

NEW HAMPSHIRE INSURANCE GUARANTY ASSOCIATION

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March 30, 2020

To: The Commissioner of Insurance (the “Commissioner”) and the Member Insurers of the
New Hampshire Insurance Guaranty Association

Re: 2019 Annual Report

On behalf of the board of directors of the New Hampshire Insurance Guaranty Association
(the “Association”), please accept this annual report for the calendar year 2019.

Membership

The membership of the Association is comprised of insurers licensed to transact business in the
State that write business to which the Association’s enabling Act applies. See, N.H. Rev. Stat. Ann
§ 404-H:1, et seq. In 2019, the following insurers became members of the Association:

American Liberty Insurance Company;
Glencar Insurance Company;
Palisades Insurance Company;
Patrons Oxford Insurance Company;
Preferred Employers Insurance Company;
Professional Solutions Insurance Company; and
Service American Indemnity Company.

Board of Directors

Pursuant to the Plan of Operation, the Association’s board of directors consists of nine member
insurers elected by the membership to serve three-year terms. The board’s composition fairly
represents the diverse profiles of the member insurers.

The three board members whose terms were due to expire in 2019 – Concord General Mutual
Insurance Company, Hanover Insurance Company, and North American Specialty Insurance
Company – were re-elected at the annual meeting of the membership on October 25, 2019.

The members of the board of directors, and their representatives as of that date are as follows:

Zurich American Insurance Company, Joyce Hall Mellinger, Chair;
Providence Mutual Fire Insurance Company, Earl Cottam, Vice Chair;
Acadia Insurance Company, Daniel Swift;
Concord General Mutual Insurance Company, Michael Nolin;
Continental Casualty Company, Heather Fleming;

Hanover Insurance Company, William Cahill;
Liberty Mutual Insurance Company, George Ryan;
NGM Insurance Company, Kimberly Law; and
North American Specialty Insurance Company, Matthew Wulf.

Insolvencies

On May 16, 2019, the board voted via written unanimous consent, to accept the insolvency of Northwestern National Insurance Company of Milwaukee, Wisconsin, which was found to be insolvent and ordered liquidated by the Circuit Court of Dane County, Wisconsin on May 2, 2019. The Association delegated the administration of the insolvency to Guaranty Fund Management Services (“GFMS”).

Meetings

The Association’s annual meeting of members and its annual board of directors meeting were held on October 25, 2019, in Newport, Rhode Island. These meetings were held in conjunction with the boards of directors and committee meetings of GFMS and each of its member guaranty associations.

At the annual meeting of the members, the membership:

- approved minutes of its October 26, 2018, annual meeting;
- accepted the 2018 annual report of the Association; and
- reviewed the Plan of Operation.

At the annual board of directors meeting, the board:

- approved the minutes of its October 26, 2018, annual meeting;
- elected officers: Joyce Hall Mellinger, Chair; Earl Cottam, Vice Chair; Barbara Petersen Law, Executive Secretary/Clerk; Dawne Mills, Claims Manager; and Heather Holland, Treasurer;
- reviewed the Plan of Operation;
- reviewed the outstanding contract with GFMS;
- received and considered reports on claims, IT projects, and recoveries from receivers;
- voted to approve the 2018 audited financial statements presented by the Treasurer¹;
- reviewed assessment capacity, which was set at the following amounts, per account based on 2% of the calendar year 2018 net direct written premiums:

Auto	\$20,443,230
Other	\$20,748,462
Workers’ Compensation	\$ 4,686,132

¹ The audited financial statements were approved by the Association’s audit committee on March 27, 2019

- reviewed the cash position of the Association, including its operating expenses and covered claim costs;
- voted to approve a refund in the amount of \$12,000,000 from the workers' compensation account; and
- approved a legal committee charter and appointed members to the Association's legal committee.

Claims

As of December 31, 2019, the Association had 115 open claims – 114 workers' compensation and one other – with reserves in the amount of \$24,422,792.

The largest reserve exposures for the Association were attributed to the liquidations of Reliance Insurance Company (\$8,586,730), American Motorists Insurance Company (\$3,870,039), and Lumbermens Mutual Casualty Company (\$2,402,579).

The Association pursues recoveries authorized by N.H Rev. Stat. Ann § 404-H:11(II)(a)(b). In 2019, an aggregate amount of \$132,946 was collected and allocated directly back to the claim files. This amount reflected recoveries from the following sources:

High Net Worth Insureds	\$111,152
Large Deductible Reimbursements	\$ 17,031
Other	\$ 4,763

Recoveries from Receivers

The Association pursues recoveries from the assets of insolvent insurers, such as statutory deposits and distributions from receivers. In 2019, the Association recovered \$7,443,938, of which \$3,820,905 was received as final distributions from Legion Insurance Company and Reliance Insurance Company. The remaining recovery came from early access distributions, which are subject to clawback; NCCI settlement proceeds; and administrative expense reimbursements from various insolvencies.

