

TO: Director Lori K. Wing-Heier, Chair of Financial Regulation Standards and Accreditation (F) Committee

FROM: Director Dana Popish Severinghaus, Chair of Receivership and Insolvency (E) Task Force

DATE: February 29, 2024

RE: 2023 Amendments to the *Property and Casualty Insurance Guaranty Association Model Act* (#540)

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In December 2023, the *Property and Casualty Insurance Guaranty Association Model Act* (#540) was amended to include the following updated provisions: 1) to preserve guaranty fund coverage for policyholders subject to insurance business transfers (IBT) and corporate divisions (CD) where the policyholder had guaranty fund coverage before the transaction; and 2) to clarify guaranty fund coverage of cyber security insurance.

The Receivership and Insolvency (E) Task Force recommends that the 2023 amendments to Model 540 be considered acceptable but not required, and therefore does not recommend any changes to the current Part A Accreditation standard #14—Guaranty Funds.

The current accreditation standards include Part A: Laws and Regulations standard #14 – Guaranty Funds.

- This standard requires a regulatory framework, such as that contained in the NAIC’s model acts on the subject, to ensure the payment of policyholder obligations subject to appropriate restrictions and limitations when a company is deemed insolvent. The applicable models include the *Life and Health Insurance Guaranty Association Model Act* (#520) for life companies and the *Property and Casualty Insurance Guaranty Association Model Act* (#540) for property/casualty companies.
- For this standard in which a “regulatory framework” is required rather than specific elements of the models, the revisions do not necessitate an exposure period by the Committee to include them as part of the acceptable framework for accreditation. The inclusion of the revisions as acceptable within the framework would allow a state to either adopt the revisions or not adopt the revisions and still remain in compliance with the regulatory framework required by accreditation. Following this process, the model will be considered acceptable but not required when determining if a regulatory framework is in place in accordance with the accreditation standard.

If you have any questions, please contact NAIC staff, Jane Koenigsman ([jkoenigsman@naic.org](mailto:jkoenigsman@naic.org)).