

# NJIUA

New Jersey Insurance Underwriting Association

## 2007 Annual Report



The 39th Annual Report

**NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION**

**2007 Annual Report**

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## **New Jersey Insurance Underwriting Association**

### **2007 Annual Report**

#### **Message from the Chair and President**

##### **The Year in Review**

For the fourth consecutive year, the Association achieved an underwriting gain. This was accomplished even though written premium and policies-in-force continued to decline.

Written premium declined 20% to a year-end total of \$17,279,031, the lowest level in five years. Earned premium declined 13% to \$19,546,272 and policies-in-force declined 18.8% to 30,558, the lowest level in more than ten years. Ongoing surveys of producers and former policyholders continue to indicate New Jersey residents are obtaining full coverage in the active voluntary market.

Underwriting expenses increased slightly 1.4% over 2006 levels. The expense ratio increased 8.2 points to 38.7%. The primary factor contributing to the increase is the decline in written premium.

The volume of claims reported to the Association in 2007 declined 18.5% to 1,085 and claim and claim expenses incurred declined 9.6% to \$12,616,581. The loss ratio increased 2.4 points to 64.6%. That increase is due entirely to the decline in earned premium.

The combined ratio for 2007 increased 10.6 points to 103.3%, an increase of 11.4% over the combined ratio for 2006. The 2007 underwriting gain of \$239,286 is \$1.7 million or 87.5% less than the gain realized in 2006. The Association's investment policy generated an income of \$954,300, a slight decrease of 2.1% over 2006 results and aided in producing a net underwriting gain in 2007 of \$1,193,586. This is a good result, although it is 58.6% less than the net gain achieved in 2006.

As long as the New Jersey voluntary market remains healthy and accessible, the declining trends in policies-in-force and written premium will continue. Similarly, if the weather does not produce major storms or catastrophes, the volume of new claims will also continue to decline.

Association management maintains a sharp focus on all performance indicators and remains alert to changing market conditions to ensure policyholder needs are being consistently and economically addressed.

##### **Major Initiatives**

Managers and staff continued their concerted efforts to update office systems and workflows with the implementation of imaging technology in its underwriting and claims processes. Over the first nine months of the year, more than 65,000 policy and 3,000 claim files were prepared and scanned into the new system. Policy and claim workflows were significantly updated to allow for operating in the new paperless environment. The fact that a major change like this occurred without disruption to policyholders or business operations were due entirely to the dedication and focus of the entire staff, and we extend our sincere appreciation to all involved for their efforts.

Association management conducted a review of rate adequacy, catastrophe exposure and continued to monitor regulatory compliance issues. Working with members of the Underwriting Committee and the Board of Directors, a detailed review of the rate filing data provided by the ISO Actuary indicated the Association was rate adequate and a decision was made not to submit a rate filing action in 2007. It was also determined the amount of risk identified in the catastrophe analysis completed by Guy Carpenter continued to be within the capability of Association resources and the Insurance Development Fund mechanism. As such, the decision was made not to recommend further risk transfer action or purchase of reinsurance in 2007.

Three underwriting programs were updated or developed over the course of the year. At the end of March 2007, the Electrical Loss Mitigation Grant Program was implemented to encourage qualified policyholders to reduce the risk of loss to their home by improving the quality and safety of their electrical systems. More than 14,000 grant applications were mailed to policyholders and close to \$80,000 were paid in grants by years end. With DOBI approval and support, the Association's Hurricane Deductible Program was increased from 2% - 4% to 3% - 5% and expanded to include twenty-five zip codes not originally covered by WINDMAP. Finally, after significant research and data gathering, the Board and DOBI approved the Association's recommendation to expand coverage options to New Jersey policyholders by offering the ISO DP 2 Board Form Policy. This was the first significant addition to Association underwriting programs since its inception in 1968.

This has been a very active and successful year. Association managers and employees experienced significant change in their working environment and continued to be sharply focused and committed to the best possible service and responsiveness to the mission of NJIUA. We congratulate all of the employees and want them to know we are very appreciative of their efforts.

We also wish to express our sincere appreciation to Commissioner Goldman, Donald Bryan, William Rader, Mark Nussenfeld and others at the Department of Banking and Insurance for their continued guidance and support. We acknowledge and offer our sincere appreciation to legal counsel Hugh Francis for his excellent support. Special thanks and appreciation are expressed to Doug Waltz, former Vice Chair who has since resigned from the Board because of expanded duties at his company. Finally, we wish to thank all of the members of the Board of Directors, Committee Chairs Lou Cappello, Bob Farnam, Bruce Hill, Mike O'Malley and Bill Martin for their valuable advice and direction on our business activities.

