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# 2008—ANOTHER MILESTONE YEAR

The foundation that provides financial protection to insurance policyholders was made significantly stronger in 2008. The National Conference of Insurance Guaranty Funds (NCIGF) and its member guaranty associations moved its strategic plan forward, initiated a new, proactive Uniform Data Standards (UDS) training program, developed a range of new insolvency management tools, continued its review of guaranty fund expenses, and expanded the reach of its communications to both the public sector and national media. In every instance, these developments increased the credibility and efficiency not only of the NCIGF but also of the national guaranty fund system.

*We invite you to review some of the highlights of 2008.*

“In every instance, these developments increased the credibility and efficiency not only of the NCIGF but also of the national guaranty fund system.”

## VISION AND MISSION STATEMENTS OF THE NCIGF

**VISION.** To be the definitive national leader on matters related to insolvency and its consequences to policyholders and claimants protected by the state-based property and casualty guaranty fund system.

**MISSION.** To bring the greatest possible value to the member state property and casualty guaranty funds and the state-based guaranty fund system in operational support, communications and public policy development.

# LETTER FROM THE NCIGF BOARD CHAIRMAN



David C. Edwards,  
Chairman

What a fascinating time to be a part of the guaranty fund system! When most states have little new insolvency activity and outsiders might think guaranty funds have nothing to do, many managers and staffs find themselves wrestling with issues, both new and old, that are more challenging and time-consuming than ever before. This translates into greater involvement of the NCIGF and its board of directors in their role of providing support for member guaranty associations.

The NCIGF/guaranty fund strategic planning effort continues at full speed. The many topics identified in the original survey forms that were distributed are being given the time and effort they deserve as the various working groups labor diligently to see if system changes should be made and, if so, how best to implement them.

It's exciting to see the extent of the participation of guaranty association managers and staff in working to improve the system as a whole. The number of persons willing to get involved is not only gratifying, it also speaks volumes about whether the overall project has been, and will continue to be, worthwhile. Look for reports at this year's annual meeting that will advise about the progress that has been made and what to look forward to in the future.

Just as the NCIGF staff has continued its commitment to provide administrative support for member associations by seeking new and more efficient ways for those associations to function, the NCIGF board has sought ways to help NCIGF, the board and the guaranty fund system continue to excel in those areas where they have served well and to improve in areas where they can. The board's committee structure, which is evaluated often, is designed to address specific concerns that have effects on the guaranty fund system as a whole.

In 2008, the board established a discipline of detailed self-evaluation that reflects public concerns about transparency. Today's business world dictates that organizations leave no doubt about their visions, missions or how they operate. The board has heard oral presentations and studied written reports from respected experts about corporate governance, board size and composition, the role of the executive committee and various other timely topics, all meant to ensure that the board and the organization are functioning as they should.

The board has also studied another timely concern of the NCIGF's member associations – that of alternative restructuring mechanisms for troubled insurers. Information is continuing to be digested about whether a run-off plan can, in a given instance, be a better public policy decision than a liquidation and whether guaranty associations have a place in administering such a plan.

Finally, I note that with the current atmosphere of financial and regulatory concerns confronting us, it is apparent that there is a need, more than ever, for NCIGF members to unite for our common good. I trust that we will continue to do so.

With all this before us, I find I have regrets as my time as Chairman of the NCIGF Board of Directors comes to an end. I pledge to stay involved as a board member and/or a concerned guaranty association manager for as long as I can contribute in a way that adds value to our cause. I thank you all for your support and assistance while I have served as chairman, and look forward to working with you in the future.

David C. Edwards  
Board Chairman

# LETTER FROM THE PRESIDENT

Despite no major new insolvency activity, 2008 was an exceptionally productive year for the national property and casualty guaranty fund system and for us at the NCIGF. The organization's members, led by Steve Durish of the Texas Property & Casualty Insurance Guaranty Association, made monumental progress toward achieving the strategic planning initiatives laid out early in the year. NCIGF staff worked right alongside the leaders of our member guaranty associations to provide administrative support necessary to keep execution of the plan on track.

The central recommendation of that plan was the need to improve coordination between individual guaranty funds and insurance receivers. Toward that end, NCIGF staff developed a number of administrative and communications protocols to help move insolvency administration forward more efficiently.

We also sharpened our focus on the NCIGF's Secure Uniform Data System (SUDS) platform. NCIGF has launched a more widely accepted and more effective program for transferring claims data to receivers. We have designed an aggressive training program for launch in 2009 that excites us about the possibilities offered by SUDS.

We have also been at the forefront promoting implementation of the new UDS D-Record format which will help organize reporting to meet reinsurance requirements. The new format is designed to increase estate recoveries, lessening the burden on guaranty funds.

While all these words may not look like much in black and white, each initiative, when put into action, will result in putting money into the hands of policyholders and claimants even more quickly.

The NCIGF received an unexpected test over the last several months of 2008 with the financial crisis descending across America. The federal bailout of the American International Group holding company naturally raised questions about the health of the company's insurance operations. The NCIGF was called upon repeatedly by media outlets large and small to explain the mechanics of the guaranty fund system and to communicate how the system protects policyholders. When the attention of the entire nation was fixed on the AIG situation, the NCIGF was able to show that the property and casualty guaranty fund system added a measure of stability.

If you detect a theme in these observations, you are right: 2008 was a year of preparation, a year to make even more firm the foundation on which the property and casualty consumer's security is based. In this time of uncertainty there are few things quite as certain as the commitment of NCIGF members to meet their statutory obligations in the most prompt and efficient manner possible. We will look back on 2008 as a pivotal year in renewing that commitment.

Thank you for your support of the property and casualty guaranty fund system. It's an honor to serve it.

Roger H. Schmelzer  
President & CEO



Roger H. Schmelzer,  
President & CEO

## AT THE HEART OF OUR MISSION: MEMBER SUPPORT

Central to the NCIGF mission is the value we deliver to our member guaranty associations—not just in periods of heavy insolvency activity, but all the time.

NCIGF membership brings an alliance with the national guaranty fund community and all its resources.

