

## Hurry up and wait? What to do when your insurer goes “insolvent.”

Disasters strain insurer’s claim-paying capacity in situations where they have a lot of customers in the impacted region that all make claims at the same time.

The vast majority of insurers have enough money on hand to pay their claims after disasters, thanks to regulations that require them to maintain adequate funds in reserve to meet their obligations. But a large catastrophic event can cause some insurers to run out of money. In insurance lingo, this is known as “insolvent.” There are also regulations that protect the customers of an insurer that goes insolvent. Most states have an “insolvency” fund or association that provides a safety net. If you get a letter informing you that your insurer is in financial trouble, read it carefully and don’t panic.

The 2018 Camp Fire destroyed more than 14,000 homes, and one of the insurers in the area -Merced Property & Casualty, is now [insolvent](#). The California Department of Insurance (CDI) has taken charge of the company’s assets to protect its policyholders. Because Merced P & C was an “admitted” (fully licensed and regulated by the CDI to do business in California, its policyholders will be able to be compensated for their losses through an entity called CIGA – the CA Insurance Guaranty Association. CIGA is a stopgap/layer of protection underneath admitted insurance companies that can’t meet their claim paying obligations. CIGA has its own claim process, similar but not identical to what an insurer uses.

When you have an open claim with an insurer that goes insolvent/bankrupt/belly up/runs out of money...you need to get informed ASAP on your rights.

## Here are [FAQs about CIGA for California consumers](#):

### **When does CIGA become responsible for handling the claim of an insolvent insurance company?**

CIGA is triggered when a Member Insurer admitted to transact business in California is found by a court of competent jurisdiction to be insolvent and ordered into liquidation.

### **I have legal expenses incurred prior to the insolvency, what should I do?**

Legal expenses incurred prior to the insolvency date should be directed to the liquidator of the insolvent Member Insurer. CIGA can only consider legal expenses if incurred after the insolvency.

### **If I receive notice of a new claim or I am served with a lawsuit, what should I do?**

If you have insurance coverage for the new claim or lawsuit with an insolvent insurer, you should immediately contact CIGA and send a copy of the claim and/or lawsuit to our office. In addition, most liquidators require that they also be notified of any new claim or lawsuit.

### **Do I have to file my claim again with CIGA if it is already filed with my insurance company?**

If your claim appears in the insurer's records, CIGA will have notice of your claim and there is no need to file it again.

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### **Will someone from CIGA contact me about my claim?**

CIGA will endeavor to contact each person who had an open claim on file with the insolvent insurer. Additionally, most liquidators attempt to contact all known claimants and policyholders notifying them of the process for filing a claim in the liquidation proceeding.

As soon as possible after receiving the claim files from the company receiver (referred to as a liquidator in some states), CIGA will mail out letters detailing a person's rights under the Guarantee Act and let that

person know who will be handling his or her claim. If you do not hear from CIGA within a month from the date the company was declared insolvent, please contact CIGA at your convenience. However, bear in mind that CIGA will be unable to provide specific information about your claim or to make payments until CIGA has received your claim from the insurer.

### **Will my benefits be delayed?**

Some delays may occur since CIGA must obtain the claim files from the insolvent insurer and then have time to review those claims. CIGA makes every effort to quickly identify and expedite the handling of all claims.

### **Is there a deadline to file a claim?**

Claims for statutory workers' compensation benefits do not have a deadline for filing a claim with CIGA. However, the claim must have been timely filed in accordance with the procedures of the California Workers' Compensation Act.

For all other types of claims, the deadline is the last date fixed for filing a Proof of Claim with the receiver/liquidator. Even if you have an open claim, you should file a claim with the liquidator prior to that date. If you have already filed a claim with the insurer prior to its insolvency, CIGA considers your claim to have been filed prior to the deadline.

### **Who is handling my claim or what should I do if my Third Party Administrator can't help me?**

Contact CIGA at 818-844-4300.

### **My insurance company is bankrupt but I paid an insurance policy premium for future coverage. Can I receive a refund?**

To determine if you are eligible for an "unearned premium refund", please have the following information available when you contact CIGA Premium Research at 818-844-4300 Ext. 166; the name of your insolvent insurance company, your policy number, and your dates of insurance coverage.

NOTE: Not all insurance companies participate in CIGA. "Non-admitted"/"Surplus lines insurance



companies do not pay into it, so their customers are not protected by it. Find out if your company is “admitted” or “non admitted” by calling and asking them.

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