by member insurers, and arises in the event the insurer which issued the policies or contracts is declared insolvent and ordered liquidated by a court of competent jurisdiction.

When triggered by an order of liquidation with a finding of insolvency, the Corporation provides benefits to resident policyholders up to the lesser of the maximum benefit under the policy or the statutory limit for the Corporation’s coverage payments. The limit for Corporation coverage for long term care insurance in Maryland is \$300,000. In liquidation, when Maryland long term care policyholders make claims (“go on claim”), the Corporation pays the benefits in full for each policyholder who resides in Maryland until the policyholder either exhausts the maximum benefits under the policy or exceeds the statutory coverage limit. Any benefit paid under the policy by the insurer or the Corporation count toward the policy maximum, but only benefits paid by the Corporation after liquidation would count toward the Corporation’s statutory coverage limit. Most long term care policyholders are never affected by the statutory coverage limit, either because (1) the maximum benefit under the policy is less than the statutory coverage limit; (2) they never go on claim; or (3) they do not remain on claim long enough to exceed the statutory coverage limit.

The Corporation has flexibility to provide policyholder protection as appropriate to a particular insolvency in which coverage may be triggered. For instance, the Corporation may continue coverage under the policy, retain the obligation to pay claims as they come due, and retain the right to receive premiums under the policy. Alternatively, the Corporation may effectuate a transfer of the business to a solvent insurer, generally supported by the assets of the estate of the failed company and supported by funding from the Corporation.

In providing continuing coverage, the Corporation may seek rate increases on premiums and/or offer benefit modifications to policyholders and it has done so in the past. The Corporation's governing statute, Title 9 Subtitle 4 Life and Health Insurance Guaranty Corporation Act, imposes few limitations (such as the maximum coverage limit) on the Corporation, but it does not constrain the Corporation as to the nature or number of options that can be offered to policyholders in liquidation.

The Corporation funds its coverage obligations from three sources – the assets of the insolvent insurer, premiums due after liquidation, and assessments of the Corporation's member insurers. Throughout its history, the Corporation has never failed to meet its obligations to Maryland policyholders when triggered by a member insurer's insolvency.

Thank you for the opportunity to provide this general statement of the Corporation's obligation to Maryland resident policyholders who have policies or contracts with a company licensed in Maryland, which has been declared insolvent and ordered liquidated.

Sincerely,

Beth Hoffman  
Executive Director