  
Sandra L. Horvath  
Chair, Board of Directors, NJIUA

  
Jerry C. Warner  
President



# New Jersey Insurance Underwriting Association

## Financial Highlights

	Year Ending December 31, ( U n a u d i t e d )	
	2007	2006
<b>PREMIUM WRITTEN</b>	<b>\$17,279,031</b>	<b>\$21,594,840</b>
<b>PREMIUMS EARNED</b>	<b>19,546,272</b>	<b>22,459,462</b>
<b>LOSSES INCURRED</b>	<b>11,275,343</b>	<b>12,552,829</b>
<b>CLAIM EXPENSES INCURRED</b>	<b>1,341,238</b>	<b>1,402,127</b>
<b>EXPENSES INCURRED</b>	<b>6,690,405</b>	<b>6,597,320</b>
<b>UNDERWRITING GAIN</b>	<b>239,286</b>	<b>1,907,186</b>
<b>ADD INVESTMENT INCOME</b>	<b>954,300</b>	<b>974,472</b>
<b>NET OPERATING GAIN</b>	<b>\$1,193,586</b>	<b>\$2,881,658</b>
<b>LOSS RATIO</b>	<b>64.55%</b>	<b>62.13%</b>
<b>EXPENSE RATIO</b>	<b>38.72%</b>	<b>30.55%</b>
<b>COMBINED RATIO</b>	<b>103.27%</b>	<b>92.68%</b>

# New Jersey Insurance Underwriting Association

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

Admitted Assets	As at December 31, ( U n a u d i t e d )	
	2007	2006
Cash and short-term investments	\$15,592,645	\$18,635,450
Accrued interest	94,329	152,540
Electronic data processing equipment	115,391	37,420
Premium receivable	36,591	67,804
<b>Total Admitted Assets</b>	<b>\$15,838,956</b>	<b>\$18,893,214</b>
<b>Liabilities and Members' Equity</b>		
<b>Liabilities:</b>		
Unearned premiums	\$8,407,133	\$10,674,374
Unpaid losses	3,965,423	5,708,427
Unpaid loss adjustment expenses	462,641	585,078
Claim checks payable	1,470	60,578
Amounts held for others	112,543	195,182
Accrued expenses	188,316	200,542
Other liabilities	439,386	509,826
Accrued premium taxes & filing fees	42,577	53,963
Post retirement benefits (other than pensions)	2,090,556	1,944,756
Defined benefit pension plan liability	-	267,410
Advanced premium	266,401	274,268
<b>Total Liabilities and Reserves</b>	<b>\$15,976,446</b>	<b>\$20,474,404</b>
<b>Members' Equity (deficit)</b>	<b>(137,490)</b>	<b>(1,581,190)</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$15,838,956</b>	<b>\$18,893,214</b>



# New Jersey Insurance Underwriting Association

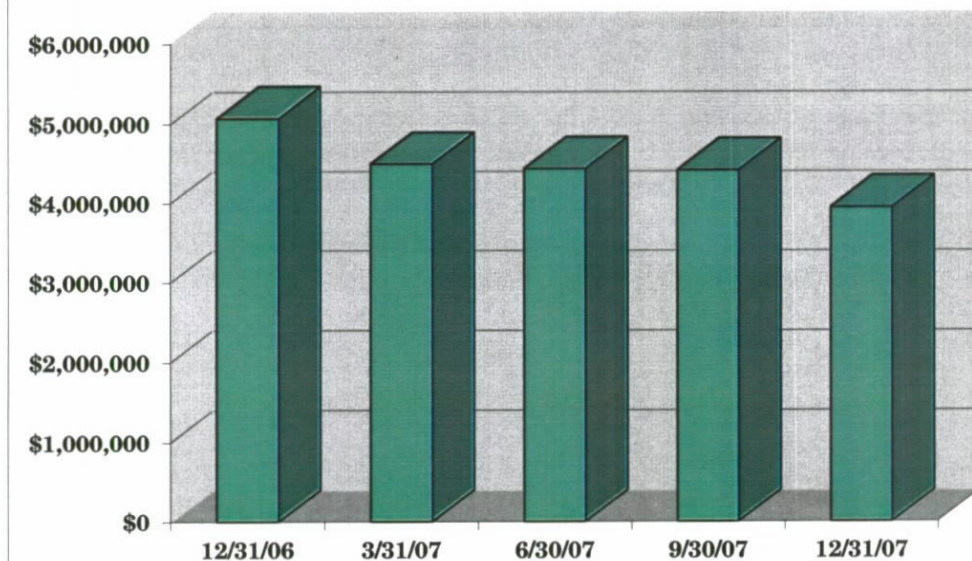
## Statements of Operations and Changes in Members' Equity - Statutory Basis

	Twelve Months Ending December 31, ( U n a u d i t e d )	
	2007	2006
<b>Underwriting Income:</b>		
Net premiums written	\$17,279,031	\$21,594,840
Change in unearned premiums	2,267,241	864,622
Net premiums earned	19,546,272	22,459,462
<b>Deductions:</b>		
Losses incurred	11,275,343	12,552,829
Loss adjustment expenses incurred	1,341,238	1,402,127
Commissions	1,533,844	1,876,420
Other underwriting expenses	5,093,148	4,643,835
Premium taxes & filing fees	63,413	77,065
Total underwriting deductions	19,306,986	20,552,276
Net underwriting gain	239,286	1,907,186
Net investment income	954,300	974,472
Net gain	\$1,193,586	\$2,881,658
Members' equity (deficit) beginning of period	(1,581,190)	(4,607,429)
Net gain	1,193,586	2,881,658
Increase (decrease) in non-admitted assets	(17,296)	(177,235)
Employer's pension obligation	267,410	321,816
Members' equity (deficit) end of period	(\$137,490)	(\$1,581,190)

