

NJIUA

New Jersey Insurance Underwriting Association

2005 Annual Report



The 37th Annual Report

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

2005 Annual Report

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New Jersey Insurance Underwriting Association

2005 Annual Report

Message from the Chair and President

The Year in Review

2005 produced exceptional results. Through the dedication and focus of the management team and employees, the Association achieved the largest underwriting gain in its history. This is a significant accomplishment and can be attributed to aggressive management of the underwriting book of business, attention to the rate adequacy process and timely filing for rate relief, the absence of any catastrophes caused by severe weather and the continued presence in the state of viable voluntary markets.

Annual written premium declined by 3%, ending the year at \$23,237,640. This is actually the first time in four years written premium has not increased. Earned premium increased by 3.6%, essentially flat with the 2004 levels, and is solid evidence revenue growth has slowed and will likely continue its downward trend.

Policyholder counts declined measurably by 9% to the lowest levels since 1998. We currently have 42,930 policies-in-force. Active policy counts declined in all three territories, the greatest decrease occurred in the UEZ territory, down 2,450 policies with the remaining decreases relatively evenly split between the Wind MAP and Balance of State territories.

Underwriting expenses decreased by .32% over 2004 levels, but because of the decline in written premium, the underwriting expense ratio increased 2.77% to 27.74%.

The number of new claims reported to NJIUA during 2005 decreased by nearly 19% from the prior year. New Jersey did not experience any significant weather related catastrophe events during 2005. The total incurred claim and claims expenses of \$12,776,000 decreased by 5.29 % over 2004 and is the lowest incurred loss since 1976.

Our loss ratio of 54.1% is 8.6 % better than year-end 2004 and combined with the underwriting expense ratio of 27.7% generated a combined ratio of 81.84%, a 4-point improvement over the prior year - an exceptional result that translates into an underwriting gain of \$4,395,670. Throughout 2005, all of the operating departments of the Association maintained a sharp focus on strengthening underwriting process quality, managing expenses in every area of endeavor, obtaining rate adequacy and constantly striving to improve all processes. These factors, plus another year of the lowest incurred loss in Association history, are what has lead to the achievement of these exceptional results.

Major Initiatives

Each of our primary business operations undertook significant initiatives during this past year. One critical endeavor was the work being done preparing for the implementation of the rewrite for Infinity – the NJIUA system for underwriting, claims and policy processing. Through December 2005, three of the planned five modules had been delivered and were in various stages of testing and data verification. The planned delivery of the final two deliverables is scheduled for February and March 2006. Our experience with the new enhancements to date is all of the developmental and testing work done by the Association has been successful and we are looking forward to a live implementation of the entire system early in the third quarter 2006.

We completed our first year with the accounting firm of Thomas Howell Ferguson and the transition to this highly regarded regional accounting firm went very smoothly. For the fifth year in a row the external auditors issued no Management Letter comments to the Association.

Association management continued its review of rate adequacy and the monitoring of regulatory compliance issues. Work with the consulting ISO actuaries, the members of the underwriting committee and the Department of Banking and Insurance was completed in the 3rd quarter and dwelling fire rates were increased in November 2005 for new business and January 2006 for renewal policies.

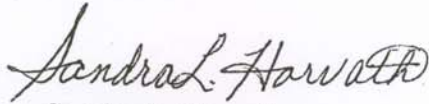
Throughout the year both Underwriting and Claims Management lead intensive efforts to survey policyholders, producers and outside adjusters to solicit input towards improving customer service and responsiveness and to assess the adherence to and effectiveness of established underwriting and claims guidelines and procedures. The input from these initiatives is channeled into further strengthening of our service performance and in the training of employees, producers and adjusters in Association processes.

A key tenet of the mission of NJIUA states we will be easy to do business with, readily accessible, provide accurate information, timely customer service and fair and prompt claims settlement. These are daily charges to every Association employee and we are very appreciative of their dedicated and conscientious efforts on behalf of policyholders and claimants.

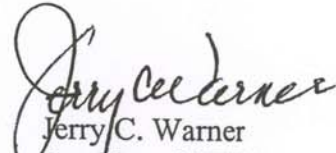
After serving as President of the Association for nine years, Mr. Randy J. Beck, resigned in November, 2005 to assume a new role in Illinois, his home state. We extend our best wishes to Mr. Beck for his continued success and our grateful appreciation for the years of dedicated leadership and service. Under his focused direction, the Association continuously strengthened its performance in every aspect of its operation.

We wish to express our sincere appreciation to Mark Nussenfeld, William Rader, Donald Bryan and others at the Department of Banking and Insurance for their ongoing guidance and support of our mission to provide essential property insurance to New Jersey consumers. We also acknowledge and offer our sincere appreciation to legal counsel Hugh Francis for his exceptional guidance and support on a wide array of matters. Finally, we sincerely thank all the members of the Board of Directors, especially Vice Chair Fred Strauss, Committee Chairs Lou Cappello, Bob Farnam, Dave Hart, Bill Martin and Mike O'Malley for their thoughtful advice on our business activities.

Sincerely,



Sandra L. Horvath
Chair Board of Directors, NJIUA



Jerry C. Warner
President, NJIUA

New Jersey Insurance Underwriting Association

Financial Highlights

	Year Ending December 31, (Unaudited)	
	2005	2004
PREMIUM WRITTEN	\$23,237,640	\$23,958,287
PREMIUMS EARNED	23,618,216	22,788,202
LOSSES INCURRED	11,124,330	11,946,740
CLAIM EXPENSES INCURRED	1,652,070	1,543,583
EXPENSES INCURRED	6,446,146	6,466,996
UNDERWRITING GAIN	4,395,670	2,830,883
ADD INVESTMENT INCOME	539,181	178,340
NET OPERATING GAIN	\$4,934,851	\$3,009,223
LOSS RATIO	54.10%	59.20%
EXPENSE RATIO	27.74%	26.99%
COMBINED RATIO	81.84%	86.19%

New Jersey Insurance Underwriting Association

Statements of Admitted Assets, Liabilities and Members' Equity - Statutory Basis

Admitted Assets	As at December 31, (Unaudited)	
	2005	2004
Cash and short-term investments	\$16,708,459	\$13,444,578
Accrued interest	114,017	45,850
Other assets	31,762	50,694
Total Admitted Assets	\$16,854,238	\$13,541,122
Liabilities and Members' Equity		
Liabilities:		
Unearned premiums	\$11,538,996	\$11,919,572
Unpaid losses	5,318,045	6,512,477
Unpaid loss adjustment expenses	650,116	642,579
Claim checks payable	6,546	66,898
Amounts held for others	381,349	374,852
Accrued expenses	246,950	251,968
Other liabilities	540,156	366,764
Accrued premium taxes & filing fees	56,781	61,013
Post retirement benefits (other than pensions)	1,763,232	1,407,926
Defined benefit pension plan liability	589,226	335,683
Advanced premium	370,269	440,313
Total Liabilities and Reserves	\$21,461,667	\$22,380,045
Members' Equity (deficit)	(4,607,429)	(8,838,923)
Total Liabilities and Members' Equity	\$16,854,238	\$13,541,122

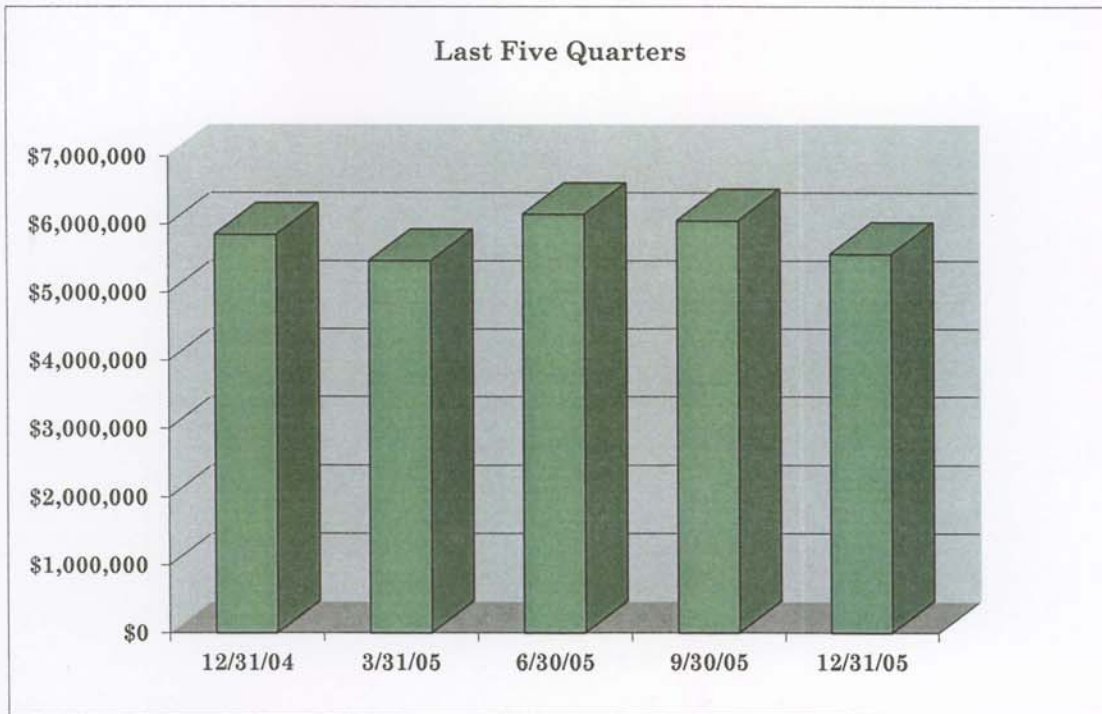
New Jersey Insurance Underwriting Association

Statements of Operations and Changes in Members' Equity - Statutory Basis

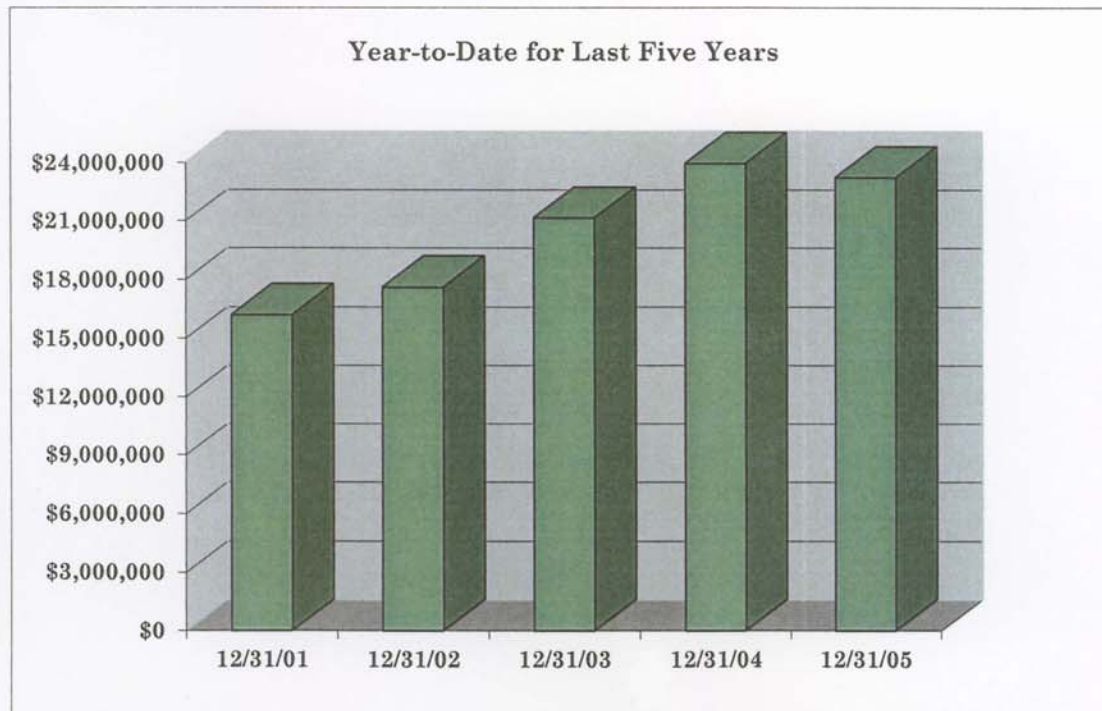
	Twelve Months Ending December 31, (Unaudited)	
	2005	2004
Underwriting Income:		
Net premiums written	\$23,237,640	\$23,958,287
Change in unearned premiums	380,576	(1,170,085)
Net premiums earned	23,618,216	22,788,202
Deductions:		
Losses incurred	11,124,330	11,946,740
Loss adjustment expenses incurred	1,652,070	1,543,583
Commissions	2,045,510	2,141,483
Other underwriting expenses	4,312,581	4,239,312
Premium taxes & filing fees	88,055	86,201
Total underwriting deductions	19,222,546	19,957,319
Net underwriting gain	4,395,670	2,830,883
Net investment income	539,181	178,340
Net gain	\$4,934,851	\$3,009,223
Members' equity (deficit) beginning of period	(8,838,923)	(11,925,058)
Net gain	4,934,851	3,009,223
Increase (decrease) in non-admitted assets	(449,814)	(91,475)
Employer's pension obligation	(253,543)	168,387
Members' equity (deficit) end of period	(\$4,607,429)	(\$8,838,923)

