

Questions About Guaranty Associations

Role of the Insurance Commissioner: The insurance commissioner is charged with monitoring and regulating insurance activities within a state. The insurance commissioner also has the responsibility to determine when an insurance company domiciled in that state should be declared insolvent and the seek authority from the state court to seize its assets and operate the company pending resolution of the insolvency.

Role of the Receiver: When the insurance commissioner obtains control of a company, she is, by law, the rehabilitator or liquidator of the company, and may retain people to serve as special deputy receivers to supervise the company's activities. The special deputy receivers may be either independent professionals experienced in legal, accounting and actuarial issues, or employees of that state's department of insurance.

Role of the State Guaranty Association: Property and casualty insurance guaranty associations are organizations created by state legislatures to protect the policyholders and claimants of an insolvent insurance company, up to specified limits. All insurance companies licensed to write property and casualty insurance in a state are required, as a condition of doing business in the state, to be members of the guaranty association. If a member company is liquidated and declared insolvent, money to pay claims is obtained through assessments of other insurance companies writing the same line(s) of insurance as the insolvent company. Guaranty associations limit protection to residents of their own states, provided the company was licensed there, regardless of where the failed insurance company is headquartered. The guaranty association cooperates with the deputy receivers to gather the information needed to fulfill its statutory obligations.

Guaranteed Coverage: Policyholders in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin islands are covered by a guaranty association in their state up to limits established by state law.

Most guaranty associations pay claims for unearned premium on covered lines of insurance. Caps vary from state to state. Many states limit guaranty association coverage for unearned premium claims at \$10,000/policy. Also, many guaranty associations do not cover unearned premium claims to the extent the claim is for retro premium. For more detailed information about guaranty association coverage for unearned premium claims, please see, *National Conference of Insurance Guaranty Funds 2011 Summary of Property and Casualty Insurance Guaranty Association Acts Unearned Premium Claims Summary by Provision*, which is attached.

On other covered claims, guaranty funds pay either up to the policy's limit, or the covered claim cap (which may vary from state to state), whichever is less. Caps vary from state to state. Typically the claim limit is \$300,000 with the exception of workers' compensation claims. Most guaranty funds pay 100% of statutorily defined workers' compensation benefits.

Certain lines of property and casualty insurance are excluded from guaranty association coverage. Lines of insurance written by Credit General that generally not covered by the property and casualty guaranty associations include surety and ocean marine insurance.

How is Guaranty Association Coverage Funded?: Continued coverage for policyholders of a failed insurer is provided through assessments against property and casualty insurance companies. The assessments are collected by the state guaranty association, which uses the funds to provide limited continued coverage and to pay claims.

NATIONAL CONFERENCE OF INSURANCE GUARANTY FUNDS
2011 SUMMARY OF PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION ACTS
SUMMARY BY PROVISION

EFF DATE	STATE	UNEARNED PREM. COVERED?	UNEARNED PREM DED (IF DIFF. FROM OTHER DED.)	UP LIMIT (IF DIFF. FROM OTHER)	UNEARNED PREMIUM CLAIMS NOT COVERED
2009	NAIC	YES		\$10,000/POLICY	RETRO PREM
	NCIGF	YES		\$10,000/POLICY	RETRO PREM
1981	AL	YES			
1970	AK	YES		\$10,000/POLICY	RETRO PREM
1977	AZ	YES	\$25	\$10,000/POLICY	
1977	AR	YES		\$25,000/POLICY	RETRO PREM
1969	CA	YES	NO PAYMENT FOR WC AND UEP LESS THAN \$100 – AMTS OVER \$100 PAID IN FULL		RETRO PREM
1971	CO	YES	NONE		
1971	CT	YES – 50%	NONE	\$2,000/POLICY	
1970	DE	YES	NONE	\$10,000/POLICY	RETRO PREM
1970	DC	YES	\$100	\$10,000/POLICY	RETRO PREM
1970	FL	YES			
1997	FLWC	YES	NONE	\$50,000 POLICY	RETRO PREM
1970	GA	YES		\$20,000/POLICY	RETRO, AUDIT, DEP
1971	HI	YES		\$10,000/POLICY	RETRO PREM
1970	ID	YES		\$10,000/POLICY	RETRO PREM
1971	IL	YES	\$100	\$10,000/POLICY	ONLY UNEXP CVRD
1972	IN	YES		< 80% OR \$650/MO	OVER 12 MONTHS
1970	IA	YES	\$100	\$10,000/POLICY	RETRO, EXP RATED
1970	KS	YES			
1972	KY	YES		\$10,000/POLICY	RETRO PREM
1970	LA	YES	NONE	\$10,000/POLICY	
1970	ME	YES	\$50	\$25,000/POLICY	
1971	MD	YES			
1971	MA	YES			

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1969	MI	YES	NO AMOUNT LESS THAN \$50	\$500/CLAIMANT (CPI ADJUSTED)	
1971	MN	YES			RETRO PREM
1970	MS	YES		NO LIMIT	RETRO PREM
1971	MO	YES		\$25,000/POLICY	RETRO PREM
1971	MT	YES		\$10,000/POLICY	RETRO PREM
1971	NE	YES		\$10,000/POLICY	RETRO PREM, PREMIUM SUBJECT TO ADJUSTMENT POST LIQUIDATION
1971	NV	YES			
1970	NH	YES			RETRO PREM
1974	NJ	YES			
1935	NJWC	NOT SPECIFIED			
1973	NM	YES			
1969	NY	YES			
1971	NC	YES		\$10K/POL (EFF.1/1/93)	RETRO PREM
1971	ND	YES		\$10,000/POLICY	RETRO PREM
1970	OH	YES		\$10,000/POLICY	RETRO PREM
1980	OK	YES		\$10,000/POLICY	RETRO PREM
1971	OR	YES			
1970	PA	YES		\$10,000/POLICY	RETRO PREM
1937	PAWC	NOT SPECIFIED			
1974	PR	YES			RETRO PREM
1970	RI	YES		\$10,000/POLICY	RETRO PREM
1971	SC	YES	\$100		RETRO PREM
1970	SD	YES	NO PAYMENT FOR WC AND UEP LESS THAN \$100 – AMTS OVER \$100 PAID IN FULL	\$25,000/POLICY	ONLY UNEXP/CVRD

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1971	TN	YES	\$250	\$10,000/POLICY	RETRO PREM
1971	TX	YES		\$25,000/CVD CL	RETRO PREM
1971	UT	YES	\$100	\$10,000/POLICY	RETRO PREM, PERSONAL LINES ONLY
1970	VT	YES	\$25		
1984	VI	YES			
1970	VA	YES	\$50		RETRO PREM
1971	WA	YES			NO COVERAGE LONGSHORE HARBOR WORKERS
1970	WV	YES			RETRO PREM, CLAIMS SUBJECT TO ADJUSTMENT POST LIQUIDATION ARE EXCLUDED
1969	WI	NO			
1971	WY	YES		\$7,500/POLICY	

DISCLAIMER

Although the NCIGF has made every effort to produce the most complete, up-to-date and accurate law summaries possible, this work is meant to be used for reference purposes only. It is not meant as a substitute for an official version of a state statute or for legal advice.

Future updated copies of this summary may be obtained by contacting Maureen Sciamé (msciame@ncigf.org) of the National Conference of Insurance Guaranty Funds, 300 N Meridian St, Ste 1020, Indianapolis, Indiana, 46204, (317) 464-8136.