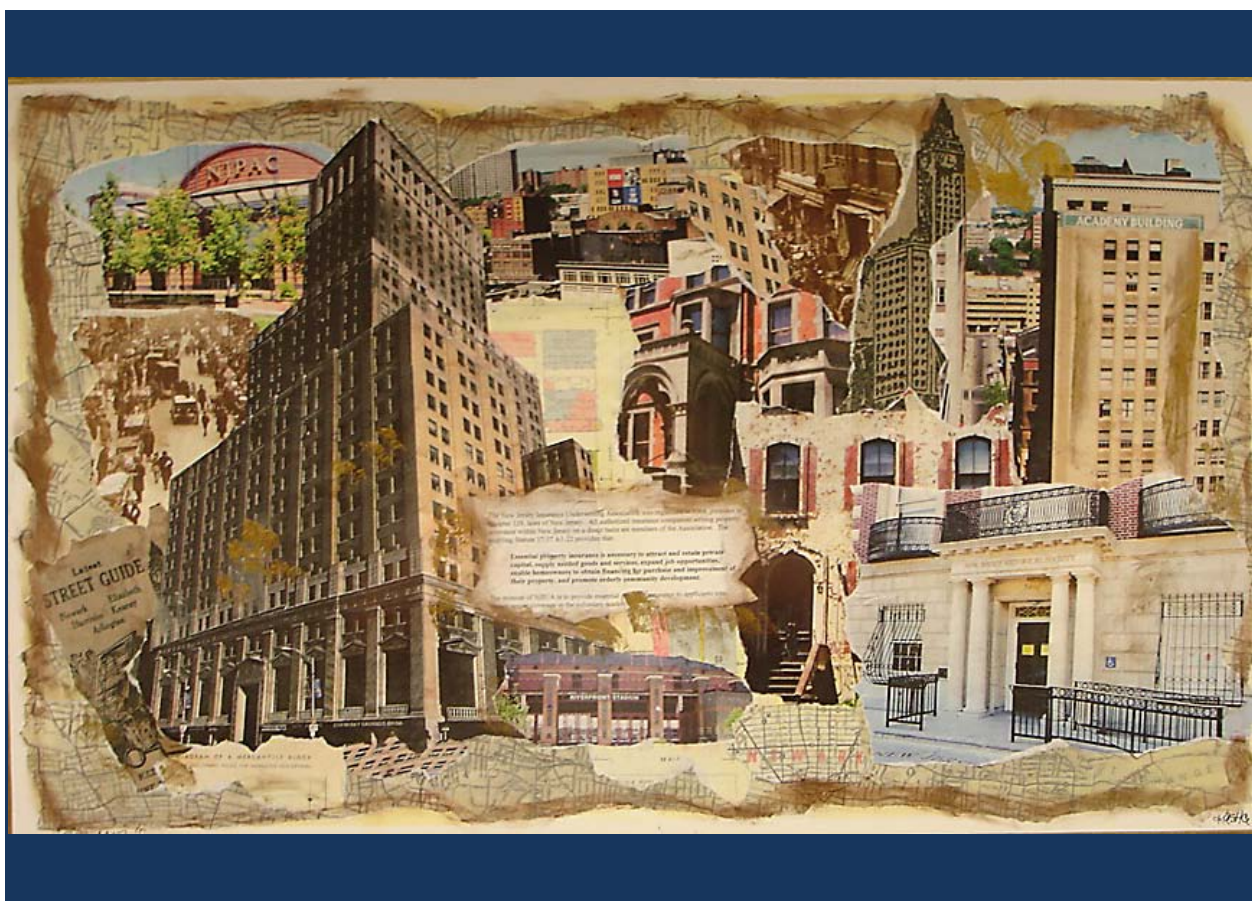


NJIUA

New Jersey Insurance Underwriting Association

2010 Annual Report



The 42nd Annual Report

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

2010 Annual Report

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**744 Broad Street
Newark, New Jersey 07102-3881
973-622-3838**

www.njiua.org

New Jersey Insurance Underwriting Association

2010 Annual Report

Message from the Chair and the President

2010 Financial Results Analysis

For the first time in six years, the Association ended the year with an underwriting loss.

Written premium declined 9.1% to a year- end total of \$11.8 million. Earned premium declined 9.4% to \$12.3 million. Policies-in-force declined 9.6% to 20,008.

Underwriting expenses increased 4.8% to \$5.8 million and the Association expense ratio increased 6.5 points to a new high of 49.4%. Two primary factors contributed to the growth in underwriting expenses, the ongoing decline in written premium and restructuring charges related to the curtailment costs associated with Association pension plan and post retirement benefit obligations.

The number of new claims reported to the Association in 2010 increased by 122 or 14.6%. Of the 956 new claims reported, 259 or 27% were as a result of one of the six catastrophes declared during the year. There were 16 large losses exceeding more than \$100,000 reported during the year, 6, or 27% fewer than reported in 2009. The loss ratio increased 4.7 points to a new high of 60.6%.

The combined ratio for 2010 increased 11.3 points to 110%, an 11.4% increase over 2009. The Association's underwriting loss of nearly \$1 million is \$1.4 million or 303% less than the underwriting gain in 2009. The investment income for 2010 was \$117,000 or 45.7% less than in 2009. Bottom line, the Association experienced a net loss of \$2.3 million, nearly \$3 million less than the net gain achieved in 2009.

After six consecutive years wherein the Association achieved yearly net gains, six years of steadily declining written premium and fourteen consecutive years in which policies-in-force have declined, has resulted in a net loss. Written premium volume and the numbers of policies-in-force are not factors within the control of the Association. We are a market of last resort, and in the State of New Jersey, the voluntary market is very healthy and competitive with 10 to 12 new companies entering the market each year – all of them providing affordable coverage options in areas of the state where the Association has traditionally

written its business. NJIUA continues to be a very well positioned source of property insurance and related products for those residents unable to obtain coverage in the voluntary market.

Certain expense factors are within the sphere of Association managements' responsibility and control. We have always maintained a strict focus on expense management and productivity improvement. In the last five years, we invested heavily in underwriting and claims processing systems and streamlined our operation through the implementation of imaging technology. Through 2008, our enhanced systems and processes enabled a 27.3% reduction in staff and an overall savings in the area of \$2.2 million. In July 2010, because of declining volumes, as well as the planned development and implementation of a fully automated web-based dwelling fire application, underwriting, policy issuance and on-line payment system and process, the Association reduced staffing by 43.8% with an expected savings of \$3.7 million over the next five years.

2010 Initiatives

In December 2009, the Board of Directors approved three primary business objectives to be undertaken by the Association in 2010. They involved the continued development of an expert underwriting system to automate the dwelling fire policy process beginning with the application, through underwriting, policy issuance and on-line payment, the conduct of a comprehensive organizational assessment and a review of the Association's employee benefit programs. The underlying focus of all three business objectives was to continue to take full advantage of all of the technology and process enhancements, taking into consideration the continued decline in written premium volume and policies-in-force and the significantly increased productivity of Association employees.

In July, Association management presented Board members with a summary of the significant analysis completed regarding the restructuring of the Association. The Board approved management's recommendation to realign the roles and responsibilities of the management and staff. The subsequent 43.8% reduction in staff is expected to achieve a net savings of \$3.7 million.

Board members were presented with the results of the Association's lengthy and comprehensive analysis of Employee Benefit Programs in September and approved revisions to the Defined Benefit, Defined Contribution (401K), Post Retirement Medical and Health and Welfare Plans.

The design and development phase of the expert underwriting system and process was completed late in the year and has since undergone aggressive testing by Association staff.

The new system and process will be gradually made available to high volume producers who generate 90% of the policies issued by the Association and then broadly to all producers who write property business in New Jersey.

Guy Carpenter completed an analysis of 2010 catastrophe exposures based on risk data provided by the Association. The results were reviewed by the Underwriting Committee whose recommendation that the Association not pursue additional risk transfer alternatives was approved by the Board.

Association management worked with ISO to complete the annual analysis of Association rate adequacy. The Underwriting Committee reviewed the rate filing package and recommended filing for an overall rate increase of 4.1%. The Board concurred with the recommendation and the rate filing was submitted to DOBI which subsequently approved the filing without change.

We wish to extend our sincere appreciation to the managers and staff of the Association for their support and dedication. They have undergone major organizational change and still managed to achieve a focused and professional commitment to providing the best possible customer service and responsiveness.

We also wish to express sincere appreciation to Commissioner Considine, Director of Insurance, Doug Wheeler and Assistant Commissioner, Bill Rader, DOBI's Board Representative Mark Nussenfeld and others at the Department of Banking and Insurance for their continued guidance and support. We offer our thanks to legal counsel Hugh Francis for his support and efforts on our behalf. Special thanks and appreciation are expressed to all the members of the Board of Directors, Committee Chairs, Jim Ayers, Vince Noggle, Thad Holman, Bruce Hill and Bob Farnam for their valuable advice and direction of our business activities.



William W. Martin
Chair, Board of Directors, NJIUA



Jerry C. Warner
President

New Jersey Insurance Underwriting Association

Financial Highlights

	Year Ending December 31, (U n a u d i t e d)	
	2010	2009
PREMIUM WRITTEN	\$11,755,032	\$12,930,581
PREMIUMS EARNED	12,342,212	13,614,752
LOSSES INCURRED	5,830,277	6,443,814
CLAIM EXPENSES INCURRED	1,653,636	1,168,056
EXPENSES INCURRED	5,802,273	5,536,843
UNDERWRITING GAIN (LOSS)	(943,975)	466,039
ADD NET INVESTMENT GAIN	116,858	213,795
*TOTAL OTHER INCOME (EXPENSE) SEE NOTE BELOW:	(1,460,462)	-
NET OPERATING GAIN (LOSS)	(\$2,287,578)	\$679,834
LOSS RATIO	60.64%	55.91%
EXPENSE RATIO	49.36%	42.82%
COMBINED RATIO	110.00%	98.73%

*Note: Note: In July 2010, the Association initiated a major realignment of its organizational structure and processes. Underwriting expenses incurred include \$1,477,831 of restructuring charges related to curtailment costs associated with our pension plan and post retirement benefit obligation.

