FAQS

1. WHAT HAPPENS WHEN A COMPANY BECOMES INSOLVENT AND IS LIQUIDATED?

Liquidation is similar to bankruptcy. When a company is declared insolvent by a court of competent jurisdiction, a Liquidator is appointed who gathers the company's assets for distribution and determines what liabilities, such as bills and claim payments, it has. The Liquidator then develops a plan to distribute the company's assets according to established law and submits the plan to the Court for approval. The liquidation process could take several years. The PA Insurance Department website, or the website of the insurance department of the state where the insurance company is being liquidated, may provide additional information.

2. WHAT IS PENNSYLVANIA PROPERTY & CASUALTY INSURANCE GUARANTY ASSOCIATION (PP&CIGA)?

PP&CIGA is an association of insurers licensed to write property and casualty insurance on a direct basis in The Commonwealth of Pennsylvania. Subject to statutory limits, PP&CIGA assumes the insurance policy obligations of licensed insolvent insurers in Pennsylvania for residents and/or property located in the state. PP&CIGA obtains funds to meet its obligations by assessing the member companies.

3. IS PP&CIGA AN INSURANCE COMPANY?

PP&CIGA is not an insurance company. The only claims PP&CIGA may pay are those defined as "covered claims" in the Pennsylvania Property & Casualty Insurance Guaranty Association Act, 40 P.S. §§ 991.1801 et seq., and case law. PP&CIGA was created to provide only a limited form of protection in the event of insurer insolvencies.

4. DOES PP&CIGA COVER EVERYTHING?

It is important to note that in addition to several statutory limits on its payments, PP&CIGA does not provide protection for the following classes of insurance:

* Life, annuity, disability and health.

* Mortgage, guaranty, financial guaranty or other forms of insurance offering protection against investment risks.

* Fidelity or surety bonds or any other bonding obligations.
* Credit insurance, vendors’ single interest insurance or collateral protection insurance or any similar insurance protecting the interests of a creditor arising out of a creditor/debtor transaction.

* Insurance of warranties or service contracts.

* Title insurance.

* Ocean marine insurance.

* Any transaction or combination of transactions between a person, including affiliates of such person, and an insurer, including affiliates of such insurer, which involves the transfer of investment or credit risk unaccompanied by transfer of insurance risk.

* Any insurance provided by or guaranteed by government.

* Workmen’s compensation and employer's liability insurance.

5. HOW IS PP&CIGA TRIGGERED?

In order for PP&CIGA to become responsible for the claims liabilities of a member insurer in Pennsylvania, a court of competent jurisdiction must issue a liquidation order with a finding of insolvency of the insurer. The Department of Insurance or a court-appointed liquidator controls the assets of the estate of the insolvent insurer. PP&CIGA does not have direct access to the assets of the estate. PP&CIGA actually becomes a creditor against the estate.

6. WHICH GUARANTY ASSOCIATION WOULD HANDLE MY CLAIM?

After an Order of Liquidation with a finding of insolvency has been entered, cases are distributed by the Liquidator to the guaranty association where the insured resides or in the case of a business where they are principally located.

7. WILL I RECEIVE A RETURN OF MY PREMIUM?

Your unearned premium is a covered claim as defined in the statute. However, it can take as long as eight to ten months until you receive payment, as the information to process your claim must come from the Liquidator of the insolvent company. PP&CIGA can pay an amount not exceeding ten thousand ($10,000) dollars per policy for a covered claim for the return of unearned premium.