Financial Statements

The statement of account of the Association, from inception and for the calendar year 2019, and its balance sheet for the same periods, are attached and made a part of this annual report.

Respectfully submitted,



Joyce Hall Mellinger, Chair

NEW HAMPSHIRE INSURANCE GUARANTY ASSOCIATION
Balance Sheet
December 31, 2019

	<u>Inception To Date</u>
Assets:	
Checking & Short-Term Cash	\$6,390,597.73
Investments	47,444,117.85
Total Assets	<u><u>\$53,834,715.58</u></u>
Fund Balance	<u><u>\$53,834,715.58</u></u>

New Hampshire Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2019
Total All Insolvencies

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	\$594.46	\$85,007.01
Member Assessment	1.00	97,564,791.00
Loan	-	425,000.00
Recovery	7,443,938.39	97,424,056.79
Interest Income	1,894,541.10	24,248,740.03
Total Receipts	9,339,074.95	219,747,594.83
DISBURSEMENTS:		
Claims Paid	1,004,209.86	67,146,851.59
Third-Party Administrator Claims Paid	40,437.08	22,238,252.06
Claims Expense Paid	178,864.34	11,953,660.53
Third-Party Administrator Claims Expense	130.00	1,327,381.94
Premium Refund	-	1,604,688.63
Member Refund	11,562,755.00	51,245,908.00
Operating Expenses:		
Service Fee - ISO, Etc.	-	7,395.08
G.F.M.S.	291,984.63	7,591,688.82
Legal & Audit	11,250.00	1,183,173.43
Travel	5,392.33	193,606.41
NCIGF Fee	42,169.00	684,261.49
Insurance	6,000.00	74,490.00
Other	4,103.43	149,694.55
Administrative Expense	-	58,385.95
Interest	-	28,440.77
Loan	-	425,000.00
Total Operating Expenses	360,899.39	10,396,136.50
Total Disbursements	13,147,295.67	165,912,879.25
Funds Available	(\$3,808,220.72)	\$53,834,715.58
Reserves:		
Claims Liability Auto		-
Claims Expense Liability Auto		-
Subtotal Auto		-
Claims Liability Other		14,166.67
Subtotal Other		14,166.67
Claims Liability Workers		23,873,996.39
Claims Expense Liability Workers		534,629.00
Subtotal Workers		24,408,625.39
Total Reserves		\$24,422,792.06
Funds Available Per Account		
Auto		\$231,759.48
Other		5,847,003.15
Workers		47,697,164.16
Total		\$53,775,926.79

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New Hampshire Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2019
Consolidated Statement of Closed Insolvencies

	Inception To Date

RECEIPTS:	
Member Assessment Administrative	(\$3,168,404.66)
Member Assessment	17,277,391.00
Loan	425,000.00
Recovery	9,443,448.82
Interest Income	3,752,373.20
Total Receipts	27,729,808.36
 DISBURSEMENTS:	
Claims Paid	9,445,612.90
Third-Party Administrator Claims Paid	621,820.53
Claims Expense Paid	2,029,568.61
Third-Party Administrator Claims Expense Paid	74,484.88
Premium Refund	193,357.03
 Member Refund	 13,425,553.00
 Operating Expenses:	
Service Fee - ISO, Etc.	7,395.08
G.F.M.S.	965,328.47
Legal & Audit	209,774.12
Travel	62,973.83
NCIGF Fee	134,992.01
Other	47,121.18
Administrative Expense	58,385.95
Interest	28,440.77
Loan	425,000.00
Total Operating Expenses	1,939,411.41
Total Disbursements	27,729,808.36
Funds Available	-

New Hampshire Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2019
Administrative

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	\$832,661.98	\$8,923,370.22
Recovery	-	280,994.10
Interest Income	289,067.78	525,566.80
Total Receipts	1,121,729.76	9,729,931.12
DISBURSEMENTS:		
Operating Expenses:		
G.F.M.S.	-	15,849.96
Other	-	1,000.00
Total Operating Expenses	-	16,849.96
Total Disbursements	-	16,849.96
Funds Available	\$1,121,729.76	\$9,713,081.16
Reserves:		
Total Reserves	-	-
Funds Available Per Account		
Auto		\$231,759.48
Other		5,850,861.13
Workers		3,571,671.76
Total		\$9,654,292.37