



## STUDENT OF THE INDUSTRY PARTING SHOT

### Know your State Guaranty Fund What you Find Will Probably Surprise You

By Paul Buse, President of Big I Advantage®

Recently I was in an email "conversation" with Georgia State University professor of Risk Management & Insurance, George H. Zanjani, and the topic of State Guaranty Funds surfaced. It surfaced after his posing the question of whether surplus lines could reach 10% market share in what might become a "new normal" for such placements. This got my attention as surplus lines placements are not generally covered for professional liability allegations if due to the non-admitted insurer's insolvency. In a related, but separate paper, contributed to by Professor Zanjani there was a very concise summary of state guaranty fund coverage by state. It is reproduced below and an [on-line version is available](#) (Go to page 30 of 54 and Table 1).

What are some surprises from looking at state guaranty fund laws? **First**, there are limits on the insured's "Net Worth" varying from \$10,000,000 to \$50,000,000 (see below). This appears it can apply to personal lines or commercial insureds and claims that are covered by the guaranty fund can become a liability for both property and liability claims. **Second**, insureds covered by placements involving the Federal Risk Retention Act may not be covered by the state guaranty fund? Yes, possibly including Risk Purchasing Groups. I was not understanding a reference on the Insurance Information Institute's website to Risk Purchasing Groups but after looking at a few state guaranty fund statutes, exclusion of RPGs certainly may be the case in some states. Do you want to research your state Guaranty Fund? You can probably find a link to it at the National Conference of Insurance Guaranty Funds (NCIGF) at [www.ncifg.org](http://www.ncifg.org) under Resources and [Guaranty Fund Web Sites](#)".



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**Summary of Property-Liability Insurance Guaranty Funds, By State<sup>22</sup>**

State	Effective Date	Max Per Claim	Net Worth Provision	State	Effective Date	Max Per Claim <sup>23</sup>	Net Worth Provision
AL	1981	\$150,000	\$25,000,000	MT	1971	\$300,000	\$50,000,000
AK	1970	\$300,000 before 1990; \$500,000	NO	NE	1971	\$300,000	NO
AZ	1977	\$100,000 before 2007; \$300,000	NO	NV	1971	\$300,000	\$25,000,000
AR	1977	\$300,000	\$50,000,000	NH	2004	\$300,000	\$25,000,000
CA	1969	\$500,000	NO	NJ	1974	\$300,000	\$25,000,000
CO	1971	\$300,000	\$25,000,000	NM	1973	\$100,000	NO
CT	1971	\$300,000 before 2007; \$400,000	NO	NY	1969	\$1,000,000	NO
DE	1970	\$300,000	\$10,000,000	NC	1971	\$300,000	\$50,000,000
FL	1970	\$300,000	NO	ND	1971	\$300,000	\$10,000,000
GA	1970	\$100,000 before 2005; \$300,000	\$10,000,000	OH	1970	\$300,000	\$50,000,000
HI	1971	\$300,000	\$25,000,000	OK	1980	\$150,000	\$50,000,000
ID	1970	\$300,000	NO	OR	1971	\$300,000	\$25,000,000
IL	1971	\$300,000*	\$25,000,000	PA	1994	\$300,000	\$50,000,000
IN	1972	\$50,000 before 1988; \$100,000	\$5,000,000	RI	1970	\$500,000	\$50,000,000
IA	1970	\$300,000 before 2010; \$500,000	NO	SC	1971	\$300,000	\$10,000,000
KS	1970	\$300,000	NO	SD	2000	\$300,000	\$50,000,000
KY	1972	\$100,000 before 1998; \$300,000	\$25,000,000	TN	1971	\$100,000	\$10,000,000
LA	1970	\$150,000 before 2008; \$500,000	\$25,000,000	TX	2007	\$300,000	\$50,000,000
ME	1970	\$300,000	\$25,000,000	UT	1971	\$300,000	\$25,000,000
MD	1971	\$300,000	\$50,000,000	VT	1970	\$500,000	NO
MA	1971	\$300,000	\$25,000,000	VA	1970	\$300,000	\$50,000,000
MI	1969	\$5,000,000	\$25,000,000	WA	1971	\$300,000	NO
MN	1971	\$300,000	\$25,000,000	WV	1970	\$300,000	NO
MS	1971	\$300,000	NO	WI	1969	\$300,000	\$25,000,000
MO	1971	\$300,000	\$25,000,000	WY	1971	\$150,000	No

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Source: : Deng, Y., Levery T.J., and Zanjani, G. [Market Discipline and Government Guarantees: Evidence from the Insurance Industry](#). Page 30.