

**SEVENTEENTH ANNUAL REPORT**

**REPORT OF OPERATIONS - 10/1/08 THROUGH 9/30/09**

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008**

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September 24, 2009**

**NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN  
SEVENTEENTH ANNUAL REPORT  
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**NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN  
SEVENTEENTH ANNUAL REPORT  
10-1-08 TO 9-30-09**

**OPERATIONS OVERVIEW**

The New Jersey Personal Automobile Insurance Plan was made effective October 1, 1992.

The following will summarize the activity that has occurred in the past year of operation.

**Assigned Applications**

**NJPAIP**

In the past year of operation, 25,129 private passenger automobile insurance applications were assigned (compared to 19,525 in the previous 12-month period), representing an increase of 28.7%. As of December 31, 2008, the PAIP in-force exposures represent 0.36% of the total voluntary market volume. (State mandated cap is 10%) Exhibit 1 displays additional assignment information including exposure counts. We expect assignments for the calendar year 2009 to be approximately 27,000 with the anticipation that 2010 assignments will be approximately 25,000 to 30,000.

**UZAR**

There were 227 UZAR assignments made by the Plan during the period of October 1, 2008 through March 31, 2009 (Date UZAR closed).

**NJSAIP**

The Special Automobile Insurance Policy provides low-income individuals with certain Medicaid coverages to purchase this policy for the amount of \$360. The Special Policy only provides Emergency PIP not to exceed \$250,000; death benefit in the amount of \$10,000; and Limitation on Lawsuit Option. This policy complies with the mandatory insurance requirements for the State of New Jersey. This program was effective October 1, 2003. There were 28,388 SAIP applications assigned to Praetorian National Insurance Company during the period October 1, 2008 through September, 2009.

**Voluntary Rating Tier (VRT)**

The Voluntary Rating Tier was established for applicants who have a Notice of Declination pursuant to N.J.S.A. 17:33B-15. This program was effective on June 1, 2004. From October 1, 2008 through January 31, 2009, the NJAIP assigned 54 VRT applications to carriers. VRT expired January 31, 2009 in conjunction with new PAIP qualifications.

**Low Speed Vehicles (LSV)**

Low Speed Vehicle Assignments began on May 1, 2006. From October 1, 2008 through September, 2009, the plan assigned 12 Low Speed Vehicle assignments.

**Staffing**

Our budgeted staff for 2009 is 19 for CAIP, PAIP, SAIP and UZAR, down from 22 in 2008. The Plan currently has 15 employees. This includes 14 full-time employees and 2 part-time employees (the 2 part-time employees share one position). We have budgeted for 15 employees for 2010 and expect to end the year with 15 employees.

**Budget** The 2008 year end expenses were \$1,344,205, 10% below budgeted expenses of \$1,493,745. The under budget condition was attributable to year-end staff vacancies. Our proposed 2010 combined budget for PAIP, SAIP, VBAPP and LSV is \$1,466,999. This figure represents a 1.79% decrease from the original 2009 combined budget of \$1,493,745 and a 5.37% increase from the combined reprojected budget of \$1,392,257.

	PAIP	SAIP	UZAR	VBAPP	LSV	TOTAL
<b>2009 Original Budget</b>	1,317,107	143,055	32,308	0	1,275	1,493,745
<b>2009 Reprojected Budget</b>	1,234,250	126,636	30,096	0	1,275	1,392,257
<b>2010 Proposed Budget</b>	1,293,544	171,809	CLOSED	1,373	273	1,466,999

**Assigned Carriers**

53 companies conducting business in the state of New Jersey are eligible to receive PAIP assignments based on their voluntary writings. As of September, 2009, 10 companies are currently receiving assignments, including the three LAD carriers.

**Certified Producers**

As of 9/24/09 there are 2,010 producers certified to transact business with NJPAIP.

In conjunction with producer recertification, the Plan established a Security Fund to reimburse assigned carriers for lost premiums caused by the willful actions of producers. The fund balance as of August 31, 2009 is \$103,244. Reimbursement payments to carriers since inception total \$6,983.45.

One of the requirements for certification is attendance at a NJPAIP/NJCAIP Combined Producer Procedures Course. The staff had 320 attendees in monthly seminars in the last twelve months.

