

A Consumer Guide to Choosing an Insurance Company

Please read this before
you buy insurance -
it is important news from
the State of Alaska
Division of Insurance



You are a buyer of different types of insurance. You may have insurance on your home, your car, and your life. When you buy insurance, you need to learn about the financial condition of the insurance company. This brochure has been provided by your Division of Insurance and the National Association of Insurance Commissioners (NAIC) to help you make informed choices when shopping for insurance.

Since the mid-1800s, state governments have been responsible for regulating insurance. A primary job of state insurance regulators is to make sure that the insurance company that you do business with will be around when the time comes for it to pay your claim.

Here are some questions that may be on your mind, and some answers to those questions.

What is the likelihood that my insurance company will fail?

Insurance company failures have been rare. Recently, insurance regulators have taken over a few companies facing economic trouble in order to protect insurance consumers. However, these companies represent a tiny fraction of the industry.

When I am buying or renewing my insurance, how can I protect myself from companies in bad financial shape?

SHOPPING FOR INSURANCE

- The first step in selecting a financially strong insurer is to shop around. Talk to several representatives or insurance producers from a number of different companies. Tell them what your insurance needs are and ask them what their company will charge to cover you.
- When you talk to company representatives or insurance producers, remember that they are sales people who make their living selling insurance for insurance companies. They are a source of information on insurance coverage and the price for coverage, but many represent the company, not you. They will not make money unless they sell you insurance from a company they represent. You are responsible for deciding whether you want to purchase an insurance product and, if you do, from which company to buy it.
- Once you have narrowed down the companies you are considering, there are a number of steps you can take to learn more about their financial condition.

MAKE SURE THE COMPANY MAY LEGALLY DO BUSINESS IN ALASKA

- Call the Alaska Division of Insurance to find out if the insurance company is permitted to do business in Alaska. If not, don't buy insurance from that company. Tell the Division of Insurance that the company is trying to do

business in Alaska. If you purchase insurance coverage from a company not licensed in Alaska, you will not be protected by the guaranty fund should the company fail. (Guaranty funds are explained later in this brochure - read on.) Also note that insurance purchased from an approved but nonadmitted (not licensed) insurer is not protected by the guaranty fund.

CHECK WITH THE RATING AGENCIES

- Several private companies or rating agencies conduct financial analyses of insurance companies and grade or rate them. These grades or private ratings are only opinions. Therefore, they carry no guarantee of accuracy, but they can provide you with some information about how private analysts view the health of a particular insurance company.
- Look at how several of the agencies rate a company. It's also a good idea to see if an insurer's grades or ratings have changed over the last couple of years. Ratings are available at most public libraries; or, you may call the agencies directly at the telephone numbers listed below. If you call, ask what you will be charged for rating information about a company. Also note that if you dial a "900" number, your telephone bill will reflect a charge that is a fee paid to the rating agency in addition to the cost of the call.

Duff & Phelps, Inc.	312-368-3157
Demotech, Inc.	614-761-8602
Fitch Investors	
Service, Inc.	212-908-0500
Moody's Investors	
Service	212-553-0377
Standard & Poors	212-208-1527
Weiss Research, Inc. ..	800-289-9222
A.M. Best Company	900-555-2378
.....	800-424-2378

IF IT SEEMS TOO GOOD TO BE TRUE, IT PROBABLY IS.

- If you find that one company is able to quote you a much lower price or a much higher yield on an insurance product than the rest of the companies you are considering, be careful. It may be that the company is taking greater risks itself, perhaps by having too many high-risk investments.

What happens when a company becomes insolvent and is liquidated?

Every state has a safety net to protect insurance consumers from financial loss in the rare instance that a company becomes insolvent. This safety net is called a "guaranty fund."

A guaranty fund is established by state law. Licensed companies doing business in the state make up the membership of the guaranty fund association. The association provides a mechanism to pay the claims of policyholders and other claimants of an insolvent company. The money used to pay the claims against the insolvent insurance company comes from assessments made against all of the insurance companies that are members of the guaranty fund association. The following types of companies are not covered by a guaranty fund:

- Hospital Medical Service Organizations
For Example: Blue Cross Plans
- Insurance Exchange
- Fraternal Benefit Society
- Health Maintenance Organizations

While most of the laws and rules dealing with regulating the financial condition of insurance companies are consistent across the nation, some important rules are different. On this page, you will find some of the rules that are specific to Alaska.

Am I covered by my guaranty fund?

In this state, residents are covered by a guaranty fund for most kinds of insurance written by an admitted (licensed) insurance company.

Is the insurance product I bought covered by the guaranty fund?

The life/disability guaranty fund covers such products as life insurance, disability insurance, annuities, and supplemental contracts. The property/casualty fund covers property and casualty insurance, but not surety, title, credit, or mortgage guaranty.

Would my claim be paid in full?

State law places a limit on how much a guaranty fund must pay to a person presenting a claim to an insolvent insurer. These limits vary, depending on the type of insurance product. The following are the limits of guaranty fund coverage in this state:

LIFE/HEALTH FUND

Death benefits up to \$300,000
Net cash surrender/withdrawal
value for a life policy up to \$100,000
Disability benefits up to \$100,000
Annuities up to \$100,000
in present value

PROPERTY/CASUALTY FUND

All Property and Casualty
Claims Except Workers'
Compensation Up to \$500,000*

*(\$100 Deductible)

Workers' Compensation Unlimited



How do I file a claim if the insurance company has failed?

Even if you have filed a claim with the company, you will need to file a claim with the Division of Insurance or with a court-appointed deputy of the division. You will receive a notice from the Division of Insurance advising you on how to file a claim and how long you have to file it. Pay close attention to any filing deadlines mentioned in the letter from the division— you must comply with those deadlines in order to preserve your rights.

Can I find out if consumers are complaining about the company?

Yes. Ask the Division of Insurance if there have been an unusually large number of consumer complaints against the company. Sometimes, if a company is having financial difficulty, the company may start to pay its claims more slowly or not at all. While a large number of consumer complaints lodged against a company is not a certain way to tell if a company is healthy, it's a good clue.



This brochure was prepared through the cooperative effort of the Alaska Division of Insurance and the NAIC.

The Alaska Division of Insurance is the agency charged with regulating the business of insurance in the state of Alaska. The NAIC, founded in 1871, is an association of the chief insurance regulators from the 50 states, the District of Columbia, and four U.S. territories.

State of Alaska
Division of Insurance
P.O. Box 110805
Juneau, AK 99811-0805
(907) 465-2515

State of Alaska
Division of Insurance
3601 C Street, Suite 1324
Anchorage, AK 99503-5948
(800) 467-8725
INSURAK

National Association of
Insurance Commissioners
120 W. Twelfth Street, Suite 1100
Kansas City, MO 64105-1925
(816) 842-3600