District of Columbia

DISTRICT OF COLUMBIA INSURANCE GUARANTY ASSOCIATION

"THE CONSUMER'S SAFETY NET"

Forward

Insurance - the very word conveys the idea of conservatism, stability, and protection. We buy it to protect ourselves, our homes, our businesses, and our families. We count on it to be there when we need it.

Because insurance exists to protect what we value most, both in the District of Columbia and in other jurisdictions, the insurance industry is highly regulated. Under the District of Columbia's system of regulation, most potential problems with a licensed insurance company can be identified-and dealt with-long before they become serious.

But what happens if, despite the safeguards, a District of Columbia licensed insurance company is found to be insolvent? Are there protections for policyholders and other claimants in that case?

In a word, yes. There is a safety net to provide some protection to insurance consumers against financial loss in most cases of insurance company insolvency. The safety net is called a guaranty association. The District of Columbia has one for property and casualty insurance.

The purpose of this booklet is to explain, in clear, non-technical language, how the property and casualty insurance guaranty association for the District of Columbia, known as the District of Columbia Insurance Guaranty Association ("DCIGA"), operates. This booklet is, however, only a summary of the rules governing DCIGA; those rules are expressed definitively only in the applicable laws and regulations. **If there is any inconsistency between this booklet and any law or regulation, then such law or regulation as interpreted by the courts will control. Any decisions you make in purchasing insurance should not be based on the existence of a guaranty association. Guaranty association protection is limited by law and is not a substitute for consumers' care in selecting companies that are well managed and financially stable. Furthermore, this booklet is based upon the laws of the District of Columbia as of the date of publication, and is subject to change without notice. It does not constitute insurance coverage, nor is it to be relied upon as legally binding.**

Any questions you may have should be directed to DCIGA at (800) 852-2003/ (617) 227-7020 or the District of Columbia Department of Insurance, Securities and Banking ("the Department").

CHAPTER ONE:
What is a Guaranty Association?

An insurance company failure may cause extreme hardship to policyholders and other claimants. To ease this hardship, every jurisdiction, including the District of Columbia, has a property and casualty insurance guaranty association. All insurance companies licensed to issue coverage-with the exceptions prescribed by law-must belong to the guaranty association that protects the kinds of insurance written by that company. A guaranty association pays valid claims of policyholders, and certain other claimants, up to the dollar limits of the policy, subject to deductibles and separate dollar limits fixed by law. Policyholders also may receive refunds of unearned premium with certain limitations fixed by law.

In the District of Columbia, payment of claims by DCIGA is triggered by a court order declaring a property and casualty insurance company to be insolvent and ordered liquidated.

Generally, funds to pay claims, administrative costs and other guaranty association obligations are raised by mandatory "assessments" on insurance companies licensed to issue the same kinds of insurance as the insolvent company. For example, in most cases, automobile insurers provide the money to pay claims when an automobile insurer fails. The assessments are made by the Board of Directors of the guaranty association, based on guaranty association liabilities. A company's assessment is based on its market share of the particular kind of insurance involved.

CHAPTER TWO:
District of Columbia Insurance Guaranty Association

The DCIGA is the District of Columbia's "safety net" for policyholders of property and casualty insurance and certain other claimants. In the event that an insurance company becomes insolvent and is therefore unable to pay claims, DCIGA will step in and pay property and casualty claims as provided by Chapter 55 of the District of Columbia Insurance Code (D.C. Code, Section 31-5501 et seq.), up to certain dollar limits imposed by such law. DCIGA may also refund some of the unearned premium on your policy.

RESIDENCY

To obtain coverage from DCIGA, a claimant or insured must be a resident of the District of Columbia at the time of the insured event for which a claim is filed. Non-residents must look to their own states' guaranty association for payment. DCIGA coverage will also be available if the property from which the claim arises is permanently located in the District of Columbia.

TYPE OF COMPANY

DCIGA covers policies written by property and casualty companies licensed to transact insurance business in the District of Columbia at the time the policy was issued or when the insured event occurred. This coverage is provided regardless of whether the company is based in the District of Columbia or another jurisdiction.

Not covered:

DCIGA does not cover policies issued by insurers that are not licensed by the Department to transact insurance business in the District of Columbia.