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## Written Premium - All Lines

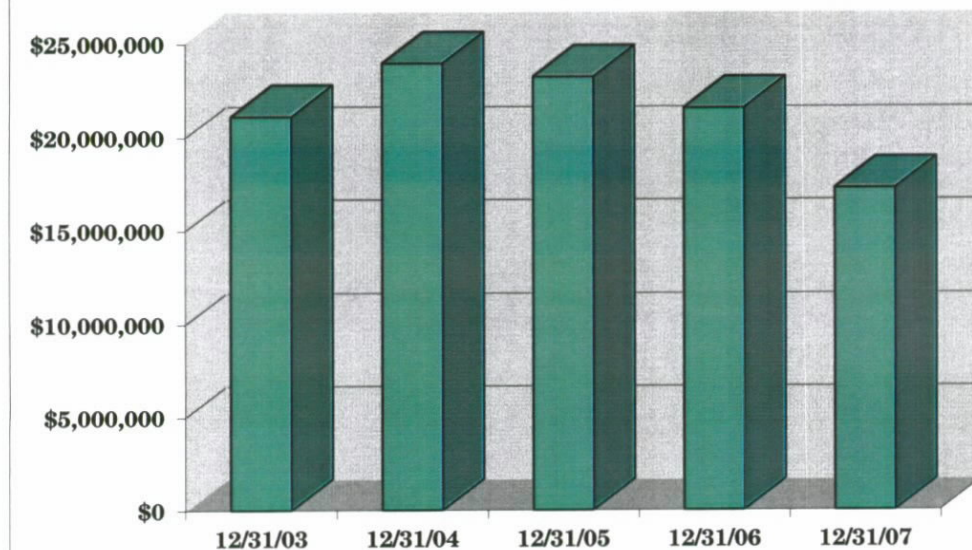
**Last Five Quarters**



**Quarter Ending**

12/31/06	\$5,068,446
3/31/07	4,491,519
6/30/07	4,430,574
9/30/07	4,411,772
12/31/07	\$3,945,166

**Year-to-Date for Last Five Years**



**Period Ending**

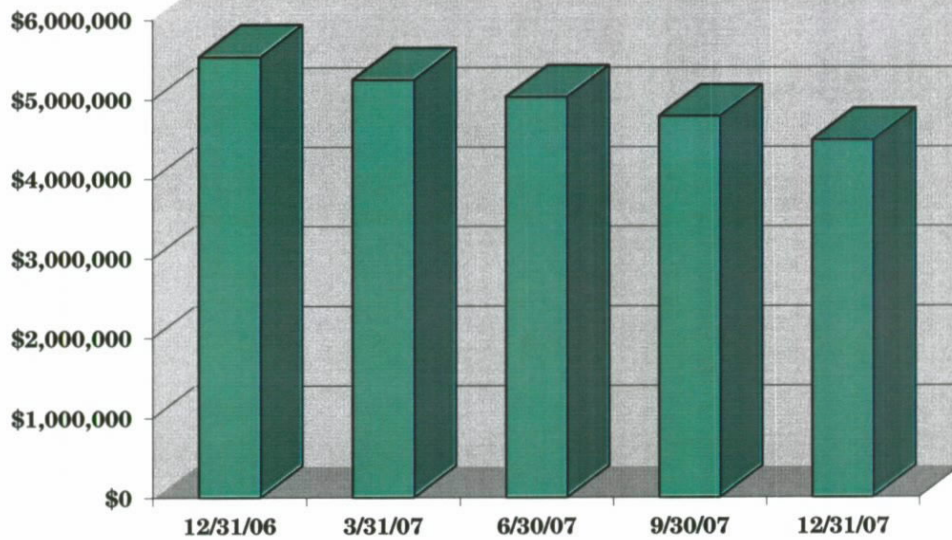
12/31/03	\$21,147,565
12/31/04	23,958,287
12/31/05	23,237,640
12/31/06	21,594,840
12/31/07	\$17,279,031



## NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

### Earned Premium - All Lines

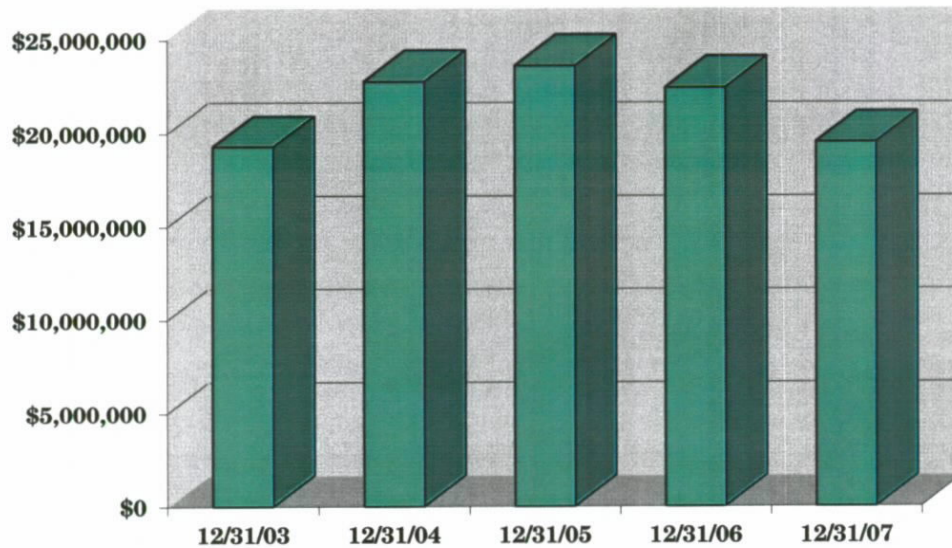
Last Five Quarters



Quarter Ending

12/31/06	\$5,536,069
3/31/07	5,248,025
6/30/07	5,030,227
9/30/07	4,785,376
12/31/07	\$4,482,644

