

New Jersey Automobile Insurance Risk Exchange
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Annual Report of Operations – November 7, 2013

NJAIRE Officers for 2014

- Chairperson – Tom Myers, Plymouth Rock
- Vice-Chairperson – Stephen Doyle, Farmers
- Treasurer – Larry Weiss, Public Member

NJAIRE Board of Directors

Mary Bernadette Corrigan, AIA (Hanover)
Frank M. Coscia, Esq., Public Member
Kevin Curry, AIA (Travelers)
Thomas DeFalco, Treasurer, At Large (NJM)
Stephen Doyle, Vice-chairperson, Non-affiliated (Farmers)
Thomas Gorecki, Public Member
Richard Hubschman, Esq., Public Member
Mark Keenan, At Large (Allstate)
John McBride, PCI (AAA)
Thomas Myers, Chairperson, PCI (Plymouth Rock)
Brian O'Loughlin, Non-affiliated (State Farm)
Sam Sackey, N.J.D.O.B.I.
Larry Weiss, Public Member

Carriers to be audited during 2014

1. AAA Mid-Atlantic /Keystone
2. Allstate
3. California Casualty & Fire
4. Chartis
5. Encompass
6. Farm Family
7. First Trenton/Travelers of NJ/Fidelity & Guarantee/Auto Ins. Co. of Hartford, CT
8. Mercury
9. NJ Skylands
10. Harleysville

New Member Carrier(s) to be audited during 2014

1. Fitchburg Mutual
2. National Liability & Fire

Selection of Compliance and Financial Auditors

- Compliance Auditors – AIPSO Audit Services
- Financial Auditors – Withum, Smith & Brown

Significant and Functional Events Occurring During 2013

During 2013 NJAIRE enjoyed a fully complemented Board of Directors requiring less involvement by Governor Christie's Appointments Office, the New Jersey Department of Banking and Insurance and the New Jersey Legislature. Limited regulatory changes also resulted in less activity with the New Jersey Department of Banking and Insurance. Regrettably, some isolated repeat fraud activity did require input to five State and Federal agencies. Absent the latter, NJAIRE continued to operate effectively and efficiently, resulting from experience at all levels within the Board of Directors, Insurance Services Office, AIPSO, and Withum Smith and Brown. The following activities affected NJAIRE during 2013.

- Despite the isolated fraud issue, NJAIRE bank accounts remained secure, thereby requiring no account changes. We continue to maintain a warning on our Website.
- NJAIRE investment returns continued to reflect lower yield during 2013, resulting from interest rates ranging between .20 % and .30%
- Two Webinars providing an overview of NJAIRE operations were conducted during May and November with more than 145 persons attending, representing the interests of 44 insurers, located in 20 states. Our webinars continue to be convenient and favorably received.
- The New Jersey AIRE Board of Directors was fully constituted, with one member in holdover capacity through the following activity:
 - Public Member Larry Weiss remains in a holdover capacity, awaiting appointment determination by Assembly Speaker Sheila Oliver.
- Record retention guidelines were observed and achieved for paper and electronic records maintained at the NJAIRE office, with Records Destruction performed professionally.
- NJAIRE Board Members, Management and the NJAIRE office were protected through three policies for (a) Directors and Officers (b) Professional Liability and (c) Business Owners and Umbrella coverage through Zurich American, Hartford and Mount Vernon Insurance Companies, respectively.
- Appropriate monitoring and claim form recovery filings were handled on a timely basis by Counsel M. Paige Berry, for the companies in liquidation; (1) Atlantic Mutual Insurance Company, (2) Consumer First Insurance Company, and (3) the Robert Plan Companies.
- An annual audit of the Exchange was conducted by external auditors Withum, Smith and Brown. Their results: "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Jersey Automobile Insurance Risk Exchange at December 31, 2011 and 2012, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America."
- Board members and Service Providers conducted an annual review of NJAIRE processes and procedures to assure currency and accuracy. Areas reviewed included (1) Cash Management Plan, (2) Contact List Data, (3) Disaster Recovery Plan, (4) New Member Audit Process, and (5) Records Retention Program, with appropriate amendments where required.

- AIPSO, our carrier compliance auditor completed all audits in a timely and effective manner. Independent Audit Consultants provided their extensive industry experience as they conducted audits to assure carrier NJAIRE compliance. Exemplary coordination and oversight at AIPSO has assured the highest quality NJAIRE audits via actions by Renee Carter, Kevin Leeman, and Jack O’Keefe. Special thanks to Jack O’Keefe for his outstanding contributions to NJAIRE.
- Insurance Services Office (ISO) staff continued to provide superior carrier data management control of assessment, reimbursement and annual cash settlement processes, web-site coordination, manual maintenance and financial transactions, thanks to Susan Adler, Paul Ericksen, Mike McAuley, and Renessa Tuason and dedicated ISO staff that effectively contributed to NJAIRE’s success. Thanks to Susan Adler who assures that NJAIRE’s fiscal function is effective and timely. And special thanks to Mike McAuley whose outstanding talent assures that ISO’s NJAIRE processing functions as a well-oiled machine.
- NJAIRE Counsel M. Paige Berry, partner at Saul Ewing LLP, provided her usual outstanding legal advice and counsel to NJAIRE, assuring adherence to our statutory charge. Ms. Berry also effectively guided any legislative needs through appropriate channels to assure timely adoption.
- The following NJAIRE Committees provided effective and pertinent input to assure optimum Board operations.