A **Producer Peer Review Panel** was appointed by the Commissioner of Banking and Insurance to review the performance of producers that were not operating in compliance with NJPAIP rules and procedures. They met for the first time on May 17, 1993 and since that time held hearings for 439 producers. Based on recommendations of the Peer Review Panel, the NJPAIP Governing Committee approved the following actions as a result of the hearings:

- Permanent Revocation 56
  - Conditional Revocation 6
  - One year Revocation 22
  - Six Month Revocation 46
  - Suspension (30 to 90 days) 83
  - Conditioned (Ongoing monitoring) 171
  - No Action 25
  - Reinstatement of Certification 16
  - Denied Certification/Recertification 7
  - Granted UZAR Certification 1
  - Granted PAIP Certification 6
- Total Decisions 439

Since October, 2004, there have been 19 producers placed on EASi restriction.

Since May 17, 1993, 25 of the decisions were appealed to the Commissioner of Banking and Insurance. Of the 25 appeals, 1 was granted and 24 were upheld.

### **Appeals Hearing Activity**

The Plan office received 40 appeals between October 1, 2008 and September 24, 2009. All appeals were resolved by Plan staff.

### **Department of Banking and Insurance Filings**

From October 1, 2008 through September 24, 2009, 7 filings were made with the Department of Banking and Insurance for NJPAIP. All 7 filings have been approved by the Department of Banking and Insurance. The effective working relationship established between the Department and the NJPAIP Governing Committee, with the efforts of AIPSO Field Operations teams, expedited approvals for NJPAIP filings.

### **Rate Activity**

The rate filing submitted on October 28, 2008 was approved by the Department of Banking and Insurance on December 9, 2008. An overall 5.5% increase was effective February 1, 2009 with renewals being effective March 15, 2009. The Governing Committee will continue to review rates to ensure that the Plan operates in a revenue neutral environment.

**EXHIBIT I**

**NJPAIP**

**PROCESSING OPERATION REPORT**

**OCTOBER 1, 2008 - SEPTEMBER 30, 2009\***

<b>APPLICATION COUNTS</b>	<b>#</b>	<b>%</b>
<b>TOTAL ASSIGNED</b>	<b>25,129</b>	
<b>NON-QUALIFIED</b> <b>(Lack of 2 declinations)</b>	<b>245</b>	<b>0.97%</b>
<b>APPLICATIONS WITH PHYSICAL DAMAGE COVERAGE</b>		<b>24.7%</b>

<b>EXPOSURE COUNTS</b>	
<b>EXPOSURES/VEHICLES ASSIGNED</b>	<b>28,514</b>
<b>AVG. # OF VEHICLES PER ASSIGNMENT</b>	<b>1.13</b>

<b>AVERAGE SERVICE TIME</b>	<b>1 Day</b>
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<b># OF CERTIFIED PRODUCERS OF RECORD AS OF 9/24/09</b>	<b>2,010</b>
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\* The figures for the month of September have been estimated.

## EXHIBIT II

**Companies (or Groups of Companies) Eligible to Receive NJPAIP Assignments  
(Excluding LAD Buy-Out Companies)  
As of September, 2009**

**Non-exempt companies (or groups of companies) which reported calendar year 2007 PPNF New Jersey voluntary liability data and are eligible to receive NJPAIP assignments in calendar year 2009:**

AIG Centennial Insurance Company  
Allstate New Jersey Insurance Company  
American Bankers Insurance Company of Florida\*  
Encompass Insurance Company of NJ  
Farm Family Casualty Insurance Company  
Foremost Insurance Company\*  
National Interstate Insurance Company of Hawaii, Inc.  
New Jersey Manufacturers Group  
Philadelphia Indemnity Insurance Company\*  
Rider Insurance Company\*  
State Farm Indemnity Co.  
Twin Lights Insurance Co.

**\*Company is a specialty writer.**

**LAD servicing companies that did not report calendar year 2007 PPNF New Jersey voluntary liability data, yet are receiving assignments in 2009 on behalf of their LAD buy-out companies:**

Camden Fire Insurance Association  
Praetorian Insurance Company

**Companies that have reported 2007 PPNF voluntary liability data but are exempt from receiving assignments by order of the NJ Department of Banking and Insurance.**

**COMPANY**

Consumer First Insurance Company  
New Jersey Skylands Insurance Company  
Rutgers Enhanced Insurance Company