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Written Premium - All Lines



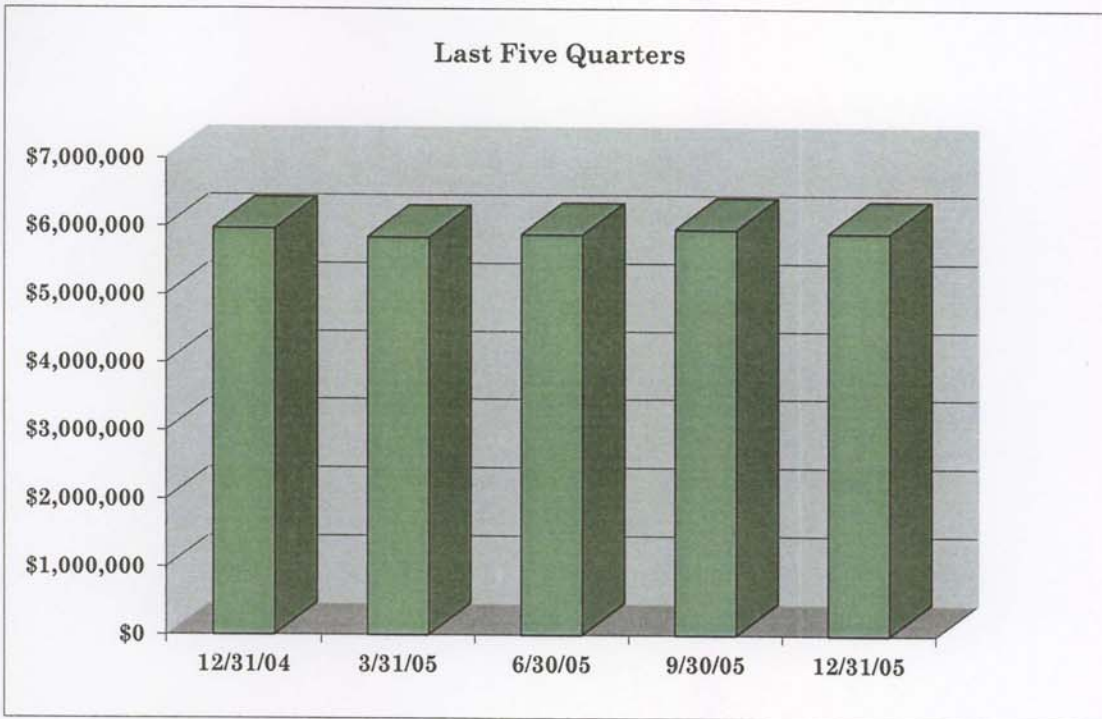
Quarter Ending	
12/31/04	\$5,848,928
3/31/05	5,467,036
6/30/05	6,146,541
9/30/05	6,055,172
12/31/05	\$5,568,891



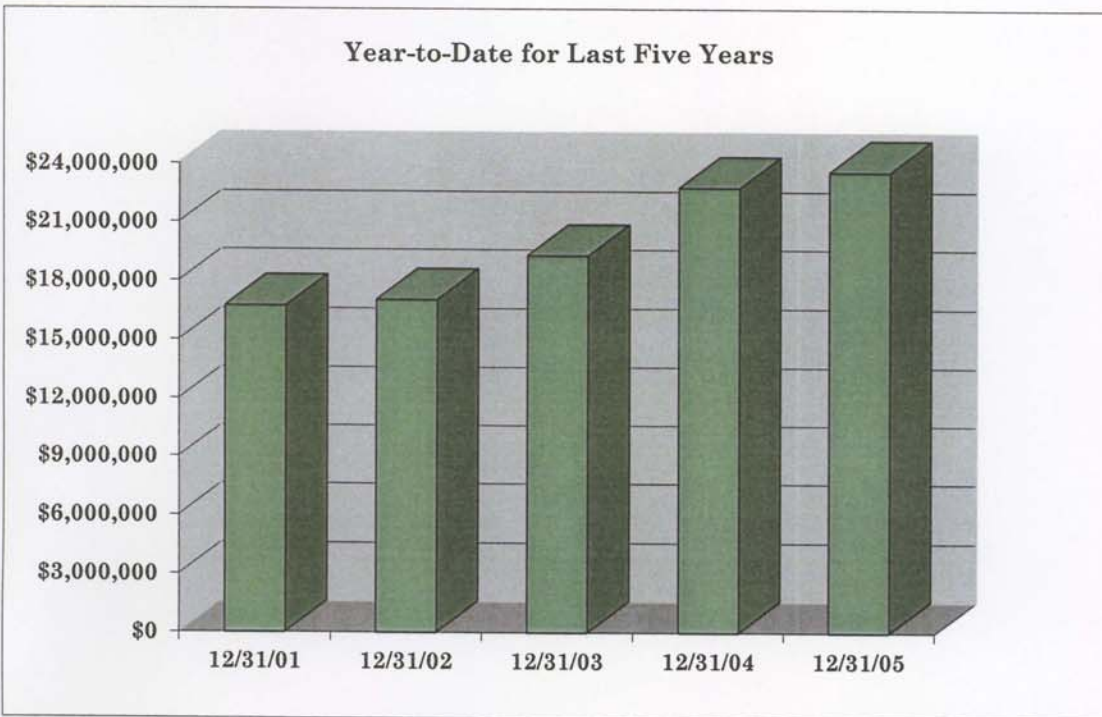
Period Ending	
12/31/01	\$16,190,670
12/31/02	17,606,576
12/31/03	21,147,565
12/31/04	23,958,287
12/31/05	\$23,237,640

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Earned Premium - All Lines



<u>Quarter Ending</u>	
12/31/04	\$5,968,947
3/31/05	5,847,744
6/30/05	5,888,560
9/30/05	5,965,433
12/31/05	\$5,916,479

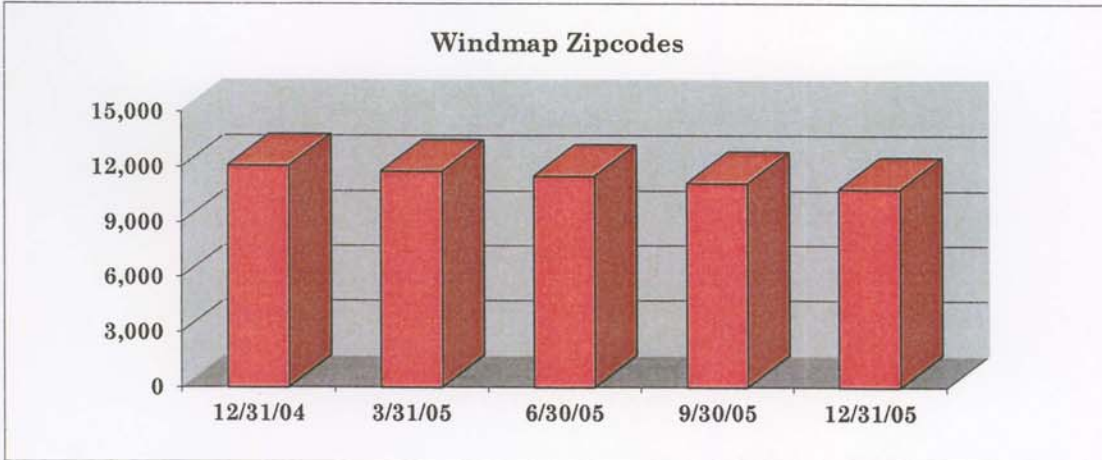


<u>Period Ending</u>	
12/31/01	\$16,708,714
12/31/02	17,025,009
12/31/03	19,295,204
12/31/04	22,788,202
12/31/05	\$23,618,216

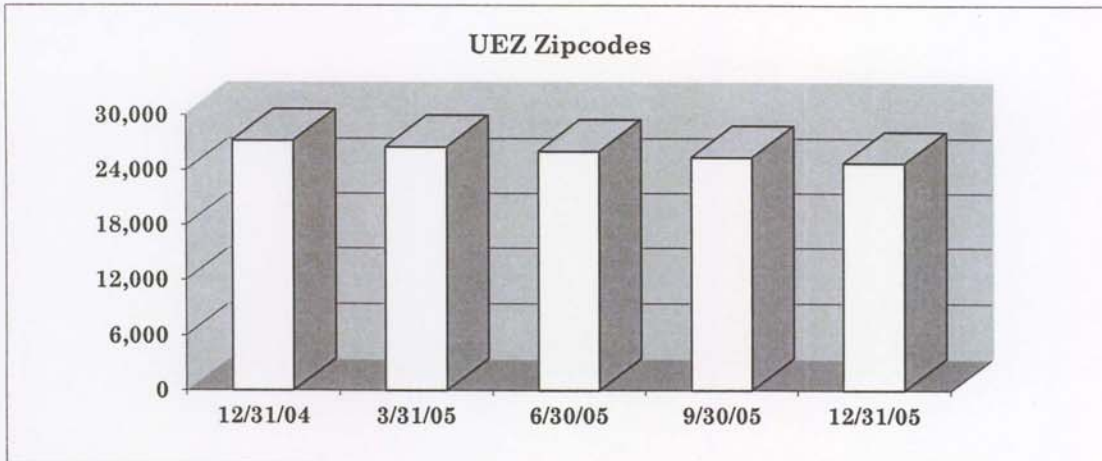
NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

