

Exchange

A GUIDE TO AN ALTERNATIVE INSURANCE MARKET

BY PETER H. BICKFORD, LL.B., LL. M

NILS Publishing Company

a Capital Cities / ABC, Inc. company
21625 Prairie Street · Chatsworth, California 91311

EXCHANGE: A GUIDE TO AN ALTERNATIVE INSURANCE MARKET

Exchange: A Guide to an Alternative Insurance Market and all supplements are copyrighted © 1990 by NILS Publishing Company.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage or retrieval system, without permission in writing from NILS Publishing Company Inc., the publisher.

The information contained in this volume is provided for reference uses only. NILS Publishing Company, by publishing this volume, does not render legal advice of any sort. If legal advice or other expert assistance is required, the services of a competent professional should be sought. No representations are made as to this volume's completeness or accuracy, although NILS Publishing Company has made every effort to provide you with the most up-to-date and useful information possible. NILS hereby expressly excludes all warranties.

Printed in the United States of America.

International Standard Book Number: 0-89246-191-8

Library of Congress Number: 87-062651

Exchange: A Guide to an Alternative Insurance Market

TABLE OF CONTENTS

PART I. INSURANCE EXCHANGES – A COMMENTARY

A. Introduction	I-COMM-1
B. What is an Insurance Exchange	I-COMM-3
C. Historical Perspective	I-COMM-6
D. Operating and Authorized Exchanges	
1. New York Insurance Exchange, Inc.	I-COMM-9
2. Illinois Insurance Exchange	I-COMM-15
3. Insurance Exchange of the Americas, Inc.	I-COMM-19
4. The Canadian Insurance Exchange	I-COMM-26
5. The Texas Insurance Exchange	I-COMM-28
E. Looking at Insurance Exchange Experiences: Two Post-Mortems and a Hopeful Prognosis	
1. The New York and Florida Exchanges	I-COMM-31
2. The Illinois Insurance Exchange ...	I-COMM-38
3. Future Prospects	I-COMM-39

PART II. MAKING THE EXCHANGES WORK FOR YOU

A. How an Insurance Exchange Works	
1. Statutory and Regulatory Framework	II-COMM-1
2. Types of Business	II-COMM-3
3. Underwriting Membership and Capitalization	II-COMM-6
4. Broker Membership	II-COMM-10

5.	Underwriting Managers and Agents	II-COMM-12
6.	Exchange Government	II-COMM-15
7.	Placement and Processing of Business	II-COMM-18
8.	Reporting, Review and Audit.....	II-COMM-36
9.	Impairment, Insolvency, Rehabilitation and Liquidation	II-COMM-41
10.	Security or Guaranty Funds	II-COMM-47
11.	Withdrawal from the Market.....	II-COMM-56
B. How to Use an Insurance Exchange		
1.	Who Should Use an Insurance Exchange	II-COMM-61
2.	Evaluation of Exchanges	II-COMM-65
C. Investors and Taxes		II-COMM-67
D. The Role of the State Insurance Departments		II-COMM-73
E. Advantages and Disadvantages of an Exchange		II-COMM-79

PART III. EXCHANGE DATA

A. New York Insurance Exchange, Inc.		
1.	The Exchange.....	III-NY-1
2.	The Security Fund	III-NY-7
3.	New York Insurance Exchange Syndicate Five Year Historical Summaries	III-NY-9
B. Illinois Insurance Exchange		
1.	The Exchange.....	III-IL-1
2.	The Immediate Access Security Association and the Insurance Exchange Guaranty Fund, Inc.....	III-IL-9
3.	Approved Broker Members	III-IL-11

4.	Underwriting Agents, Managers and Their Syndicates.....	III-IL-21
5.	Application Forms	III-IL-95
C. Insurance Exchange of the Americas, Inc.		
	The Exchange	III-FL-1

PART IV. STATUTES AND GOVERNING DOCUMENTS

Miscellaneous Legislation and Model Acts Affecting Insurance Exchanges

1.	NAIC Model Surplus Lines Law	IV-1
2.	NAIC Model Non-Admitted Insurance Act	IV-21
3.	NAIC Model Law on Credit for Reinsurance	IV-29
A. New York Insurance Exchange, Inc.		
1.	Enabling Statute – New York Insurance Law Article 62	IV-NY-1
2.	New York Insurance Department Regulations	
a.	Regulation 89: New York Insurance Exchange, Inc.	IV-NY-6
b.	Regulation 89-a: Investment in Underwriting Members, Broker Members and Associate Brokers	IV-NY-16
c.	Regulation 89-b: Criteria for Eligibility for the Position of Public Governor	IV-NY-20
d.	Regulation 86-A: Interface of Special Risk Insurers [“Free Trade Zone”].....	IV-NY-29
3.	Constitution and By-Laws.....	IV-NY-39
4.	Operating Rules	IV-NY-97

B. Illinois Insurance Exchange	
1. Enabling Statute – Illinois Insurance Code Article V $\frac{1}{2}$	IV-IL-1
2. Illinois Insurance Department Regulations – Part 551: Illinois Insurance Exchange Annual Statement	IV-IL-15
3. By-Laws	IV-IL-19
4. Regulations	IV-IL-35
C. Insurance Exchange of the Americas, Inc.	
1. Enabling Statute – Florida Insurance Code Section 629.401 ...	IV-FL-1
2. Constitution	IV-FL-31
D. Canadian Insurance Exchange	IV-CAN-1
Enabling Statute – Canadian Insurance Exchange Statutes of Ontario – Chapter 70..	IV-CAN-1
E. Texas Insurance Exchange	IV-TX-1
Enabling Statute – Texas Insurance Code. Article 1.14-3. Texas Insurance Exchange ...	IV-TX-1
PART V. CURRENT ISSUES AND BIBLIOGRAPHY	
EXCHANGE: A Bibliography	BIB-1
Index	Index-1