

# **New Jersey Automobile Insurance Risk Exchange**

PO Box 3508, Cherry Hill, NJ 08034

## **Annual Report of Operations – 2017 Submitted by John McBride, General Manager**

### **NJAIRE Officers for 2017**

- 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)  
Steve Doyle, Non-affiliated (Liberty Mutual)  
Ryan Graham, Public Member  
Brian O'Loughlin, Non-affiliated (State Farm)  
David Spevack, Esq., Public Member  
Charles Fordham, At Large (New Jersey Manufacturers)  
Sam Sackey, N.J.D.O.B.I.  
Vacant (2) Trade Associations Board Positions  
Vacant (1) Public Member Board Position

### **Carriers audited during 2017**

- The Hartford
- State Farm Guaranty / Indemnity
- United Farm / Farm Family Casualty
- Insurance Company of Pennsylvania / AIG PC (formerly Chartis PC)
- Unitrin Direct / Response Insurance Company
- PURE
- Progressive Group
- Metropolitan Group
- Liberty Mutual
- California Casualty & Fire

### **New Member Carrier(s) audited during 2017**

- There were no New Member Carrier audited during 2017.

### **Compliance and Financial Auditors**

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

## **Significant and Functional Events Occurring During 2017**

During 2017 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 three current Board vacancies. There were no regulatory changes to affect NJAIRE during 2017, 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 legal advice from our attorney, Paige Berry Esq..

The following NJAIRE events occurred during 2017.

- NJAIRE bank accounts remained secure, thereby requiring no account changes. We continue to maintain a fraud warning on our Website.
- NJAIRE investment returns continued to reflect slightly higher yield during 2017, resulting from interest rates ranging between .30 % and 1.43%
- One Webinar providing an overview of NJAIRE operations was conducted on November 8<sup>th</sup> with continued excellent attendance by a large group of insurers to assure their accuracy in managing NJAIRE reportings.
- NJAIRE Board Members, General Manager 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 continued to provide protective insurance coverage for NJAIRE Officers and Directors.
  - Hiscox Insurance Company continued to provide Professional Liability coverage. The Extended reporting option for the Hiscox Professional Liability policy for Donald Foth, former General Manager was terminated effective 11/30/17.
  - The Hartford continued to provide Business Owner Coverage.
- The NJAIRE Marlton office continued to operate under the 24 month lease that was executed in October 2016.
- Record retention guidelines were observed and achieved for paper and electronic records maintained at the NJAIRE office, with Records Destruction performed professionally.
- Historical Board Member and Meeting material have started to be backed up in the Cloud.
- New Jersey AIRE Counsel M. Paige Berry continued to monitor and report as liquidations were started for certain member 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, 2016 and 2015, 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. The coordination and oversight at AIPSO has assured the highest quality NJAIRE audits via actions by Bonnie Arpin, John Almagno, Kathy Casey and Janine Lagasse. Special thanks to Bonnie Arpin 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, Mary Annese, Mike McAuley, Renessa Tuason, Jola Rainko, Sharjil Ahmad, Kevin O’Hora and the 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 Arnstein & Lehr LLP, provided her 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  
Stephen Doyle, Liberty Mutual Insurance Co.  
Frank Coscia, Esq., Public Member

**Finance & Investment Committee**

Frank Coscia, Esq., Chair, Public Member

**Insurance and Contracts Committee**

Steve Doyle, Chair, Liberty Mutual Insurance Co  
Mary Bernadette Corrigan, Hanover  
Mark Keenan, Allstate  
David Spevack, Esq, Public Member  
Charles Fordham, New Jersey Manufacturers

**Nominating Committee**

Mary Bernadette Corrigan, Hanover  
Ryan Graham, Public Member

**Webinar Committee**

John McBride, Chair, NJAIRE  
Michael McAuley, ISO  
Bonnie Arpin, AIPSO

**ACTUARIAL COMMITTEE**

The following recommendations from the Actuarial Committee were approved by the Board of Directors at their August meeting:

- a) Convert Accident Year 2014 from exposure to claim basis.
- b) Close out Accident 2008 on December 31, 2017.
- c) IFA and Lincoln General receivership will be included in the calculation.