Year-to-Date for Last Five Years



Period Ending

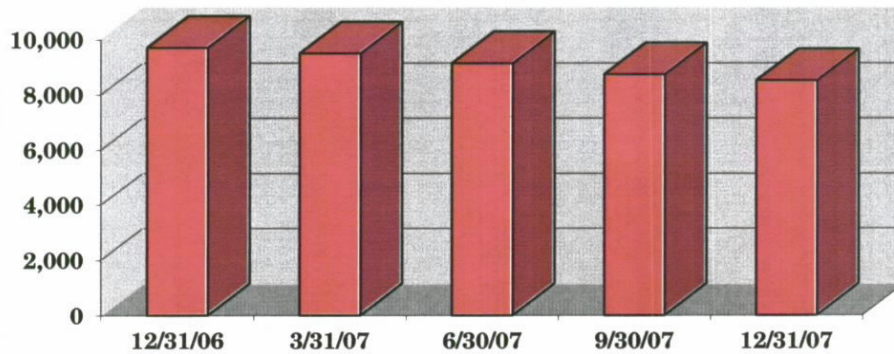
12/31/03	\$19,295,204
12/31/04	22,788,202
12/31/05	23,618,216
12/31/06	22,459,462
12/31/07	\$19,546,272

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## In-Force Policies by Territory - All Lines