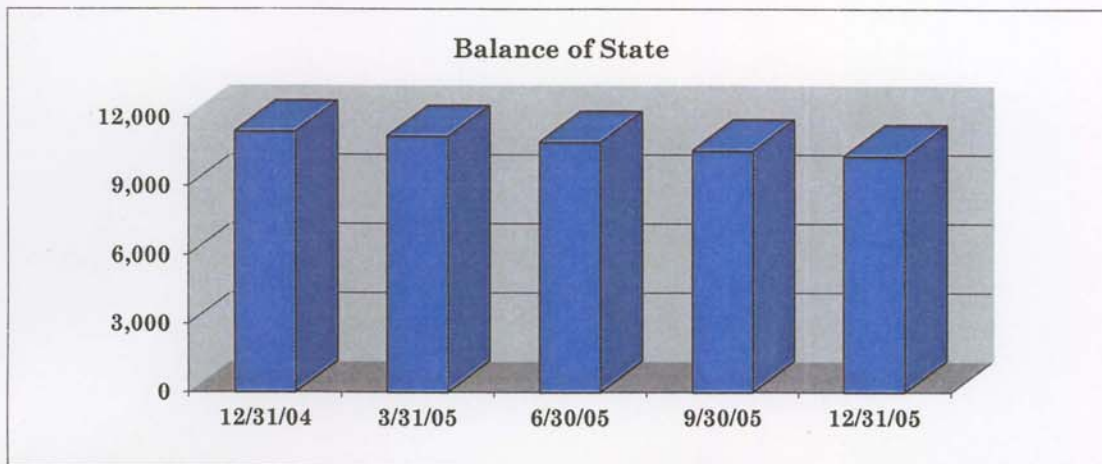
Last Five Quarters



Quarter Ending	
12/31/04	12,086
3/31/05	11,774
6/30/05	11,511
9/30/05	11,128
12/31/05	10,836



Quarter Ending	
12/31/04	27,207
3/31/05	26,534
6/30/05	26,038
9/30/05	25,375
12/31/05	24,757



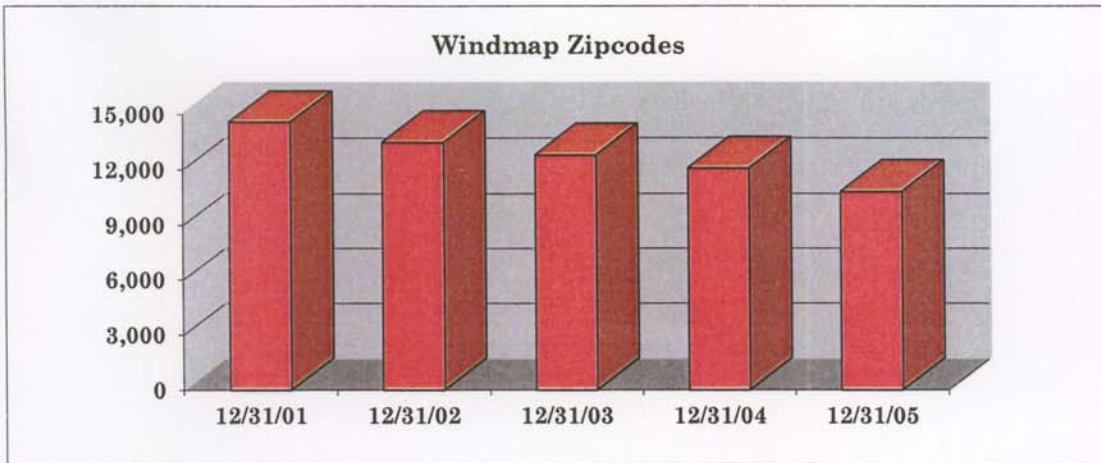
Quarter Ending	
12/31/04	11,383
3/31/05	11,171
6/30/05	10,918
9/30/05	10,546
12/31/05	10,306

Note: Sum of zipcodes does not equal total due to overlap between WindMap and UEZ definitions.

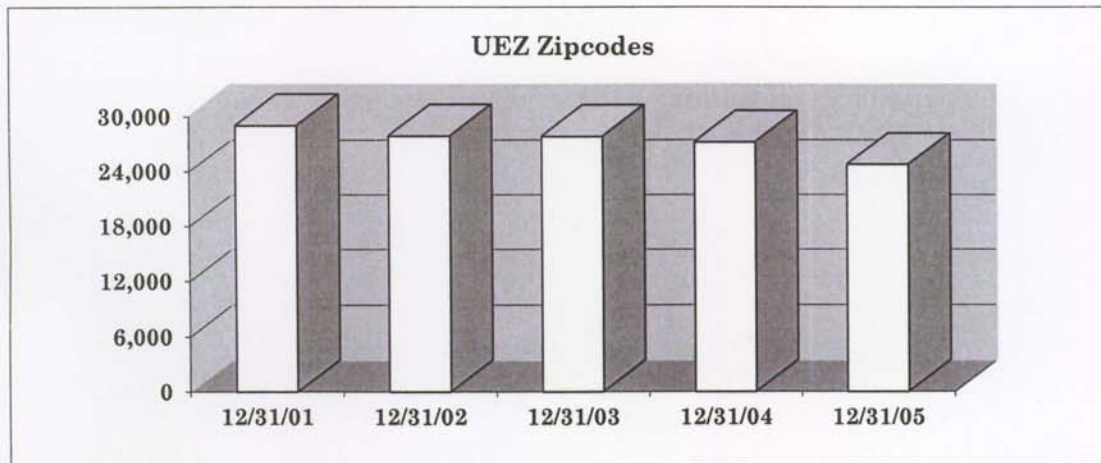
NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

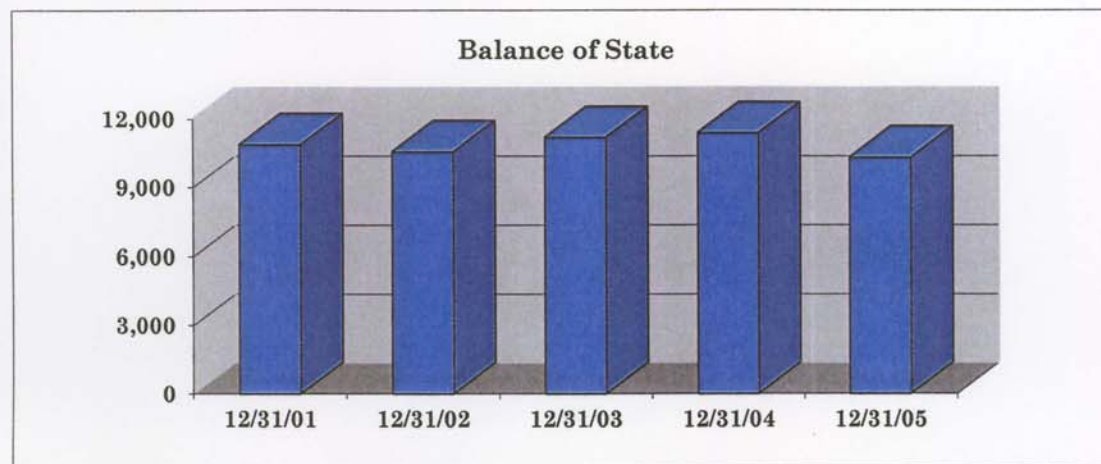
Last Five Years



Period Ending	
12/31/01	14,585
12/31/02	13,489
12/31/03	12,799
12/31/04	12,086
12/31/05	10,836



Period Ending	
12/31/01	29,016
12/31/02	27,898
12/31/03	27,830
12/31/04	27,207
12/31/05	24,757

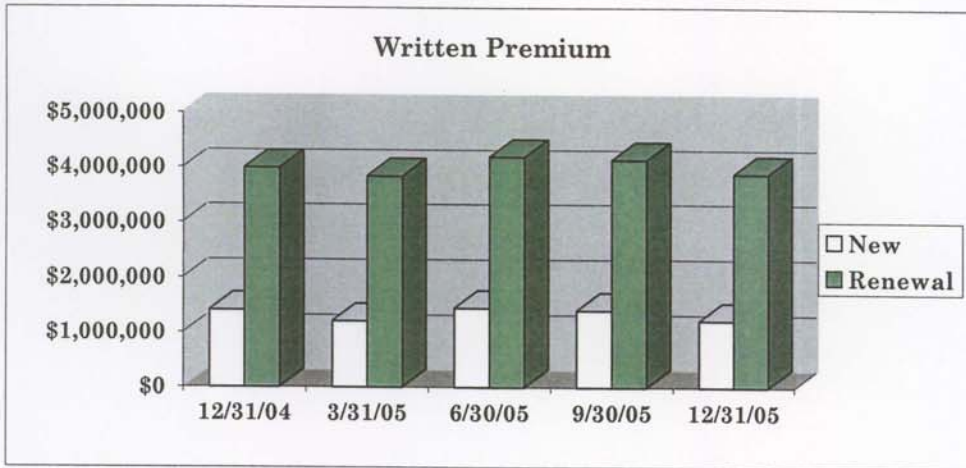


Period Ending	
12/31/01	10,872
12/31/02	10,560
12/31/03	11,181
12/31/04	11,383
12/31/05	10,306

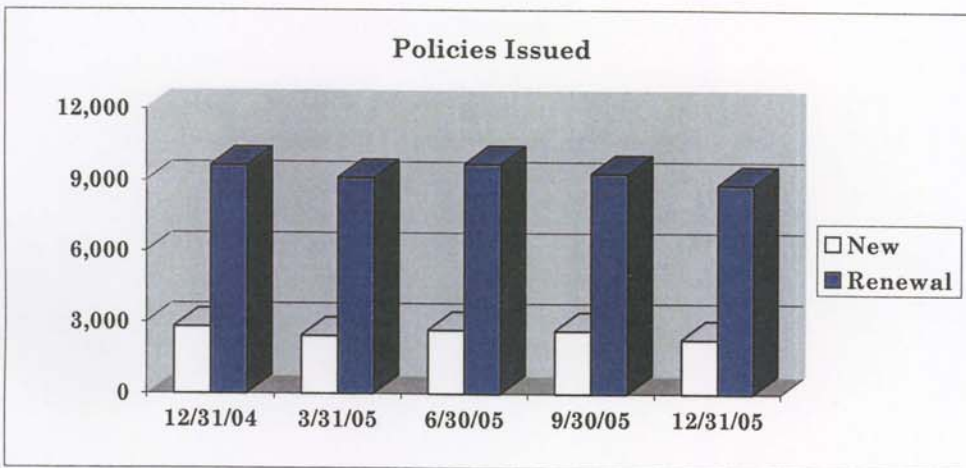
Note: Sum of zipcodes does not equal total due to overlap between WindMap and UEZ definitions.