Actuarial Committee

Thomas DeFalco, Chair, NJ Manufacturers
 Phil Banet, Allstate
 Craig Isaacs, State Farm
 Alex Maizys, Selective
 Thomas Myers, Plymouth Rock
 Samuel Sackey, NJDOBI

Audit Committee

Larry Weiss, Chair, Public Member
 Mary Bernadette Corrigan, Hanover
 Thomas DeFalco, NJ Manufacturers
 Thomas Gorecki, Public Member
 Brian O’Loughlin, State Farm

Finance & Investment Committee

Frank M. Coscia, Esq., Chair, Public Member
 Kevin Curry, Travelers
 Thomas DeFalco, NJ Manufacturers
 Richard Hubschman, Esq., Public Member

Insurance and Contracts Committee

Mark Keenan, Chair, Allstate
 Stephen Doyle, Farmers
 John McBride, AAA

Nominating Committee

Thomas Gorecki, Chair, Public Member
 Mark Keenan, Allstate

Webinar Committee

Donald Foth, Chair, NJAIRE
 Michael McAuley, ISO
 Jack O’Keefe, AIPSO

- The following recommendations from the Actuarial Committee were approved by the Board of Directors.
 - Utilize a .20% annual interest rate for the 2013 Annual Cash Settlement.
 - Convert accident year 2010 from exposure to claim basis.
 - Amend Accident Year 2011 (exposure) from \$100 to \$105 and Accident Year 2012 (exposure) from \$95 to \$115.
 - Establish Accident Year 2014 at (exposure) \$120.
 - Close Accident Year 2004 on December 31, 2013.
 - Not cap Accident Year 2007, Territory 19, and treat it as any other Accident Year and Territory.
 - Amend assessments as follows:

Accident Year	Current Assessment	Recommended Assessment	Comments
2003	\$45.2 million	\$45.3 million	
2004	\$39.8 million	\$39.8 million	No change
2005	\$37.2 million	\$37.2 million	No change
2006	\$33.6 million	\$33.6 million	No change
2007	\$30.2 million	\$30.0 million	
2008	\$30.3 million	\$30.8 million	
2009	\$32.7 million	\$31.6 million	
2010	\$28.71 million/\$105	\$30.0 million	
2011	\$100	\$105	
2012	\$95	\$115	
2013	N/A	\$100	
2014	N/A	\$120	

NJAIRE Financial Report

The following provides financial details for year-end 2012, mid-year 2013, and the 2014 budget.

NJAIRE FINANCIAL STATEMENTS

	2012	2013 (6 Mos)	2014 Budget
Assessments	\$24,593,067	\$12,233,631	---
Reimbursements	\$23,390,290	\$11,732,595	---
Administration	\$1,202,777	\$501,036	---

Expenses:			
Central Processor	\$868,000	\$41,500	\$890,000
Compensation	\$66,480	\$33,980	\$69,020
Clerical, Furniture & Equipment	\$64	\$0	\$400
Rent & Rent Items	\$10,284	\$5,231	\$10,884
Meetings & Travel	\$5,552	\$2,716	\$8,500
Postal Expenses	\$9	\$4	\$200
Printing, Software, Supplies	\$266	\$214	\$900
Communications	\$1,170	\$637	\$1,500
Insurance	\$8,427	\$4,357	\$8,700
Member Company Audits	\$181,822	\$0	\$168,064
Audit Contingency	\$0	\$0	\$30,000
Exchange Audit	\$31,400	\$0	\$32,250
Legal Fees	\$23,698	\$8,547	\$30,000
Public Member Fee	\$3,250	\$1,750	\$4,000
Bank Fees	\$209	\$0	\$200
Taxes	\$2,000	2,000	\$2,000
Miscellaneous	\$86	\$100	\$500

Total	\$1,202,777	\$501,036	\$1,257,541

On behalf of the Board of Directors, and myself, I would like to thank the following persons for making 2013 a successful year for the New Jersey Automobile Insurance Risk Exchange.

- NJAIRE Board Chairman Tom Myers, Vice-Chairman Steve Doyle, and Treasurer Tom DeFalco for their participation, guidance and leadership.
- The Board Committees, effectively chaired by Frank Coscia, Tom DeFalco, Tom Gorecki, Mark Keenan, and Larry Weiss.
- Paige Berry, our aggressive, proactive and outstanding attorney.
- Sam Sackey of the New Jersey Department of Banking and Insurance, for his continued excellent support of NJAIRE.
- Susan Adler, Paul Ericksen, Mike McAuley, and Renessa Tuason, our outstanding and dedicated ISO team.
- AIPSO associates Renee Carter, Nancy Floody, Kevin Leeman, Michele Loffredo, Jack O'Keefe and their Consultants; our exceptionally talented and experienced Independent Auditor Team.
- Rick Coyne and Katie Moraski from Withum, Smith and Brown who, through their audit expertise, assure that the Exchange functions in a professional manner.

NJAIRE 2013 Meeting Schedule

Quarterly and Annual Meetings will be held at the Holiday Inn National Conference Center, 399 Monmouth Street, East Windsor, New Jersey 08520 on:

- Friday, January 24, 2014
- Thursday, May 8, 2014
- Thursday, August 14, 2014
- Thursday, November 6, 2014 (Board & Annual meetings)

These dates will be posted on the New Jersey Automobile Insurance Risk Exchange Website (www.njaire.org)

Respectfully submitted,

Donald E Foth

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New Jersey Automobile Insurance Risk Exchange