



**American Insurance Association**

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**TESTIMONY IN OPPOSITION**

**Senate Bill 74 (Section 5)**

The American Insurance Association (AIA) is a national trade association representing over 435 insurance companies that provide all lines of property and casualty insurance and write more than \$120 billion annually in premiums. AIA member companies wrote over twenty-five percent of the property and casualty insurance premiums written in New Hampshire in 2003. AIA opposes Section 5 of Senate Bill 74.

While Senate Bill 74 is characterized as a "technical" bill, it seems that a number of sections go beyond mere technical changes to the insurance laws. Most troubling to us is Section 5, which amends New Hampshire's order of distribution for claims when an insurer is in liquidation proceedings. The amendment would allow claimants who are further down on the payment distribution chain to jump ahead of higher priority claimants by characterizing the lower priority claims as "administrative costs." Such an amendment not only is fundamentally unfair to claimants with higher priority claims, but could result in increased litigation costs, which are ultimately passed on to the consumer.

In addition, while most states have priority of distribution laws, we are not aware of any other state that follows this approach. Furthermore, the National Association of Insurance Commissioners (NAIC) recently rejected this concept when it was presented to them. We believe there is no sound public policy reason for New Hampshire to adopt an amendment violating well-established priority of distribution requirements.

For the foregoing reasons, AIA opposes Section 5 of Senate Bill 74.

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