Last Five Quarters

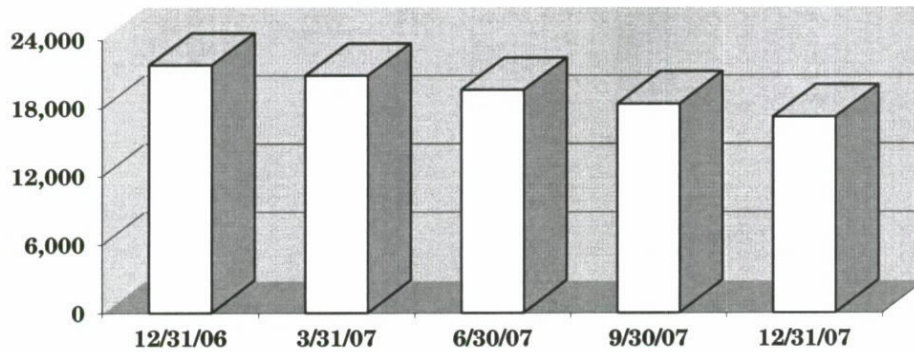
**Windmap Zipcodes**



**Quarter Ending**

12/31/06	9,709
3/31/07	9,492
6/30/07	9,139
9/30/07	8,735
12/31/07	8,507

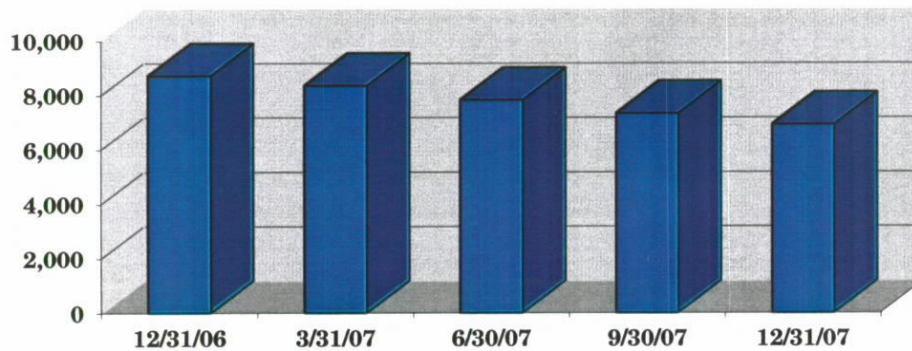
**UEZ Zipcodes**



**Quarter Ending**

12/31/06	21,740
3/31/07	20,826
6/30/07	19,550
9/30/07	18,341
12/31/07	17,183

**Balance of State**



**Quarter Ending**

12/31/06	8,723
3/31/07	8,368
6/30/07	7,840
9/30/07	7,340
12/31/07	6,922

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

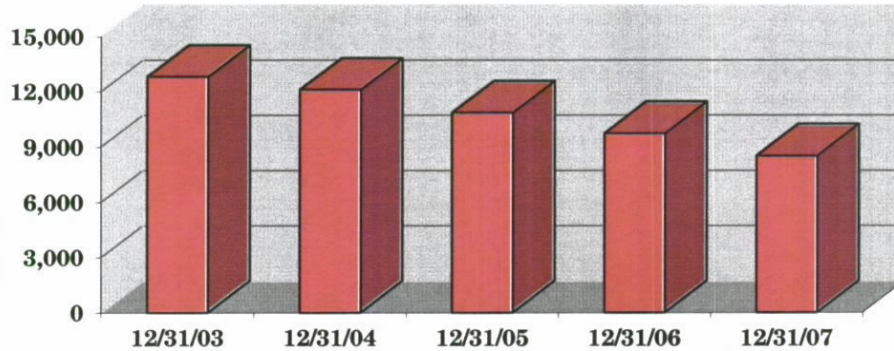


## NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

### In-Force Policies by Territory - All Lines

Last Five Years

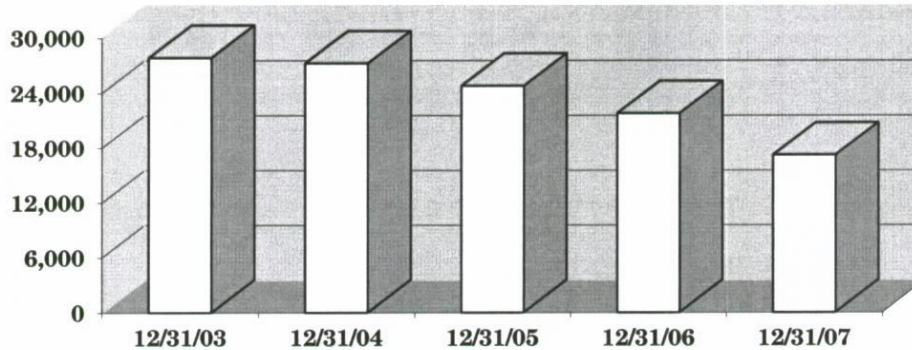
Windmap Zipcodes



Period Ending

12/31/03	12,799
12/31/04	12,086
12/31/05	10,836
12/31/06	9,709
12/31/07	8,507

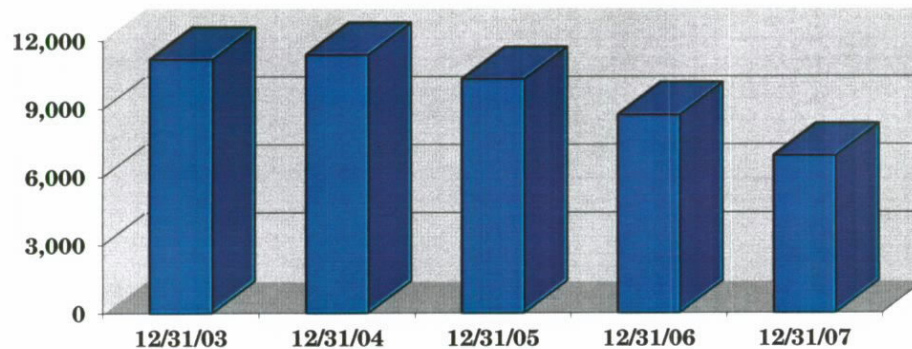
UEZ Zipcodes



Period Ending

12/31/03	27,830
12/31/04	27,207
12/31/05	24,757
12/31/06	21,740
12/31/07	17,183

Balance of State



Period Ending

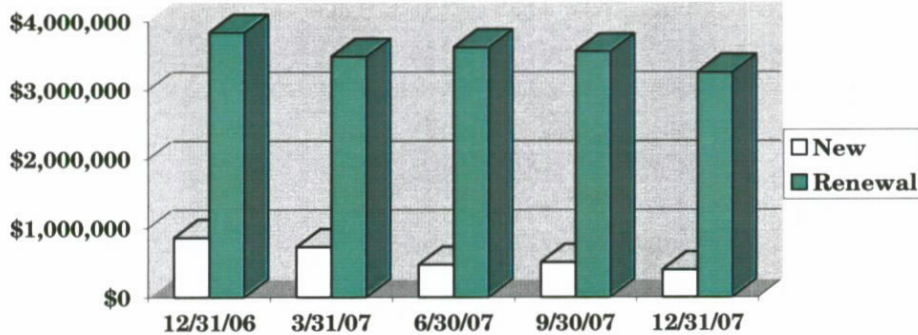
12/31/03	11,181
12/31/04	11,383
12/31/05	10,306
12/31/06	8,723
12/31/07	6,922

