

## **SPC Initiative Set to Deliver Comprehensive Recommendations to the NCIGF and State Guaranty Funds**

“You should examine yourself daily,” wrote author Israel Zangwill. “If you find faults, you should correct them. When you find none, you should try even harder.”

Zangwill’s words could offer a tidy summation of the NCIGF’s Strategic Planning Committee’s (SPC) initiative to provide an overall assessment of the NCIGF and guaranty fund system.

Created by the NCIGF Board of Directors at its planning meeting in Orlando in January 2006, the effort has evolved into the most ambitious, comprehensive and in-depth self-examination of the organization and guaranty fund system in its nearly 40-year history.

“The guaranty fund system has provided a broad and reliable safety net for policy holders for nearly 40 years,” said SPC co-chair Steve Durish. “Self-assessment is not always easy, but our hope is that this unprecedented effort to gather a wide range of input from our community and stakeholders will be the best-possible way to ensure that the guaranty funds are well-positioned to meet the challenges ahead.”

### **From Arizona to Portland to “self-knowledge”**

The initiative traces its origins to the NCIGF’s Fall Workshop in Scottsdale, Arizona November 2005. There suggestions from guaranty fund managers, industry and trade representatives and others about how to improve the NCIGF and guaranty fund system were developed through four discussion groups. Comments at the meeting ranged widely, offering many perspectives on how the system and organization could work more efficiently to fulfill the mission of protecting policyholders.

From the workshop came many ideas related to key issues facing the organization and guaranty fund system. To continue the momentum begun by the discussions, the NCIGF board formed the Strategic Planning Committee during its January 2006 meeting in Orlando, Florida.

The committee’s charge was to take the board’s fact-finding to the next level through a formal and systematic process of self-examination. The board asked the SPC – a group of 16 volunteers from all walks of the insurance industry and the guaranty funds – to spearhead research that would provide data for future strategic planning and chart the future of the NCIGF and guaranty fund system.

The discussions with NCIGF members and other stakeholder groups continued during breakout sessions at the NCIGF 2006 Annual Meeting in Portland, Oregon in April 2006. During these sessions, guaranty fund managers and staff, insurance company representatives, guaranty fund counsel and NCIGF staff addressed questions regarding what the guaranty funds do well and what the guaranty funds could improve by doing differently.

“Fundamentally, the guaranty system has functioned well,” said NCIGF President Roger Schmelzer. “Much of the informal input collected in Arizona, Orlando and Portland suggested that the time was right for a formal, candid, clear-eyed self-assessment. That’s just what the Strategic Planning Committee set out to do.”

### **Consultants join effort**

To ensure that the rigorous assessment reflected best practices in surveying, data collection and tabulation, the NCIGF Executive Committee approved funding to retain consultants.

Dr. Terri Vaughan and Dr. Robert Cooper, faculty members from Drake University, brought to the effort proven research skills and a solid grounding in the insurance industry. Vaughan, a former Iowa Insurance Commissioner, had served as president of the National Association of Insurance Commissioners (NAIC).

Vaughan and Cooper prepared surveys and interview questions as a first step in carrying out an objective assessment of the NCIGF, its services and current roles and the guaranty fund system. They gathered input from the guaranty funds’ stakeholders, including suggestions about how the NCIGF and guaranty fund system could best meet future challenges. They also identified factors viewed by stakeholders as inhibiting the efficiency of the guaranty fund system and the NCIGF.

The assessment also included a literature review and analysis to identify the key issues facing the guaranty fund system.

### **Study casts wide net**

The data collection process cast its nets wide, eliciting input from a broad base of respondents that included regulators and receivers and staffs, guaranty association board members, managers and staffs, insurance producers and agents and brokers.

The study also targeted insurers, trade association and other industry representatives, the NCIGF’s management and staff and consumer representatives.

The surveys probed virtually all key aspects of the guaranty funds. Questions invited input on everything from state guaranty fund laws to NCIGF board make-up.

Questions sought feedback on runoffs and net worth, resource-sharing, consolidation of fund operations and a broad range of receiver-related questions. Overall, the surveys, which safeguarded the anonymity of participants, probed deeply into the guaranty fund system. The fact-finding process focused on obtaining as much information as possible about what participants thought worked – and what worked less well.

