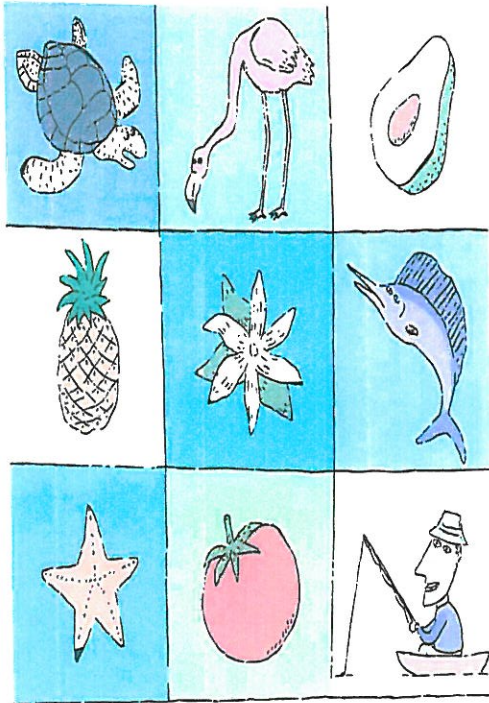


Florida Insurance Guaranty Association

HOW FLORIDA'S INSURANCE SAFETY NET PROTECTS CONSUMERS



FLORIDA

Please visit our website at <http://www.figafacts.com>
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While you seldom hear anyone say “Yeah! I get to buy insurance today,” the simple act of protecting your property is one of the most important things you can do to give yourself some peace of mind.

Understanding insurance and how the insurance industry works is generally not an easy task that can be undertaken in an hours’ time by the average person, but by arming yourself with the answers to a few questions, you can make the act of protecting your assets a little less stressful.

This brochure is designed to give you some basic information you need to help you make an informed insurance purchase. It is not designed to answer every question that may arise and may not be the only information you need for more complex insurance needs.

For answers to more complex questions you will need to consult with your insurance agent.

Why have we created this brochure? As the economic market has evolved over the course of the last year, more people have voiced concerns over the financial stability of various industries and the mechanisms in place to ensure that when making purchases they are not throwing money away.

Typically, when a person decides to purchase an insurance policy, they are doing so because they have something of value that they would like to protect – this could be something like an automobile, home, business, and sometimes even their own life or health.

By purchasing an insurance policy, a person is saying to themselves that if something happens to diminish the value of their item – like a fire or a hurricane or theft or illness – that they will have someone behind them to assist in restoring that value (what we, in the insurance industry refer to as indemnity) by either repairing damage or paying out money to equal the amount of coverage placed on the value of the loss.

WHAT HAPPENS IF...

But what happens when someone purchases an insurance policy from a company that becomes financially unable to pay for claims against that policy (what we call becoming insolvent)?

Most people are familiar with the mechanism that banks have in place to protect their account holders from bank collapse – the Federal Deposit Insurance Corporation – a federally backed “insurance” for banks.

The insurance industry has something similar, called Insurance Guaranty Associations, which are generally set up on a state-by-state basis and act as a safety net for insurance consumers.

In Florida, there are several of these associations that handle different types of insurance including the Florida Insurance Guaranty Association (FIGA), a non-profit entity, which was created by the Florida Legislature in 1970 to provide a mechanism for the prompt payment of claims of insolvent property and casualty insurance companies.

Not all lines of insurance business are covered by FIGA (for a complete listing please visit www.figafacts.com) and there are limits on the amount of monies FIGA will pay out...

SAFETY NET

FIGA was a safety net the legislature put into place for insurance consumers in the state of Florida.

There are a few points that are important to understand though – not all lines of insurance business are covered by FIGA (for a complete listing please visit www.figafacts.com) and there are limits on the amount of monies FIGA will pay out on particular policies that may be lower than the limits in the original policies.

It is very important that you discuss these limitations with your insurance agent.

Generally, FIGA's policy limits fall into one of three categories:

FIGA COVERAGE LIMITS

General Limit: \$300,000.00

Condominium or Homeowner Associations
Coverage for Residential Units: \$100,000.00
times the number of units for the aggregate
limit

Homeowners Coverage: \$500,000.00 for
property damages

Homeowners Coverage: \$300,000.00 for
liability claims.

FIGA is not an insurance company, but rather a safety net that would be in place in case extraordinary events should occur.

CAPS ON LIMITS

Why is it important for FIGA to have caps on the amount of monies that would be paid out on the claims of insolvent insurance companies?

FIGA is not an insurance company, but rather a safety net that would be in place in case extraordinary events should occur that would make otherwise healthy insurance companies become unable to meet their financial obligations.

There are other safeguards built into the insurance market designed to help keep companies from becoming insolvent, but when large, unforeseen events occur that override the built in safety mechanisms, FIGA acts as a safety net to keep consumers from becoming financially burdened.

FUNDING

One other important question to answer that may affect how consumers view FIGA's coverage limits is "where does the money come from?"

Unlike private insurance companies, FIGA is not funded through private monies raised by selling stock shares.

A portion of the funds FIGA uses to pay the claims of insolvent companies come directly from the sale of whatever assets remain of the insolvent company once the company has been liquidated.

Some people have asked if there were enough assets to cover all the claims, why did FIGA have to step in at all?

Most of the time there are not enough assets left after liquidation to cover the amount of claims even with the FIGA limits, and it may take several years before those assets are recovered and converted to cash.

This creates a need for FIGA to generate funds to cover the difference and to bridge the time gap between the date of the insolvency and the final liquidation.

The bridge is created by assessing all of the member companies a certain percentage as authorized by the legislature.

The member insurance companies then include this as a separate charge on property and casualty policies.

For a more detailed discussion of how FIGA is funded, please visit our website at www.figafacts.com.

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