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

## NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

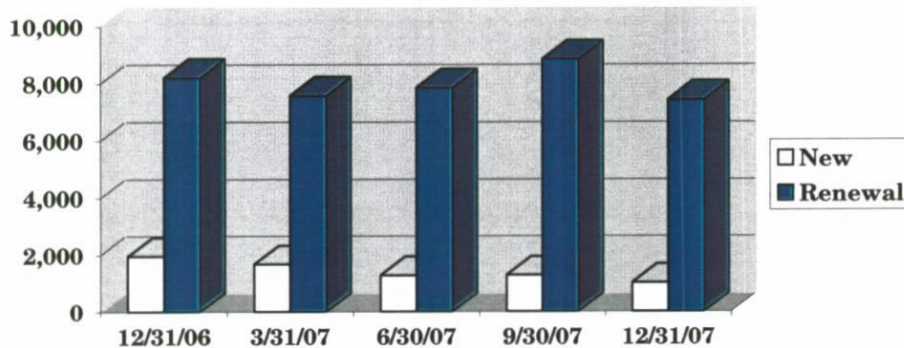
### Dwelling Business

Written Premium



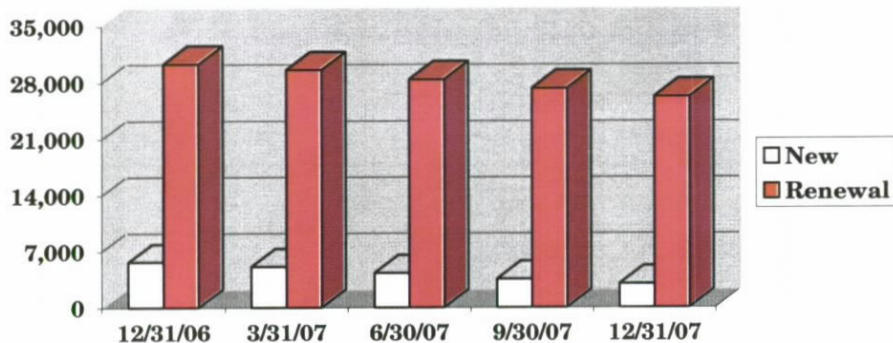
	Quarter Ending	
	New	Renewal
12/31/06	\$858,343	\$3,838,150
3/31/07	721,104	3,482,101
6/30/07	466,913	3,618,750
9/30/07	501,727	3,558,058
12/31/07	\$392,463	\$3,252,626

Policies Issued



	Quarter Ending	
	New	Renewal
12/31/06	1,952	8,202
3/31/07	1,667	7,573
6/30/07	1,279	7,846
9/30/07	1,285	8,841
12/31/07	1,024	7,423

In-Force Policies



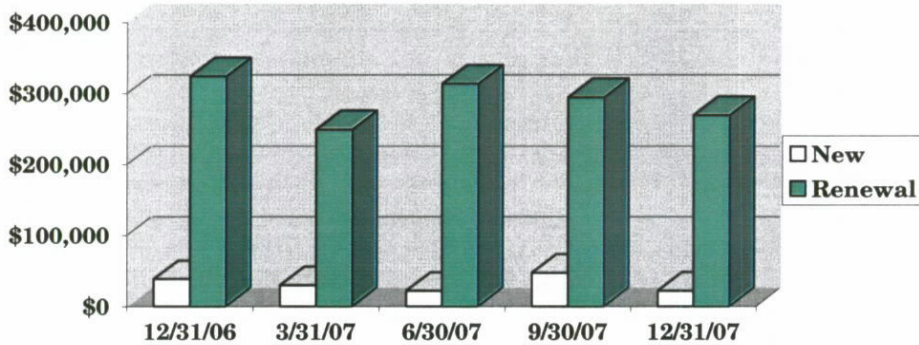
	Quarter Ending	
	New	Renewal
12/31/06	5,625	30,321
3/31/07	5,045	29,573
6/30/07	4,265	28,392
9/30/07	3,496	27,283
12/31/07	2,896	26,260



## NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

### Commercial Business

Written Premium

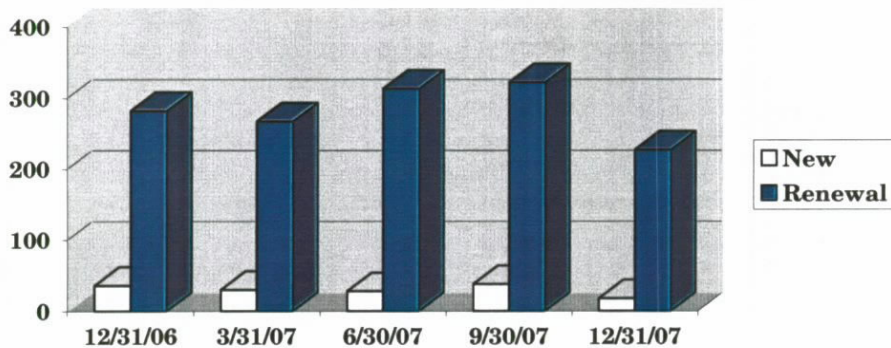


Quarter Ending

New Renewal

12/31/06	\$38,213	\$324,007
3/31/07	29,433	249,297
6/30/07	21,509	313,458
9/30/07	47,020	294,415
12/31/07	\$21,669	\$269,297