NCIGF members also receive the support and counsel of the NCIGF staff: leading experts in insolvency issues, law and policy and support disciplines, such as communications and information technology.

In 2009 and beyond, the organization will continue to provide programs and initiatives that assist members with practical, hands-on support in the areas of IT, UDS-related issues, seminars and meetings, among others.

It's all part of delivering on the NCIGF promise of member support. ■

“With NCIGF membership comes an alliance with the national guaranty fund community and all its resources.”

## ACCOMPLISHMENT 2008: NCIGF PARTNERS WITH UDS TECHNICAL SUPPORT GROUP ON UDS TRAINING

In 2008, the NCIGF supported the NAIC UDS Technical Support Group (UDS TSG) in developing the first module of a comprehensive UDS training program to be delivered in 2009. The module, which focused on the D-Record, was completed in September.

The D-record was implemented on January 1, 2009. It provides a uniform method of presenting quarterly guaranty funds' financial data to receivers. The D-record brings to insolvency-related financial reporting greater

uniformity and standardization, better efficiency and related cost-savings, and will help strengthen and streamline the insolvency system that has protected tens of thousands of policyholders and claimants over the years.

When completed in 2009, the remainder of the UDS training modules will provide on-line training in all aspects of UDS use.

The goal of the training is to develop a new generation of on-line, modular and interactive UDS and SUDS training materials. In addition to the educational benefits these materials will bring to UDS users, the materials will help promote uniform UDS reporting practices.

The effort has drawn on the expertise of UDS experts from the guaranty fund and receivership communities.

The intent of the training is to:

- ▶ Dramatically increase an understanding of the history, goals and operational mechanics of UDS/SUDS by system users and other stakeholders.
- ▶ Collect and databank all available outside UDS and SUDS expertise “from the field” and make it accessible to UDS users via a Web site (the NCIGF’s or a “neutral” site newly created to support UDS training).

- ▶ Use proven communications and educational tools to “make UDS accessible” and emphasize the added value UDS and SUDS bring to insolvencies, especially given recent developments (e.g., adoption of the D-record).

- ▶ Communicate the benefits of UDS and the need for uniform reporting.

- ▶ Work in parallel with and support UDS-related educational tactics NCIGF committees may undertake as part of the NCIGF strategic plan.

UDS training represents a significant step in addressing issues identified for action in the NCIGF strategic plan; in addition, it moves us closer to the goal of uniform UDS reporting, which will result in even more timely payments to policyholders and claimants.

In 2009 the NCIGF, working with the UDS TSG, will spearhead promotion and education that will drive acceptance and wider use of UDS. ■

## ACCOMPLISHMENT 2008: NCIGF SPEARHEADS DEVELOPMENT OF NEW INSOLVENCY TOOLS

In 2008, the NCIGF, working with our committees, developed new and updated tools intended to bring added efficiency to insolvency administration.

These include:

**LIQUIDATION CHECKLIST** – For use by member guaranty associations, the NCIGF developed a comprehensive list of items that should be addressed with the liquidator at various phases of the insolvency process.

**INTERNAL INSOLVENCY NOTEBOOK** – The NCIGF supported development of a compilation of documents for use by insolvency coordinating committees, including a standing agenda for the initial meeting with the liquidator, NCIGF conflicts-of-interest statement, procedures for hiring and compensating attorneys and consultants, a joint defense agreement, confidentiality agreement with liquidator, NCIGF staff procedures and a letter for soliciting status from liquidators of inactive estates.

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#### **NCIGF MODEL EARLY ACCESS PLAN AND AGREEMENT**

The NCIGF developed a form agreement, vetted by the guaranty association community, to serve as a starting point for early access negotiations with receivers that can be represented as an agreement that involved guaranty funds will be willing to execute. The availability of this form agreement will eliminate the need to “reinvent the wheel” each time a new insolvency arises and, we believe, cut down considerably in the attendant cost and expense of negotiating terms with multiple parties.

#### **PREPAYMENT OF WORKERS COMPENSATION AGREEMENTS**

Prompted by a suggestion by one of our managers, the NCIGF developed agreements that set forth terms and conditions under which receivers and guaranty funds would coordinate prepayment of workers’ compensation indemnity claims at the beginning of insolvency, including agreement on proper record keeping and auditing procedures. Having such a process in place immediately following a company’s liquidation will do much to ensure that ongoing benefits on which claimants rely are not interrupted.

**CLAIMS RESOURCE MANUAL** – The NCIGF created an updated version of our existing claims resource manual.

**RECEIVERSHIP COMMUNICATION PLAN** – The NCIGF developed an outline for a communication plan for use with new liquidations; the goal is to prompt coordinating committees and liquidators to develop a basic plan on exchanging insolvency-related information.

**COORDINATING COMMITTEE PROCEDURES** – The NCIGF is updating coordinating committee procedures and incorporating strategic planning recommendations into the procedures.

**BEST PRACTICES** – A critical element of the NCIGF and guaranty fund strategic plan, the conceptual framework has been established for a best practices forum that will bring new, consistently higher standards and uniformity to insolvency administration.

**GUARANTY FUND TRAINING MATERIALS** – The NCIGF began development of guaranty fund training materials for regulators, new managers, judges, and board members. When completed in 2009, these materials will be an invaluable resource for new members of our

community and will increase overall understanding of the guaranty fund system and how it works.

**ISO FORMS LICENSING AGREEMENT** – The NCIGF entered into a licensing agreement with the Insurance Services Office (ISO) to allow members on-line access to the ISO forms library, giving NCIGF members immediate access to policy forms.

**ACCOUNTING ISSUES GUIDELINES MANUAL** – The NCIGF’s Accounting Issues Committee (AIC) and NCIGF staff in 2008 began work on an extensive project of rewriting the Guaranty Fund Accounting Guidelines Manual (formerly known as the Guaranty Fund Financial Reporting Guidelines Manual). The manual, which was last updated in October 2002, will be rewritten in a format organized by nine identified accounting cycles relevant to property and casualty guaranty associations. It will explain the different methods performed by guaranty funds for each cycle. The manual also will recommend a “best practice” method.

