

New Jersey Automobile Insurance Risk Exchange
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Annual Report of Operations – 2015

NJAIRE Officers for 2016

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

NJAIRE Board of Directors

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

Carriers to be audited during 2016

- Chubb
- CURE
- Electric
- Encompass New Jersey
- Esurance
- IDS
- GEICO
- Mid-Century
- Plymouth Rock
- USAA

New Member Carrier(s) to be audited during 2016

- Fitchburg Mutual

Selection of Compliance and Financial Auditors

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

Significant and Functional Events Occurring During 2015

During 2015 NJAIRE again worked with Governor Christie's Appointments Office, the New Jersey Department of Banking and Insurance and the New Jersey Legislature to ensure a fully complemented Board of Directors, subject to two pending confirmations. Contrary to previous 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 2015, allowing NJAIRE to function effectively and efficiently, also resulting from professional performance of all entities involved with NJAIRE, including 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 2015.

- 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 2015, resulting from interest rates ranging between .20 % and .30%
- Two Webinars providing an overview of NJAIRE operations were conducted during May and November with continued excellent attendance by a large group of insurers to assure their accuracy in managing NJAIRE assessments.
- 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.
- Great American provided protective insurance coverage for NJAIRE Officers and Directors.
- Hiscox Insurance Company provided Professional Liability coverage.
- The Hartford provided Business Owner Coverage.
- The NJAIRE office lease was renewed on July 1, 2015 as it entered its eighth year in Franklin, New Jersey. Contrary to prior three year leases, it was renewed on an annual basis since it will be non-renewed during 2016 as the General Manager retires and the new General Manager will likely require a geographically different office location.
- Record retention guidelines were observed and achieved for paper and electronic records maintained at the NJAIRE office, with Records Destruction performed professionally.
- New Jersey AIRE Counsel M. Paige Berry continued to monitor and report as liquidations were finalized for member companies in liquidation.

- 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, 2013 and 2014, 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 Kevin Leeman, Jack O’Keefe, Toni O’Leary and Debbie Silva. Special thanks to Debbie Silva for her 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, Fred Mason, 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 all chairpersons for the excellent leadership and to committee members for their dedicated time and talent.

Actuarial Committee

Craig Isaacs, Chair, State Farm
 Phil Banet, Allstate
 Carl Gullans, New Jersey Manufacturers
 Alex Maizys, Selective
 Thomas Myers, Plymouth Rock
 Samuel Sackey, NJDOBI

Audit Committee

Brian O’Loughlin, Chair, State Farm
 Mary Bernadette Corrigan, Hanover
 Frank Coscia, Esq., Public Member
 Stephen Doyle, Safeco

Finance & Investment Committee

Frank Coscia, Esq., Chair, Public Member
Kevin Curry, Travelers
Richard Hubschman, Esq., Public Member

Insurance and Contracts Committee

Steve Doyle, (incoming) Chair, Safeco
John McBride, (outgoing) Chair, CSAA
Mary Bernadette Corrigan, Hanover
Mark Keenan, Allstate
David Nitti, Public Member

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.

- a) Convert Accident Year 2012 from exposure to claim basis. This is consistent with prior year practices.
- b) Close out Accident 2006 on December 31, 2015.
- c) Approve a 0.18% annual interest rate for the 2015 Annual Cash Settlement.

THE NJAIRE Board approved the following amended assessments:

Accident Year	Current Assessment	Recommended Assessment
2005	\$37.2 million	\$37.2 million
2006	33.6 million	33.5 million
2007	30.0 million	30.0 million
2008	30.7 million	30.7 million
2009	31.2 million	31.1 million
2010	29.9 million	29.4 million
2011	27.0 million	26.5 million
2012	\$106	24.5 million
2013	\$100	\$90
2014	\$120	\$95
2015	\$110	\$110
2016		\$100

NJAIRE Financial Report

The following provides financial details for year-end 2014, 7 month 2015, and the 2016 budget.

NJAIRE FINANCIAL STATEMENTS			
	2014	2015 (7 Mos)	2016 Budget
Assessments	\$25,643,080	\$12,361,721	-TBD-
Reimbursements	\$24,466,680	\$11,842,000	-TBD-
Administration	\$1,176,400	\$519,721	-TBD-

Expenses:			
Central Processor	\$890,000	\$450,000	\$910,000
Compensation	\$69,020	\$41,109	\$72,000
Clerical, Furniture & Equipment	\$848	\$0	\$400
Rent & Rent Items	\$10,911	\$6,498	\$11,553
Meetings & Travel	\$6,032	\$3,207	\$8,750
Postal Expenses	\$23	\$5	\$200
Printing, Software, Supplies	\$993	\$98	\$900
Communications	\$1,413	\$986	\$1,600
Insurance	\$12,684	\$15,304	\$14,500
Member Company Audits	\$112,453	\$14,880	\$176,505
Audit Contingency	\$0	\$0	\$0
Exchange Audit	\$32,566	\$32,312	\$34,000
Legal Fees	\$34,207	\$14,364	\$32,000
Public Member Fee	\$3,250	\$1,500	\$4,000
Bank Fees	\$0	\$0	\$200
Taxes	\$2,000	\$0	\$2000
Miscellaneous	\$0	\$0	\$500
Total	\$1,176,400	\$580,263	\$1,269,108

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 2015 a successful year for the New Jersey Automobile Insurance Risk Exchange, and also recognize 2016 Committee Chairpersons:

- NJAIRE Board Chairman Tom Myers, Vice-Chairman Mark Keenan, and Treasurer Frank Coscia for their outstanding participation, guidance and leadership.
- The 2016 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 – Steve Doyle, Safeco

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, Fred Mason, Mike McAuley, and Renessa Tuason, our outstanding and dedicated ISO team.
- AIPSO associates Renee Carter, Nancy Floody, Kevin Leeman, Michele Loffredo, Deb Silva, and their Consultants; our exceptionally talented and experienced Independent Auditor Team.
- Rick Coyne, Alyssa Gioino and Lonnie Bloom from Withum, Smith and Brown who, through their audit expertise, assure that the Exchange functions in a professional manner.

NJAIRE 2016 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 11, 2016
- Thursday, May 12, 2016
- Thursday, August 11, 2016
- Thursday, November 10, 2016 (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, General Manager
New Jersey Automobile Insurance Risk Exchange