New Jersey Insurance Underwriting Association

Statements of Admitted Assets, Liabilities and Members' Equity - Statutory Basis

	As at December 31, (U n a u d i t e d)	
	2010	2009
Admitted Assets		
Bonds	\$525,586	-
Stocks	432,964	-
Cash and short-term investments	10,450,591	\$14,162,626
Accrued interest	25,047	34,325
Electronic data processing equipment	21,654	53,503
Premium receivable	153,406	22,376
Total Admitted Assets	\$11,609,248	\$14,272,830
Liabilities and Members' Equity		
Liabilities:		
Unearned premiums	\$5,880,650	\$6,467,830
Unpaid losses	2,021,482	3,033,000
Unpaid loss adjustment expenses	426,745	384,118
Claim checks payable	12,779	-
Amounts held for others	699,357	349,062
Accrued expenses	209,510	197,281
Other liabilities	306,459	218,413
Accrued premium taxes & filing fees	40,157	44,068
Post retirement benefits (other than pensions)	4,333,204	2,420,897
Defined benefit pension plan liability	-	929,703
Advanced premium	254,377	258,739
Total Liabilities and Reserves	\$14,184,720	\$14,303,111
Members' Equity (deficit)	(2,575,472)	(30,281)
Total Liabilities and Members' Equity	\$11,609,248	\$14,272,830

New Jersey Insurance Underwriting Association

Statements of Operations and Changes in Members' Equity - Statutory Basis

	Twelve Months Ending December 31, (U n a u d i t e d)	
	2010	2009
Underwriting Income:		
Net premiums written	\$11,755,032	\$12,930,581
Change in unearned premiums	587,180	684,171
Net premiums earned	12,342,212	13,614,752
Deductions:		
Losses incurred	5,830,277	6,443,814
Loss adjustment expenses incurred	1,653,636	1,168,056
Commissions	1,032,077	1,146,922
Other underwriting expenses	4,725,975	4,337,544
Premium taxes & filing fees	44,222	52,377
Total underwriting deductions	13,286,186	13,148,713
Net underwriting gain (loss)	(943,975)	466,039
Investment Income:		
Net investment income earned	118,357	213,795
Net realized capital loss	(1,498)	-
Net investment gain	116,858	213,795
Other Income:		
*Other income (expense) see note below:	(1,477,831)	-
Installment service fee	17,369	-
Total other income	(1,460,462)	-
Net gain (loss)	(\$2,287,578)	\$679,834
Members' equity (deficit) beginning of period	(30,281)	(1,793,165)
Net gain (loss)	(2,287,578)	679,834
Change in non-admitted assets	(1,169,193)	263,783
Change in pension obligation	929,703	819,267
Net unrealized loss	(18,123)	-
Members' equity (deficit) end of period	(\$2,575,472)	(\$30,281)

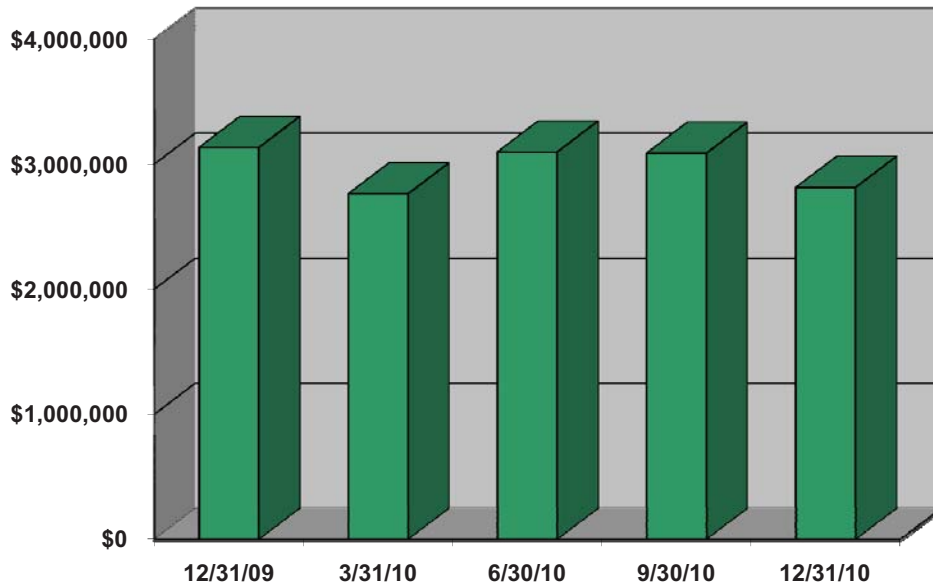
*Note: Note: In July 2010, the Association initiated a major realignment of its organizational structure and processes.

The restructuring charges noted above primarily relate to curtailment costs associated with our pension plan and post retirement benefit obligation.

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Written Premium - All Lines

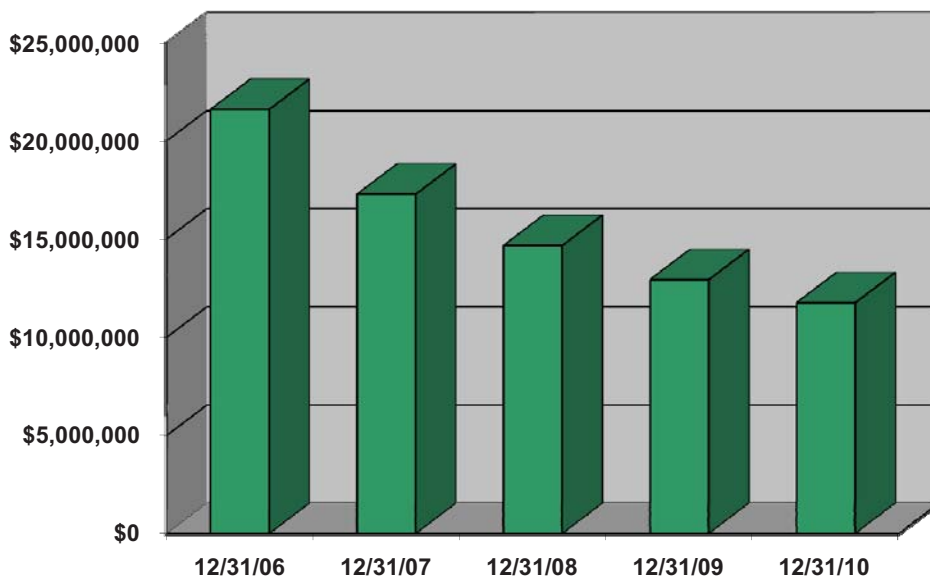
Last Five Quarters



Quarter Ending

12/31/09	\$3,131,598
3/31/10	2,761,335
6/30/10	3,095,451
9/30/10	3,085,930
12/31/10	\$2,812,316

Year-to-Date for Last Five Years



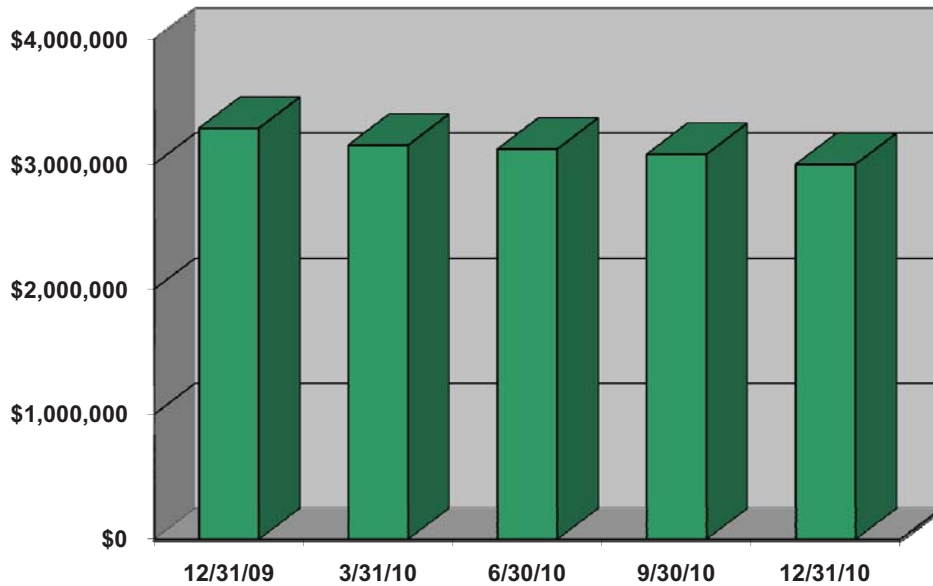
Period Ending

12/31/06	\$21,594,840
12/31/07	17,279,031
12/31/08	14,667,822
12/31/09	12,930,581
12/31/10	\$11,755,032

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Earned Premium - All Lines

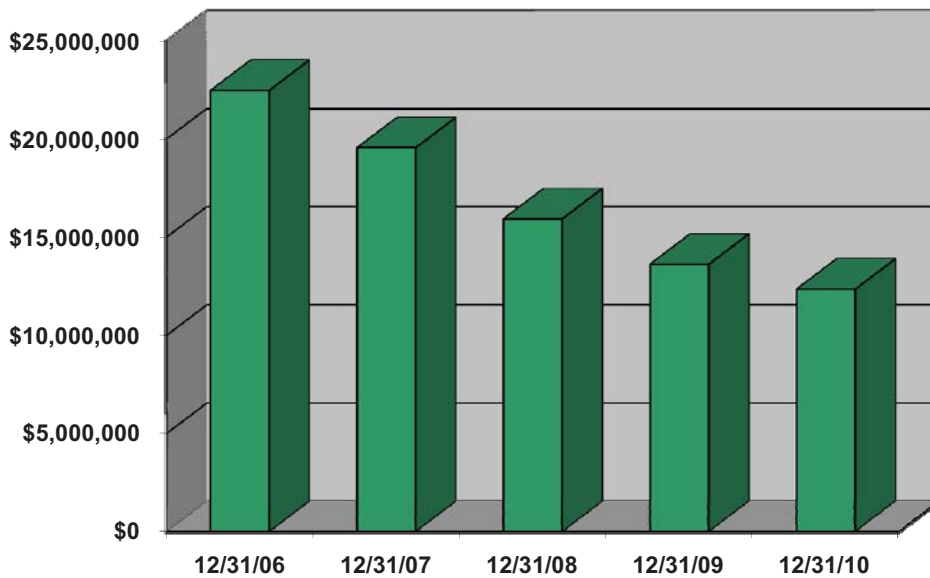
Last Five Quarters



Quarter Ending

12/31/09	\$3,285,263
3/31/10	3,149,841
6/30/10	3,118,455
9/30/10	3,076,641
12/31/10	\$2,997,275