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

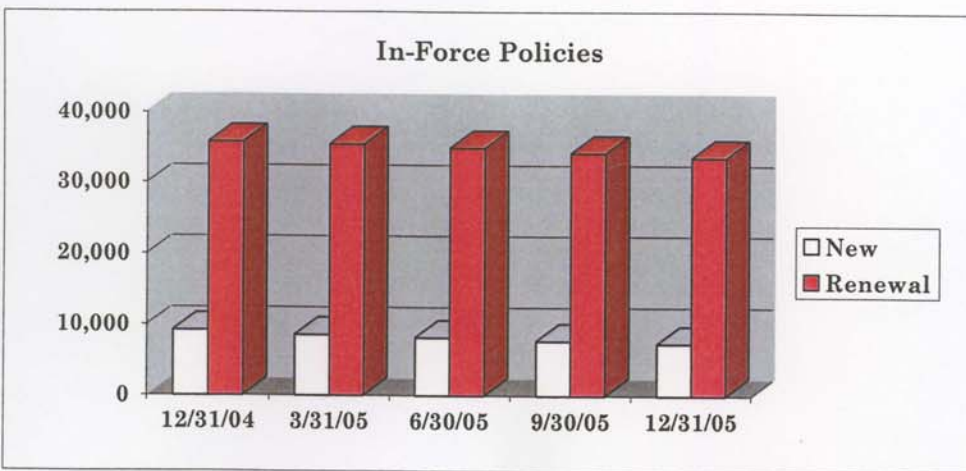
Dwelling Business



	<u>Quarter Ending</u>	
	<u>New</u>	<u>Renewal</u>
12/31/04	\$1,412,771	\$3,993,536
3/31/05	1,211,928	3,842,940
6/30/05	1,454,584	4,197,169
9/30/05	1,411,676	4,147,224
12/31/05	\$1,226,506	\$3,894,040



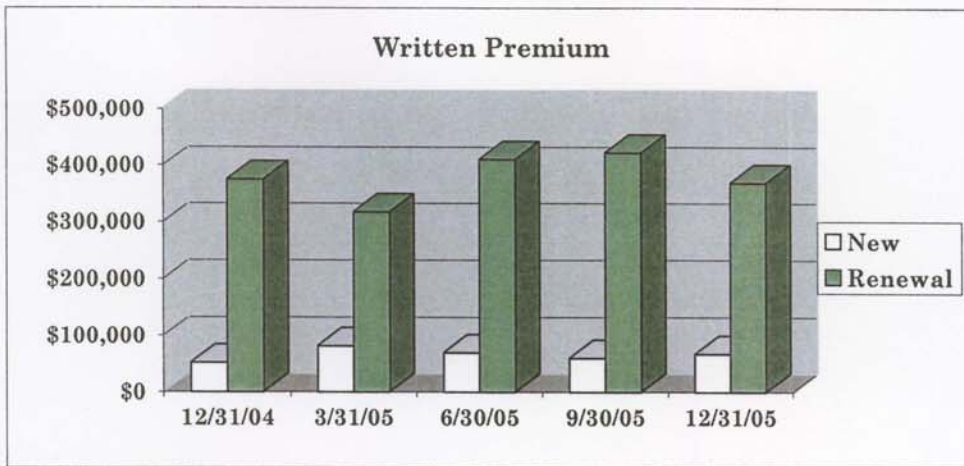
	<u>Quarter Ending</u>	
	<u>New</u>	<u>Renewal</u>
12/31/04	2,806	9,635
3/31/05	2,425	9,112
6/30/05	2,671	9,700
9/30/05	2,641	9,307
12/31/05	2,282	8,831



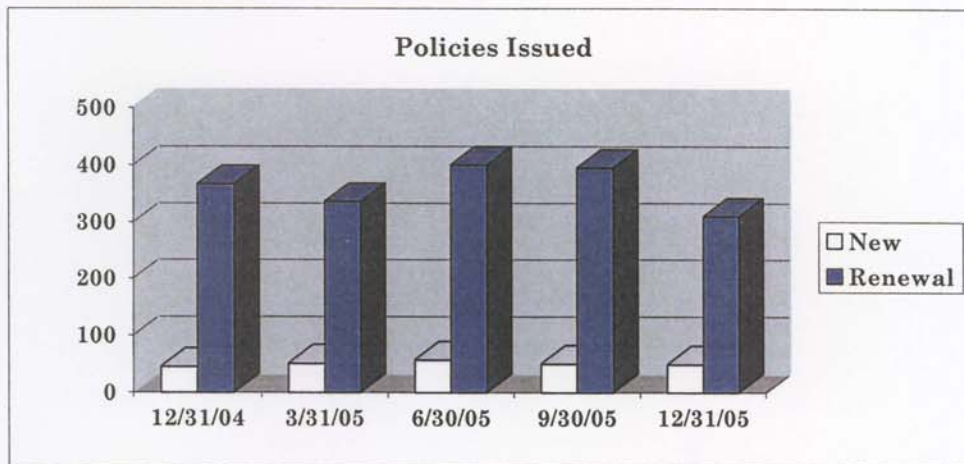
	<u>Quarter Ending</u>	
	<u>New</u>	<u>Renewal</u>
12/31/04	9,244	35,774
3/31/05	8,581	35,446
6/30/05	8,192	34,945
9/30/05	7,746	34,216
12/31/05	7,367	33,600

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

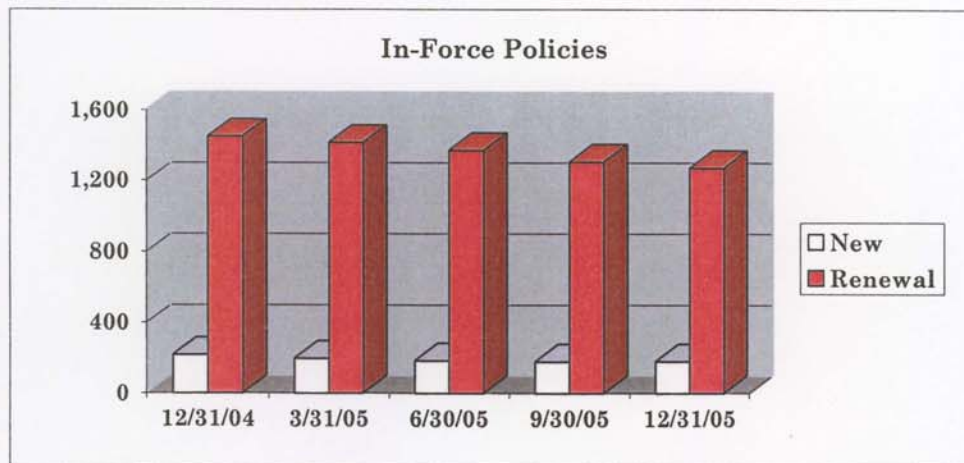
Commercial Business



Quarter Ending	Quarter Ending	
	New	Renewal
12/31/04	\$52,096	\$375,453
3/31/05	81,539	317,618
6/30/05	69,860	410,443
9/30/05	59,964	422,423
12/31/05	\$67,634	\$369,119



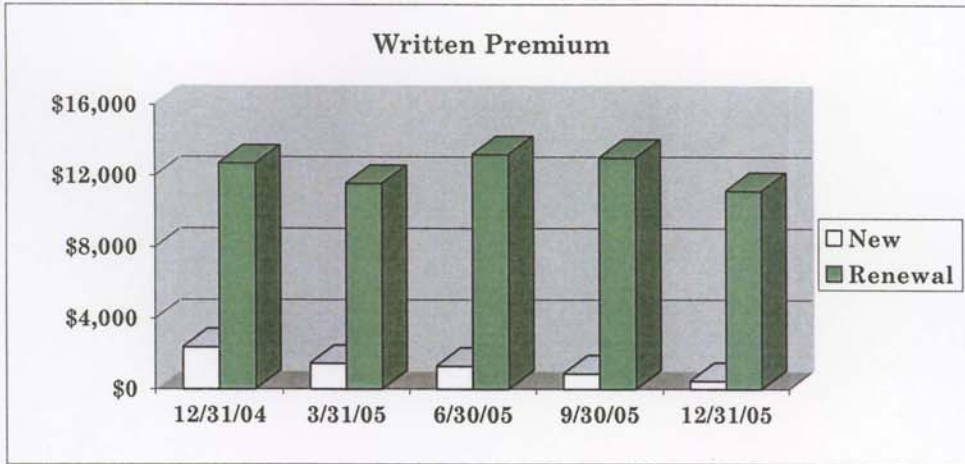
Quarter Ending	Quarter Ending	
	New	Renewal
12/31/04	45	367
3/31/05	51	336
6/30/05	57	400
9/30/05	50	395
12/31/05	49	310



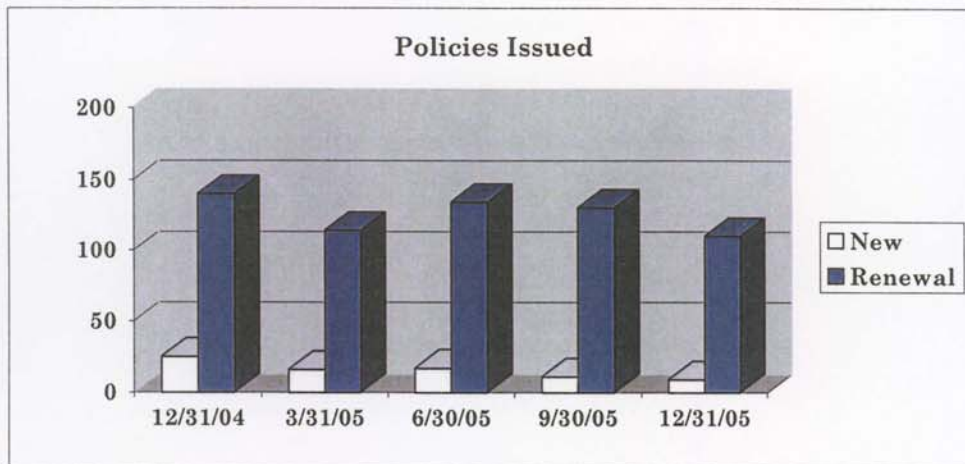
Quarter Ending	Quarter Ending	
	New	Renewal
12/31/04	217	1,448
3/31/05	196	1,414
6/30/05	184	1,369
9/30/05	178	1,304
12/31/05	179	1,270

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

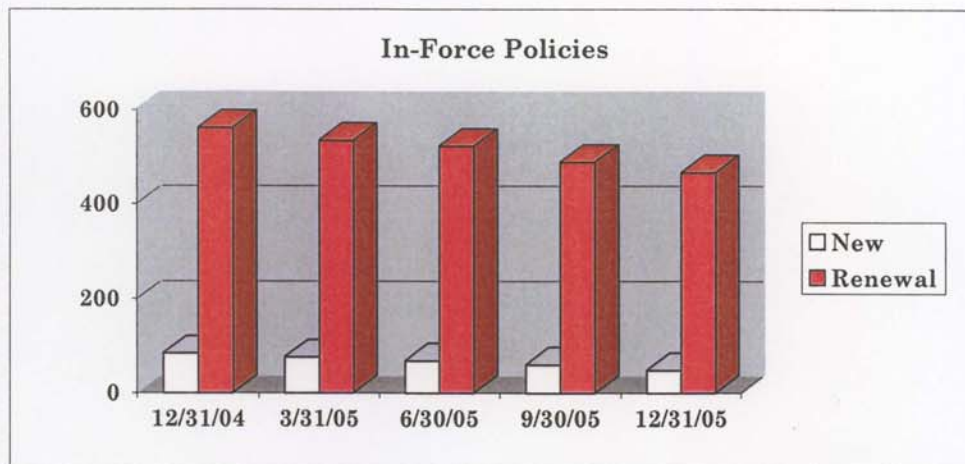
Crime Business



Quarter Ending	Quarter Ending	
	New	Renewal
12/31/04	\$2,375	\$12,697
3/31/05	1,446	11,565
6/30/05	1,289	13,196
9/30/05	871	13,014
12/31/05	\$445	\$11,147



Quarter Ending	Quarter Ending	
	New	Renewal
12/31/04	25	140
3/31/05	16	114
6/30/05	17	134
9/30/05	11	130
12/31/05	9	110

