

## **Notice of American Independent Network Assessment**

This notice is being sent to member insurers of the Life and Health Insurance Company Guaranty Corporation of New York (LHICGC).

In the next several weeks, your company will receive a Class B Assessment relating to the American Independent Network Insurance Company of New York (AINIC). On September 28, 2023, AINIC was placed into liquidation by order of the New York Supreme Court. On June 28, 2024, the Board of Directors of The Life and Health Insurance Guaranty Corporation of New York authorized an initial Class B Assessment of \$25 million to cover a portion of AINIC's obligations. Other Class B Assessments will be authorized in the future to cover AINIC's remaining obligations.

Your company's portion of the total assessment will be calculated based on the proportion of its average 3-year health insurance premiums (for the years 2021-2023) to the total 3-year health premiums for all companies licensed to sell health insurance in New York State. The assessable premiums include stop loss insurance premiums. The assessable premiums exclude premiums for government programs, such as Medicare and Medicaid. Please consult with New York Insurance Law § 7705(e) definitions of "health insurance."

The premium information was obtained from a combination of companies' NAIC Annual Statement filings, supplements filed with New York State, data from NOLHGA, and in some instances correspondence directly with companies regarding potential exclusions for premiums related to government programs. Strohm Ballweg, a CPA firm that focuses on the insurance industry, assisted in this process.

As required by the New York Insurance Law, the \$25 million Class B assessment is applied to all companies licensed to sell health insurance policies in New York State. As also required by the New York Insurance Law, the total assessment is divided equally between companies classified as life insurance companies and those classified as health insurance companies. For the purpose of the AINIC liquidation, New York Insurance Law § 7709(c)(2) considers a property/casualty insurer that writes health insurance to be a health insurance company member.

Eighty percent of the assessments paid qualify to be used as offsets against future premium taxes. One-third of the offset can be taken in each of the three years following the year the assessment is paid (subject to an annual total limit of \$150 million, which doesn't apply in this case). The New York Insurance Law requires us to adjust the assessments of non-profit health insurance companies (who are not subject to premium taxes) to provide them with the equivalent benefit of tax offsets that the for-profit companies enjoy. As a result, the premiums for non-profit health companies are reduced by the present value of the 80% benefit that are given to for-profit companies. This reduction in premiums results in additional assessments for for-profit health insurance companies, so that on an after-tax basis all health insurance companies are subject to the same assessment rate on their premiums.

Issuance of certificates of credit for insurance companies that must file a tax return pursuant to Tax Law Article 33 is subject to the requirements of New York Insurance Law § 7712. Certificates of credit will be issued by March 31 of the year following the year in which assessments are paid. For example, if the Class B assessment is paid in 2024, a certificate of credit will be issued by March 31,

2025 in the amount of 1/3rd of 80% of the paid Class B assessment. If the Class B assessment is paid in 2025, a certificate of credit will be issued by March 31, 2026 in the amount of 1/3rd of 80% of the paid Class B assessment. The amount on the certificate of tax credit will be eligible to be claimed in the taxable year that begins in the calendar year that such certificate is issued. Thirty-three and one-third per centum of 80% of the paid Class B assessment shall be eligible to be claimed in each of the two taxable years following such taxable year. **This does not constitute tax advice, and you should consult your company's tax professional with any questions about the application of tax credits to your company.**

To ensure your company's receipt of future assessments and other important communications, LHICGC solicits your email address. This information can be provided by clicking the link: <https://Update.LHIGA.com> and entering Access Code: **ZHCF9F**. Given the frequency of Company personnel changes, we encourage you to give every consideration to creating a generic assessment email address (e.g. [assessments@company.com](mailto:assessments@company.com)) so that assessments will be received and reviewed regardless of future staffing changes.

If you have any questions about this notice, please contact the Guaranty Corporation at [info@nylifega.org](mailto:info@nylifega.org).

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