Year-to-Date for Last Five Years



Period Ending

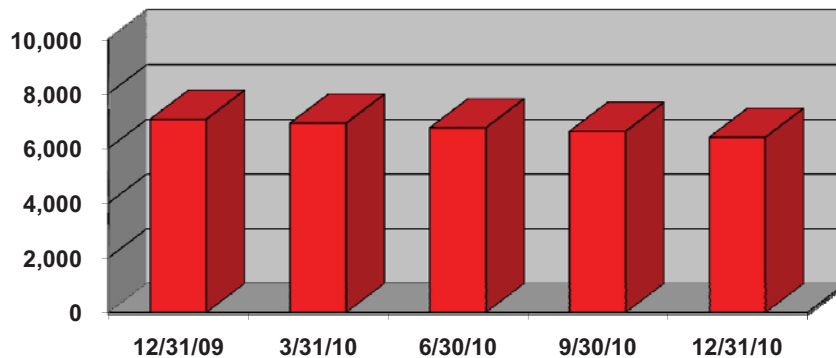
12/31/06	\$22,459,462
12/31/07	19,546,272
12/31/08	15,922,954
12/31/09	13,614,752
12/31/10	\$12,342,212

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

Last Five Quarters

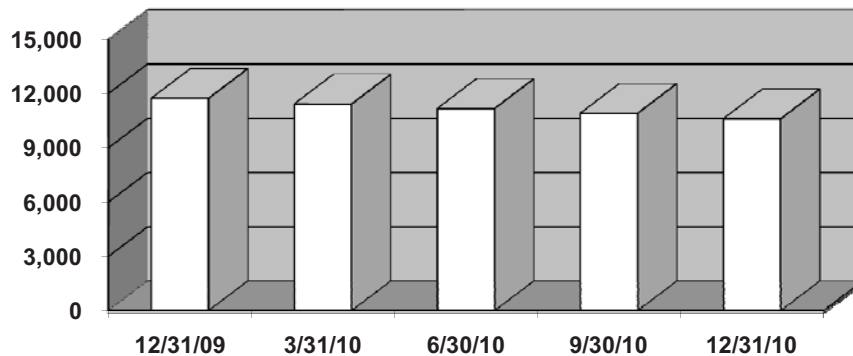
Windmap Zipcodes



Quarter Ending

12/31/09	7,067
3/31/10	6,922
6/30/10	6,751
9/30/10	6,623
12/31/10	6,406

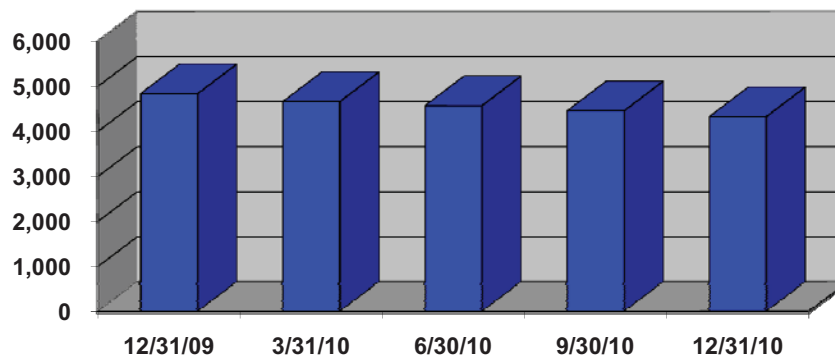
UEZ Zipcodes



Quarter Ending

12/31/09	11,731
3/31/10	11,419
6/30/10	11,171
9/30/10	10,906
12/31/10	10,603

Balance of State



Quarter Ending

12/31/09	4,834
3/31/10	4,656
6/30/10	4,565
9/30/10	4,450
12/31/10	4,320

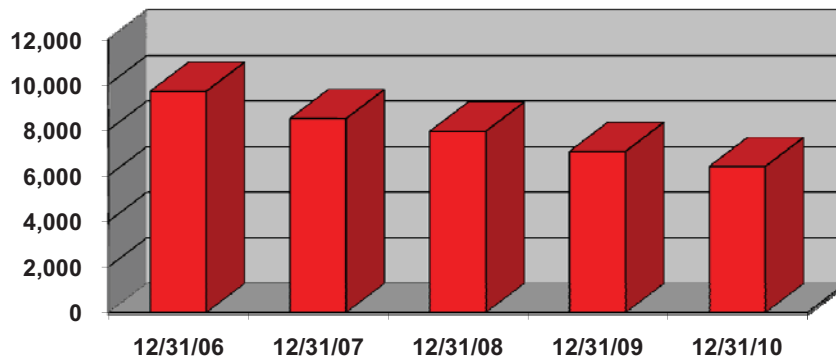
Note: Sum of zipcodes does not equal total due to overlap between WindMap and UEZ definitions.

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

Last Five Years

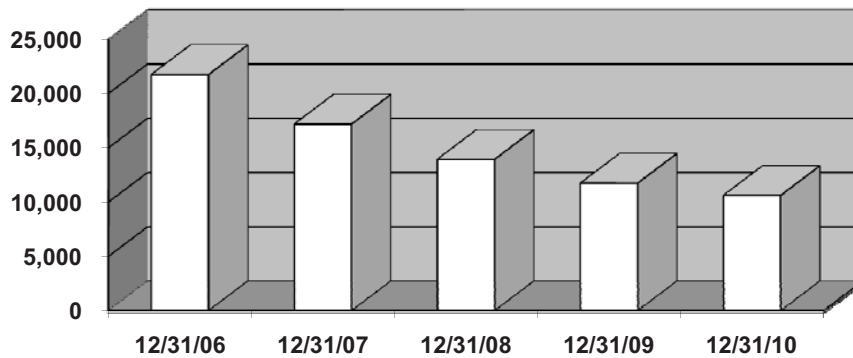
Windmap Zipcodes



Period Ending

12/31/06	9,709
12/31/07	8,507
12/31/08	7,949
12/31/09	7,067
12/31/10	6,406

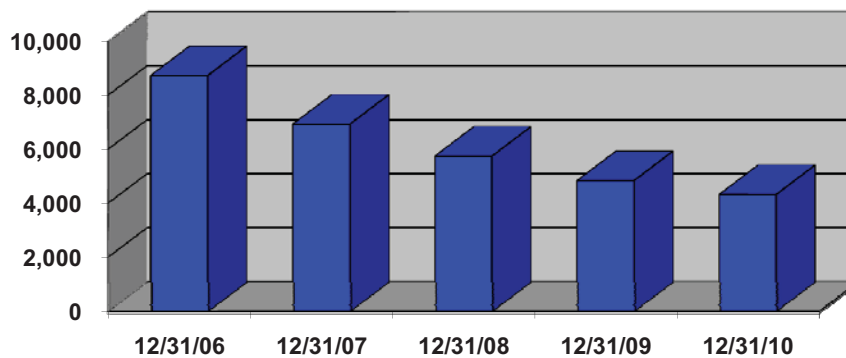
UEZ Zipcodes



Period Ending

12/31/06	21,740
12/31/07	17,183
12/31/08	13,930
12/31/09	11,731
12/31/10	10,603

Balance of State



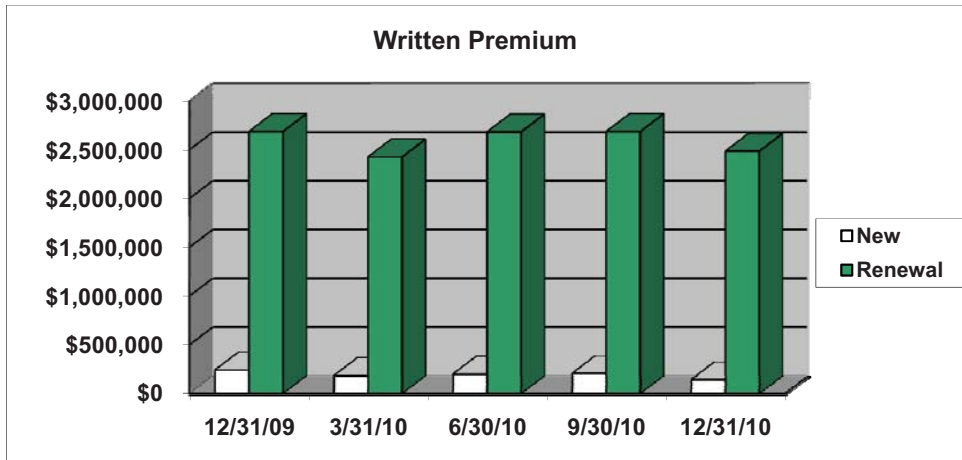
Period Ending

12/31/06	8,723
12/31/07	6,922
12/31/08	5,741
12/31/09	4,834
12/31/10	4,320

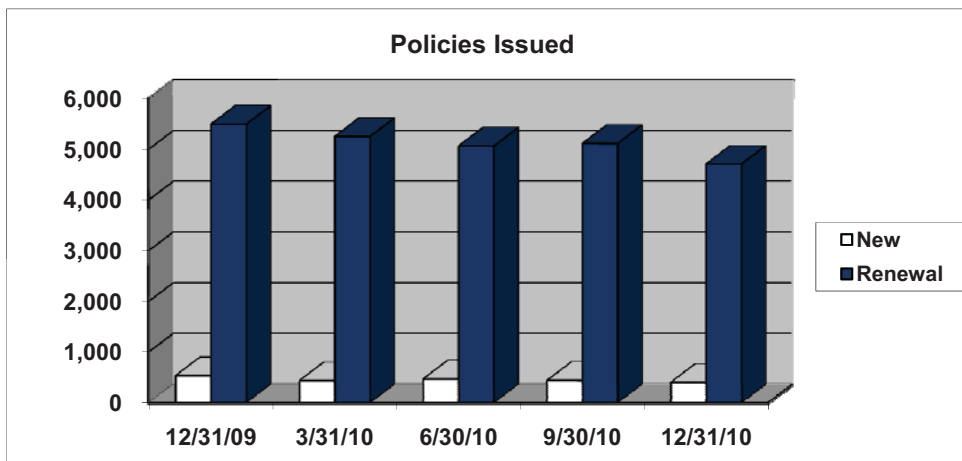
Note: Sum of zipcodes does not equal total due to overlap between WindMap and UEZ definitions.