Policies Issued

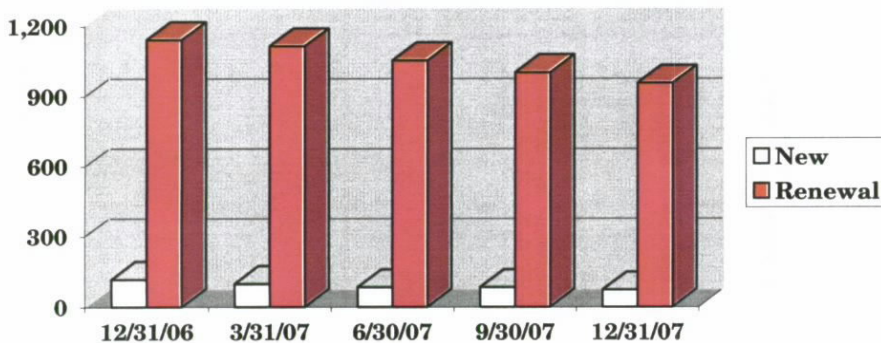


Quarter Ending

New Renewal

12/31/06	36	282
3/31/07	30	267
6/30/07	28	313
9/30/07	38	322
12/31/07	18	227

In-Force Policies



Quarter Ending

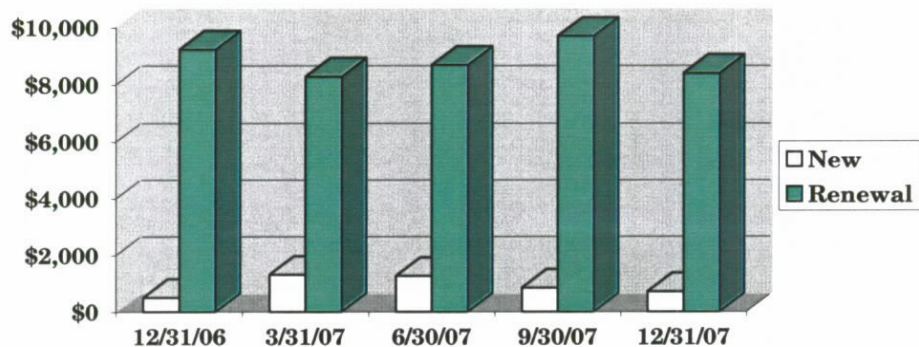
New Renewal

12/31/06	116	1,142
3/31/07	97	1,115
6/30/07	83	1,054
9/30/07	83	1,002
12/31/07	72	957

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## Crime Business

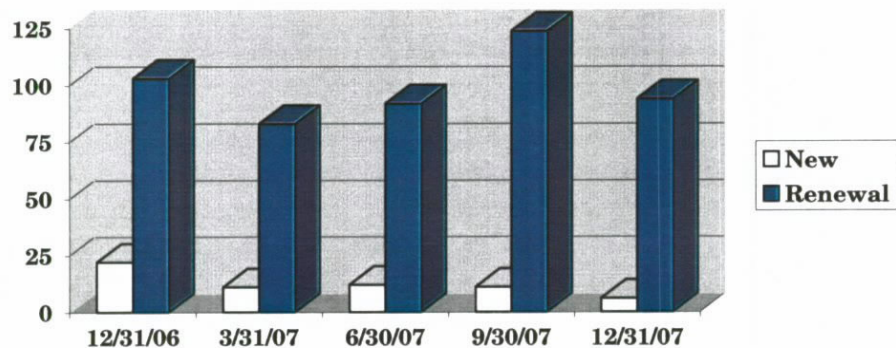
Written Premium



Quarter Ending

	New	Renewal
12/31/06	\$506	\$9,227
3/31/07	1,312	8,272
6/30/07	1,266	8,678
9/30/07	849	9,703
12/31/07	\$717	\$8,394

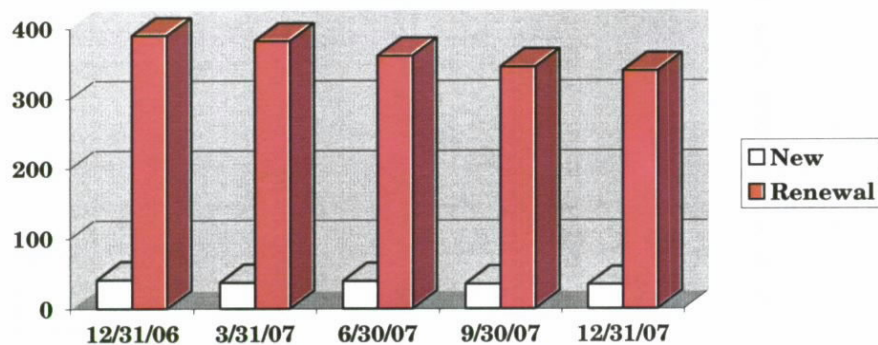
Policies Issued



Quarter Ending

	New	Renewal
12/31/06	22	103
3/31/07	11	83
6/30/07	12	92
9/30/07	11	124
12/31/07	6	94

