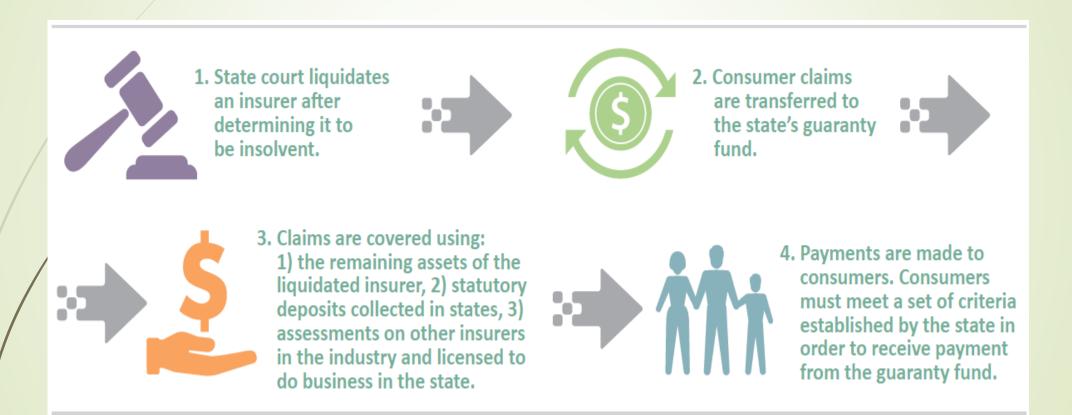
Improving State Guaranty Funds Strengthen Consumer Protections/Market Stability

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State guaranty associations, also commonly referred to as guaranty funds, offer critical protection to policyholders in the event of insurer insolvencies

What Happens When An Insurer Becomes Insolvent?



^{*} National Conference of Insurance Guaranty Funds. (2018). Property and Casualty Guaranty Funds: Continuing to Evolve to Protect Policyholders. Insolvency Trends. Retrieved April 5, 2018 from: http://ncigf.org/sites/ncigf.org/media/files/2018 NCIGF TRENDS WINTER.pdf.

Because LTC insurance is classified as health insurance, major medical health insurers pay a disproportionate amount of the claims costs during an insolvency under the traditional assessment approach, compared to life insurance companies

Improving State Guaranty Funds NAIC -- Guiding Principles

- The state-based guaranty association system should be preserved, including post-event assessment mechanism and its provision for premium tax offsets
- The guaranty system should promote confidence in the life and health insurance industry and its products
- The guaranty system should strive for the highest degree of uniformity, predictability and efficiency across all jurisdictions

Improving State Guaranty Funds Can Strengthen Consumer Protections and Market Stability

- The current guaranty fund system can be improved by expanding the base of insurers who contribute to the funds and equalizing the burden shared between life and health insurance companies
- Changes adopted by the National Association of Insurance Commissioners provide states with a blueprint for better addressing insolvencies and protecting policyholders.

The NAIC's Life and Health Insurance Guaranty Association Model Act provides guidance to states on how to structure their guaranty funds.

 Including HMOs in the assessment base promotes competition in the health insurance market

 Expanding the assessment base will help generate sufficient funding, quicken the payment process, and alleviate consumers' concerns

 Rebalancing guaranty fund contribution levels supports the stability of health insurance markets

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- The Model Act amendments will negate some of the external criticism
 of the system by providing for appropriate policyholder protection and
 by promoting confidence in the life and health insurance industry and
 its products.
- Adoption of the Model Act amendments in the states will preserve the state-based guaranty association system and will provide uniformity, predictability and efficiency across all jurisdictions.
- The amendments to the Model Act will help prevent undue burdens on healthy companies and preclude undue adverse consequences for any insurance products