The AIC is utilizing several resources to rewrite the manual, including a 2007 survey of the guaranty funds regarding their accounting practices and use of the existing manual. Other resources utilized are the NCIGF Administrative Expense Study Report, the NCIGF Strategic Plan and the UDS D-record Financial Reporting Manual.

Nine AIC Subgroups formed to work on each cycle have completed their chapter outlines and have begun writing the content. Target completion date for the revised Accounting Guidelines Manual is December 2009. ■

# ACCOMPLISHMENT 2008:

## NCIGF EXPANDS IT CAPACITY; ADDS UDS USERS

2008 was a year of significant accomplishment in NCIGF's Information Technology area. This year, the IT department achieved higher levels infrastructure, security and capability. The arrival of Andrew Holladay as NCIGF's Chief Information Officer ushered in many of the improvements.

Among these is the virtual elimination of expenditure for outside IT support. As a result of staffing changes in the IT department, outside IT support costs dropped dramatically. Cost control has been aggressive, and will continue into 2009; budgeted expenses for outside IT support have been reduced significantly over 2008 levels.

Major IT initiatives this year included remediation of backup and security issues on NCIGF's internal network and our Web site. IT staff updated the source code for the state member Web sites hosted by the NCIGF to ensure they were resistant to an emerging security threat that had the potential to corrupt the sites.

Following a server migration, which added higher levels of security and reliability to the NCIGF Members-only Web site, IT staff further strengthened security by introducing encryption and establishing new, more rigorous user password procedures.

This important groundwork has prepared the way to reprogram, streamline and redesign the Members-only Web site, making it more functional and informative and easier to use.

To monitor the security of the UDS system, NCIGF IT staff designed and implemented an innovative "traffic analyzer" that tracked traffic and logged attempted "break-ins" of the SUDS server. The analyzer, which has proven to be a key tool in tracking SUDS use and ensuring the system's security, is a major IT success for 2008.

Staff developed and implemented a monitoring tool to identify potential system problems and alert the IT staff of them by e-mail and cell phone. This initiative, which provides an early alert to IT staff of potential problems, eliminates vulnerabilities by allowing the IT staff to respond to problems before they end in production outages.

IT staff also developed a plan for cost-effectively building capacity and ensuring security of NCIGF's internal servers, a move that will ensure ongoing reliability and security and give the organization "room to grow" its future IT footprint through the use of virtualization. The

By the end of 2008, 52 of an eligible 56 funds have agreed to use SUDS to transmit their UDS records to receivers, and 11 receivers have agreed to accept the guaranty fund UDS files using SUDS.

The growing acceptance of and participation in UDS and SUDS is an exciting development for the insolvency community, one that will bring many benefits to guaranty associations and receivers alike.

plan, which will be implemented in 2009, also streamlines and improves NCIGF's data backup and recovery and decreases related costs.

Looking ahead, after completing current infrastructure upgrades the IT staff will start working full-time with the NCIGF communications department on development and programming of the Members-only site, begin the modernization of SUDS and assist with UDS and other training programs planned for 2009. ■

# ACCOMPLISHMENT 2008:

## GUARANTY FUNDS' COMPREHENSIVE STRATEGIC PLAN ACHIEVES BENCHMARKS

The NCIGF's member-driven Strategic Planning Initiative (SPI) achieved several benchmarks in 2008.

Created by the NCIGF Board of Directors in January 2006, the effort evolved into the most ambitious, comprehensive and in-depth self-examination of the NCIGF and guaranty fund system in the system's nearly 40-year history.

The intent of the SPI was to analyze the current and future challenges facing the property and casualty guaranty funds and offer direction on how the NCIGF could work more effectively and efficiently to help its members fulfill the core mission of "paying the claims of insolvent insurers."

### THE STRATEGIC PLAN IS FOCUSED ON MEETING THREE PRIMARY GOALS:

**OPERATIONS AND INSOLVENCY MANAGEMENT.** The state guaranty fund system will manage property and casualty claims in a professional, timely, efficient and cost-effective manner. The NCIGF supports member guaranty funds in meeting their immediate and future obligations to policyholders. Areas of emphasis are:

- ▶ Performance and Cooperation
- ▶ Coordinating Committee Protocols
- ▶ Receivership Outreach
- ▶ Best Practices among Guaranty Funds
- ▶ Expertise Sharing

**PUBLIC POLICY MANAGEMENT.** The state guaranty fund system seeks to strengthen service to policyholders and claimants through sound public policies that form the foundation of the property and casualty guaranty fund system. When necessary, seek renewal of the system's statutory foundation to meet future challenges on behalf of policyholders and claimants. Areas of emphasis are:

- ▶ Alternative Mechanisms for Dealing with Troubled Companies
- ▶ Emerging Issues
- ▶ Capacity Solutions
- ▶ Study of Coverage Parameters

**OUTREACH, COMMUNICATIONS AND EDUCATION.** Educate and inform the public, industry, policymakers and other stakeholders about the property and casualty guaranty fund system to assist the state guaranty funds and the NCIGF in execution of their respective missions. Drive cooperation and consensus building among guaranty funds through member-focused communication and education. Areas of emphasis are:

- ▶ Stewardship and Governance
- ▶ Education Programs

Volunteers and NCIGF staff are working every day on the tactics that make up the strategic plan.

“By making continued progress on the Strategic Planning Initiative and choosing a process of continuous improvement, NCIGF members are demonstrating their commitment to their public policy mission: to provide the best and most efficient service possible to the policyholders and claimants they serve.”

— Roger H. Schmelzer

The initiative is providing the foundation for the future of the property and casualty guaranty fund system and helping chart the future of the system and the NCIGF.

The SPI identified 78 tactics, 14 of which were designated as priority by the NCIGF board in January. By year's end many priority tactics were completed or well on their way.

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## 2008 NCIGF STRATEGIC PLAN PRIORITIES & ACCOMPLISHMENTS

Four of the 14 NCIGF board-designated SPI priority projects were completed in 2008, with five others planned for completion or implementation by May 2009. The remaining five projects are on track for completion by year-end 2009.