The Board of Directors also approved the adoption of the following assessments amounts:

Accident Year	Current Assessment	Recommended Assessment
2007	30.0 million	30.0 million
2008	30.7 million	30.7 million
2009	30.8 million	30.8 million
2010	29.1 million	29.0 million
2011	26.0 million	25.2 million
2012	23.5 million	22.4 million
2013	20.8 million	19.8 million
2014	\$87	18.4 million
2015	\$100	\$85
2016	\$100	\$95
2017	\$100	\$100
2018		\$100

## NJAIRE Financial and Income Reports

The following provides financial details for year-end 2016, 9 month 2017, and the 2018 budget

### **NJAIRE Income Statement**

	<b>2017 (9 months ended 9/30/17)</b>	<b>2016</b>
Assessments from members	\$16,297,800	\$22,712,490
Administrative assessment	\$806,649	\$1,256,626
Interest income	\$42,253	\$25,611
Total	\$17,146,702	\$23,994,727
reimbursements to members	\$16,297,800	\$22,712,490
Administrative expenses	\$806,649	\$1,256,626
Interest allocation	\$42,253	\$25,611
Total	\$17,146,702	\$23,994,727
Net Income	\$0	\$0
Member Equity at beginning of year	\$0	\$0
Member Equity at end of year	\$0	\$0

### **NJAIRE Administrative Expenses**

	<b>2016</b>	<b>2017 (9 Months ending 9/30/17)</b>	<b>2018 Budget</b>
Assessments	\$22,712,490	\$16,297,800	-TBD-
Reimbursements	\$22,712,490	\$16,297,800	-TBD-
Administration	\$1,256,626	\$806,648	\$1,251,979
Expenses:	2016 (actual)	2017 (9 mos)	2017 Budget
Central Processor	\$910,000	\$693,750	\$925,000
Compensation	\$84,334	\$41,250	\$55,000
Clerical, Furniture & Equipment	\$613	\$0	\$400
Rent & Rent Items	\$12,332	\$8,500	\$11,400
Meetings & Travel	\$5,669	\$946	\$9,000
Postal Expenses	\$12	\$0	\$200
Printing, Software, Supplies	\$1,489	\$138	\$1,100
Communications	\$1,403	\$0	\$0
Insurance	\$13,745	\$10,129	\$15,000
Member Company Audits	\$140,722	\$24,313	\$161,079
I Cloud/IT Expenses	\$0	\$0	\$250

Exchange Audit	\$34,316	\$0	\$33,850
Legal Fees	\$47,245	\$24,322	\$33,000
Public Member Fee	\$2,500	\$1,250	\$4,000
Bank Fees	\$0	\$0	\$200
Taxes	\$2,000	\$2,000	\$2000
Miscellaneous	\$246	\$0	\$500
Total	\$1,256,626	\$806,648	\$1,251,979

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 2017 a successful year for the New Jersey Automobile Insurance Risk Exchange, and also recognize the Committee Chairpersons:

- NJAIRE Board Chairman Tom Myers, Vice-Chairman Mark Keenan, and Treasurer Frank Coscia for their outstanding participation, guidance and leadership.
- The 2017 Committees that were 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 – Stephen Doyle, Liberty Mutual Insurance Co.
  - Nominating Committee –Mary Bernadette Corrigan, Hanover
- Paige Berry Esq., 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, Mary Annese, Mike McAuley, Renessa Tuason, Jola Rainko, Sharji Ahmad, and Kevin O’Hora, our outstanding and dedicated ISO team.
- AIPSO associates Bonnie Arpin, John Almagno, Kathy Casey and Janine Lagasse, and their exceptionally talented and experienced Independent Auditor Team.
- The following individuals from Withum Smith-Brown were part of this year’s audit: Rick Coyne, Katie Moraski, Lonnie Bloom, Amanda Reed-Darby, and Lauren Farney who, through their audit expertise, assured that the Exchange functions in a professional manner.

### **NJAIRE Meeting Schedule**

The 2017 Board and Annual Meetings were held at the Holiday Inn National Conference Center, 399 Monmouth Street, East Windsor, New Jersey 08520 on the following dates:

- February 9, 2017
- May 11, 2017
- August 10, 2017
- November 9, 2017 (Board & Annual meetings)

For 2018 the Board agreed to reduce the number of Board meetings from 4 to 3 by combining the February and May meetings. The meetings will be held at the Holiday Inn National Conference Center on the following dates:

- Wednesday, March 14, 2018
- Wednesday, August 8, 2018
- Wednesday, November 7, 2018 (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,

John McBride, General Manager  
New Jersey Automobile Insurance Risk Exchange