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STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

ADMINISTRATIVE LETTER
1987-6

April 16, 1987

TO: All companies licensed in Virginia for liability insurance other than auto

In late 1985, in response to deteriorating market conditions for certain classes of general liability insurance, the State Corporation Commission, Bureau of Insurance with the assistance of the insurance industry established a Market Assistance Program in an attempt to ease the availability crisis. The Plan became operational in January of 1986.

Since the inception of the Virginia Market Assistance Plan, a total of 76 applications has been received. Twenty-eight of these applications resulted in quotations from companies which agreed to serve the Market Assistance Plan and half of these were written. In 15 of the 76 applications, insurance was obtained elsewhere. Nineteen of the 76 were declined and another 10 were rejected by the Market Assistance Plan as being ineligible.

Since November of 1986, no new applications to the Market Assistance Plan have been received. It is generally perceived that the markets in question have loosened or alternative mechanisms have developed which have greatly alleviated the availability problems for the four lines eligible for the Virginia Market Assistance Plan; namely, Municipal Liability Insurance, Products Liability for Small Businesses, Liquor Law liability, and Daycare Liability. It appears that the availability of group self insurance for liability for municipalities has provided an alternative to these entities and the issue in regard to the daycare centers now seems to be one of affordability rather than availability. Further, it appears that Liquor Law Liability and Products Liability insurance is more available in the market.

Due to these developments, it appears that the Virginia Market Assistance Plan has served its purpose. The Executive Committee of the Market Assistance Plan in accordance with the rules established by the Plan, has requested me to dissolve the Market Assistance Plan at this time. After considering all the factors involved, I have agreed to dissolve the Plan and discharge the members of the various committees with thanks for their extensive and extremely beneficial contributions to Virginia consumers. The Plan served to identify those areas where availability did exist in reduced quantities and did help certain individuals access these diminished markets. It

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also provided useful information concerning the depth of the availability problem and helped us to determine that the real focus, at least for the lines in question, was one of affordability rather than availability.

I am therefore notifying you of the dissolution of the Virginia Market Assistance Plan. It is entirely possible that sometime in the future it may be necessary to develop another Market Assistance Plan, but it is anticipated that it may address entirely different lines of insurance and under different conditions and therefore a new Plan would be developed rather than continuing this particular Plan as currently constituted.

To those companies who participated in the Plan, and there were only 20 or so who did, the Bureau of Insurance and the State Corporation Commission is truly grateful for your assistance and willingness to cooperate. For those who chose not to help for one reason or another, it is my hope that should such a program be necessary in the future, you will be encouraged by the success of this Market Assistance Plan and lend your considerable talents to solving the availability problems for Virginia consumers.

Sincerely,

A handwritten signature in cursive script, appearing to read "Steven T. Foster", with a long horizontal line extending to the right from the end of the signature.

Steven T. Foster
Commissioner of Insurance

STF:dw