

New Hampshire Insurance Guaranty Association

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What is the New Hampshire Insurance Guaranty Association (NHIGA)?

NHIGA is part of a non-profit, unincorporated, state-based, statutorily created system that pays certain covered claims of insolvent insurance companies' policyholders and claimants. The purpose of NHIGA is to provide a safety net for insurance consumers if their insurance company is declared insolvent and is no longer able to meet its obligations. A guaranty association exists in every state, Puerto Rico, the U.S. Virgin Islands, and the District of Columbia.

The state law requires all licensed property and casualty insurance companies that write covered lines of insurance in the State of New Hampshire to be members of NHIGA. A separate guaranty system exists for insurers that write life and health insurance and annuities. NHIGA handles only certain property and casualty matters.

What is the role of NHIGA?

NHIGA is designed to ease the burden on policyholders of and claimants against an insolvent insurer by stepping in to assume responsibility for covered policy claims following the insolvency. NHIGA provides coverage pursuant to its enabling Statute ([see](#) N.H. Rev. Stat. Ann, 404-B:1, *et seq.*, and §404-H:1, *et seq.*). Guaranty associations do not issue insurance policies. If your company is declared insolvent, it is incumbent on you to secure a replacement policy.

By virtue of the authority given to NHIGA, it is able to provide payment of covered claims up to the limits set by the policy or statute, whichever is less.

If my insurance company is insolvent, why isn't it in bankruptcy?

Insurance is a state-regulated industry, and many federal statutes, including bankruptcy laws, do not apply. When an insurance company becomes insolvent, its estate is administered in its state of domicile by the Commissioner of Insurance as liquidator and overseen by a state court.

What kinds of insurance policies are protected by NHIGA?

Most property and casualty insurance policies written by insurers licensed in the State of New Hampshire, such as auto, homeowner's, and workers' compensation, are protected.

NHIGA does not cover the following:

1. Life insurance;
2. Title insurance;
3. Surety;
4. Credit;
5. Mortgage guaranty;
6. Ocean marine; or
7. Health insurance as defined in RSA 404-D:3, I.

How is NHIGA funded?

NHIGA is a non-profit organization funded by assessments of member insurers, distributions from the estates of insolvent member insurers, and investment income.

NHIGA can assess member insurers up to 2% annually for funds necessary to pay the obligations of the association subsequent to an insolvency, the expenses of handling covered claims, and other expenses authorized by NHIGA. The assessments of each member insurer shall be in proportion to the member's net direct written premiums for the preceding calendar year.

NHIGA also files a claim within the receivership proceedings and typically shares in the court's distribution of the insolvent insurer's assets.

Is there a limit to what NHIGA will pay on a claim?

Generally, yes. Most claims pay up to the policy limits or \$300,000, whichever is less. For workers' compensation claims, there is no limit. In addition, all other available insurance must be exhausted before NHIGA becomes obligated on any covered claim.

I have paid for an insurance policy that is now canceled before its original expiration period.

How do I get reimbursed?

In most instances, for insolvencies occurring on or after August 6, 2004, NHIGA will refund the unearned premium portion of the policy up to a maximum of \$300,000 per policy. For

insolvencies before August 6, 2004, NHIGA will refund the unearned premium portion of the policy in excess of \$50, up to a maximum of \$300,000 per policy.

Before my insurance company was declared insolvent, it was defending me in a lawsuit brought under my policy. What will happen now?

In most insolvencies, if the company was already defending the case, NHIGA will take control of the case and continue to defend the suit or negotiate a settlement on your behalf, subject to the limitations in the insolvency statute about coverage.

If there is any inconsistency between the information provided herein and any law or regulation, then such law or regulation, or any interpretation of the law or regulation 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.