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

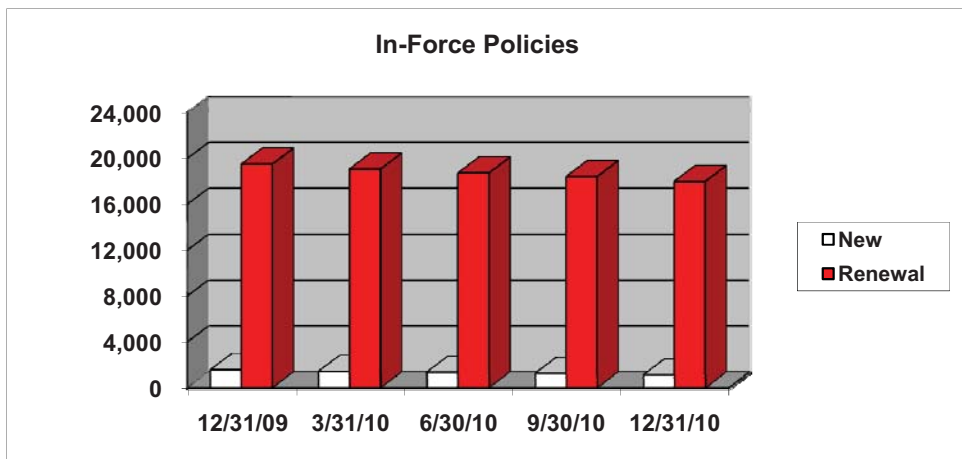
Dwelling Business



	Quarter Ending	
	New	Renewal
12/31/09	\$240,553	\$2,686,169
3/31/10	184,164	2,425,444
6/30/10	200,248	2,682,451
9/30/10	206,213	2,685,869
12/31/10	\$141,826	\$2,483,916



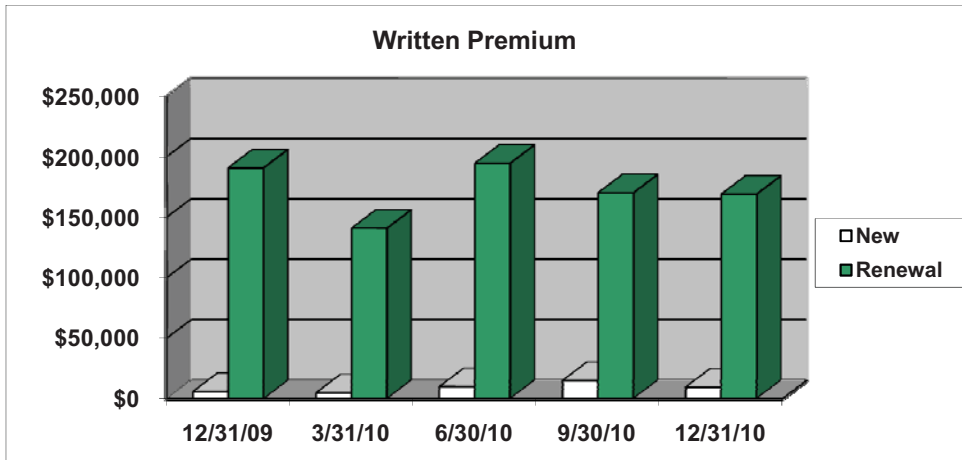
	Quarter Ending	
	New	Renewal
12/31/09	528	5,486
3/31/10	429	5,245
6/30/10	462	5,056
9/30/10	432	5,106
12/31/10	394	4,701



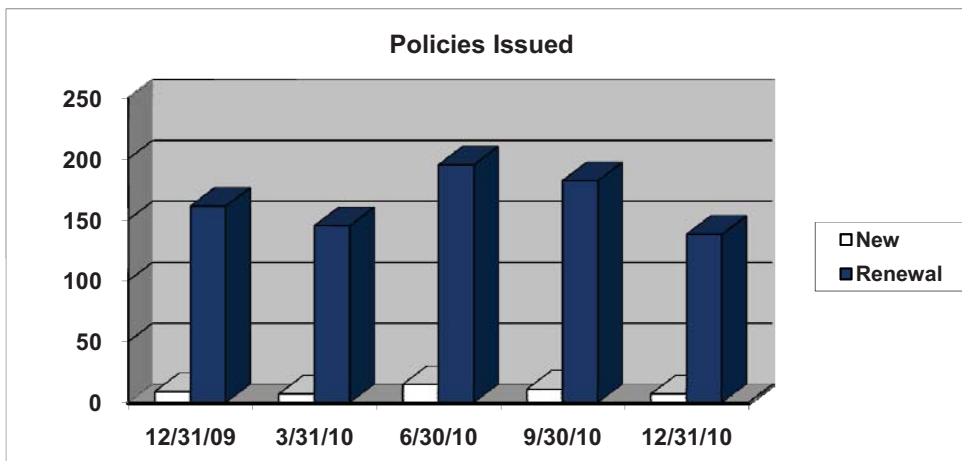
	Quarter Ending	
	New	Renewal
12/31/09	1,569	19,510
3/31/10	1,435	19,084
6/30/10	1,360	18,722
9/30/10	1,245	18,403
12/31/10	1,110	17,989

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

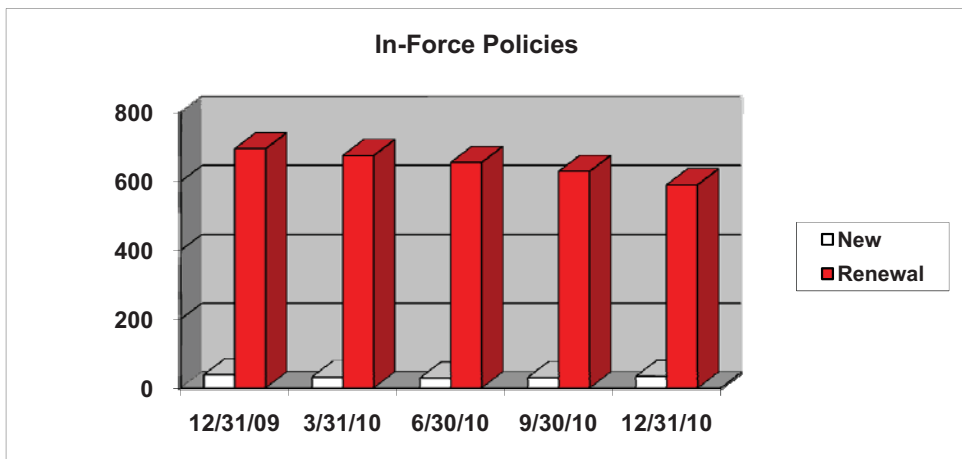
Commercial Business



	Quarter Ending	
	New	Renewal
12/31/09	\$5,725	\$190,713
3/31/10	4,767	140,783
6/30/10	9,859	194,449
9/30/10	15,039	170,111
12/31/10	\$9,623	\$169,059



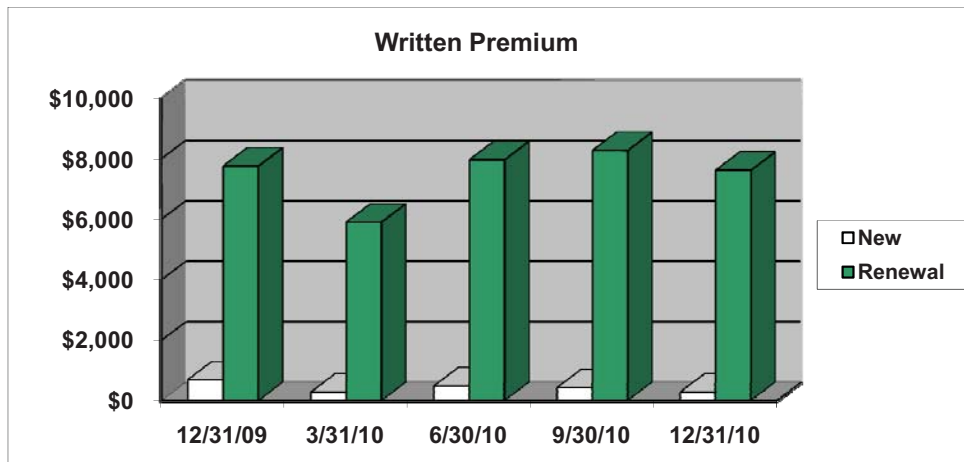
	Quarter Ending	
	New	Renewal
12/31/09	9	161
3/31/10	7	145
6/30/10	15	195
9/30/10	11	182
12/31/10	7	138