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**PRIORITY** ▶ Sharing Expertise Among Guaranty Funds

**ACCOMPLISHMENT** ▶ The NCIGF updated the listing of guaranty association personnel willing to share expertise in various areas of claims handling, enabling guaranty associations to leverage the benefits of the collective experience in the guaranty fund community.

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**PRIORITY** ▶ Building Consensus Between Guaranty Funds

**ACCOMPLISHMENT** ▶ The NCIGF assembled a committee charged with developing and distributing a proposed outline for the structure and function of a Best Practices Committee.

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**PRIORITY** ▶ Enhancing Guaranty Fund Performance and Cooperation

**ACCOMPLISHMENT** ▶ The NCIGF created a menu of options for alternative claims-adjusting activities and published an analysis of necessary statutory changes required to effect such changes; paving the way on cooperation on key fronts.

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**PRIORITY** ▶ Increasing Participation in Coordinating Committees

**ACCOMPLISHMENT** ▶ The NCIGF's Coordinating Chairs Committee is updating and revising its procedures to address ways in which to seek broader participation by members.

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**PRIORITY** ▶ Improving Outreach and Communications with Receivers

**ACCOMPLISHMENT** ▶ The NCIGF staff exposed the NCIGF Model Early Access Plan and Agreement and Liquidation Checklist for comment.

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**PRIORITY** ▶ Assessing Alternative Mechanisms for Dealing with Troubled Companies

**ACCOMPLISHMENT** ▶ The NCIGF provided comments and assistance for consideration by the NAIC committee preparing a white paper on alternative mechanisms.

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**PRIORITY** ▶ Evaluating Guaranty Association Coverage Parameters

**ACCOMPLISHMENT** ▶ The NCIGF offered to assist the NAIC in its development of a form to collect over-the-cap claim data from receivers.

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**PRIORITY** ▶ Getting a Handle on Emerging Issues

**ACCOMPLISHMENT** ▶ Identifying emerging issues will be included in 2009 charges for all NCIGF committees; the topic will be a standing discussion item for NCIGF committee meetings.

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**PRIORITY** ▶ Delivering Educational Programs Through Alternate Media

**ACCOMPLISHMENT** ▶ NCIGF staff is evaluating the possible use of webinar technology to assist in the distribution of educational materials and programs in 2009.

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**PRIORITY** ▶ More Transparent and Effective Corporate Governance

**ACCOMPLISHMENT** ▶ The NCIGF conducted NCIGF Board training and orientation using updated NCIGF Board training materials and spearheaded development of an inventory of committee charters and mission statements.

In addition, the Corporate Governance Committee provided a report and recommendation to the board at its August 2008 planning meeting with respect to corporate governance "best practices." This report was drawn from a survey of the NCIGF board, discussions with an outside consultant and research on governance issues, peer-to-peer

review, and guaranty fund manager input. As a result of this report a committee restructuring project is underway. The NCIGF also conducted NCIGF board training and orientation using updated NCIGF Board training materials and completed an inventory of committee charters and mission statements.

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**PRIORITY** ▶ Options to address need for additional funding in periods of heavy activity

**ACCOMPLISHMENT** ▶ A Public Policy Subcommittee prepared a draft menu of guaranty fund funding alternatives.

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**PRIORITY** ▶ Refining Engagement by NCIGF and the Guaranty Funds in Public Policy

**ACCOMPLISHMENT** ▶ The Public Policy Committee has developed guidelines for NCIGF involvement in public policy issues. In addition, in 2008 NCIGF members adopted a bylaws change that clarifies NCIGF's role in legislative and regulatory matters.

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**PRIORITY** ▶ Improved Communication

**ACCOMPLISHMENT** ▶ The Communications Committee reviewed, updated and prioritized the NCIGF Strategic Communications Plan.

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**PRIORITY** ▶ Providing Timely and Relevant Training Materials on the Guaranty Fund System

**ACCOMPLISHMENT** ▶ The Education Committee spearheaded development of educational materials for NCIGF and guaranty associations, board members, insurance commissioners and judges. These materials are currently being finalized. ■

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# ACCOMPLISHMENT 2008: NCIGF COMMUNICATIONS

In September, events related to the financial troubles of the American International Group (AIG) put the NCIGF Indianapolis headquarters on the front lines of one of the largest news stories of the year.

Coordinating and working closely with the Insurance Information Institute and NOLHGA, the NCIGF's management fielded dozens of media calls from national, regional and business media.

Throughout 2008, NCIGF-authored articles ran in national insurance industry publications; these also helped us tell the guaranty fund story to an important audience. Editorial placements include:

- ▶ "Remaining Ready: Preparedness is the Key to Effective Insolvency Management by the P/C Guaranty Funds" by Barb Cox and Nick Crews. *A.M. Best*.
- ▶ "The Fruits of Cooperation: Joint Receivership, Guaranty Funds Effort Set To Streamline Insolvency-related Financial Reporting" by Jim Hamilton and Mark Might. *The Insurance Receiver*.
- ▶ "Guaranty Fund Strategic Planning On Track, Moving Ahead with Purpose" by Roger Schmelzer. *The Insurance Receiver*.
- ▶ "A Long and Winding Road: Large Deductible Begins Moving Through the States" by Barb Cox and Nick Crews. *The Insurance Receiver*.
- ▶ "Insurer Insolvencies At Low Ebb, But Reform Action Persists." National Underwriter. (This staff-written article sourced the NCIGF's "Insolvency Trends – 2008".) ■

For several days, reporters from the largest news outlets in the nation – among them, the *Wall Street Journal*, *New York Times*, ABC News and others – kept the phones ringing in what was a "once-in-a-lifetime" opportunity to use the channels of national media to tell the guaranty funds' story of consumer protection of millions of policyholders and claimants.

The several days the NCIGF staff fielded media calls related to the AIG situation underscored the value of communications support to the NCIGF and its members.

Once a month we publish *The Insolvency Briefing*, an e-bulletin that provides updates on major developments. We also inaugurated a new monthly publication, *Manager News*, to keep our immediate guaranty fund community up-to-date on "need to know" information.