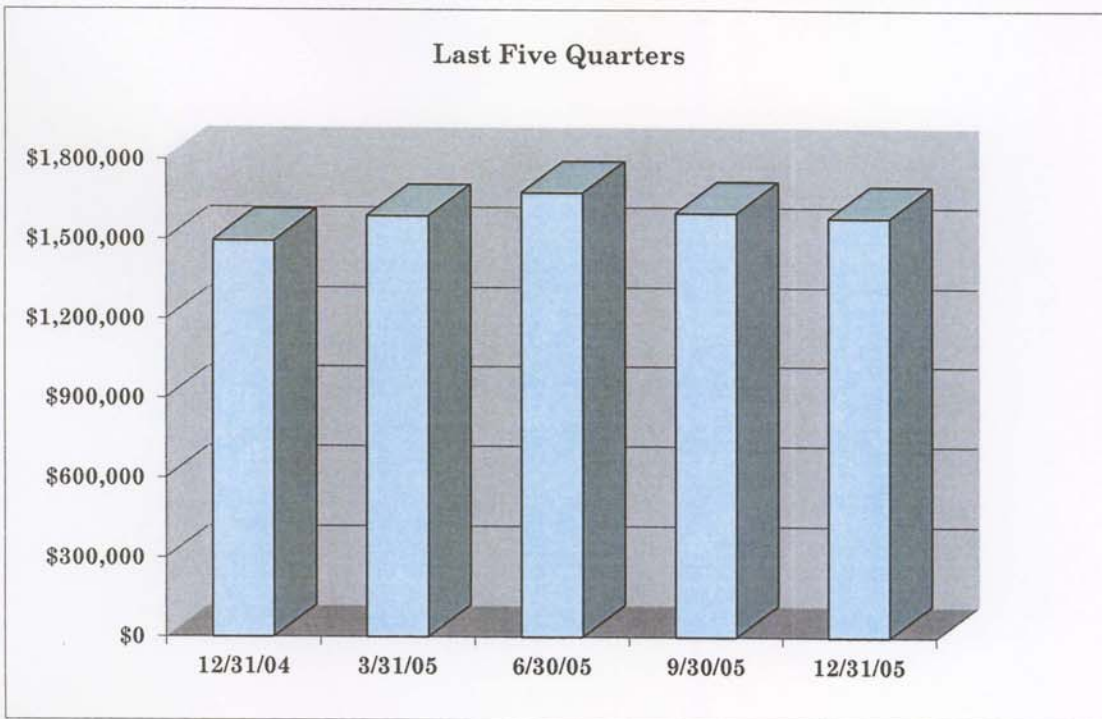


Quarter Ending	Quarter Ending	
	New	Renewal
12/31/04	84	561
3/31/05	76	534
6/30/05	68	522
9/30/05	60	488
12/31/05	48	466

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

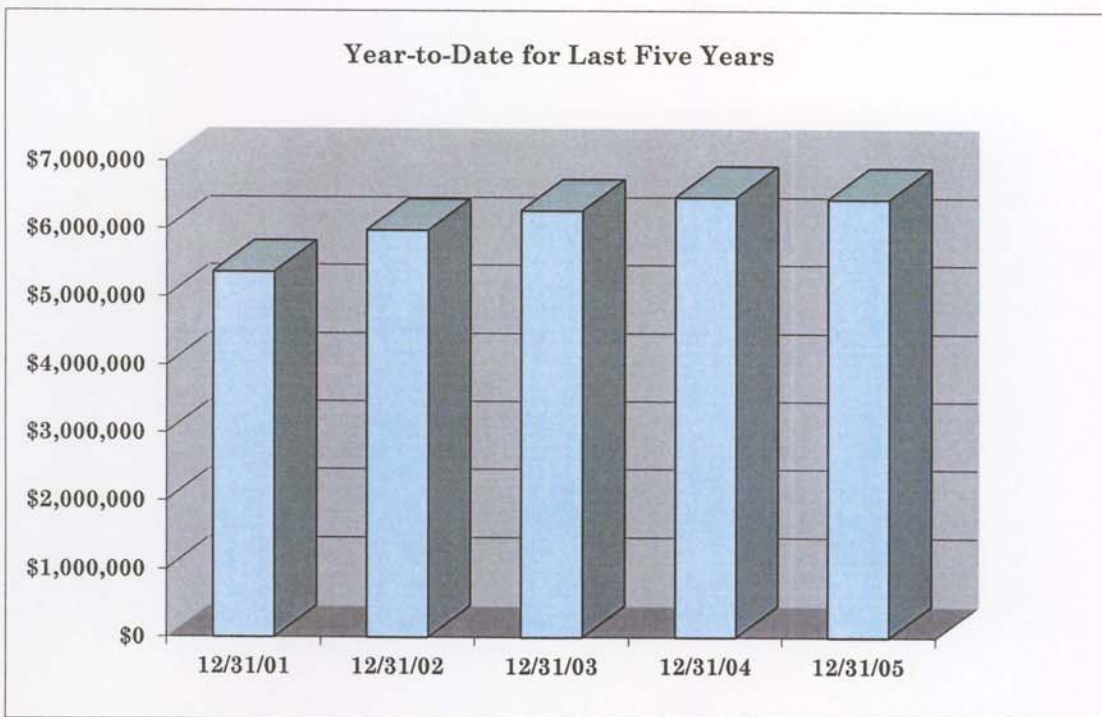
Underwriting Expenses Incurred

Last Five Quarters



Quarter Ending	
12/31/04	\$1,494,065
3/31/05	1,587,967
6/30/05	1,676,121
9/30/05	1,599,897
12/31/05	\$1,582,159

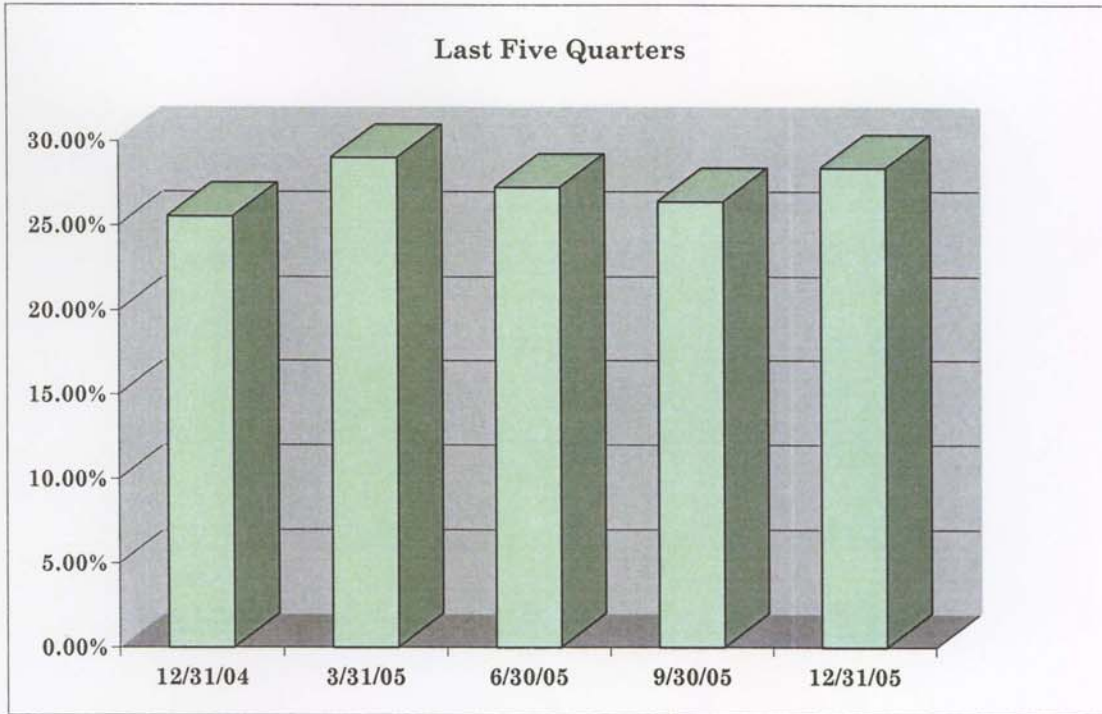
Year-to-Date for Last Five Years



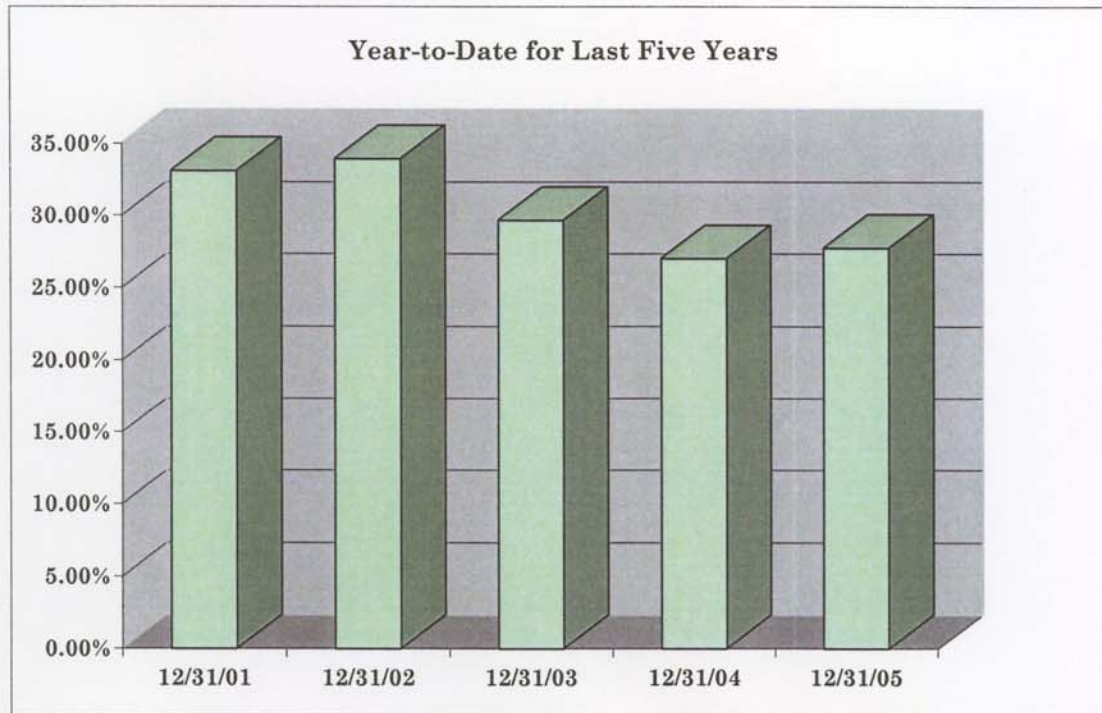
Period Ending	
12/31/01	\$5,361,057
12/31/02	5,976,922
12/31/03	6,271,563
12/31/04	6,466,996
12/31/05	\$6,446,146

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Expense Ratio



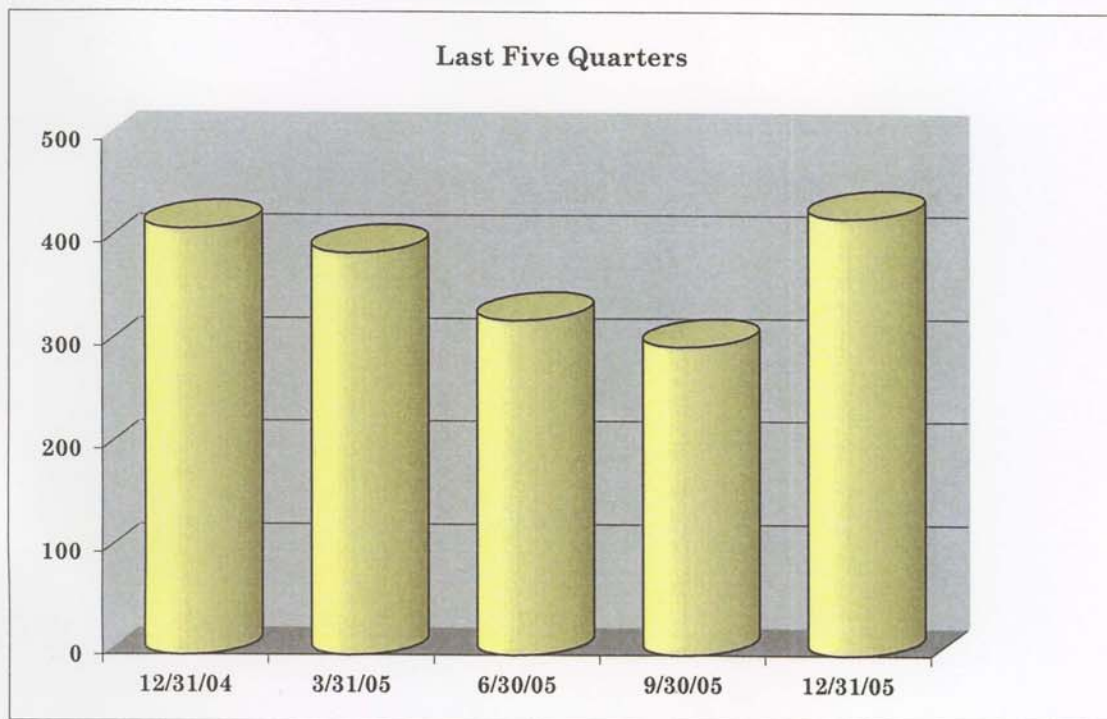
<u>Quarter Ending</u>	
12/31/04	25.54%
3/31/05	29.05%
6/30/05	27.27%
9/30/05	26.42%
12/31/05	28.41%



