# Improving State Guaranty Funds Can Strengthen Consumer Protections and Market Stability

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## OVERVIEW

**Recent insolvencies have exposed inadequacies in the structure of state guaranty funds. The current system can be improved by expanding the base of health insurers that contribute to the funds and equalizing the burden shared between life and health insurance companies.**

Guaranty funds, which pay claims when an insurance company is insolvent, protect policyholders by preserving the value of life insurance policies and ensuring medical claims are paid. However, several weaknesses undermine these objectives: long-term care insurance policies are classified as health insurance, though few are written by health insurers; major medical insurers pay a disproportionate amount of the claims during an insolvency; and HMOs are exempt from participation in guaranty funds.

To address these gaps, the National Association of Insurance Commissioners (NAIC) adopted amendments to the Life and Health Insurance Guaranty Association Model Act that rebalance fund contributions between life and health insurers and include HMOs in the assessment base.

### Topics

- Overview of state guaranty funds
- Impact of insolvencies in the long-term care insurance market
- NAIC Life and Health Insurance Guaranty Association Model Act
- Opportunities for states to enhance consumer protections and market stability