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## NCOIL DEFENDS STATE GUARANTY FUND SYSTEM AT CONGRESSIONAL HEARING

Washington, D.C., June 4, 2002 – The state insurance guaranty system “has worked well and Congress does not need to fix it, replace it, or establish anything parallel to it,” a leading state lawmaker told a key Congressional Committee here today.

Vermont State Rep. Mark Young (R-Addison and Rutland), Vice Chair of the National Conference of Insurance Legislators (NCOIL) State-Federal Relations Committee and a member of the Vermont House Commerce Committee, said that a separate and competing federal guaranty system of insurers under a federal charter could not help but weaken the state-based system.  He said the state-based guaranty fund system serves “as an effective and efficient backstop to safeguard consumer interests in cases of insolvency.”

Rep. Young testified before a hearing of the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises of the U.S. House of Representatives Financial Services Committee in the Rayburn House Office Building.

State guaranty funds have served their purpose with great success, Rep. Young commented.  He said the funds had assured continuance of coverage and had paid more than $14 billion in the last 25 years to policyholders of insolvent insurers at no direct cost to state or federal taxpayers.

Rep. Young said: “We believe the system has worked well. It is in no way broken. Congress, I respectfully submit, does not need to fix it, replace it, or establish anything parallel to it.”

The Vermont legislator said that a separate and competing federal guaranty system of insurers operating under a federal charter, as has been introduced in Congress by Rep. John LaFalce (H.R. 3766), would undermine the state-based system.  He said: “It would weaken the strong state consumer safety net, deplete its capacity, and reduce its overall risk pools.  It would build another layer of overhead, create duplication in process and add unnecessary expense.”

NCOIL is an organization of state legislators whose main area of public policy concern is insurance legislation and regulation.  Many legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses

across the country.

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