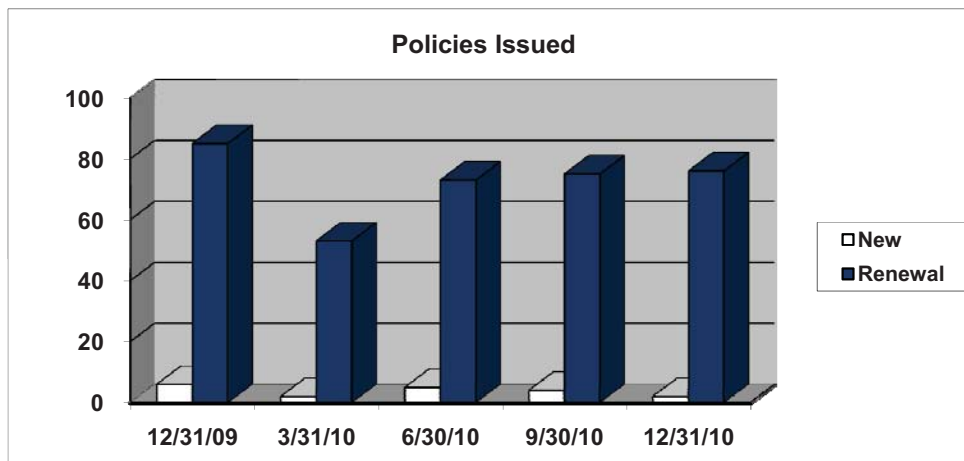
	Quarter Ending	
	New	Renewal
12/31/09	38	695
3/31/10	31	675
6/30/10	28	655
9/30/10	30	629
12/31/10	33	590

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

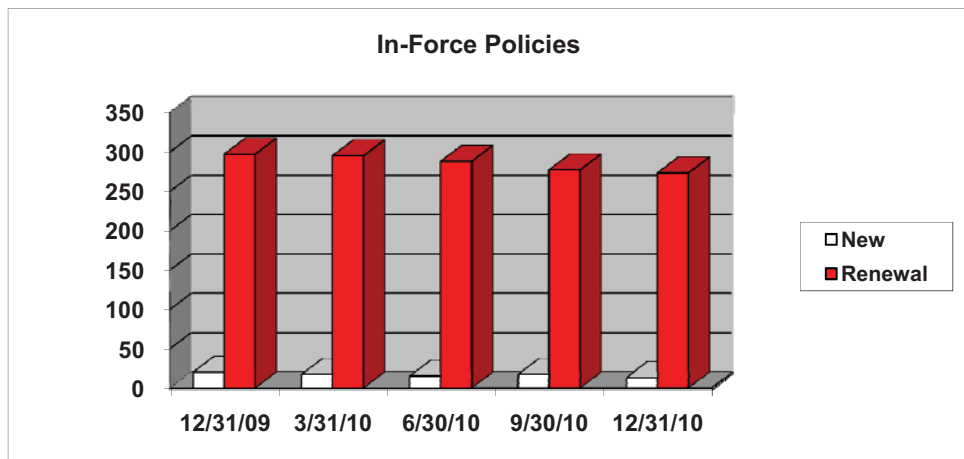
Crime Business



	Quarter Ending	
	New	Renewal
12/31/09	\$690	\$7,748
3/31/10	280	5,897
6/30/10	486	7,958
9/30/10	430	8,268
12/31/10	\$280	\$7,612



	Quarter Ending	
	New	Renewal
12/31/09	6	85
3/31/10	2	53
6/30/10	5	73
9/30/10	4	75
12/31/10	2	76

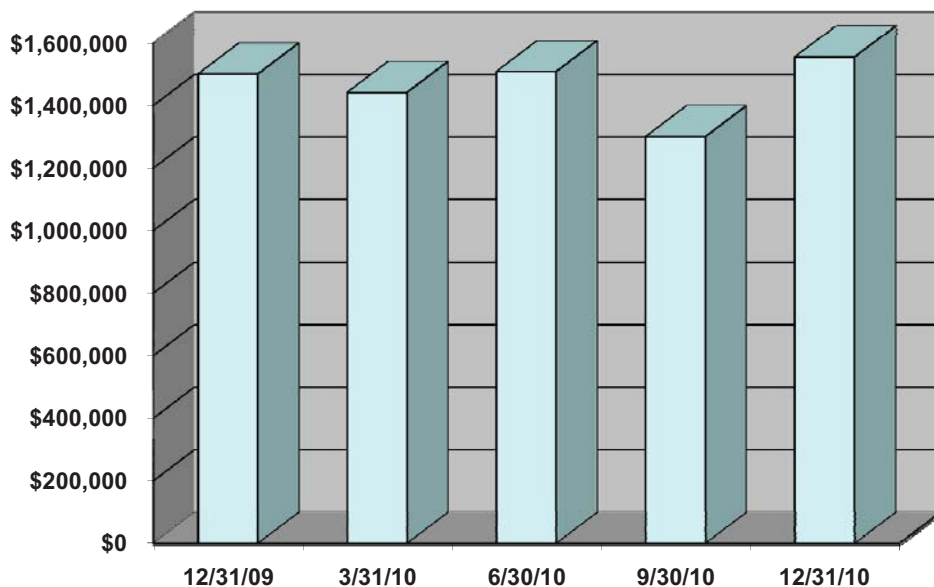


	Quarter Ending	
	New	Renewal
12/31/09	20	297
3/31/10	17	295
6/30/10	15	288
9/30/10	17	277
12/31/10	13	273

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Expenses Incurred

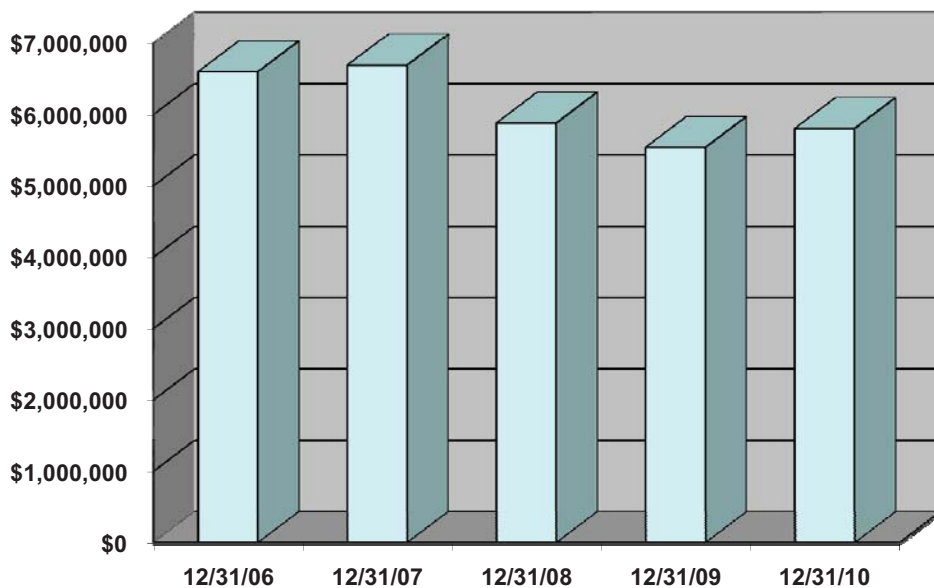
Last Five Quarters



Quarter Ending

12/31/09	\$1,500,442
3/31/10	1,441,423
6/30/10	1,508,160
9/30/10	1,299,550
12/31/10	\$1,554,725

Year-to-Date for Last Five Years



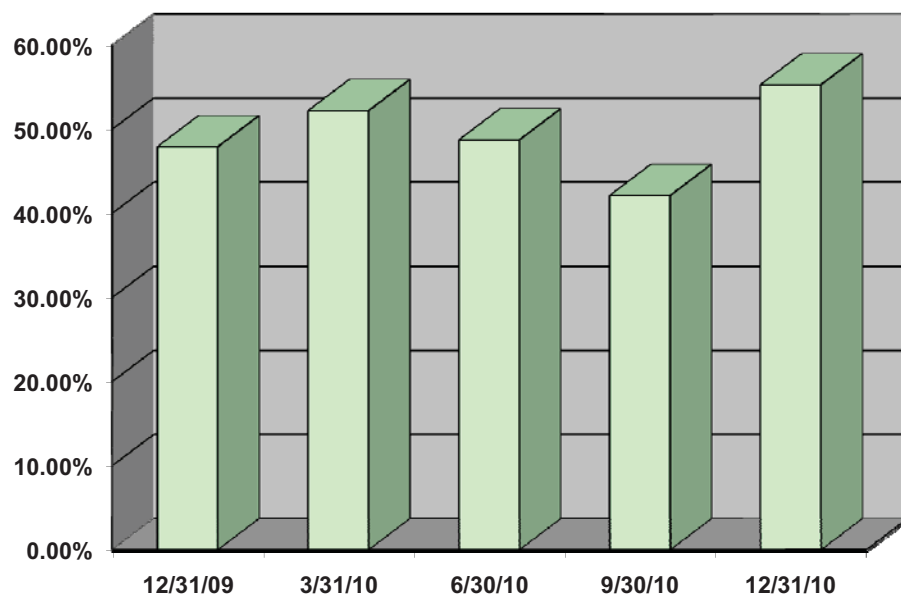
Period Ending

12/31/06	\$6,597,320
12/31/07	6,690,405
12/31/08	5,878,897
12/31/09	5,536,843
12/31/10	\$5,802,273

