

**New Jersey Automobile Insurance Risk Exchange**  
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**Annual Report of Operations – 2014**

**NJAIRE Officers for 2015**

- Chairperson – Tom Myers, Plymouth Rock
- Vice-Chairperson – Mark Keenan, Allstate
- Treasurer – Frank Coscia, Public Member

**NJAIRE Board of Directors**

Mary Bernadette Corrigan, AIA (Hanover)  
Frank M. Coscia, Esq., Treasurer, Public Member  
Kevin Curry, AIA (Travelers)  
Thomas DeFalco, At Large (NJM)  
Thomas Gorecki, Public Member (outgoing)  
Ryan Graham, Public Member  
Richard Hubschman, Esq., Public Member  
Mark Keenan, Vice-Chairperson, At Large (Allstate)  
John McBride, PCI (CSAA)  
Thomas Myers, Chairperson, PCI (Plymouth Rock)  
David Nitti, Public Member (appointed October 2014))  
Brian O'Loughlin, Non-affiliated (State Farm)  
Sam Sackey, N.J.D.O.B.I.

**Carriers to be audited during 2015**

1. American Commerce
2. Amica
3. Fireman's Fund
4. Hartford
5. IFA
6. Liberty Mutual
7. New Jersey Manufacturers
8. Penn National
9. Personal Service
10. Selective

**New Member Carrier(s) to be audited during 2015**

There are no new member carriers to be audited during 2015.

**Selection of Compliance and Financial Auditors**

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

## **Significant and Functional Events Occurring During 2014**

During 2014 NJAIRE again experienced a fully complemented Board of Directors, thanks to Governor Christie's Appointments Office, the New Jersey Department of Banking and Insurance and the New Jersey Legislature. Contrary to previous immediate years, NJAIRE did not experience potential fraudulent activity, although we continue to monitor as a preventative measure. There were no regulatory changes to affect NJAIRE during 2014, allowing NJAIRE to function effectively and efficiently, also resulting from professional performance of all entities involved with NJAIRE, including (a) the NJAIRE Board of Directors and Officers, our Central Processor, Insurance Services Office (ISO), our Carrier Auditor, AIPSO and their Auditing Consultants, the auditing firm that conducts annual audits of NJAIRE operations, Withum, Smith and Brown, and the expert legal advice from our attorney, Paige Berry.

The following NJAIRE events occurred during 2014.

- 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 2014, 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 100 persons attending, representing the interests of 28 insurers, located in 15 states. Our webinars continue to be convenient and favorably received.
- A third Webinar was offered by ISO to allow for a better understanding of NJAIRE Annual Cash Settlement (ACS).
- The New Jersey AIRE Board of Directors was fully constituted, with Public Member Ryan Graham, appointed to replace long term Board member and officer Larry Weiss, and Public Member David Nitti appointed to replace Board Member Thomas Gorecki.
- Board member and Vice-Chairman Stephen Doyle changed employers during 2014, necessitating his resignation from the NJAIRE Board.
- Board member Mark Keenan was elected Vice Chairman to fill the vacancy from Steve Doyle's resignation.
- Board member Frank Coscia was elected Treasurer, replacing former Board member Larry Weiss.
- Long term Board Member and Officer Tom DeFalco will retire from New Jersey Manufacturers during 2015, and will not seek reappointment when his current term expires on December 10, 2014. The Board thanks Tom for his many years of service to NJAIRE and the insurance industry.
- 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.
- Zurich-American terminated coverage for NJAIRE Officers and Directors effective March 24, 2014. The reason for termination was "class of business," despite no incurred losses. Coverage was replaced through Great American.

- United States Liability Insurance Company terminated NJAIRE's Professional Liability coverage. As with all past NJAIRE policies, there have been no losses in NJAIRE's 30 year tenure. Our agent, Borden Perlman, replaced coverage with Hiscox Insurance Company effective July 31, 2014.
- Fortunately, our third insurance policy, Business Owner Coverage, through the Hartford, continued without incident.
- The NJAIRE office lease was renewed on July 1, 2014 as it entered its seventh year in Franklin, New Jersey. As compared with the two previous 3 year leases, this lease is for annual renewable terms.
- The NJAIRE office computer was infected through an internet transmitted virus, resulting in repair and stronger anti-virus protection.
- Record retention guidelines were observed and achieved for paper and electronic records maintained at the NJAIRE office, with Records Destruction performed professionally.
- 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. The final determination of Robert Plan Companies resulted in a net NJAIRE write off of \$331,204.00, which was fully reserved. Atlantic Mutual and Consumer First are still pending.
- 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, 2012 and 2013, 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, Jack O'Keefe and Deb Silva. 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, Renessa Tuason, Andrew Yershov 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. Our thanks to former committee chairpersons Tom DeFalco (Actuarial), Larry Weiss (Audit), Mark Keenan (Insurance and Contracts) and Tom Gorecki (Nominating) for their excellent leadership.

