

Effective – 2017

States – California Residents

Contact – If you have any questions, please contact our Customer Service Team at 1-800-710-9978.

Penn Treaty Surcharge for Active Long Term Care Policyholders Resident in California

Genworth Life Insurance Company (GLIC) and Genworth Life and Annuity Insurance Company (GLAIC) (GLIC and GLAIC, collectively Genworth) recently started mailing California Resident LTC policyholders seeking recoupment for assessments made against Genworth by the California Life and Health Insurance Guarantee Association (CLHIGA) for the 2017 Penn Treaty insolvency. CLHIGA assessed all companies writing health insurance in California to make up the shortfall needed to pay Penn Treaty claims caused by that insolvency. This assessment is not unique to Genworth, and Genworth has no affiliation with Penn Treaty.

California law permits the recoupment of assessments made by CLHIGA against member insurance companies for health insurance policies, like LTC. This law allows all companies to surcharge their health policies to recover these assessments. This surcharge is not a premium under California law, and the payment or non-payment of the surcharge will not affect the status of these policyholder's Genworth LTC policies

Genworth started sending these surcharge notices to active LTC policyholders who were California residents as of November 1, 2019.

These surcharge letters are accompanied by a Frequently Asked Questions document, which further explains the situation. [We've included these FAQs in the following pages of this bulletin.](#) Please contact our Customer Service Team at 1-800-710-9978 if you have additional questions.

Genworth companies include:

Genworth Life and Annuity Insurance Company, Richmond, VA

Genworth Life Insurance Company, Richmond, VA

Genworth Life Insurance Company of New York, New York, NY

Only Genworth Life Insurance Company of New York is admitted in and conducts business in New York.

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PENN TREATY SURCHARGE FREQUENTLY ASKED QUESTIONS

1. **What is the California Life and Health Insurance Guarantee Association?**

The California Life and Health Insurance Guarantee Association (CLHIGA) is a not for profit entity that was created by statute to provide a safety net for California life, health and annuity policyholders whose member insurance company is licensed through the California Department of Insurance and becomes insolvent.

2. **How does the Guarantee Association work?**

All life, health and annuity companies that are licensed through the California Department of Insurance are required to be CLHIGA members. In the event that a member company becomes insolvent, CLHIGA assesses solvent member companies to help protect the policyholders of the insolvent company.

3. **Why am I being billed for a surcharge?**

In 2017, Penn Treaty insurance company became insolvent, and CLHIGA made a \$325 million assessment on its member health companies to fund liabilities for Penn Treaty policyholders. Your health/dental insurance company was assessed to help fund payments to the Penn Treaty policyholders. California law allows your insurance company to collect a surcharge to help fund some or all of their assessment liability.

4. **I have not been surcharged before, why am I being surcharged now?**

California law has allowed CLHIGA member health companies to surcharge their policyholders for many years. Although there have been other recent health insolvencies, they were substantially smaller liabilities and CLHIGA member companies did not elect to surcharge their policyholders. As Penn Treaty was a \$325 million insolvency, many CLHIGA member companies have begun to collect a surcharge.

5. **How is the surcharge rate determined?**

The CLHIGA Board of Directors set the surcharge rate, which was approved by then Commissioner of Insurance Dave Jones, consistent with how it calculated the assessment against each of its health member companies. Member company surcharges may not exceed the surcharge rate and companies may not collect more than the amount they were assessed. Member companies have the flexibility to use a lower surcharge rate and spread their surcharge collection over a longer period of time.

6. **How is my surcharge determined?**

Your surcharge is based on your annualized premium. If you are paying annual premiums, then for this surcharge, your annualized premium is the annual premium in effect as of 11/1/2019. If you are paying premiums semi-annually, quarterly, or monthly, then for this surcharge, your annualized premium is the premium in effect as of 11/1/2019, times 2 if you are paying semi-annually, times 4 if you are paying quarterly, or times 12 if you are paying monthly. The CLHIGA rate of 0.01995613 per dollar of premium was applied to your annualized premium to determine your surcharge.

7. **Will I receive a surcharge on other health, life or annuity policies?**

California law only allows CLHIGA member companies to surcharge for health line insolvencies. All health member companies have been given notice of their ability to surcharge their policyholders; however, not all companies have elected to collect a surcharge to offset some or all of their Penn Treaty assessment.

8. **Will there be any further surcharges for the 2017 Penn Treaty assessment?**

No, you will only receive one surcharge for our 2017 Penn Treaty assessment. Please know that we may not collect more in surcharges than the amount of our assessment.