claims under automobile insurance policies and another for life insurance policies. In all these cases, the State fund is protecting benefit rights to the limit of its resources against the broad economic hazard of insolvency—which would obviously be involved in a program to insure pension benefits—and even more specifically, the insolvency of insurance companies. Legislation to establish a Federal guarantee fund to ensure payment of claims against insolvent automobile insurers, especially the so-called high-risk insurers, is pending in Congress.

Somewhat farther afield, but still relevant, are the unsatisfied judgment funds in Maryland, Michigan, North Dakota, New Jersey, and New York (and all the Canadian provinces except Saskatchewan), established for the purpose of enabling the innocent victims of automobile accidents to collect on their adjudicated claims or judgments against financially irresponsible motorists.

PRIVATE PROGRAMS

There are two types of commercially written insurance that throw some light on the feasibility of a pension guaranty fund. The first is credit insurance, which is written by a number of nonlife insurance companies. Under this type of insurance, the insurer promises to indemnify a business firm for bad debt losses in excess of those considered (and agreed upon) to be normal for the firm. The level of losses deemed to be normal for the business, and hence not idemnifiable, is determined by the experience of the firm over a period of past years. The premium charged for the coverage reflects the Dun & Bradstreet credit ratings of the insured's customers. The risk of loss to the insurer is greatly influenced by the economic climate, a characteristic shared with the proposed pension guaranty fund. Another common characteristic is that both the ability and willingness of business firms to meet obligations are involved, although there are legal sanctions associated with credit insurance that might not be operative with a pension guaranty.

The other type of commercial insurance that should be considered is that kind of coverage that goes under the name of *suretyship*. There are various forms of suretyship coverage, including losses against infidelity of employees, but the most relevant one for present purposes is that associated with contract or performance bonds. The basic purpose of a performance bond is to indemnify one party for economic loss sustained by failure of another party to carry out an undertaking in accordance with the terms of an agreement between the two parties. A common example of such an undertaking would be the construction of a building in accordance with certain specifications. Another would be an agreement by a parent company to guarantee payment of interest and principal of a bond issue of a subsidiary. The bond is usually purchased by the party that must perform. If the responsible party does not perform as required and the insurer (frequently called the surety) has to indemnify the aggrieved party, the insurer is then entitled to move against the defaulting party in an attempt to recover the amount of the loss payment. In other words, this is a type of insur-