

# Sponsor Statement for SB 228

## Insurance Guaranty Fund

**“An Act relating to the Alaska Insurance Guaranty Association and to liquidation of an insurer; and amending Rule 24, Alaska Rules of Civil Procedure.”**

[SB 228](#) makes three simple, but important, changes to the [Alaska Insurance Guaranty Association](#). These changes are consistent with the model act adopted by the [National Conference of Insurance Guaranty Funds](#).

First, the bill limits payments to any insured to \$10 million. This protects the Fund, and the other policyholders of the insolvent company by ensuring that a limited number of policyholders do not eat up all of the available guaranty funds.

Second, the bill allows the Guaranty Association to intervene as a part of any insolvency proceeding. Guaranty funds are usually the largest creditors of estates of insolvent insurers, yet they must petition the court for the right to intervene in matters related to the insurer in liquidation. This bill eliminates that legal barrier and allows the Association to intervene as a matter of right.

Third, the bill provides an exclusion for insureds with a net worth in excess of \$25 million. When Guaranty Associations were first set up, almost all of the insolvencies were automobile insurers. No one foresaw the problems that commercial insurers would present, nor did anyone give consideration to the inequities of having all policyholders absorb the losses incurred by large businesses.