The NCIGF's *Quarterly Commentary* offers in-depth analysis on insolvency-related issues each quarter. Our issue backgrounders and white papers, including our *Insolvency Trends* series, explore guaranty fund- and insolvency-related issues in-depth; in addition, our annual compilation of guaranty association laws and annotation of insolvency case law brings our members the very latest in legal developments.

This year we published five NCIGF Backgrounders, 22 editions of *The Insolvency Briefing*, five issues of the *Manager News* and four issues of the *Quarterly Commentary*.

In September, the NCIGF began to monitor its Web site "hits." From September 18 through December 11, the NCIGF Web site racked up 31,312 visits.

In November, the NCIGF renewed our strategic alliance with the Insurance Information Institute (I.I.I.), a relationship that in 2009 will continue to bolster our communications and public policy initiatives and help us reach key audiences through the I.I.I.'s expertise, staff resources and database of industry information. I.I.I. and NCIGF worked closely to coordinate communications related to the AIG situation in the fall; the organization has also provided outstanding guidance related to studies the NCIGF is planning for 2009 and beyond. ■

# MEMBERS REALIZE VALUE IN THEIR NCIGF MEMBERSHIP SEVERAL WAYS:

**COORDINATING COMMITTEES.** The NCIGF organizes and staffs coordinating committees that assist in administering multi-state insolvencies that involve several guaranty funds. These committees provide critical assistance and support by monitoring developments and giving guaranty funds a voice in the proceedings.

In part through coordinating committee efforts, early access distributions in 2008 topped out at about \$489,500,000. In addition, about \$166,000,000 in interim and final distributions was made on several California estates. Every dollar distributed from the insolvent estates reduces assessments against member carriers and the costs to consumers and taxpayers.

**COMMUNICATIONS.** Our communications program spurs an increased awareness of the guaranty fund system and the good it brings to those we serve.

Through trade press placements, our publications and media networking the NCIGF is keeping guaranty associations, industry and trade associations up to date on important information about insolvency issues.

2009 will build on the momentum established in preceding years as we continue creating awareness of the guaranty fund system among the public, media and policymakers.

**FINANCIAL AND OPERATIONAL OVERSIGHT.** Over the past year, the NCIGF has refined and extended its operational and financial reporting infrastructure.

In 2008 the NCIGF continued to make improvements on the business and operational side.

**PUBLIC POLICY MANAGEMENT.** NCIGF staff, under the direction of the Public Policy Committee, helps shape statutory and regulatory solutions related to guaranty funds.

Thanks in part to public policy-related efforts, provisions from the NCIGF Model Guaranty Association Act have been adopted in a growing number of states. Our model act represents the latest and best collective wisdom of the guaranty fund community concerning how to best protect those least able to absorb an uninsured loss, while at the same time placing reasonable limits on that protection.

The NCIGF does not “lobby.” However, we are frequently involved as a “technical expert” in support of efforts to enact critical insolvency legislation.

Other public policy management member services include:

**LIAISON TO NAIC.** NCIGF membership gives our member associations a collective voice at the NAIC. NCIGF staff’s efforts throughout 2008 have done much to support guaranty fund positions related to the NAIC’s work on its model liquidation act and guaranty fund act legislation.

**CONGRESSIONAL EDUCATION PROGRAM.** In 2001 the NCIGF began a program of educating and informing key members of Congress and their staffs about the functioning of the state-based guaranty association system and its record of success.

Today, the efforts over the past seven years have provided a good foundation for understanding by federal lawmakers of the guaranty funds system and its benefits to policyholders. These efforts will continue to pay dividends in 2009 and the years beyond as Washington D.C. rethinks insurance regulation and determines the guaranty fund systems’ future role.

The NCIGF’s Congressional Education Program has raised the awareness of Congress about the proven record of success the state-based guaranty associations have had in protecting insurance consumers. Ongoing educational efforts in the year ahead will further that accomplishment.

**EDUCATIONAL FORUMS FOR THE GUARANTY FUND COMMUNITY.** The NCIGF staff supports efforts each year to host a wide range of informative educational meetings. Meetings during 2008 included presentations on such topics as human-resource practices, how guaranty funds can expand their services, the economic environment, and other topics designed to better equip the guaranty fund community to work more effectively, efficiently and economically.

The NCIGF hosted two educational meetings during 2008; these brought together nearly 200 participants.

**MEETINGS AND CONFERENCE CALLS.** In 2008, the NCIGF coordinated 202 conference calls and 36 off-site meetings. ■

# NCIGF COMMITTEES

Each of the NCIGF's committees plays an integral part in the functioning of the NCIGF.

## ACCOUNTING ISSUES COMMITTEE

The Accounting Issues Committee monitors accounting and UDS issues and advises the NCIGF membership on matters related to financial reporting. These activities include AICPA and NAIC compliance, providing relevant information to the property and casualty industry, and assisting in the development and implementation of UDS Financial Reporting formats.

## AUDIT COMMITTEE

The Audit Committee oversees the NCIGF financial reporting and the annual audit of the NCIGF financial statements.

## AUTOMATED SYSTEMS COMMITTEE

The Automated Systems Committee develops and implements the architecture of electronic communication for our community. It assists with disaster-recovery programs, UDS Claims and Financial Reporting formats, and develops electronic communication and system procedures for the guaranty fund network.

## BUDGET COMMITTEE

The Budget Committee provides consultation and guidance on budgetary issues, including the review and recommendation of the NCIGF annual budget to the board of directors.

## BYLAWS COMMITTEE

The Bylaws Committee makes informed recommendations for changes to the NCIGF bylaws for consideration by the board of directors and ultimately the NCIGF members.

## COMMUNICATIONS COMMITTEE

The Communications Committee provides guidance and oversight on NCIGF communications activity.

## COORDINATING COMMITTEES

The Coordinating committees manage the coordination and facilitation for multi-state insolvencies. The work of the Coordinating Committee is key to the mission of the NCIGF and the ability to bring equitable resolution to insolvency issues.

## CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee reviews governance practices, reports recommendations and suggests priorities to the NCIGF board.