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Expense Ratio

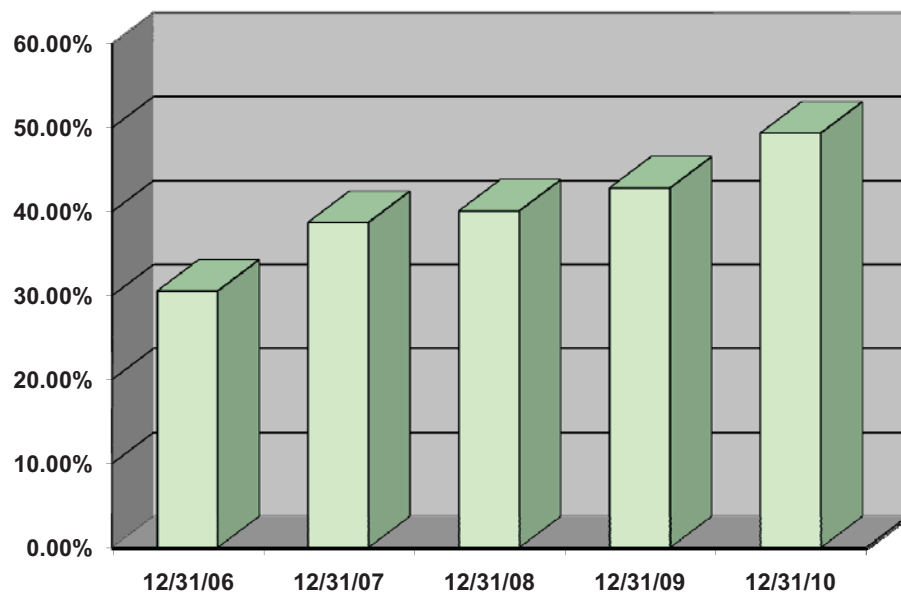
Last Five Quarters



Quarter Ending

12/31/09	47.91%
3/31/10	52.20%
6/30/10	48.72%
9/30/10	42.11%
12/31/10	55.28%

Year-to-Date for Last Five Years



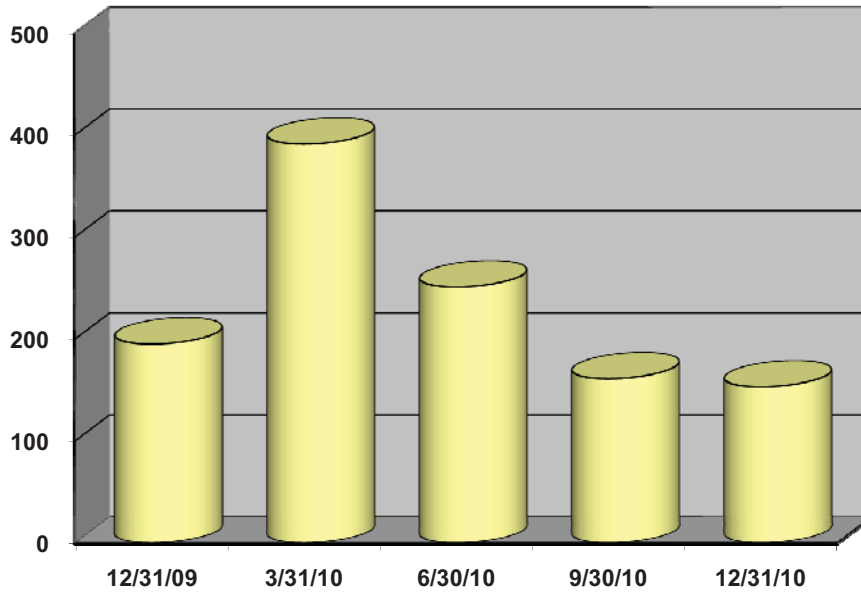
Period Ending

12/31/06	30.55%
12/31/07	38.72%
12/31/08	40.08%
12/31/09	42.82%
12/31/10	49.36%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of New Claims Reported

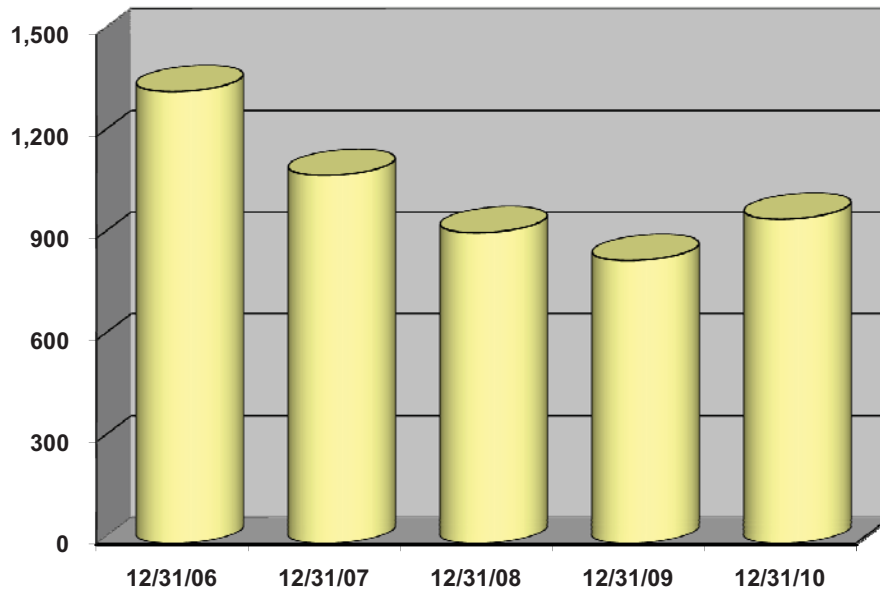
Last Five Quarters



Quarter Ending

12/31/09	195
3/31/10	391
6/30/10	251
9/30/10	161
12/31/10	153

Year-to-Date for Last Five Years



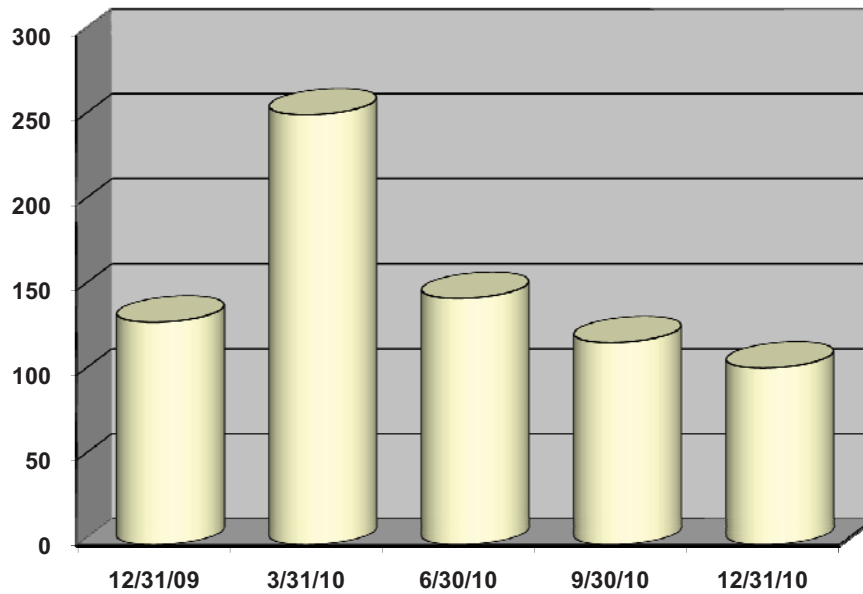
Period Ending

12/31/06	1,332
12/31/07	1,085
12/31/08	916
12/31/09	834
12/31/10	956

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of Open Claims

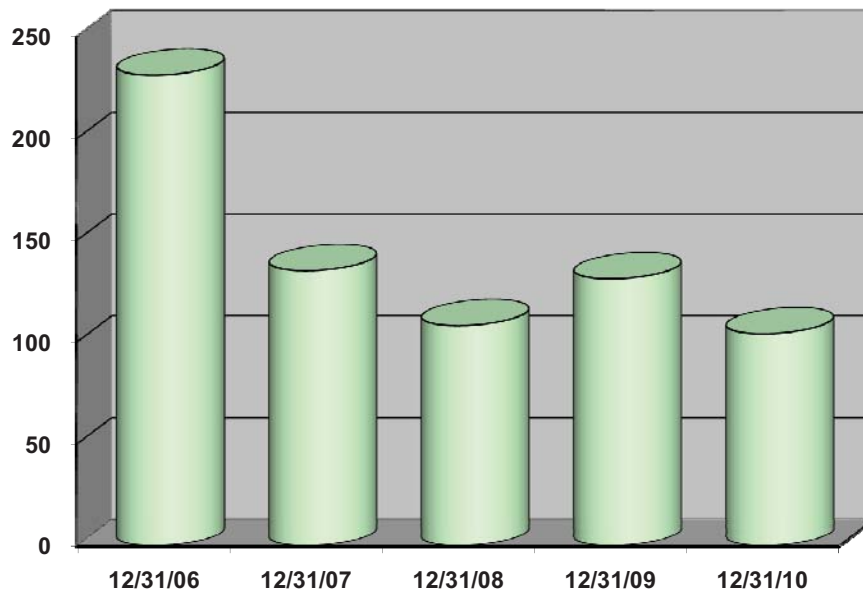
Last Five Quarters



Quarter Ending

12/31/09	131
3/31/10	253
6/30/10	145
9/30/10	119
12/31/10	104

Year-to-Date for Last Five Years



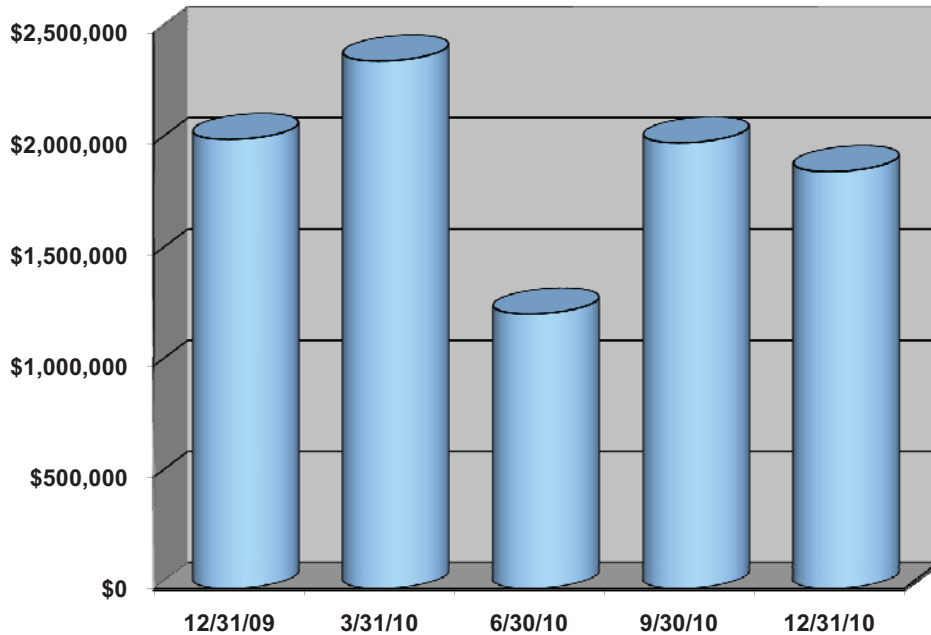
Period Ending

12/31/06	231
12/31/07	135
12/31/08	108
12/31/09	131
12/31/10	104

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Claims & Claim Expenses Incurred

