STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
LEGAL SERVICES
500 JAMES ROBERTSON PARKWAY
VOLUNTEER PLAZA BUILDING, FIFTH FLOOR
NASHVILLE, TENNESSEE 37219

NED McWHERTER
GOVERNOR

ELAINE A. McREYNOLDS
COMMISSIONER

BULLETIN

TO: All Life & Health Insurers Doing Business in Tennessee

FROM: Elaine A. McReynolds, Commissioner EAM
Tennessee Department of Commerce & Insurance

RE: Summary Document and Notice
Life & Health Insurance Guaranty Association

DATE: February 5, 1990

All life and health insurers doing business in Tennessee are hereby notified that the attached Notice Concerning Coverage Limitations and Exclusions Under the Life and Health Insurance Guaranty Association Act, drafted pursuant to T.C.A. 56-12-218(b), and the separate Notice, drafted pursuant to T.C.A. 56-12-218(d), are approved for use in Tennessee.

T.C.A. 56-12-218 provides that no person, including an insurer, agent or affiliate of an insurer shall use the existence of the Life and Health Guaranty Association for the purpose of insurance sales solicitation or inducement to purchase any form of insurance covered by the Act. Section (b) of that statute provides that a summary document (Notice Concerning Coverage Limitations and Exclusions Under the Life and Health Insurance Guaranty Association Act) describing the general purposes and limitations of the Act be delivered to policy or contract holders prior to or at the time of delivery of a policy or contract of insurance. Section (d) of that statute provides that a separate written notice (Notice) be given to a policy or contract holder prior to or at the time of delivery of any policy specifically excluded from coverage in T.C.A. Section 56-12-204(b)(2)(A).

Please note that the enclosed documents must be in use 60 days from the date of this bulletin and shall be in type not smaller than ten-point.

NOTICE CONCERNING COVERAGE LIMITATIONS AND EXCLUSIONS UNDER THE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION ACT

Residents of Tennessee who purchase life insurance, annuities or health insurance should know that the insurance companies licensed in this state to write these types of insurance are members of the Tennessee Life and Health Insurance Guaranty Association. The purpose of this association is to assure that policy-holders will be protected, within limits, in the unlikely event that 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 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 state law that provides for this safety-net coverage is called the Tennessee Life and Health Insurance Guaranty Association Act. The following 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, individuals will be protected by the life and health insurance guaranty association if they live in this state and hold a life or health insurance contract, or an annuity, or if they are insured under a group insurance contract, issued by an insurer authorized to conduct business in Tennessee. The beneficiaries, payees or assignees of insured persons are protected as well, even if they live in another state.

EXCLUSIONS FROM COVERAGE

However, persons holding such policies are not protected by this association if:

(1) they are 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);

(2) the insurer was not authorized to do business in this state;

(3) their policy was issued by a nonprofit hospital or medical service organization (the "Blues"), an HMO, a fraternal benefit society, a mandatory state pooling plan, a mutual assessment company or similar plan in which the policy-holder is subject to future assessments, or by an insurance exchange.

The association also does not provide coverage for:

(1) any 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;

(2) any policy of reinsurance (unless an assumption certificate was issued);

(3) interest rate yields that exceed an average rate;

(4) dividends;

(5) credits given in connection with the administration of a policy by a group contractholder;

(6) employers' plans to the extent they are self-funded (that is, not insured by an insurance company, even if an insurance company administers them);

(7) unallocated annuity contracts (which give rights to group contractholders, not individuals), unless qualified under Section 403(b) of the Internal Revenue Code, except that, even if qualified under Section 403(b), unallocated annuities issued to employee benefit plans protected by the federal Pension Benefit Guaranty Corporation are not covered.

LIMITS ON AMOUNT OF COVERAGE

The act also limits that amount the association is obligated to pay out: 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 there were with the same company, even if they

provided different types of coverage. 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.

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The Tennessee 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 Tennessee. You should not rely on coverage by the Tennessee 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.

Insurance companies or their agents are required by law to give or send you this notice. However, insurance companies and their agents are prohibited by law from using the existence of the guaranty association to induce you to purchase any kind of insurance policy.

The Tennessee Life and Health Insurance Guaranty Association
P.O. Box 25th Floor
511 Union Street
Nashville, Tennessee 37219

Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

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NOTICE

Residents of this state who purchase life insurance, annuities, or health insurance should know that the insurance companies licensed in this state to write these types of insurance are members of the Tennessee Life and Health Guaranty Association. The purpose of this association is to assure that policyholders will be protected, within limits, in the unlikely event that 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 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 is not available at all for some policies.

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.

Insurance companies or their agents are required by law to give or send you this notice. However, insurance companies and their agents are prohibited by law from using the existence of the Guaranty Association to induce you to purchase any kind of insurance policy.

The Tennessee Life and Health Insurance Guaranty Association
P.O. Box 25th Floor
511 Union Street
Nashville, Tennessee 37219

Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

COPY

SUMMARY DOCUMENT AND NOTICE — TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

April 16, 2001

The address of the Tennessee Life and Health Insurance Guaranty Association has changed as follows:

Tennessee Life and Health Insurance Guaranty Association
1200 One Nashville Place
150 4th Avenue North
Nashville, Tennessee 37219-2433

Please note that the notices required by the Department's bulletin dated February 5, 1990, should be amended to change the address of the Tennessee Life and Health Insurance Guaranty Association as soon as possible. The notice is required to be delivered to policy or contract holders prior to delivery of a policy or contract. Except for the address of the Tennessee Life and Health Insurance Guaranty Association, the requirements of the bulletin dated February 5, 1990 remain in effect.

Anne B. Pope
COMMISSIONER OF INSURANCE