## EDUCATION COMMITTEE

The Education Committee develops educational programs and model training curricula for the NCIGF membership.

## LEGAL COMMITTEE

The Legal Committee monitors developing legal issues, provides counsel, evaluates requests for amicus briefs, prepares analysis of insolvency legislation, and conducts the NCIGF Legal Seminar, among other responsibilities.

## NOMINATING COMMITTEE

The Nominating Committee nominates candidates for election to the NCIGF Board of Directors. It also nominates members to the NCIGF board's Executive Committee.

## OPERATIONS COMMITTEE

The Operations Committee works to develop recommendations intended to increase the efficiency, uniformity and operational effectiveness of the member guaranty associations.

## PUBLIC POLICY COMMITTEE

The Public Policy Committee is charged with educating and informing the property/casualty insurance industry about issues related to state guaranty fund policy and laws. It also steers public policy involvement of the NCIGF.

## RAPID RESPONSE TEAM

The Rapid Response Team provides direction to NCIGF staff on public policy matters in situations where issues are time-sensitive and cannot be dealt with at the regularly scheduled meetings of the Public Policy Committee.

## SITE SELECTION COMMITTEE

The Site Selection Committee is charged with approving sites for some of the larger NCIGF events, including the annual meeting, legal seminar, and November workshop.

## STRATEGIC PLANNING OVERSIGHT COMMITTEE

The Strategic Planning Oversight Committee guides and supports the NCIGF's member-driven Strategic Planning Initiative (SPI). ■

# FINANCIAL REPORT

The NCIGF's financial health continues to be strong as net assets grew to \$1,273,263 during 2008 representing an increase of \$379,811 over 2007. Undesignated net assets increased by \$40,686 and the board designated contingency fund increased by \$339,125 to \$1,005,122.

Cash and cash equivalents at December 31, 2008 and 2007 were \$520,734 and \$1,047,705, respectively. During 2008, the Investment Committee revised the Investment Policy, maintaining safety of principal and high liquidity as its cornerstone. The revised policy allowed the NCIGF to invest the contingency fund in CDs with staggered maturities of no greater than two years. Short-term contingency fund investments were \$360,000 and long-term contingency fund investments were \$410,000 at December 31, 2008. There were no short-term or long-term investments in 2007.

The 2008 membership dues of \$3.0 million represent a budget based on two levels of activity: Anticipated costs of doing business to meet day-to-day expectations of members and additional funding necessary for specific initiatives and projects. Operating, capital and other cash disbursements for 2008 were approximately \$2.8 million, representing a savings of slightly over \$170,000 when compared to the budget for 2008.

## NATIONAL CONFERENCE OF INSURANCE GUARANTY FUNDS STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007 (IN THOUSANDS)

| ASSETS                                  | 2008     | 2007     |
|---|----------|----------|
| <b>Current Assets</b>                   |          |          |
| Cash and cash equivalents               | \$ 521   | \$ 1,048 |
| Short-term investments                  | 360      | 0        |
| Other                                   | 92       | 48       |
| <i>Total current assets</i>             | 973      | 1,096    |
| Property & Equipment, Net               | 95       | 58       |
| Long-Term Investments                   | 410      | 0        |
| Deposits                                | 7        | 8        |
| <i>Total Assets</i>                     | \$ 1,485 | \$ 1,162 |
| <b>LIABILITIES &amp; NET ASSETS</b>     |          |          |
| <b>Liabilities</b>                      |          |          |
| Current Liabilities                     | \$ 189   | \$ 230   |
| Long-Term Liabilities                   | 23       | 39       |
| <i>Total Liabilities</i>                | 212      | 269      |
| <b>Net Assets</b>                       |          |          |
| Undesignated                            | 268      | 227      |
| Board Designated (Contingency Fund)     | 1,005    | 666      |
| <i>Total unrestricted net assets</i>    | 1,273    | 893      |
| <i>Total liabilities and net assets</i> | \$ 1,485 | \$ 1,162 |

# STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(IN THOUSANDS)

| STATEMENT OF ACTIVITIES                          | 2008     | 2007     |
|--|----------|----------|
| <b>Revenue</b>                                   |          |          |
| Membership dues                                  | \$ 2,998 | \$ 2,833 |
| Investment income                                | 40       | 76       |
| Other Income                                     | 70       | 105      |
| <i>Total Revenue</i>                             | 3,108    | 3,014    |
| <b>Expenses</b>                                  |          |          |
| Wages, benefits and payroll taxes                | 1,564    | 1,543    |
| Professional fees                                | 532      | 467      |
| Other operating expenses                         | 610      | 659      |
| <i>Total expenses</i>                            | 2,706    | 2,669    |
| <b>Change in Net Assets before Federal Taxes</b> | 402      | 345      |
| <b>Federal Taxes</b>                             | 22       | 51       |
| <b>Change in Net Assets</b>                      | 380      | 294      |
| <b>Net Assets, Beginning of Year</b>             | 893      | 599      |
| <b>Net Assets, End of Year</b>                   | \$ 1,273 | \$ 893   |

# STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(IN THOUSANDS)

| INCREASE IN CASH                                 | 2008     | 2007     |
|--|----------|----------|
| <b>Cash Flows from Operating Activities</b>      |          |          |
| Cash received from members                       | \$ 2,985 | \$ 2,895 |
| Cash paid to suppliers and employees             | (2,735)  | (2,639)  |
| Investment and other income                      | 110      | 181      |
| Federal taxes paid                               | (55)     | (41)     |
| <i>Net cash provided by operating activities</i> | 305      | 396      |
| <b>Cash Flows from Investing Activities</b>      |          |          |
| Proceeds from maturity of investments            | 180      | 0        |
| Purchase of investments                          | (950)    | 0        |
| Capital expenditures                             | (62)     | (22)     |
| <i>Net cash used in investing activities</i>     | (832)    | (22)     |
| <b>Net Change in Cash and Cash Equivalents</b>   | (527)    | 374      |
| <b>Cash, Beginning of Year</b>                   | 1,048    | 674      |
| <b>Cash End of Year</b>                          | \$ 521   | \$ 1,048 |

# BOARD OF DIRECTORS DESIGNATED CONTINGENCY FUND

The contingency fund is a board restricted fund accessible with board approval. During 2006 the Board of Directors approved a plan to increase the contingency fund to a level necessary to maintain minimal operations of the NCIGF for a six month period. The total funding approved was \$1.1 million and accordingly an annual increase of \$50,000 was approved for the 2008 NCIGF budget. The board also instructed the NCIGF to contribute any surplus funding to the contingency fund on an annual basis. Contributions to the contingency fund during 2008 of \$339,125 included the budgeted increase, surplus generated from the results of operations for 2007, and investment income. The contingency fund at December 31, 2008 was \$1,005,122.