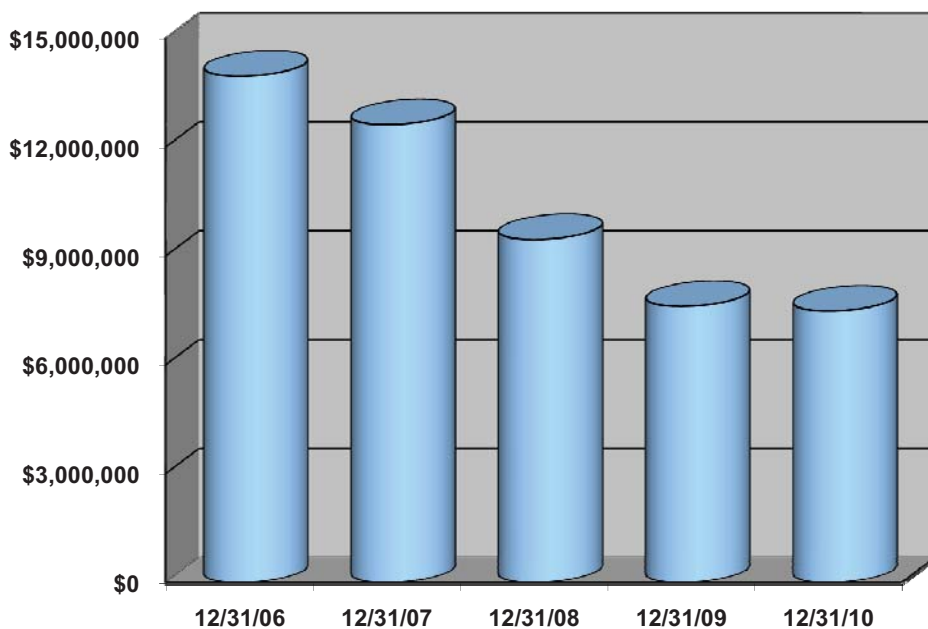
Last Five Quarters



Period Ending

12/31/09	\$2,018,854
3/31/10	2,371,646
6/30/10	1,234,237
9/30/10	2,003,969
12/31/10	\$1,874,064

Year-to-Date for Last Five Years



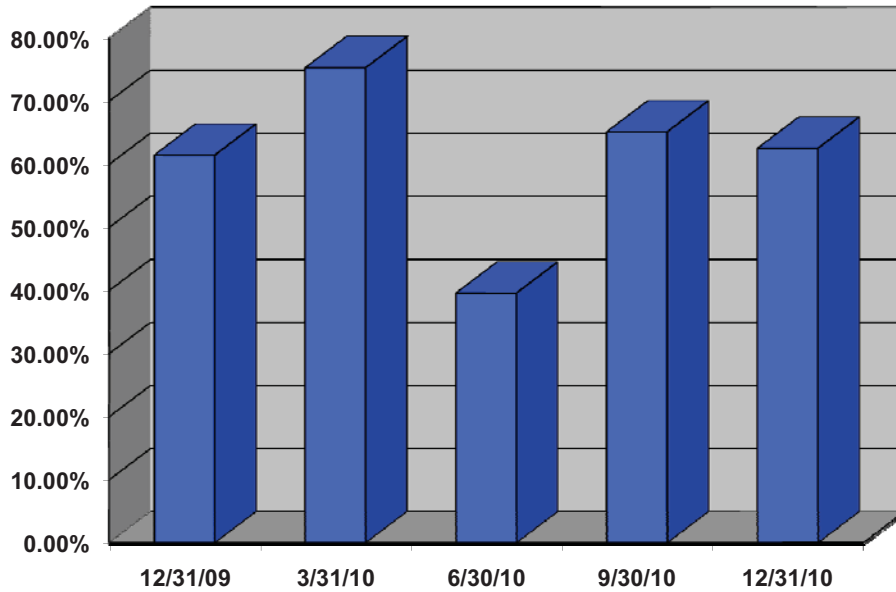
Period Ending

12/31/06	\$13,954,956
12/31/07	12,616,581
12/31/08	9,453,490
12/31/09	7,611,870
12/31/10	\$7,483,913

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Loss Ratio

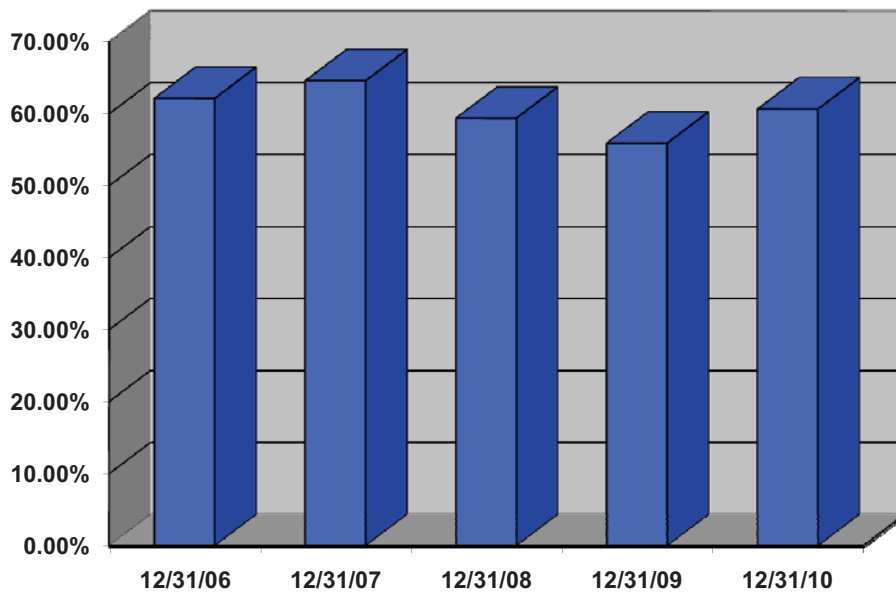
Last Five Quarters



Quarter Ending

12/31/09	61.45%
3/31/10	75.29%
6/30/10	39.58%
9/30/10	65.13%
12/31/10	62.53%

Year-to-Date for Last Five Years



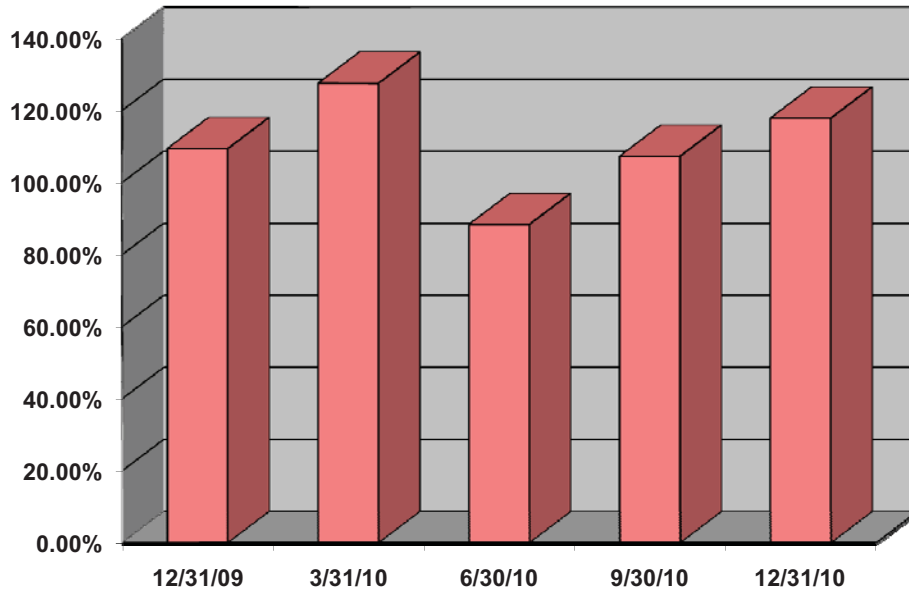
Period Ending

12/31/06	62.13%
12/31/07	64.55%
12/31/08	59.37%
12/31/09	55.91%
12/31/10	60.64%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Combined Ratio

