NEW HAMPSHIRE

NEW HAMPSHIRE INSURANCE GUARANTY ASSOCIATION

"THE CONSUMER'S SAFETY NET"

Forward

Insurance - the very word conveys the idea of conservatism, stability, and protection. We buy it to protect ourselves, our homes, our businesses, and our families. We count on it to be there when we need it.

Because insurance exists to protect what we value most, both in New Hampshire and in other jurisdictions, the insurance industry is highly regulated. Under New Hampshire's system of regulation, most potential problems with a licensed insurance company can be identified -and dealt with-long before they become serious.

But what happens if, despite the safeguards, a New Hampshire licensed insurance company is found to be insolvent? Are there protections for policyholders and other claimants in that case?

In a word, yes. There is a safety net to provide some protection to insurance consumers against financial loss in most cases of insurance company insolvency. The safety net is called a guaranty association. The State of New Hampshire has one for property and casualty insurance.

The purpose of this booklet is to explain, in clear, non-technical language, how the property and casualty insurance guaranty association for New Hampshire, known as the New Hampshire Insurance Guaranty Association ("NHIGA"), operates. This booklet is, however, only a summary of the rules governing NHIGA; those rules are expressed definitively only in the applicable laws and regulations. **If there is any inconsistency between this booklet and any law or regulation, then such law or regulation as interpreted by the courts will control. Any decisions you make in purchasing insurance should not be based on the existence of a guaranty association. Guaranty association protection is limited by law and is not a substitute for consumers' care in selecting companies that are well managed and financially stable. Furthermore, this booklet is based upon the laws of New Hampshire as of the date of publication, and is subject to change without notice. It does not constitute insurance coverage, nor is it to be relied upon as legally binding.**

Any questions you may have should be directed to NHIGA at (800) 852-2003/(617) 227-7020 or the New Hampshire Insurance Department ("the Department").

CHAPTER ONE:
What is a Guaranty Association?

An insurance company failure may cause extreme hardship to policyholders and other claimants. To ease this hardship, every jurisdiction, including New Hampshire, has a property and casualty insurance guaranty association. All insurance companies licensed to issue coverage-with the exceptions prescribed by law-must belong to the guaranty association that protects the kinds of insurance written by that company. A guaranty association pays valid claims of policyholders, and certain other claimants, up to the dollar limits of the policy, subject to deductibles and separate dollar limits fixed by law. Policyholders also may receive refunds of unearned premium with certain limitations fixed by law.

In New Hampshire, payment of claims by NHIGA is triggered by a court order declaring a property and casualty insurance company to be insolvent and ordered liquidated.

Generally, funds to pay claims, administrative costs and other guaranty association obligations are raised by mandatory "assessments" on insurance companies licensed to issue the same kinds of insurance as the insolvent company. For example, in most cases, automobile insurers provide the money to pay claims when an automobile insurer fails. The assessments are made by the Board of Directors of the guaranty association, based on guaranty association liabilities. A company's assessment is based on its market share of the particular kind of insurance involved.

CHAPTER TWO:
New Hampshire Insurance Guaranty Association

NHIGA is New Hampshire's "safety net" for policyholders of property and casualty insurance and certain other claimants. In the event that an insurance company becomes insolvent and is therefore unable to pay claims, NHIGA will step in and pay property and casualty claims as provided by New Hampshire Gen. Laws 404-H:1, et seq., up to certain dollar limits imposed by such law. NHIGA may also refund some of the unearned premium on your policy.

RESIDENCY

To obtain coverage from NHIGA, a claimant or insured must be a resident of New Hampshire at the time of the insured event for which a claim is filed. Non-residents must look to their own states' guaranty associations for payment.

NHIGA coverage will also be available if the property from which the claim arises is permanently located in New Hampshire.

TYPE OF COMPANY

NHIGA covers policies written by property and casualty companies licensed to transact insurance business in New Hampshire at the time the policy was issued or when the insured event occurred. This coverage is provided regardless of whether the company is based in New Hampshire or another jurisdiction.

Not covered:

NHIGA does not cover policies issued by insurers that are not licensed by the Insurance Department to transact insurance business in New Hampshire.

TYPES OF COVERAGE:

NHIGA covers most kinds of policies

issued by licensed property and casualty insurers to individuals and businesses. These include:

- Automobile
- Homeowners

- Commercial property
- Workers' Compensation
- General liability
- Professional Malpractice

NHIGA **does not** cover:

- Life, Annuity, Health or Disability Insurance
- Mortgage and Financial Guaranty Insurance
- Fidelity or Surety
- Credit Insurance
- Insurance of Warranties or Service Contracts
- Title Insurance
- Ocean Marine Insurance
- Any insurance guaranteed by government
- Certain other insurance

LIMITS

Covered Claims:

NHIGA covers only that amount of each "covered claim" which arises before the earlier of 30 days after the order of liquidation or the policy expiration date, or the date the insured replaces or cancels the policy. The maximum coverage is the policy limit or $300,000, whichever is less.