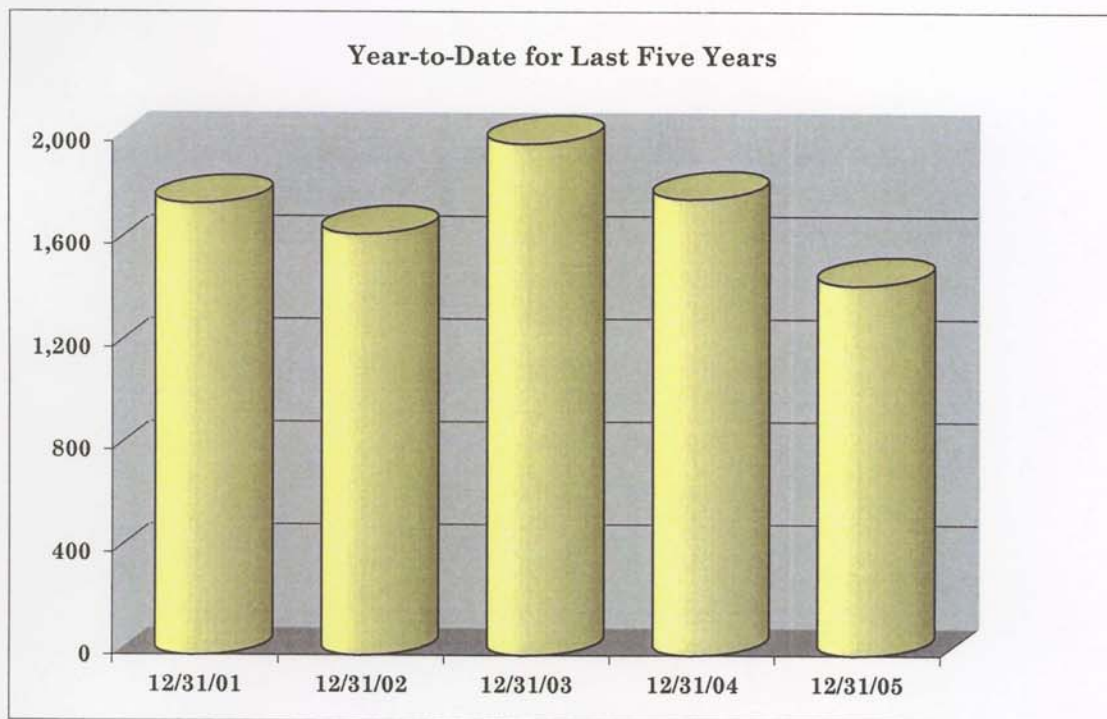
<u>Period Ending</u>	
12/31/01	33.11%
12/31/02	33.95%
12/31/03	29.66%
12/31/04	26.99%
12/31/05	27.74%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of New Claims Reported



<u>Quarter Ending</u>	
12/31/04	414
3/31/05	391
6/30/05	326
9/30/05	300
12/31/05	425

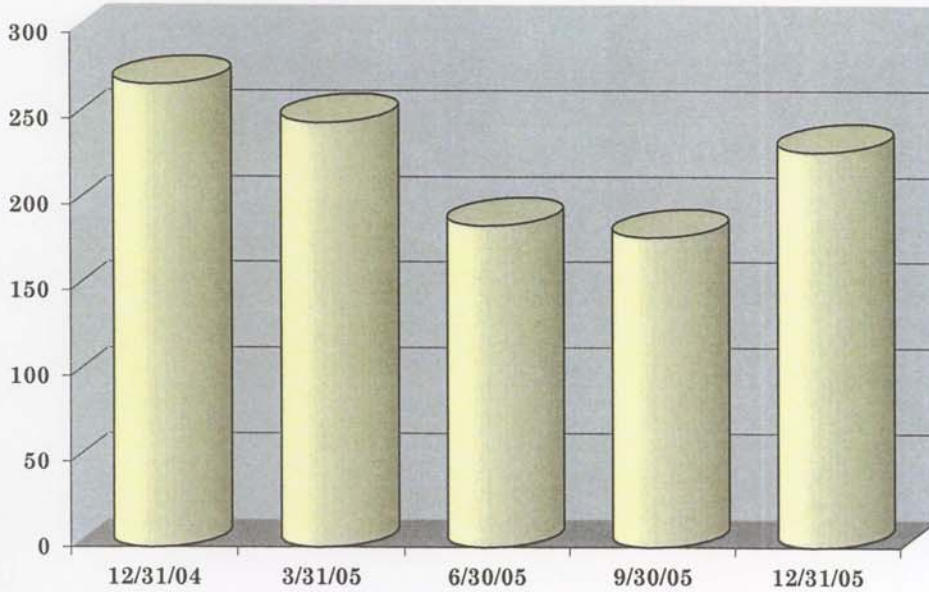


<u>Period Ending</u>	
12/31/01	1,760
12/31/02	1,640
12/31/03	1,994
12/31/04	1,778
12/31/05	1,442

