

# Guaranty Fund Laws Summary

## 2017 SUMMARY OF PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION ACTS OF THE VARIOUS STATES & U.S. TERRITORIES

### PURPOSE OF STATE GUARANTY ASSOCIATIONS

The purpose of state guaranty associations is to provide a mechanism for the prompt payment of covered claims of an insolvent insurer, as those terms are defined and limited by guaranty association statutes, so that catastrophic financial loss to certain claimants and policyholders may be avoided.

The acts of all states and territories, except the act of the state of New York, create post-assessment guaranty associations. These guaranty associations make assessments to obtain funds to pay claims after an insolvency occurs. The New York Security Fund and certain funds which cover only workers' compensation are pre-assessment guaranty funds (the terms "guaranty association" and "guaranty fund" are used interchangeably herein), meaning that assessments are made prior to an insolvency occurring.

Insurance companies writing property and casualty lines of business covered by a guaranty association are required to be a member of a guaranty association of a particular state as a condition of their authority to transact business in that state. Guaranty associations assess member insurers based upon their proportionate share of premiums written on covered lines of business in that state.

#### WHAT IS NOT INCLUDED

It is important to note that a life and health insurance guaranty association system also exists, which pays certain claims in the event of the insolvency of an insurance company writing life or health insurance. Details of the life and health system are not included herein. Certain states have, pursuant to statute, created a separate guaranty association for the workers' compensation line of business (namely, Arizona, Florida, New Jersey, New York and Pennsylvania), and surplus lines (New Jersey is the only state with a surplus lines guaranty association). Details of the New York Workers' Compensation mechanism guaranty association are not included herein. Details of any plan of operation developed and approved pursuant to any guaranty association act are also not included herein. A plan of operation typically includes: provisions that establish procedures for performing the powers and duties of the association, handling of assets, filing of claims with the association, etc.

#### ABOUT THE SUMMARY AND FORMAT

The format, terminology and various headings used in the summary require some explanation. [View Definitions](#)

#### WHAT IS INCLUDED

Following this introduction are summaries of the property and casualty insurance guaranty association acts currently in effect in the 50 states, the District of Columbia, Puerto Rico and the Virgin Islands, a summary of the NAIC Post-Assessment Property and Liability Insurance Guaranty Association Model Act (the "NAIC Model Act"), the NCIGF Post Assessment Property and Liability Insurance Guaranty Association Model Act (the "NCIGF Model Act") and four workers' compensation only funds, namely the Arizona Special Fund, Florida Workers' Compensation Insurance Guaranty Association, the New Jersey Workers' Compensation Security Fund and the Pennsylvania Workers' Compensation Security Fund. These summaries include information primarily on the "coverage" type provisions of the various acts, as well as the provisions on assessments. No attempt was made to summarize all guaranty association act provisions. Some of the more common elements that are relevant to those included in the summary are discussed only in this introduction.

With the exception of the states of California, Michigan, New York and Wisconsin and the separate Workers' Compensation funds, the guaranty association acts of the states and territories are based on, and are similar in most respects to, the NAIC Model Act.

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### 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 Robin Webb ([rwebb@ncigf.org](mailto:rwebb@ncigf.org)) of the National Conference of Insurance Guaranty Funds, 300 N. Meridian St, Suite 1020, Indianapolis, Indiana, 46204, (317) 464-8136.

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