“We wanted to take a good look at the overall guaranty fund system and NCIGF and gather feedback on how the funds and others assess the system’s effectiveness and value,” said Debra Wozniak, the SPC’s co-chair.

“Our consultants reported that the overall response rate for the surveys and interviews was very good. The SPC believes the report provides a good ‘feel’ for how the various stakeholders view the guaranty fund system and NCIGF.”

“The results of the Vaughan survey are extraordinarily revealing,” said Schmelzer. “The guaranty fund system clearly has an unprecedented opportunity to provide an even higher level of service and protection to property/casualty insurance consumers. This is the right process, at the precise right moment in our history.”

### **Initial results are tabulated; strategic planning begins**

By December 2006, Vaughan and Cooper had received and tabulated most of the study’s data. The team met with the SPC in December and January to discuss their preliminary findings.

Following the initial work of surveying, interviewing and compiling results, the SPC committee convened that month to begin the strategic planning phase of the project. The consensus of the 16-member group was that focusing on seven key areas provided the best and most efficient means of examining, evaluating and making recommendations in important areas of potential improvement. The areas were:

- Gaining a consensus on the primary guaranty fund mission
- Communications/public relations/education
- Preparing guaranty funds for change
- Operations and support
- Board of directors issues
- Uniformity
- Coordination and cooperation

In total, the workgroups conducted more than 30 meetings. Drawing from issues identified by the SPC’s Final Report in their respective areas, the groups conducted wide-ranging discussions on issues and offered recommendations for improving performance in these areas.

The workgroups compiled working group reports as the final fruit of extensive discussions. These reports, which chronicle the discussions about issues and document related recommendations, provide a window into the thinking and strategic direction of the workgroups. Taken together, the reports also were the genesis for the overall strategy that later would be embodied in the SPC’s final strategic plan and many of the plan’s supporting tactics.

### **Moving Forward Together... and Strategically**

From the working groups report emerged the SPC’s strategic plan, *Putting Consumers First: The State Guaranty Funds Moving Forward Together*. The plan, which received an enthusiastic approval by the NCIGF board in November 2007, voices a strategic and tactical vision for the guaranty fund system and the NCIGF, the system’s support organization.

In January 2008 the SPC committee returns to the birthplace of the SPC initiative, Orlando, to present the strategic plan to guaranty fund managers, a milestone that formally kicks off the implementation phase of the project.

“By undertaking this initiative, the state Property and Casualty guaranty funds have firmly embraced their statutory obligation to serve policyholders as efficiently and effectively as possible,” said Schmelzer. “While tried and tested, the system recognizes its obligation to meet the challenges of the increasingly complex 21<sup>st</sup> Century insurance marketplace.”

“The effort put forth by our community to create this course of action has been unprecedented, impressive and well-timed,” said Durish. “Our challenge has been to evaluate a considerable amount of stakeholder feedback and chart a path for our national insurance safety net. This endeavor was accomplished with extensive input from participants who generated the many tactical considerations which are the essence of the plan. The plan’s focus on improvement in key areas will serve to greatly enhance the associations’ fulfillment of their mission.”

In 2008 and beyond, the plan will inform an ongoing assessment and evolution of the guaranty fund system and the role of the NCIGF. It will also drive many of the changes that will continually improve the system’s ability to deliver on the mandate that was given to it by policymakers nearly 40 years ago – to protect policyholders and claimants.

## **Questions and answers about the Strategic Planning initiative**

*Why is the NCIGF board pursuing this project?*

For nearly 40 years, the guaranty fund system and NCIGF have worked effectively to protect property and casualty insurance policyholders faced with insolvencies of insurance companies with a broad and reliable safety net. In that time, however, many changes have transformed the insurance industry. After taking extensive input in the NCIGF Workshop and other meetings over the past two years, the NCIGF board asked: Can the guaranty fund system – and the NCIGF – work better? Are we positioned to face future challenges and manage future insolvencies efficiently and cost-effectively?

The work of Strategic Planning Committee is essential to ensuring the guaranty funds and the NCIGF continue to deliver protections to policyholders and work efficiently and economically while maintaining productive partnerships with receivers and other key stakeholders.