#### Actuarial Committee

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

#### Audit Committee

Brian O'Loughlin, Chair, State Farm  
Mary Bernadette Corrigan, Hanover  
Thomas DeFalco, NJ Manufacturers  
Tom Gorecki, Public Member

#### Finance & Investment Committee

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

#### Insurance and Contracts Committee

John McBride, Chair, CSAA  
Mary Bernadette Corrigan, Hanover  
Mark Keenan, Allstate

#### Nominating Committee

Kevin Curry, Chair, Travelers  
Ryan Graham, Public Member

#### Webinar Committee

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

### **ACTUARIAL COMMITTEE**

- The following recommendations from the Actuarial Committee were approved by the Board of Directors.
  - Provide a 0.16% annual interest rate for the 2014 Annual Cash Settlement.
  - Conversion of Accident Year 2011 from exposure to claim basis. This is consistent with prior year practices.

- Close out Accident Year 2005 on December 31, 2014.
- Amend assessments as follows:

Accident Year	Current Assessment	Recommendation	
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	30.0 million	30.0 million	(no change)
2008	30.8 million	30.7 million	
2009	31.6 million	31.2 million	
2010	30.0 million	29.9 million	
2011	\$105	27.0 million	
2012	\$115	\$106	
2013	\$100	\$100	(no change)
2014	\$120	\$120	(no change)
2015		\$110	

### **NJAIRE Financial Report**

The following provides financial details for year-end 2013, mid-year 2014, and the 2015 budget.

<b>NJAIRE FINANCIAL STATEMENTS</b>			
	<b>2013</b>	<b>2014 (6 Mos)</b>	<b>2015 Budget</b>
<b>Assessments</b>	<b>\$24,933,545</b>	<b>\$12,361,721</b>	<b>---</b>
<b>Reimbursements</b>	<b>\$23,766,395</b>	<b>\$11,842,000</b>	<b>---</b>
<b>Administration</b>	<b>\$1,167,150</b>	<b>\$519,721</b>	<b>---</b>
<b>Expenses:</b>			
<b>Central Processor</b>	<b>\$883,000</b>	<b>\$445,000</b>	<b>\$900,000</b>
<b>Compensation</b>	<b>\$68,000</b>	<b>\$34,520</b>	<b>\$70,469</b>
<b>Clerical, Furniture &amp; Equipment</b>	<b>\$0</b>	<b>\$806</b>	<b>\$400</b>
<b>Rent &amp; Rent Items</b>	<b>\$10,593</b>	<b>\$5,388</b>	<b>\$11,217</b>
<b>Meetings &amp; Travel</b>	<b>\$5,594</b>	<b>\$3,046</b>	<b>\$8,750</b>
<b>Postal Expenses</b>	<b>\$16</b>	<b>\$5</b>	<b>\$200</b>
<b>Printing, Software, Supplies</b>	<b>\$365</b>	<b>\$486</b>	<b>\$900</b>
<b>Communications</b>	<b>\$1,318</b>	<b>\$708</b>	<b>\$1,550</b>
<b>Insurance</b>	<b>\$8,823</b>	<b>\$6,223</b>	<b>\$14,200</b>
<b>Member Company Audits</b>	<b>\$134,479</b>	<b>\$0</b>	<b>\$168,600</b>
<b>Audit Contingency</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Exchange Audit</b>	<b>\$32,000</b>	<b>\$0</b>	<b>\$33,225</b>
<b>Legal Fees</b>	<b>\$17,024</b>	<b>\$19,789</b>	<b>\$31,000</b>
<b>Public Member Fee</b>	<b>\$3,750</b>	<b>\$1,750</b>	<b>\$4,000</b>
<b>Bank Fees</b>	<b>\$0</b>	<b>\$0</b>	<b>\$200</b>

<b>Taxes</b>	<b>\$2,000</b>	<b>2,000</b>	<b>\$2,000</b>
<b>Miscellaneous</b>	<b>\$188</b>	<b>\$100</b>	<b>\$500</b>
<b>Total</b>	<b>\$1,167,150</b>	<b>\$501,036</b>	<b>\$1,247,211</b>

On behalf of the Board of Directors, and myself, I would like to thank the previously listed members, the following officers and associates for making 2014 a successful year for the New Jersey Automobile Insurance Risk Exchange, and also recognize 2015 Committee Chairpersons:

- NJAIRE Board Chairman Tom Myers, Vice-Chairman Mark Keenan, and Treasurer Frank Coscia for their participation, guidance and leadership.
- The 2015 Board Committees that will be chaired by;
  - Actuarial Committee – Craig Isaacs, State Farm
  - Audit Committee – Brian O’Loughlin, State Farm
  - Finance & Investment Committee - Frank Coscia, Public Member
  - Insurance & Contracts Committee – John McBride, CSAA
  - Nominating Committee – Kevin Curry, Travelers
- 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, Deb Silva, Andrew Yershov 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 2015 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:

- Thursday, February 12, 2015
- Thursday, May 14, 2015
- Thursday, August 13, 2015
- Thursday, November 12, 2015 (Board & Annual meetings)

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

Respectfully submitted,

Donald E. Foth, General Manager  
New Jersey Automobile Insurance Risk Exchange