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National Conference of Insurance Guaranty Funds (NCIGF)

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The Property and Casualty Guaranty Fund System: Supporting the Insurance Promise for 50 Years

After 50 years, the nation's property and casualty guaranty funds system remains strong, resilient and true to its original intent of protecting policyholders by stepping in to pay covered claims of insolvent insurers.

“Since the guaranty fund system was established by industry and state lawmakers five decades ago, it has performed well, meeting its obligations by paying claims to policyholders, beneficiaries and claimants when their insurance companies fail,” said Roger H. Schmelzer, president & CEO of the National Conference of Insurance Guaranty Funds (NCIGF).

The NCIGF is a nonprofit national association that provides support and coordination to the state property and casualty guaranty funds.

A state-based insurance consumer protection mechanism, the property and casualty guaranty fund system safeguards policyholders and claimants by stepping in to pay claims to the limits established by state law when an insurance company becomes insolvent.

Guaranty funds are administered by state guaranty associations, which are created by state law as nonprofit entities. The guaranty fund system works with regulators to ensure uninterrupted injured workers' and other outstanding claims are paid by the guaranty funds as defined by state law.

There are separate guaranty funds to handle claims related to property and casualty and life and health insurance insolvencies. (For more information on how guaranty funds work and are funded, see the accompanying Backgrounder and Q&A.)

Schmelzer said the nation's property and casualty guaranty funds system remains a strong and effective safety net that protects the nation's policyholders.

“The system has paid about \$35 billion to policyholders and beneficiaries in claims relating to nearly 600 insolvencies over the past 50 years,” said Schmelzer. “The property and casualty guaranty funds stand strong and ready to protect covered insurance consumers whose insurance companies fail. By doing so, the system protects not only the consumer, but the sanctity of the insurance contract by assuring the viability, commitment and reputation of the property and casualty insurance industry.”

Schmelzer said the insurance industry experiences relatively few insolvencies in part because companies, regulators and the industry work to prevent them.

“State insurance departments conduct rigorous company oversight, and the insurance industry spends considerable resources studying exposure; the industry also spreads risk through reinsurance and other tools. For this reason, insurance company insolvencies are unlikely. However, when an insurance company fails, the property and casualty guaranty funds stand ready to protect consumers, as they have for the past 50 years.”

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The NCIGF is a nonprofit national association that provides assistance and support to the property and casualty guaranty funds located in each of the 50 states and the District of Columbia.