## PROGRESSION OF BOARD DESIGNATED CONTINGENCY FUND FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN THOUSANDS)

| BOARD DESIGNATED CONTINGENCY FUND     | 2008            | 2007          |
|---------------------------------------|-----------------|---------------|
| Contingency Fund – Beginning of year  | \$ 666          | \$ 492        |
| Budgeted contribution                 | 50              | 36            |
| Board designated surplus contribution | 276             | 122           |
| Investment income                     | 13              | 16            |
| <b>Contingency Fund – End of year</b> | <b>\$ 1,005</b> | <b>\$ 666</b> |

*The NCIGF appreciates the service of all our volunteers who give their time and talents to serve on our committees.  
All committee listings are current as of December 2008.*

## NCIGF BOARD OF DIRECTORS

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Western Guaranty Fund Services

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**Chief Executive Officer**  
New Jersey Property & Liability  
Insurance Guaranty Association

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**Assistant Secretary/Assistant  
General Counsel**  
Allstate Insurance Company

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**Counsel**  
State Farm Insurance Companies

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Rockingham Group

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Management Services

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**Executive Director**  
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Insurance Guaranty Association

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**Senior Vice President,  
Corporate Finance**  
The Travelers Companies

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Insurance Guaranty Association

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**Senior Vice President**  
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CUNA Mutual Group

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**Treasurer & CFO**  
Providence Mutual

Larry E. Hinton  
**Senior Counsel**  
GEICO

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**Counsel**  
State Farm Insurance Companies

Charles P. Breitstadt  
**Director of Government Affairs**  
Nationwide Insurance Company

Allstate Insurance Company

### VICE-CHAIR

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**President**  
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**Executive Director/Secretary**  
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Insurance Guaranty Association

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**Executive Director**  
Georgia Insurers Insolvency Pool

Felix A. Mantilla  
**Assistant Secretary/Assistant  
General Counsel**

Sandra J. Robinson  
**President**  
American Guaranty Fund Group

# ACCOUNTING ISSUES COMMITTEE

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**Missouri Property & Casualty**  
**Insurance Guaranty Association**

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**Chief Financial Officer**  
**Guaranty Fund Management Services**

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**Michigan Property & Casualty**  
**Guaranty Association**

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**Corporate Finance**  
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**Operations Division**  
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**Insurance Guaranty Association**

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**Guaranty Association**

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**Financial Services Director**  
**Texas Property & Casualty Insurance**  
**Guaranty Association**

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**Director of Finance**  
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**Insurance Guaranty Association**

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**Vice President of Internal Operations**  
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**Executive Assistant**  
**Delaware Insurance**  
**Guaranty Association**

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**Controller**  
**Illinois Insurance Guaranty Fund**

Deborah A. Price  
**Systems Analyst**  
**Property & Casualty Insurance**  
**Guaranty Corporation**

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**Accounting Manager**  
**Indiana Insurance**  
**Guaranty Association**

# AUDIT COMMITTEE

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**Senior Vice President,**  
**Corporate Finance**  
**The Travelers Companies, Inc.**

Charles P. Breitstadt  
**Director of Government Affairs**  
**Nationwide Insurance Company**

Earl (Ty) Cottam, Jr.  
**Treasurer & CFO**  
**Providence Mutual**

# AUTOMATED SYSTEMS COMMITTEE

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**Systems Information Supervisor**  
**Texas Property & Casualty Insurance**  
**Guaranty Association**

## VICE CHAIR

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**Systems Analyst**  
**Property & Casualty Insurance**  
**Guaranty Corporation**

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**Director of Finance & Administration**  
**Michigan Property & Casualty**  
**Insurance Guaranty Association**

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**IS/IT Administrator**  
**Oklahoma Property & Casualty**  
**Insurance Guaranty Association**

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**Data Specialist**  
**Florida Workers' Compensation**  
**Insurance Guaranty Association**

James Englis  
**MIS Specialist**  
**New Jersey Property-Liability**  
**Insurance Guaranty Association**

Hal Fedora  
**Director of Audit &**  
**Information Technology**  
**California Insurance**  
**Guaranty Association**

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**Senior Management Analyst**  
**Florida Workers' Compensation**  
**Insurance Guaranty Association**

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**Lightspeed Data Solutions**

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**Information Technology Manager**  
**Guaranty Fund**  
**Management Services**

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**Executive Director**  
**Georgia Insurers Insolvency Pool**

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**Office Manager**  
**New Mexico Property & Casualty**  
**Insurance Guaranty Association**

Darin Miller  
**LAN Admin/VB Apps Developer**  
**Ohio/West Virginia Guaranty Funds**

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**Administrator**  
**Tennessee Insurance**  
**Guaranty Association**

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**President**  
**Information Services Unlimited, Inc.**

Ed Volk  
**Manager, Administration &**  
**Information Technology**  
**Western Guaranty Fund Services**

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**Chief Executive Officer**  
**New Jersey Property-Liability**  
**Insurance Guaranty Association**

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**The Providence Mutual Fire**  
**Insurance Company**

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**Executive Director**  
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**American Guaranty Fund Group**

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**Executive Director**  
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**President**  
**Ohio/West Virginia Guaranty Funds**

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**VA Legal Counsel**  
**Troutman Sanders LLP**

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**Assistant Secretary/Assistant**  
**General Counsel**  
**Allstate Insurance Company**

