

July 31, 2020

Rep. Bart Rowland
Chairman, Property-Casualty Insurance Committee
National Council of Insurance Legislators
2317 Route 34, Suite 2B
Manasquan, New Jersey 08726

Dear Chairman Rowland:

The National Conference of Insurance Guaranty Funds (NCIGF) is the national coordinating body for the property casualty guaranty associations, entities which protect covered policy claimants when an insurance company becomes insolvent and is ordered into liquidation.

NCOIL adopted a model guaranty association act in 2007 and, pursuant to our recommendation, amended this act in 2015. We understand this model is being considered for reauthorization this year. We support the reauthorization and we would like to suggest two amendments to this model:

The first proposed amendment would adjust the act to address insurance business that has been “restructured” under recently enacted laws which permit insurance business transfers (IBTs) or divisions. The NCIGF is concerned that the language in many current guaranty fund laws may not protect claimants on policies that are transferred pursuant to these transactions. The language we suggest would reflect the NCIGF’s policy position that claims that would have been covered before the transaction would retain coverage after; however such a transaction should not create guaranty fund coverage that was not available before the transaction.

The second proposed amendment would expressly permit assessments to insurance company guaranty association members to fund various expenses that maintain the guaranty funds in an “always ready” posture even when claims activity is low. NCIGF, its member guaranty associations **and the insurance industry at large** strongly advocate for advance planning for insurance liquidations. Guaranty associations are typically funded by the estates of insolvent insurance companies for their administrative costs. When insolvency and claims activity is low, alternative funding for such costs will be needed. It should be noted that the administrative assessment authority sought with this language, combined with any other assessments made to member insurers, would not exceed the two percent threshold already in place in most states.

Attached please find suggested amendments to the NCOIL Post-Assessment Property and Liability Insurance Guaranty Association Model Act. The proposed changes are set out in underlined text and can be found on pages 6 and 10.

Many thanks for your consideration of this request. We plan to attend the Summer NCOIL meeting and would welcome the opportunity to address your committee on our proposals.

Very truly yours,

A handwritten signature in black ink, appearing to read "Roger H. Schmelzer". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Roger H. Schmelzer
President and CEO
National Conference of Insurance Guaranty Funds