

Saving Money on Your Insurance

BY JOSE MONTEMAYOR

TEXAS COMMISSIONER OF INSURANCE

Protection if Your Insurance Company Fails

INSURANCE COMPANIES AND HMOs very seldom go broke.

But it occasionally happens that an insurance company or HMO becomes insolvent and no longer can pay its claims. When that happens, Texas law provides certain safeguards for policyholders, health plan members and claimants.

Like other states, Texas has guaranty associations that pay claims of licensed insurance companies. While there are certain exclusions and limitations, most claims of insolvent, licensed insurers are covered by guaranty associations. This protection applies to both Texas companies and out-of-state companies licensed to operate in Texas. Here are the associations' names, phone numbers, Web sites and general limits on what they pay:

Texas Property and Casualty Guaranty Association covers such claims as automobile, homeowners and general liability up to \$300,000 and workers' compensation claims up to their full amount and duration. The association also can refund up to \$25,000 in prepaid but unused ("unearned") premium. Phone

1-800-856-0298

Web site is

www.tpciga.org

Texas Title Insurance Guaranty Association covers claims against title policies up to the lesser of \$250,000 per claimant or \$250,000 per policy. Phone

512-474-1587

No Web site.

Texas Life, Accident, Health and Hospital Service Insurance Guaranty Association covers health insurance claims up to \$200,000, life insurance death benefits up to \$300,000, life insurance cash values up to \$100,000 and individual annuities up to \$100,000. In most cases, however, the association seeks an active company to take over ("assume") the policies of a failed company. There also is coverage for group annuities, with limits varying by type of product. Phone

1-800-982-6362

Web site is

www.txlifega.org

To trigger guaranty association coverage of an insolvent company's claims, the Commissioner of Insurance must issue an order declaring the company to be "impaired."

Normally, there also will be a court order placing the company into receivership. If the company is Texas-based, the Commissioner will appoint a special deputy receiver (SDR) to gather the company's assets and use them to pay the company's obligations. Other states have similar systems.

Not all insurance companies and policy types are covered by guaranty associations. Unlicensed, illegally operating ("unauthorized") insurers aren't covered. Neither are surplus lines carriers, employers' self-funded health plans, fraternal benefit societies and multiple employer welfare arrangements (MEWAs).

Policy types not covered include credit insurance, mortgage guaranty and federally guaranteed policies such as flood insurance, along with several types of business insurance.

There is no guaranty association for HMOs, but some safeguards are built into state laws governing these health plans.

If an HMO fails, its contracted physicians and providers are prohibited from billing patients for amounts the HMO should have paid. (However, non-contracted physicians and providers can bill patients for services the HMO agreed to pay for.) In addition, the Commissioner of Insurance can assign the failed HMO's members to other HMOs operating in the area so that coverage may continue.

For more information about protections when insurance companies and HMOs become insolvent, see the Texas Department of Insurance's consumer publication, *If My Insurance Company Fails*. You can view it on our Web site

www.tdi.state.tx.us

or call

1-800-599-7467

for a free printed copy. ★

Editors:

- If you need further information, call:
**Texas Department of Insurance
Public Information Office
(512) 463-6425**

We welcome your questions and suggestions about this column.