## EXHIBIT III

### BUY-OUT COMPANIES (As of September, 2009)

AAA Mid-Atlantic Insurance Co. of NJ  
Ace American Insurance Co.  
Aegis Security Insurance Co.  
American Modern Home Insurance Co.  
Amica Mutual Insurance Co.  
Balboa Insurance Co.  
Centennial Insurance Co.  
Chubb Insurance Co. of NJ  
Church Mutual Insurance Co.  
Countryway Insurance Co.  
Cumberland Mutual Fire Insurance Co.  
Drive Insurance Co.  
Electric Insurance Co.  
Employers Mutual Casualty Co.  
Esurance Insurance Co.  
Firemans Fund Insurance Co.  
First Trenton Indemnity Co.  
Founders Insurance Co.  
General Insurance Co. of America  
Greater New York Mutual Insurance Co.  
Hanover Insurance Co.  
IDS Property & Casualty Insurance Co.  
IFA Insurance co.  
Liberty Mutual Insurance Co.  
Merastar Insurance Co.  
Mercury Indemnity Co. of America  
Metropolitan Property & Casualty Insurance Co.  
National General Insurance Co.  
National Interstate Insurance Co.  
New Jersey Cure  
New Jersey Skylands Insurance Assoc.  
Personal Service Insurance Co.  
Quincy Mutual Fire Insurance  
Selective Auto Insurance Co. of NJ  
Star Insurance Co.  
Tokio Marine & Fire Insurance Co.  
Twin City Fire Insurance Co.  
Unitrin Direct Insurance Co.  
USAA Casualty Insurance Co.

# EXHIBIT IV

## NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN

Balance Sheet

December 31, 2008

### Assets

Current assets:	
Cash and cash equivalents (note 3)	\$ 185,278
Accrued interest receivable – LAT (note 3)	5
Accounts receivable – assessment	35,942
Accounts receivable – SAIP	4,870
Accounts receivable – CAIP	43,338
Prepaid expenses	37,132
Total current assets	<u>306,565</u>
Furniture, fixtures, equipment, and leasehold improvements, net (note 4)	31,790
Total assets	<u>\$ 338,355</u>

### Liabilities and Fund Deficit

Current liabilities:	
Accrued expenses	\$ 724
Accounts payable – AIPSO	36,718
Accounts payable – trade	2,650
Accounts payable – other	394
Accounts payable – Eastern Region	2,737
Security fund reserve (note 2(c))	103,168
Deferred rent obligation	7,710
Total current liabilities	<u>154,101</u>
Accrued pension expense (note 6)	387,158
Total liabilities	<u>541,259</u>
Commitments and contingencies (notes 7 and 8)	
Fund deficit	<u>(202,904)</u>
Total liabilities and fund deficit	<u>\$ 338,355</u>

**NEW JERSEY PERSONAL AUTOMOBILE  
INSURANCE PLAN**

Statement of Income, Expenses, and Fund (Deficit) Balance  
Year ended December 31, 2008

Income:		
Assessment		\$ 1,349,192
Investment		9,739
Producer seminars		13,700
Total income		<u>1,372,631</u>
Expenses:		
Producer seminars		3,681
Salaries		499,615
Employee relations and welfare (note 6)		114,787
Insurance		7,784
Travel		35,546
Rent and rental equipment (note 7)		228,854
Office equipment		2,709
Printing and stationery		10,431
Postage		52,303
Telephone		13,890
Legal		34,184
Taxes, licenses, and fees		40,911
Central processor		149,197
Electronic binding		3,352
Depreciation and amortization (note 4)		14,163
Miscellaneous		2,264
Total expenses		<u>1,213,671</u>
Income over expenses before reappropriation		158,960
Reappropriation of prior year's surplus		<u>(298,145)</u>
Income under expenses		(139,185)
Pension related changes other than net periodic cost (note 6)		(222,731)
Fund balance, beginning of year		<u>159,012</u>
Fund deficit, end of year		<u><u>\$ (202,904)</u></u>

# EXHIBIT V

## NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN GOVERNING COMMITTEE MEMBERS AS OF SEPTEMBER 30, 2009

### PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA

David Hart  
New Jersey Manufacturers Insurance Co.

Carol Berthold  
GEICO

### AMERICAN INSURANCE ASSOCIATION

Kevin Curry  
Travelers Auto Insurance Company of NJ

Jason Steinert  
Hanover Insurance Company

### LAD CARRIER REPRESENTATIVE

Jay Schnoor  
Praetorian Insurance Company

### PRODUCER REPRESENTATIVES

Joseph Botte, IBANJ  
Botte Insurance Agency

Ronald Gansfuss, AIA  
Gansfuss Agency

William Vowteras, PIA  
Fraser Brothers Group LLC

### NON-AFFILIATED INSURANCE COMPANIES

Roger Hanson  
State Farm Indemnity Company

John Tiene  
New Jersey Skylands Insurance Companies

### AT-LARGE REPRESENTATIVES

Carl (Bud) Baxter  
Allstate Insurance Company

Glen Bronstein  
American International Group

### PUBLIC MEMBER

David Kleinwaks  
Abby Rating Systems

### DEPARTMENT OF BANKING AND INSURANCE

William Rader (ex-officio)  
New Jersey Department of Banking and Insurance