

New Jersey Automobile Insurance Risk Exchange
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Annual Report of Operations – December 7, 2012

NJAIRE Officers for 2013

- Chairperson – Tom Myers, Plymouth Rock
- Vice-Chairperson – Stephen Doyle, Farmers
- Treasurer – Tom DeFalco, New Jersey Manufacturers

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 2013

1. Bankers Standard
2. Chubb
3. CURE
4. Hanover
5. IFA
6. Liberty Mutual
7. Metropolitan Direct
8. State Farm Indemnity
9. Unitrin
10. Twenty First Century/Pinnacle

New Member Carrier(s) to be audited during 2013

There are no new carrier audits planned for 2013 at this time.

Selection of Compliance and Financial Auditors

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

Significant and Functional Events Occurring During 2012

NJAIRE has been fortunate, during 2012, to (1) experience excellent and efficient handling of Board member appointments through Governor Christie's Appointments Office, (2) have very limited legislative involvement, (3) have limited regulatory changes to impact NJAIRE, and (4) not have to address fraudulent actions perpetrated against NJAIRE as in previous years. To that end, NJAIRE has functioned smoothly, especially with the knowledgeable and experience individuals associated with the Board of Directors, Central Processor and Audit functions. The following events and contributions have affected NJAIRE during 2012.

- The Exchange was fortunate to not have its checking accounts compromised as had been reported within preceding Annual Reports. To that end we continue to maintain a warning on our Website, to deter future acts.
- NJAIRE investment returns remained at (low) percentages realized during 2011, ranging between .35% and .50%
- Two Webinars providing an overview of NJAIRE operations were conducted during May and December with more than 130 persons attending, representing the interests of 41 insurers, located in 16 states. Response has been excellent, with Webinars able to reach out to a far greater area than previous Seminars.
- The New Jersey AIRE Board of Directors was fully constituted, with one postponement, through the following activity:
 - The New Jersey Senate confirmed gubernatorial re-nominations for Thomas Myers (Plymouth Rock), Richard Hubschman, Esq. (Public Member) and Stephen Doyle (Farmers).
 - The New Jersey Senate confirmed gubernatorial nominee Brian O'Loughlin (State Farm) as a new Board member, replacing David Ziemer who had relocated out of state.
 - Public Member Larry Weiss remains in a holdover capacity, awaiting appointment determination by Assembly Speaker Sheila Oliver.
- Assembly Bill A232, which would have shifted Board member appointments from the Governor/Senate to the Banking and Insurance Commissioner, was never released from committee. Therefore, the current appointment process remains with the Governor and Senate.
- Changes to improve the accuracy of the Claim Determination Form were prepared and presented to the Board by Stephen Doyle and Mark Keenan. These changes were included for future Audits, Webinars and Website display.
- 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.
- A Claimant Determination Training segment was developed by Board members Mark Keenan and Stephen Doyle. It is an excellent resource for carrier staff training to assure greater accuracy in NJAIRE handling and reporting, and is available to all carriers.
- 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, 2010 and 2011, 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, Ellen DeLisio, 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

Finance & Investment Committee

Frank M. Coscia, Esq., Chair, Public Member
 Thomas DeFalco, NJ Manufacturers
 Stephen Doyle, Farmers
 Richard Hubschman, Esq., Public Member

Insurance and Contracts Committee

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

Webinar CommitteeNominating Committee

Thomas Gorecki, Chair, Public Member
 Mark Keenan, Allstate

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 0.25% (¼%) annual interest rate for the 2012 Annual Cash Settlement.
 - Convert accident year 2009 from exposure to claim basis.
 - Amend assessments, as follows:

Accident Year	Current Assessment	Recommended Assessment	Comments
2002	\$53.0 million	\$53.0 million	No change
2003	\$45.3 million	\$45.2 million	
2004	\$40.0 million	\$39.8 million	
2005	\$37.3 million	\$37.2 million	
2006	\$33.0 million	\$33.6 million	
2007	\$31.0 million	\$30.2 million	
2008	\$30.0 Million	\$30.3 million	
2009	\$28.1 million/\$100	\$32.7 million	
2010	\$95	\$105	
2011	\$90	\$100	
2012	\$95	\$95	No change
2013	N/A	\$100	

- Close Accident Year 2003 on December 31, 2012.
- Eliminate the caps previously imposed for Accident Year 2003
- Continue funding Accident Year 2007 for Territory 19 with a special interim transaction.

NJAIRE Financial Report

The following provides financial details for year-end 2011, mid-year 2012, and the 2013 budget.

NJAIRE FINANCIAL STATEMENTS

	2011	2012 (6 Mos)	2013 Budget
Assessments	\$25,589,451	\$12,256,672	---
Reimbursements	\$24,420,060	\$11,760,390	---
Administration	\$1,169,391	\$496,282	---

Expenses:			
Central Processor	\$852,000	\$434,000	\$883,000
Compensation	\$65,200	\$33,240	\$68,000
Clerical, Furniture & Equipment	\$444	\$16	\$400
Rent & Rent Items	\$10,108	\$5,079	\$10,567
Meetings & Travel	\$9,353	\$2,598	\$8,500
Postal Expenses	\$92	\$0	\$200
Printing, Software, Supplies	\$754	\$42	\$800
Communications	\$1,485	\$620	\$1,400
Insurance	\$8,310	\$4,169	\$8,600
Member Company Audits	\$150,800	\$0	\$190,674
Exchange Audit	\$31,700	\$0	\$31,700
Legal Fees	\$33,208	\$12,825	\$36,000
Public Member Fee	\$3,750	\$1,500	\$4,000
Bank Fees	\$0	\$209	\$200
Taxes	\$2,136	2,000	\$2,000
Miscellaneous	\$51	\$51	\$500
Total	\$1,169,391	\$496,282	\$1,246,541

On behalf of the Board of Directors, and myself, I would like to thank the following persons for making 2012 a successful year for the New Jersey Automobile Insurance Risk Exchange.

- NJAIRE Board Chairman Tom Myers, Vice-Chairman Stephen 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, Ellen DeLisio, 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:

- Thursday, February 14, 2013 @ 10 am
- Thursday, May 9, 2013 @ 10 am
- Thursday, August 8, 2013 @ 10 am
- Thursday, November 7, 2013 @ 10 am, immediately followed by the Annual Meeting.

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

Respectfully submitted,

Donald E Foth

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