TYPES OF COVERAGE

DCIGA covers most kinds of policies issued by licensed property and casualty insurers to individuals and businesses. These include:

- Automobile
- Homeowners
- Commercial property
- Workers' Compensation
- General liability
- Professional Malpractice

DCIGA **does not** cover:

- Life, Annuity, Health or Disability Insurance
- Title Insurance
- Mortgage or Financial Guaranty Insurance
- Fidelity or Surety Bonds or any other bonding obligations
- Credit Insurance
- Insurance provided by or guaranteed by Government
- Insurance of warranties or service contracts
- Ocean Marine Insurance
- Certain Other Types of Insurance

LIMITS

Covered Claims:

DCIGA covers only that amount of each "covered claim" which arises before the earlier of 30 days after the determination of insolvency or the policy expiration date, or the date the insured replaces or cancels the policy. The maximum coverage is the policy limit or $300,000, whichever is less.

If a claim is for workers' compensation benefits, there is no limitation on how much DCIGA may pay.

The amount payable is also limited by the terms and conditions of the insurance policy itself. Subject to other statutory limitations, DCIGA is obligated to pay only the amount which the insolvent insurer would have been liable to pay under its policy. For instance, if an automobile liability policy limits payments for bodily injury to $40,000 per accident, DCIGA may not pay more than $40,000 under that policy.

Unearned Premium refunds:

DCIGA will refund the amount of the policyholder's paid but unearned premium in excess $100, up to a maximum of $10,000 per policy. Unearned premium is the amount of premium for that portion of a policy period for which the policy was not in effect due to insolvency.

OTHER COVERAGE

Persons seeking coverage from DCIGA must exhaust other applicable coverages with solvent insurance companies before they may receive benefits from DCIGA. Moreover, DCIGA may set off any recovery from a solvent insurance company against the obligations of DCIGA with respect to a "covered claim." For example, automobile liability claimants must exhaust their own uninsured motorists coverage before they may receive reimbursement from DCIGA, and any amount payable by DCIGA must be reduced by the amount of recovery under the claimant's insurance policy.

Where more than one guaranty association may have responsibility for payment of a claim, the guaranty association of the state where the insured resides will provide primary coverage. If the guaranty association of another state is primary, the obligations of DCIGA to a policyholder or claimant will be reduced by the amount paid to that policyholder or claimant by such guaranty association.

CHAPTER THREE:

District of Columbia Insurance Guaranty Association At a Glance

RESIDENCY Generally limited to District of Columbia residents.

COVERED COMPANIES Insurers licensed by the department to transact insurance business in the District of Columbia.

EXCLUDED COMPANIES Surplus lines insurers, unauthorized insurers, and insurers not licensed to sell property and casualty insurance in the District of Columbia.

SET OFFS Recoveries from other solvent insurance companies and guaranty associations of other jurisdictions.

WHAT ACTIVATES COVERAGE A declaration by a court of competent jurisdiction that a covered company has become insolvent and ordered liquidated.

EXCLUDED POLICIES Life, disability, annuity, health, mortgage or financial guaranty, credit, insurance, offered by the government, fidelity or surety bonds, or any other bonding obligation, insurance of warranties or service contracts, title insurance, ocean marine and certain other types of insurance.

LIMITS

1. Most claims-up to the policy limits or $300,000, whichever is less.
2. Workers' compensation claims-no limit.
3. All claims are subject to the terms and conditions of the insurance policy issued by the insolvent

CHAPTER FOUR:

Questions and Answers About the District of Columbia Insurance Guaranty Association

Q. ARE POLICIES WITH UNLICENSED COMPANIES COVERED BY DCIGA?

A. No. They are specifically excluded by law.

Q. WILL I RECEIVE OFFICIAL NOTIFICATION IF MY INSURER IS DECLARED TO BE INSOLVENT?

A. Notification usually is mailed to each policyholder shortly after the court order declaring an insurance company to be insolvent is issued.

Q. MY INSURANCE COMPANY IS CHARTERED IN ANOTHER STATE AND HAS ITS HOME OFFICE THERE. AM I COVERED BY DCIGA?

A. Yes, provided that the company was licensed to transact insurance business in the District of Columbia at the time your insurance policy was issued or when the insured event occurred, and all other DCIGA requirements are met.

Q. IF MY INSURANCE COMPANY OR THE INSURANCE COMPANY OF SOMEONE AGAINST WHOM I HAVE A CLAIM IS INSOLVENT, IS DCIGA MY ONLY SOURCE OF PROTECTION?

A. In some instances, with the approval of the Commissioner, a financially sound insurance company will take over a troubled company's assets, policies and contracts. The financially sound company then assumes the responsibility of continuing coverage and paying all covered claims, with no involvement from the guaranty association. In this manner, the policyholder's coverage continues with little or no disruption in service. Additionally, you may have other insurance policies which will protect your interests in the event of insolvency of an insurer against which you have a claim; for example, your automobile liability insurance policy may contain an uninsured motorists endorsement which will be triggered by the insolvency of an insurance company against which you have a claim.

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