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of Open Claims

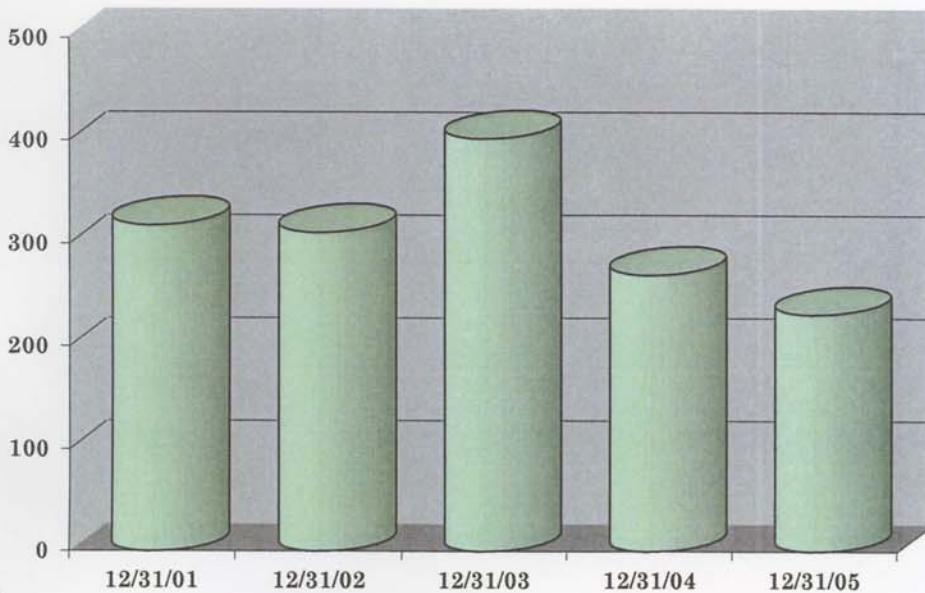
Last Five Quarters



Quarter Ending

12/31/04	270
3/31/05	248
6/30/05	188
9/30/05	181
12/31/05	231

Year-to-Date for Last Five Years

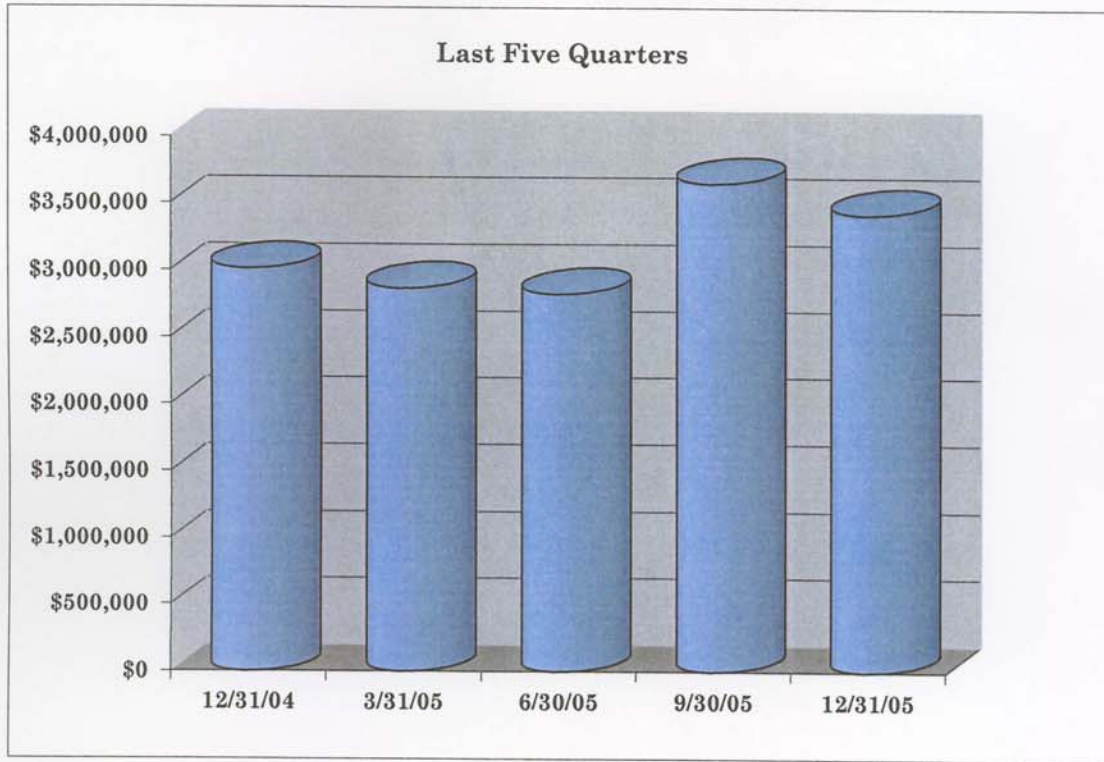


Period Ending

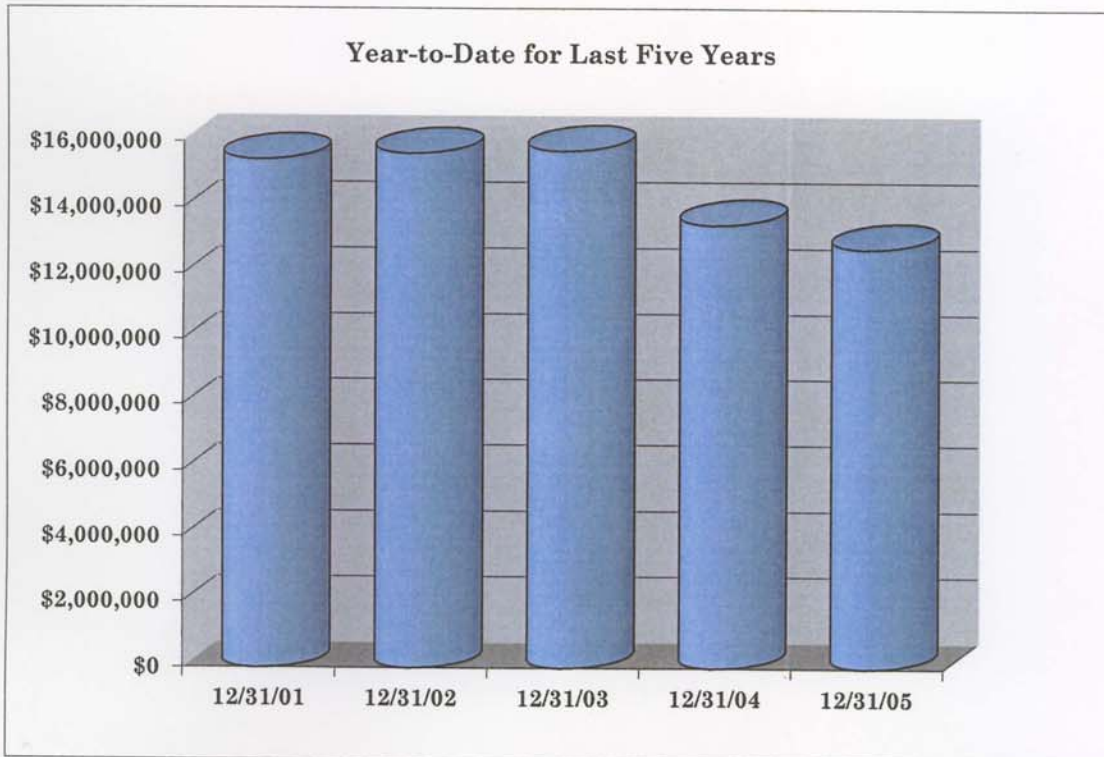
12/31/01	318
12/31/02	311
12/31/03	402
12/31/04	270
12/31/05	231

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Claims & Claim Expenses Incurred



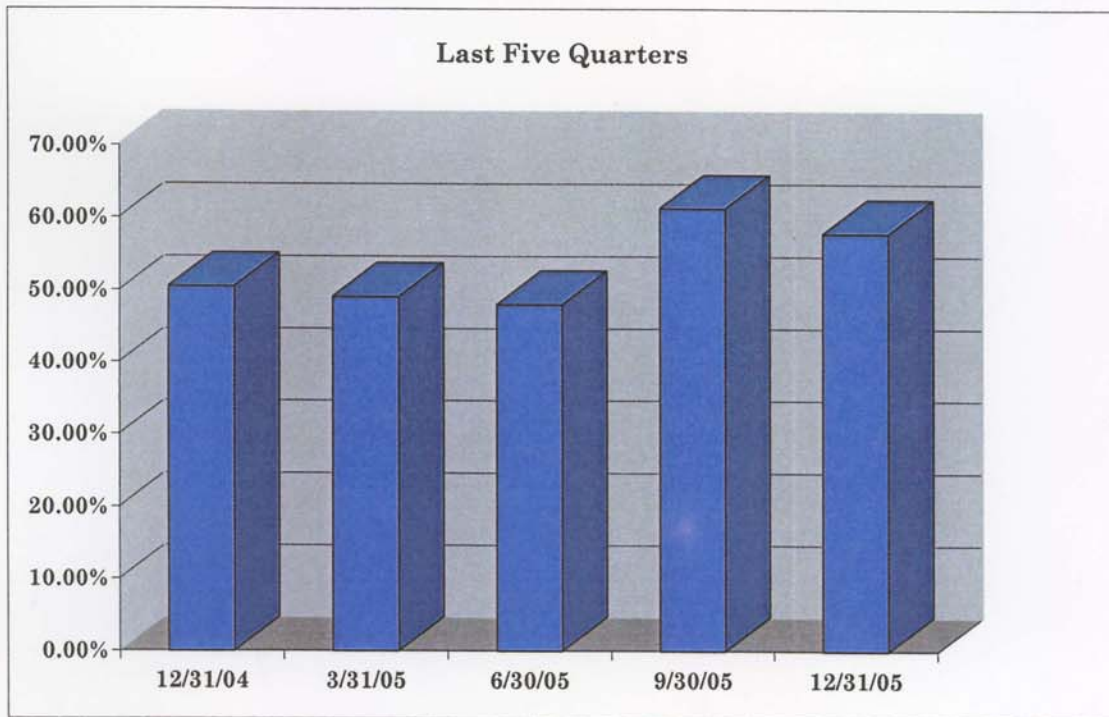
<u>Period Ending</u>	
12/31/04	\$3,012,453
3/31/05	2,869,884
6/30/05	2,827,489
9/30/05	3,655,658
12/31/05	\$3,423,372



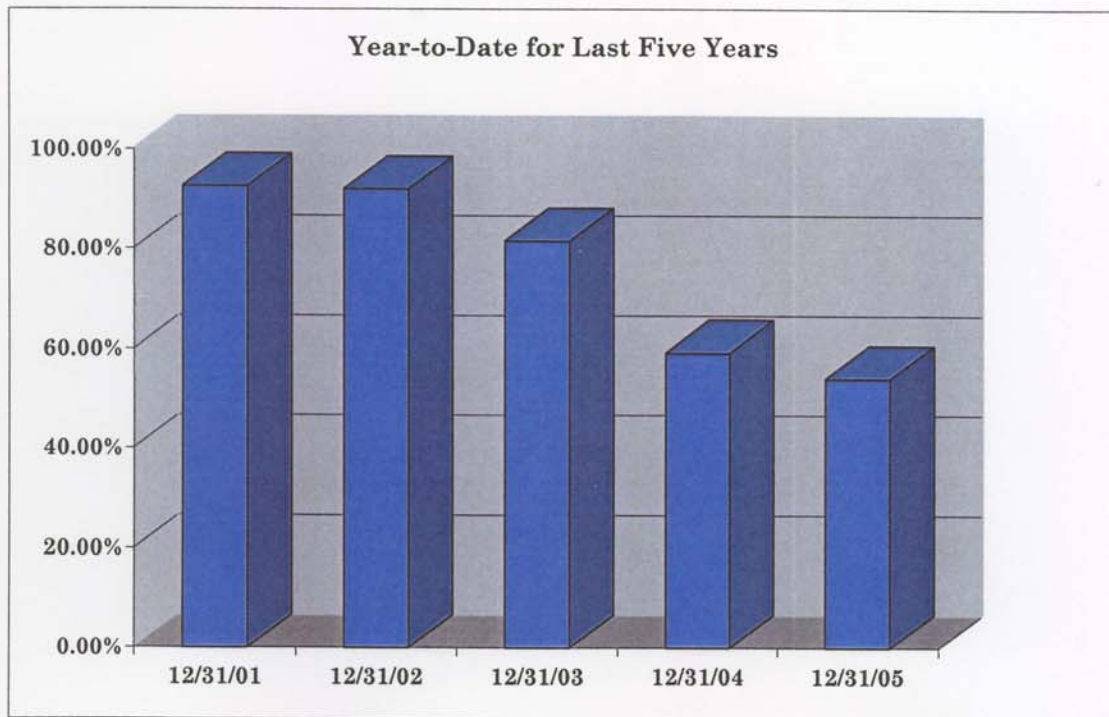
<u>Period Ending</u>	
12/31/01	\$15,470,157
12/31/02	15,661,514
12/31/03	15,736,999
12/31/04	13,490,323
12/31/05	\$12,776,400

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Loss Ratio



Quarter Ending	
12/31/04	50.47%
3/31/05	49.08%
6/30/05	48.02%
9/30/05	61.28%
12/31/05	57.86%

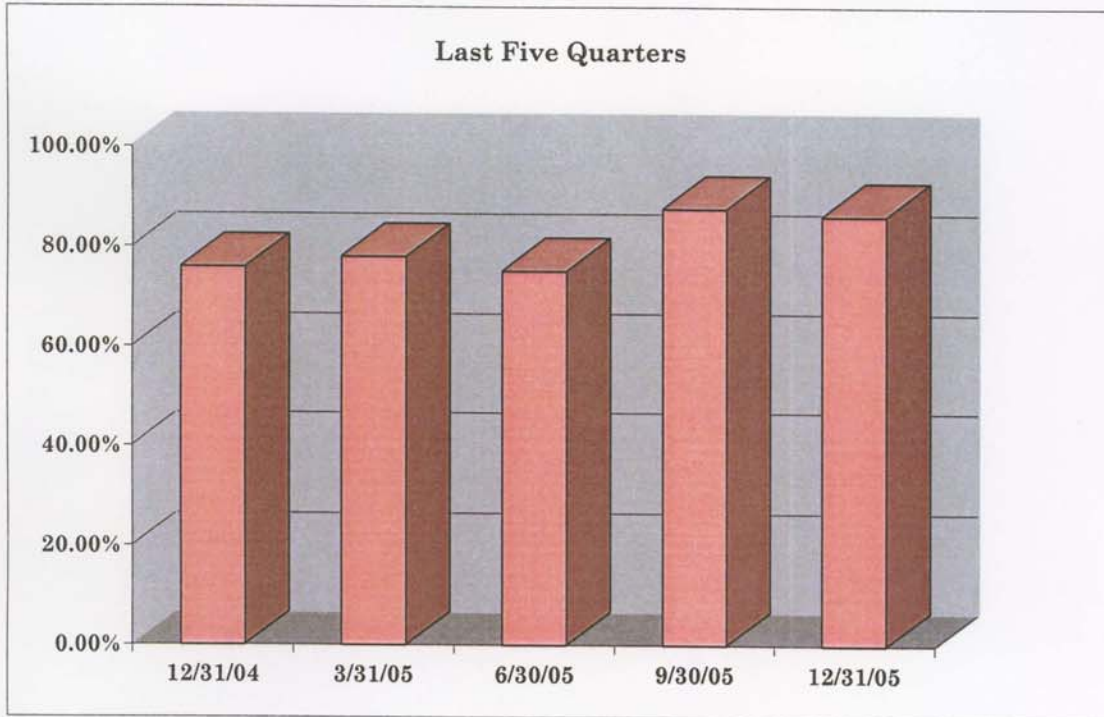


Period Ending	
12/31/01	92.59%
12/31/02	91.99%
12/31/03	81.56%
12/31/04	59.20%
12/31/05	54.10%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Combined Ratio