## COMMUNICATIONS COMMITTEE

### CHAIR

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**Executive Director**  
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**Guaranty Association**

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**Director of Government Affairs**  
**Nationwide Insurance Company**

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**Assistant Secretary/Assistant**  
**General Counsel**  
**Allstate Insurance Company**

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**Executive Director**  
**Wisconsin Insurance Security Fund**

J. Smith "Smitty" Harrison  
**Executive Director/Secretary**  
**South Carolina Property & Casualty**  
**Insurance Guaranty Association**

Steve A. Uhrynowycz  
**Administrator**  
**Arkansas Property & Casualty**  
**Insurance Guaranty Fund**

## COORDINATING COMMITTEE CHAIRS

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**Pennsylvania Property & Casualty**  
**Insurance Guaranty Association**

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**Executive Secretary**  
**Tennessee Insurance**  
**Guaranty Association**

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**President**  
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**Estates Manager**  
**New York State Insurance**  
**Department Liquidation Bureau**

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**Chief Executive Officer**  
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**Insurance Guaranty Association**

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**President**  
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**Guaranty Association**

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**Executive Director/Secretary**  
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**Insurance Guaranty Association**

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**Guaranty Corporation**

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**Guaranty Association**

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**Guarantee Association**

## ACTIVE COORDINATING COMMITTEES

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**Dorsey & Whitney LLP**

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**Data Specialist**  
**Florida Workers' Compensation**  
**Insurance Guaranty Association**

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**Manager, Security Fund**  
**Administration**  
**New Jersey Workers'**  
**Compensation Security Fund**

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**Claims Supervisor**  
**Pennsylvania Property & Casualty**  
**Insurance Guaranty Association**

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**Counsel**  
**Nelson Mullens Riley &**  
**Scarborough, LLP**

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**Estate Manager**  
**New York State Insurance**  
**Department Liquidation Bureau**

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**Guaranty Association**

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**Guaranty Association**

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**Claims Supervisor**  
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**Security Fund**

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**Insurance Guaranty Association**

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**Insurance Guaranty Association**

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**Guaranty Association**

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**General Manager**  
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**Insurance Guaranty Association**

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**and Fairgrave, PC**

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**Guaranty Association**

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**President**  
**Guaranty Fund Management Services**

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**Executive Director/Secretary**  
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**Insurance Guaranty Association**

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**Arizona Department of Insurance**

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**Director of Actuarial Services**  
**New Jersey Workers' Compensation**  
**Security Fund**

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**Jennan Enterprises**

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**Guaranty Association**

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**Keenan & Associates**

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**Pennsylvania Workers'**  
**Compensation Security Fund**

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**Insurance Guaranty Corporation**

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**Guaranty Association**

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**Rynearson Suess Schnurbusch**  
**& Champion, LLC**

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**Guaranty Association**

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**McGugin Leader & Carlson PLC**

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**Senior Claims Manager**  
**Florida Insurance**  
**Guaranty Association**

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**Director of Strategy**  
**and Public Affairs**  
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**Insurance Guaranty Association**

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**Insurance Guaranty Association**

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**Guaranty Association**

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**Claims Manager**  
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**Guaranty Association**

Mi Niemann  
**Administrator**  
**Tennessee Insurance**  
**Guaranty Association**

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**& Berry, PLC**

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**Guaranty Association**

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**Insurance Guaranty Corporation**

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**New York Liquidation Bureau**

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**VA Legal Counsel**  
**Troutman Sanders LLP**

Blaine Pinney  
**Claims Manager**  
**Florida Insurance**  
**Guaranty Association**

Susan J. Pogoda  
**First Assistant Special Deputy**  
**Superintendent/Chief of Staff**  
**New York Liquidation Bureau**

Claudia Powers  
**Assistant Director of Claims**  
**New York Liquidation Bureau**

Josie Rea  
**Claims Manager, Workers'**  
**Compensation**  
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**Guaranty Association**

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**Insurance Guaranty Association**

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**New York Liquidation Bureau**

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**Bressler, Amery & Ross**

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**Guaranty Association**

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**Industrial Commission of Arizona**

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**American Guaranty Fund Group**

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**Workers' Compensation**  
**Claims Manager**  
**New York Liquidation Bureau**

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**Insurance Guaranty Fund**

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**Industrial Commission of Arizona**

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**Liability Manager**  
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**Insurance Guaranty Fund**

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**& Scarborough, LLP**

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**Executive Director**  
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**Guaranty Association**

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**Director of Operations & Logistics**  
**Louisiana Insurance**  
**Guaranty Association**

John Weeks  
**Executive Director**  
**Mississippi Insurance**  
**Guaranty Association**

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**Executive Director**  
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Guarantee Association

James Winskowicz  
**Claims Manager**  
Guaranty Fund Management Services

Debra G. Wozniak  
**Counsel**  
State Farm Insurance Companies

## CORPORATE GOVERNANCE COMMITTEE

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**Chief Financial Officer**  
Rockingham Group

CO-CHAIR  
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**Senior Vice President**  
Corporate & Government Affairs  
CUNA Mutual Group

Paul M. Gulko  
**President**  
Guaranty Fund Management Services

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**Special Projects Director**  
Texas Property & Casualty  
Insurance Guaranty Association

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**Executive Director**  
Indiana Insurance  
Guaranty Association

Thomas R. Kujawa  
**Executive Director**  
Michigan Property & Casualty  
Guaranty Association

Raymond Bauso  
**Claims Supervisor**  
Pennsylvania Property & Casualty  
Insurance Guaranty Association

Bruce W. Gilbert  
**Executive Director**  
Nevada Insurance  
Guaranty Association

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**Executive Director**  
Georgia Insurers Insolvency Pool

Randy Blumer  
**Executive Director**  
Wisconsin Insurance Security Fund

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Guaranty Fund Management Services

Steve A. Uhrynawycz  
**Administrator**  
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Insurance Guaranty Fund

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Delaware Insurance  
Guaranty Association

J. Smith "Smitty" Harrison  
**Executive Director/Secretary**  
South Carolina Property & Casualty  
Insurance Guaranty Association

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