If a claim is for workers' compensation benefits, there is no limitation on how much NHIGA may pay.

The amount payable is also limited by the terms and conditions of the insurance policy itself. Subject to other statutory limitations, NHIGA is obligated to pay only the amount which the insolvent insurer would have been liable to pay under its policy. For instance, if an automobile liability policy limits payments for bodily injury to $40,000 per accident, NHIGA may not pay more than $40,000 under that policy.

Unearned Premium refunds:

For insolvencies occurring on or after August 6, 2004, NHIGA will refund the amount of the policyholder's paid but unearned premium up to a maximum of $300,000 per policy. For insolvencies occurring prior to August 6, 2004, NHIGA will refund the amount of the policyholder's paid but unearned premium in excess of $50.00, up to a maximum of $300,000 per policy.

OTHER COVERAGE

Persons seeking coverage from NHIGA must exhaust other applicable coverages with solvent insurance companies before they may receive benefits from NHIGA. Moreover, NHIGA may set off any recovery from a solvent insurance company against the obligations of NHIGA with respect to a "covered claim." For example, automobile liability claimants must exhaust their own uninsured motorists coverage before they may receive reimbursement from NHIGA, and any amount payable by NHIGA must be reduced by the amount of recovery under the claimant's insurance policy.

Where more than one guaranty association may have responsibility for payment of a claim, the guaranty association of the state where the insured resides will provide primary coverage. If the guaranty association of another state is primary, the obligations of NHIGA to a policyholder or claimant will be reduced by the amount paid to that policyholder or claimant by such guaranty association.

CHAPTER THREE:

New Hampshire Insurance Guaranty Association At a Glance

RESIDENCY Generally limited to New Hampshire residents.

COVERED COMPANIES Property and casualty insurers licensed by the Insurance Department to transact insurance business in New Hampshire.

SET OFFS Recoveries from other solvent insurance companies and guaranty associations of other jurisdictions.

WHAT ACTIVATES COVERAGE A declaration by a court of competent jurisdiction that a covered company has become insolvent and ordered liquidated.

EXCLUDED POLICIES

Life, annuity, health or disability insurance, mortgage and financial guaranty insurance, fidelity or surety, credit insurance, insurance of warranties or service contracts, title insurance, ocean marine insurance and any insurance guaranteed by government.

LIMITS

1. Most claims pay up to the policy limits or $300,000, whichever is less.
2. Workers' compensation claims-no limit.
3. All claims are subject to the terms and conditions of the insurance policy issued by the insolvent insurer.

CHAPTER FOUR:

Questions and Answers About the New Hampshire Insurance Guaranty Association

Q. ARE POLICIES WITH UNLICENSED COMPANIES COVERED BY NHIGA?

A. No. They are specifically excluded by law.

Q. WILL I RECEIVE OFFICIAL NOTIFICATION IF MY INSURER IS DECLARED TO BE INSOLVENT?

A. Notification usually is mailed to each policyholder shortly after the court order declaring an insurance company to be insolvent and ordered liquidated is issued.

Q. MY INSURANCE COMPANY IS CHARTERED IN ANOTHER STATE AND HAS ITS HOME OFFICE THERE. AM I COVERED BY NHIGA?

A. Yes, provided that the company was licensed to transact insurance business in New Hampshire at the time your insurance policy was issued or when the insured event occurred, and all other NHIGA requirements are met.

Q. BEFORE MY COMPANY WAS DECLARED INSOLVENT IT WAS DEFENDING ME IN A LAWSUIT BROUGHT UNDER MY POLICY. WHAT HAPPENS NOW?

A. If the company is already defending a covered claim, NHIGA will take control of the case and will continue to defend the suit or negotiate a settlement on your behalf, subject to the limitations in the insolvency statute about coverage.

Q. IF MY INSURANCE COMPANY OR THE INSURANCE COMPANY OF SOMEONE AGAINST WHOM I HAVE A CLAIM IS INSOLVENT, IS NHIGA MY ONLY SOURCE OF PROTECTION?

A. In some instances, with the approval of the Commissioner, a financially sound insurance company will take over a troubled company's assets, policies and contracts. The financially sound company then assumes the responsibility of continuing coverage and paying all covered claims, with no involvement from the guaranty association. In this manner, the policyholder's coverage continues with little or no disruption in service. Additionally, you may have other insurance policies which will protect your interests in the event of insolvency of an insurer against which you have a claim; for example, your automobile liability insurance policy may contain an uninsured motorists endorsement which will be triggered by the insolvency of an insurance company against which you have a claim.

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