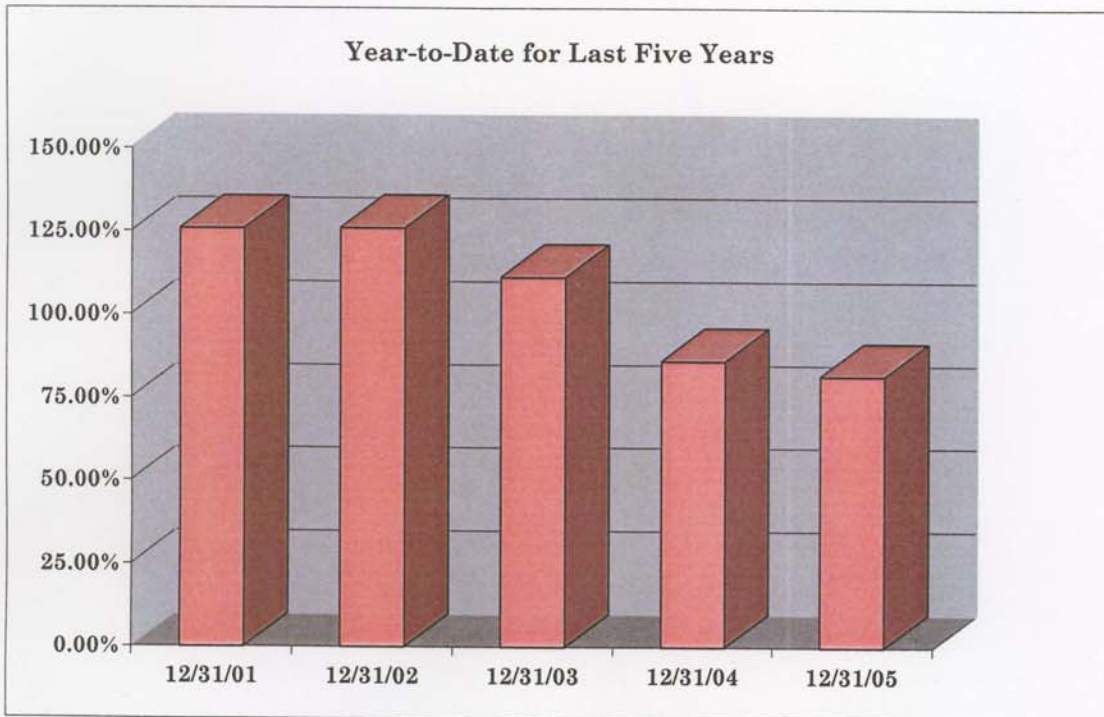
Last Five Quarters



Quarter Ending

12/31/04	76.01%
3/31/05	78.12%
6/30/05	75.29%
9/30/05	87.70%
12/31/05	86.27%

Year-to-Date for Last Five Years

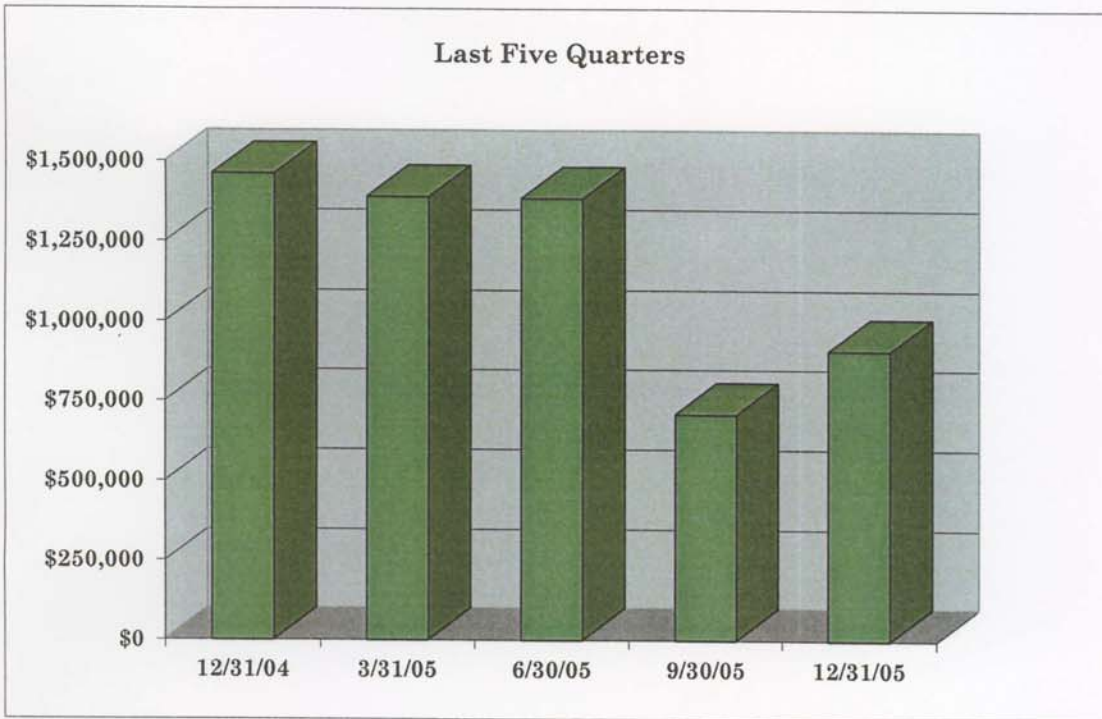


Period Ending

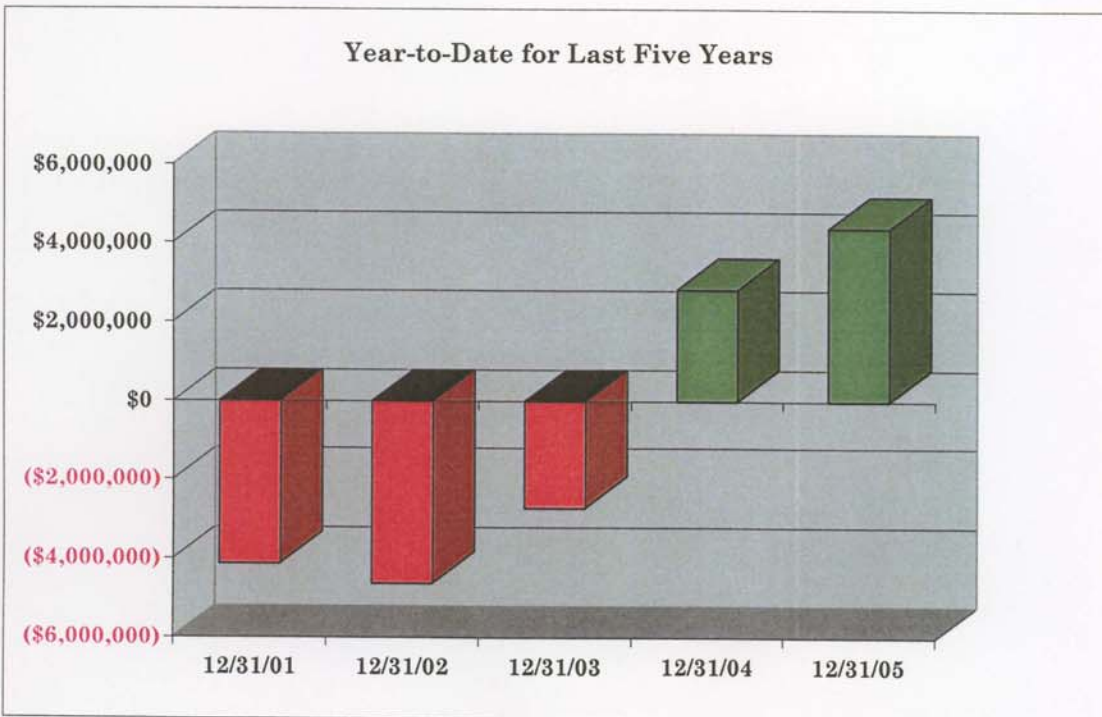
12/31/01	125.70%
12/31/02	125.94%
12/31/03	111.22%
12/31/04	86.19%
12/31/05	81.84%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Gain (Loss)



Quarter Ending	
12/31/04	\$1,462,429
3/31/05	1,389,893
6/30/05	1,384,950
9/30/05	709,878
12/31/05	\$910,948



Period Ending	
12/31/01	(\$4,122,500)
12/31/02	(4,613,428)
12/31/03	(2,713,358)
12/31/04	2,830,883
12/31/05	\$4,395,670

New Jersey Insurance Underwriting Association

Policies Issued by Line of Business

<u>Dwelling Business</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
New	10,019	12,005	12,607	10,251	9,025
Renewal	36,950	39,098	39,188	39,744	39,832
Total	46,969	51,103	51,795	49,995	48,857
<u>Commercial Business</u>					
New	207	259	335	329	272
Renewal	1,441	1,670	1,787	1,931	2,033
Total	1,648	1,929	2,122	2,260	2,305
<u>Crime Business</u>					
New	53	101	89	93	90
Renewal	488	597	673	791	892
Total	541	698	762	884	982
<u>All Lines</u>					
New	10,279	12,365	13,031	10,673	9,387
Renewal	38,879	41,365	41,648	42,466	42,757
Total	49,158	53,730	54,679	53,139	52,144

New Jersey Insurance Underwriting Association

Applications Received by Line of Business

<u>Dwelling Business</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
New	10,215	12,778	14,469	11,289	9,214
Renewal	37,337	39,320	39,250	39,825	41,300
Total	47,552	52,098	53,719	51,114	50,514

Commercial Business

New	212	294	521	573	432
Renewal	1,473	1,883	1,797	1,939	2,201
Total	1,685	2,177	2,318	2,512	2,633

Crime Business

New	71	119	93	107	175
Renewal	492	673	703	797	929
Total	562	792	796	904	1,104

All Lines

New	10,497	13,191	15,083	11,969	9,821
Renewal	39,302	41,876	41,750	42,561	44,430
Total	49,800	55,067	56,833	54,530	54,251

New Jersey Insurance Underwriting Association

Claim Information

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
New Claims Reported	1,442	1,778	1,994	1,640	1,760
Large Losses (+ \$100k)	36	27	32	25	20
Catastrophe Losses	159	195	326	44	40
Arson Losses	17	9	11	15	20
Paid Losses	\$12,319,000	\$12,675,000	\$12,271,000	\$14,646,000	\$15,870,000
Case Reserves	\$3,973,000	\$4,975,000	\$5,661,000	\$4,270,000	\$4,905,000
Loss Exp. Paid	\$1,645,000	\$1,618,000	\$1,571,000	\$1,656,000	\$1,658,000
Loss Exp. Reserves	\$650,000	\$643,000	\$717,000	\$475,000	\$557,000
IBNR Reserves	\$1,345,000	\$1,537,000	\$1,580,000	\$1,317,000	\$1,242,000

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NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

BOARD OF DIRECTORS 2005

NAME

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Mr. Fred Strauss, Vice Chair	Allstate New Jersey Insurance Company
Mr. Michael O'Malley	Federal Insurance Company
Mr. Kevin J. Curry	First Trenton Indemnity Company
Mr. James P. Ayers	Franklin Mutual Insurance Company
Mr. William W. Martin	Hartford Fire Insurance Company
Mr. Daniel Reilly	High Point Preferred Insurance Co.
Mr. Douglas Waltz	Liberty Mutual Insurance Company
Mr. Jack Hoffman	NJ Manufacturers Insurance Company
Ms. Jane White	Ohio Casualty Insurance Company
Mr. Robert D. Farnam	Preserver Insurance Company
Mr. Paul Smolinsky	Selective Insurance Company
Mr. Louis Cappello	Public Member
Mr. Edward Gray	Public Member
Mr. Mario Giudice	Public Member
Mr. Richard Romano	Public Member
Ms. Jeanette Seabrooks	Public Member
Mr. Bruce Hill	Independent Insurance Agents of New Jersey
Mr. Frank Christiano	Professional Insurance Agents of New Jersey

OBSERVER

Mr. Mark Nussenfeld	New Jersey Department of Banking and Insurance
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2005 ANNUAL REPORT

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

STAFF OF THE ASSOCIATION

Randy Beck
Jennifer Peaks

Underwriting Services – Steve Mutterperl

Customer Services – Brenda Morgan

Jennifer Adi-Darko
Dianna Anthony
Connie Budhu
Jane Cogswell
Rosemarie Davis
Felicia Dubose
Tisha Elam
Joan Flanagan
Linda Hall
Kamie Koonjan
Faziah Mangar
Indra Ramos
Carmen Rodriguez
Neshaw Sheermohamed
Ruth Williams
Barbara Woods
Diane Young
Toni Yumang
Ibis Zafra

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Ted Abrams

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Michael Balzano
Cina Martin
Vetta Munswami
Gloria Pendleton
Stephan Puc'

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Paula Hicks
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Yvonne Elam
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Roxanne Luke
Nazarene Mohamed
Marina Palacios
Lerone States
Eric Valdes