

NEW JERSEY AUTOMOBILE INSURANCE RISK EXCHANGE

P.O. Box 66065 ~ Lawrenceville, New Jersey 08648
Phone 609-890-3406 ~ Fax 609-890-3407 ~ Email gmanager@njaire.org

ANNUAL REPORT OF OPERATIONS – NOVEMBER 7TH, 2003

NJAIRE Officers for 2004

Chairman – Don Foth, State Farm
Vice-Chairman – Tom Myers, High Point Safety & Insurance Mgmt Co.
Secretary/Treasurer – Tom DeFalco, New Jersey Manufacturers

Carriers to be Audited for 2004

Liberty Mutual
Prudential
Keystone
Proformance
Ohio Casualty
Metropolitan, Direct/Metropolitan, Group/Metropolitan Property & Casualty, (St.Paul)
Lancer
Public Service
Central Mutual
Countryway

Selection of Compliance and Financial Auditors

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

Important events occurring during 2003

- The transition of independent auditors during 2003 for the audit of member company data and the financial statements of the Exchange went very smoothly.
- The backlog of company audits for prior years was resolved during the year. All fees and expenses were also resolved and paid in full.
- All members of the Board have been approved by the New Jersey Senate and/or the Governor's office.
- The Board approved the recommendation of the Audit Committee to hold seminars with appropriate carrier personnel to enhance the understanding of NJAIRE statutes and carrier responsibilities in regard thereto.
- Restructuring of the NJAIRE Plan of Operations is in progress to ensure completeness and to ensure that actions taken by the Board and approved by the NJDOBI are appropriately reflected in the Plan. This will be completed in the first half of 2004 and posted on the NJAIRE website.
- With the guidance of Board member & Finance and Investment Committee Chair Frank Coscia, the investment of NJAIRE temporary funds are continuously reviewed to allow greater yields within the statutes and acceptable risk parameters. This has been particularly important in our current economic situation where interest yields continue at relatively low levels.
- The cash management plan, developed by the combined efforts of Mr. Coscia and NJAIRE counsel Paige Berry, is available upon request.
- The Board continued to work through changes experienced by New Jersey insurers as everyone adapted to the revised exposure/claim assessment and reimbursement methodology.

- Indemnification of Board Members was clarified by New Jersey's Attorney General's office and NJAIRE Counsel. The Board continues to discuss and expects to resolve this issue during early 2004, through additional protection to supplement indemnification provided through the Plan of Operations by all New Jersey auto liability insurers.

Important events occurring during 2004..... continued

- The Annual Cash Settlement was successfully completed by ISO adopting the following items recommended by the NJAIRE Actuarial Committee and approved by the Board.
 - ◇ Accident years 1993 and 1994 were closed for further reporting as of December 31, 2003.
 - ◇ Accident year 1999/ 2000 was converted from an exposure to a claim method for Form 4 submissions effective with the 2003 Annual Cash Settlement.
 - ◇ The current year Annual Cash Settlement interest rate was established at 2%.
- NJAIRE commenced the second year of its centrally located New Jersey office in Hamilton.
- ISO, in conjunction with the Website Committee, continued to develop and expand the NJAIRE website. It can be relied upon for accurate, current and informative NJAIRE data, at www.njaire.org
- NJAIRE base rates for accident year 2003 have been updated to use the most current NJPAIP rates for the base rate.
- Four Assessment percentages or pools were amended as follows:

Year	Prior*	Current*
1993	50%	49%
1996	\$77.5 mm	\$77.0 mm
1999-2000:		
Form 3	\$50.0 mm	\$48.0 mm
Form 4	\$54.1 mm	\$65.0 mm

* Dollars in Millions

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Financial statement for 2002, 2003 (6 months), and 2004 Budget

NJAIRE Financial Statement

	2002	2003 (6 months)	
Assessments	55,558,981	27,632,389	
Reimbursements	55,558,981	27,632,389	
Administration	1,263,559	557,444	
Expenses	2002	2003 (6 months)	2004 Budget
Central Processor	730,000	357,500	745,000
Salaries	26,625	27,100	55,766
Clerical	781	-	3,000
Rent & Rent Items	7,976	3,000	8,000
Meetings & Travel	1,464	414	2,000
Postage	398	-	1,000
Printing & Stationary	795	420	3,000
Telephone & Fax	1,772	-	2,000
Insurance	1,266	712	8,000
Audit	440,141	152,651	182,750
Legal Fees	36,011	9,920	12,000
Board Fees	1,250	500	3,000
Miscellaneous	16,080	5,227	4,484
Total	1,263,559	557,444	1,030,000