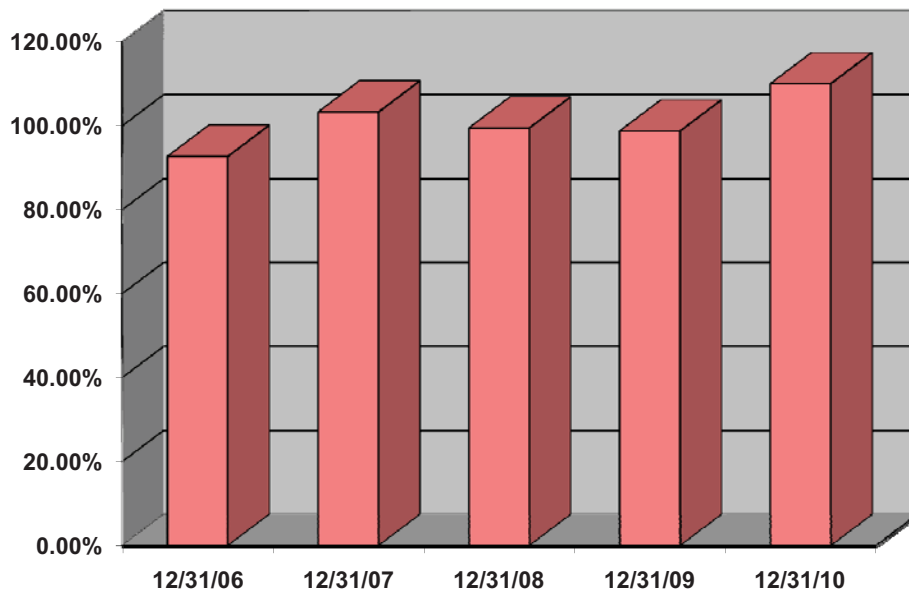
Last Five Quarters



Quarter Ending

12/31/09	109.36%
3/31/10	127.49%
6/30/10	88.30%
9/30/10	107.24%
12/31/10	117.81%

Year-to-Date for Last Five Years



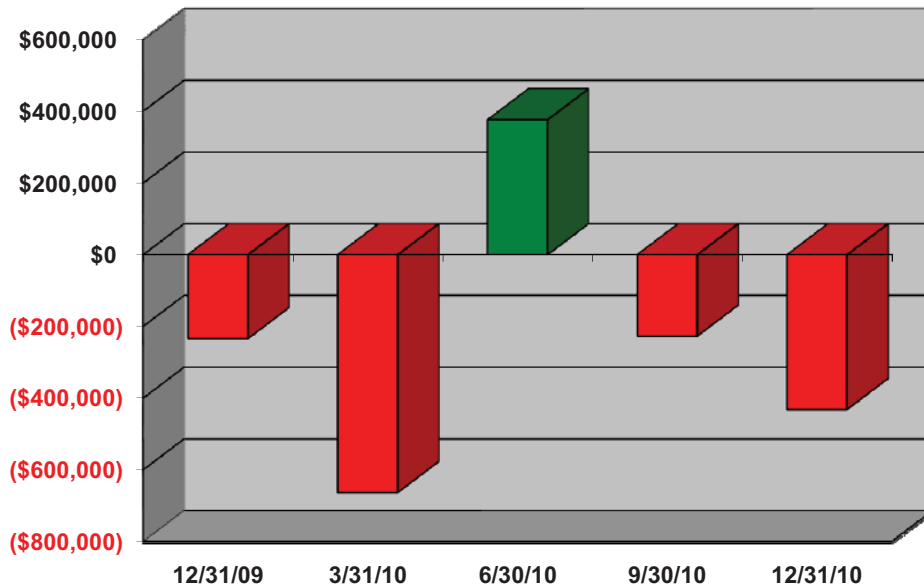
Period Ending

12/31/06	92.68%
12/31/07	103.27%
12/31/08	99.45%
12/31/09	98.73%
12/31/10	110.00%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Gain (Loss)

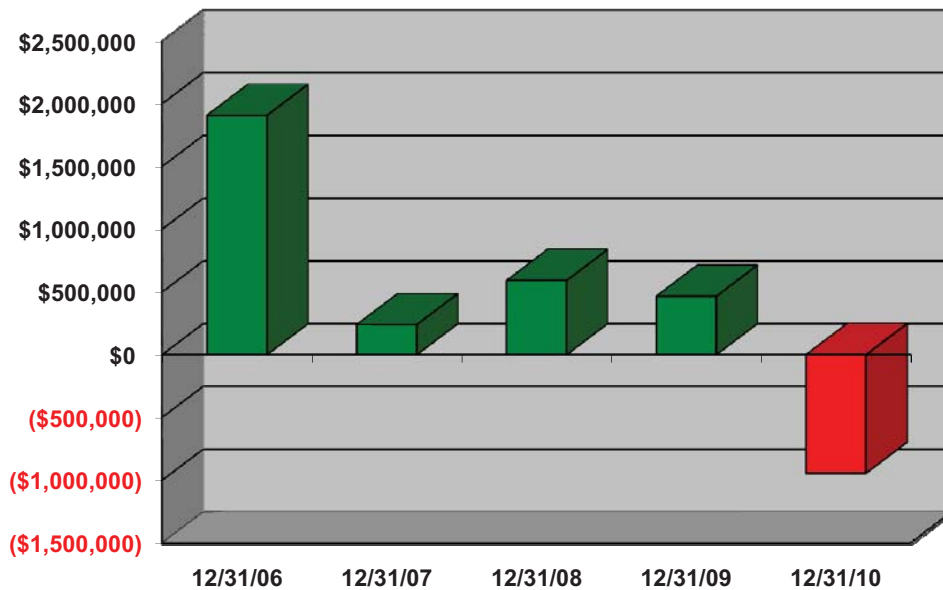
Last Five Quarters



Quarter Ending

12/31/09	(\$234,033)
3/31/10	(\$663,228)
6/30/10	376,058
9/30/10	(\$226,879)
12/31/10	(\$431,514)

Year-to-Date for Last Five Years



Period Ending

12/31/06	\$1,907,186
12/31/07	239,286
12/31/08	590,567
12/31/09	466,039
12/31/10	(\$943,975)

New Jersey Insurance Underwriting Association

Policies Issued by Line of Business

<u>Dwelling Business</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
New	1,717	2,292	3,723	5,255	8,046
Renewal	20,108	22,731	26,488	31,683	33,661
Total	21,825	25,023	30,211	36,938	41,707
<u>Commercial Business</u>					
New	40	52	67	114	149
Renewal	660	771	923	1,129	1,281
Total	700	823	990	1,243	1,430
<u>Crime Business</u>					
New	13	21	108	40	60
Renewal	277	336	313	393	408
Total	290	357	421	433	468
<u>All Lines</u>					
New	1,770	2,365	3,898	5,409	8,255
Renewal	21,045	23,838	27,724	33,205	35,350
Total	22,815	26,203	31,622	38,614	43,605

New Jersey Insurance Underwriting Association

Applications Received by Line of Business

<u>Dwelling Business</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
New	2,151	2,597	3,822	5,617	8,402
Renewal	21,333	24,339	27,524	31,898	33,979
Total	23,484	26,936	31,346	37,515	42,381
 <u>Commercial Business</u>					
New	51	58	75	141	184
Renewal	754	885	933	1,177	1,301
Total	805	943	1,008	1,318	1,485
 <u>Crime Business</u>					
New	17	38	132	47	69
Renewal	329	356	328	411	408
Total	346	394	460	458	477
 <u>All Lines</u>					
New	2,219	2,693	4,029	5,805	8,655
Renewal	22,416	25,580	28,785	33,486	35,688
Total	24,635	28,273	32,814	39,291	44,343

New Jersey Insurance Underwriting Association

Claim Information

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
New Claims Reported	956	834	916	1,085	1,332
Large Losses (+ \$100k)	16	22	26	44	44
Catastrophe Losses	259	0	79	147	150
Arson Losses	8	10	2	8	5
Paid Losses	\$6,842,000	\$6,657,000	\$8,808,000	\$13,018,000	\$12,162,000
Case Reserves	\$1,526,000	\$2,594,000	\$1,670,000	\$3,207,000	\$5,526,000
Loss Exp. Paid	\$1,611,000	\$1,218,000	\$1,393,000	\$1,464,000	\$1,467,000
Loss Exp. Reserves	\$427,000	\$384,000	\$434,000	\$463,000	\$585,000
IBNR Reserves	\$496,000	\$439,000	\$1,575,000	\$758,000	\$183,000

2010 ANNUAL REPORT

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

BOARD OF DIRECTORS 2010

NAME

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Mr. Brian Barrett	Allstate New Jersey Insurance Company
Mr. Michael O'Malley	Federal Insurance Company
Mr. James P. Ayers	Franklin Mutual Insurance Company
Ms. Susan Erney	Harleysville Insurance Company
Mr. Michael Petersen	Liberty Mutual Insurance Company
Mr. Jack Hoffman	NJ Manufacturers Insurance Company
Mr. Robert D. Farnam	Tower National Insurance Company
Mr. Mark Musser	Selective Insurance Company
Ms. Sandra Horvath	State Farm Fire and Casualty Company
Mr. Kevin Curry	Travelers of New Jersey
Mr. John Friedman	USAA
Ms. Gloria Boseman	Public Member
Mr. Donald Bryan	Public Member
Mr. Mario Giudice	Public Member
Mr. Richard Romano	Public Member
Ms. Jeanette Seabrooks	Public Member
Mr. John B. Wilson	Public Member
Mr. Bruce Hill	Independent Insurance Agents of New Jersey
Mr. Frank Christiano	Professional Insurance Agents of New Jersey

OBSERVER

Mr. Mark Nussenfeld	New Jersey Department of Banking and Insurance
Mr. Vince Noggle, Chair Finance and Audit Committee	Franklin Mutual Insurance Company

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NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION
STAFF OF THE ASSOCIATION

Jerry Warner
Jennifer Peaks

Underwriting Services – Steve Mutterperl
Customer Services – Brenda Morgan

Jennifer Adi-Darko
Dianna Anthony
Indra Daniel
Felicia Dubose
Tisha Elam
Kamie Koonjan
Faziah Mangar
Ruth Williams
Diane Young
Toni Yumang
Ibis Zafra

Information Technology – Israel Popack

Ted Abrams

Claim Services – Al Jankoski

Michael Balzano
Justin Floyd

Financial Services – Ted Green

Akleema Abrams
Fred Lund
Joan Reed
Carmen Rodriguez
Larcina Wilkins

Office Services – Frank Punturieri

Zabida Allie
Jane Cogswell
Yvonne Elam
MaryLou Kolvek
Eric Valdes