*Why did the Strategic Planning Committee (SPC) work with consultants in this effort?*

Early on, the committee decided that employing outside consultants was the best way to structure the project and keep it objective and goal-focused. Use of outside consultants

brings an independent outlook to the assessment process, one that delivers insight and produces on-target and practical recommendations.

The SPC recognized that hiring consultants enabled us to bring on-board partners that were knowledgeable about strategic planning and insurance and insurance regulation – yet independent of the guaranty fund system.

Former Iowa Insurance Commissioner and NAIC President Dr. Terri Vaughan, and her colleague Dr. Robert Cooper, who teach insurance at Drake University, have proven to be ideal in assisting the SPC in this effort.

*What role have the consultants played in the process?*

Vaughan and Cooper developed surveys, helped identify stakeholders and used their contacts to obtain feedback from regulators. On the backend, they assembled survey results and prepared reports summarizing the survey's results. During the project's strategic planning phase, they also offered input and guidance.

Vaughan and Cooper have a proven track record in the kind of research the project demands. Use of objective “non-system” experts who are independent of the guaranty fund community brings more credibility to study results, a key factor in acceptance by the regulatory community.

Vaughan and Cooper's objectivity establishes this survey as a solid benchmark, one that will help shape future direction of NCIGF and guaranty funds.

*How has the SPC been conducting this work?*

SPC – working with our consultants – began by establishing a benchmark of stakeholders' views on NCIGF and the guaranty funds system through surveys and personal interviews with stakeholders in and beyond the guaranty association system.

The data collection process gathered input from regulators and receivers and staffs, guaranty association board members, managers and staffs, insurance producers and general agents, brokers and others.

We also solicited feedback from insurer, trade association and other industry representatives, the NCIGF's management and staff, and consumer representatives.

The surveys and interviews sought to obtain information on virtually all aspects of the guaranty funds and the NCIGF.

With the completion of the surveys and interviews, the NCIGF board approved the SPC's plan to develop working groups to discuss seven broad topics and develop recommendations for the NCIGF and the guaranty fund system.

The work of the working groups lead to the development of a broad-based strategic plan, which the NCIGF board adopted in November 2007.

*Who developed the strategic plan?*

The guaranty fund managers, staff and other members of the insolvency community participated in the working groups. The working reports and recommendations served as the foundation for the development of the strategic plan.

*When will the strategic plan be made available to NCIGF members and other interested parties?*

The Strategic Planning Committee will present the plan to guaranty fund managers January 2008.

*How much impact will the work of the SPC have on the guaranty fund system or the NCIGF going forward?*

The NCIGF board has invested considerable time and resources to this project. While it yet is unknown what exact degree of influence the work ultimately will have, it's safe to say the NCIGF board views the survey and related work as critically important.

*Who is on the Strategic Planning Committee?*

The 13 members of the SPC come from the insurance industry and the guaranty funds. Industry members work for large and small companies. Collectively, the group has a wide array of experience, including managers from single state funds, multiple funds, multiple entities, large and small states and varying years in guaranty fund management. [Click here for list of SPC members.](#)

*Ultimately, what does the NCIGF Board hope to achieve with the strategic planning initiative?*

The Board asked the SPC to complete an objective, candid and realistic assessment of the NCIGF – its services and current roles – and the guaranty fund system. The hope is that the strategic planning initiative will give guaranty funds and the NCIGF guidance to better position them to provide effective and efficient service in the foreseeable future.

*What has been the NCIGF's involvement?*

The SPC was created by the NCIGF board. The NCIGF staff supports the committee in a variety of ways, including meeting logistics, technical issues, committee meetings and data collection. NCIGF staff also assists the SPC with expertise on guaranty fund matters. Although NCIGF is one of the key stakeholders, the SPC's assessment is independent and objective and does not operate "at the service" of the NCIGF or any other entity.

*Why does the study encompass such a broad field of insurance professionals?*

Receivers, agents, brokers, consumers, regulators and even NCIGF board members each bring to the table differing perspectives and insights on the guaranty fund system and the NCIGF. These perspectives contain a wealth of information, much of it valuable in helping us look critically through “new eyes” at the guaranty fund system and the NCIGF to gain insights that will drive new and innovative solutions.

The SPC used the results of the surveys prepared by its consultants along with the results of the prior NCIGF discussions to assess and benefit from the understanding these groups have about the various aspects of the guaranty fund system and the NCIGF.