In-Force Policies



Quarter Ending

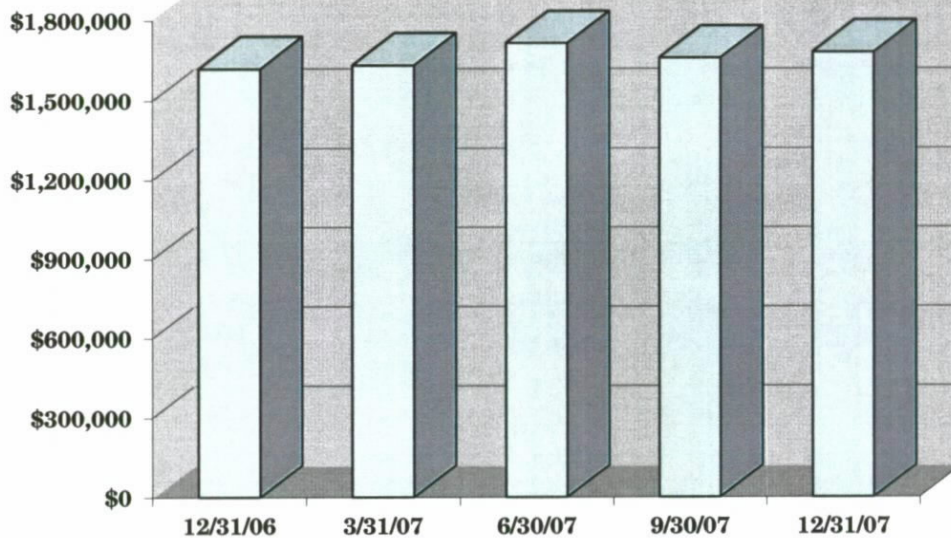
	New	Renewal
12/31/06	41	390
3/31/07	37	382
6/30/07	39	361
9/30/07	35	345
12/31/07	34	339



## NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

### Underwriting Expenses Incurred

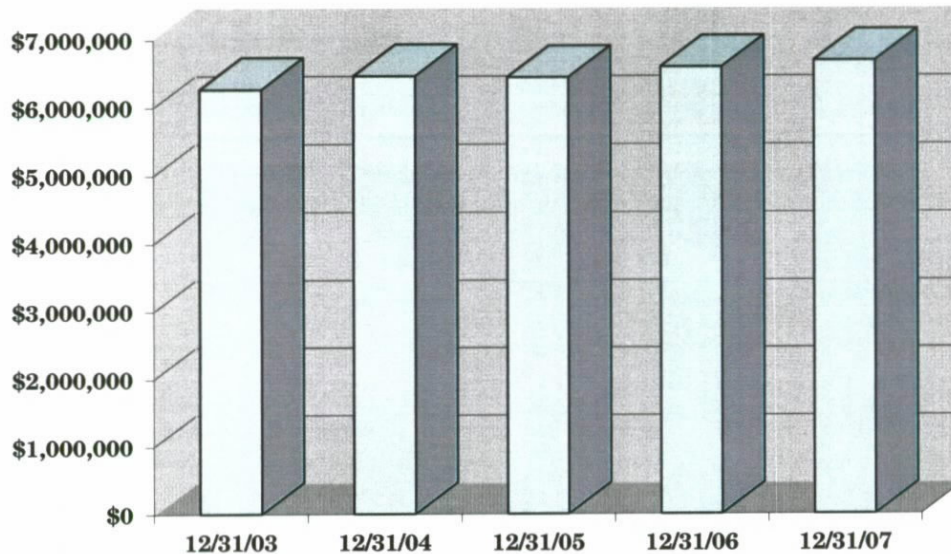
Last Five Quarters



#### Quarter Ending

12/31/06	\$1,619,636
3/31/07	1,633,100
6/30/07	1,715,859
9/30/07	1,660,257
12/31/07	\$1,681,188

Year-to-Date for Last Five Years



#### Period Ending

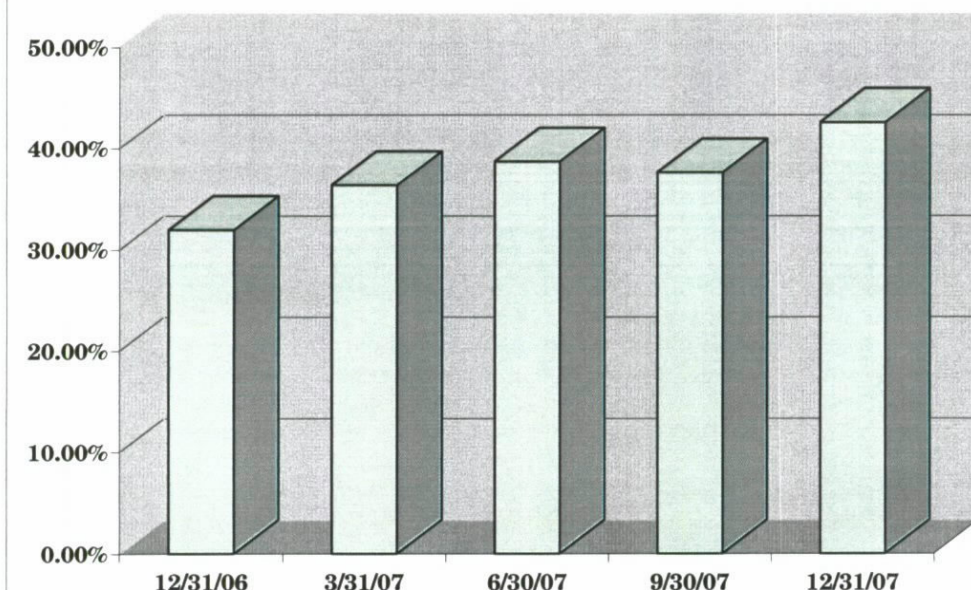
12/31/03	\$6,271,563
12/31/04	6,466,996
12/31/05	6,446,146
12/31/06	6,597,320
12/31/07	\$6,690,405



## NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

### Expense Ratio

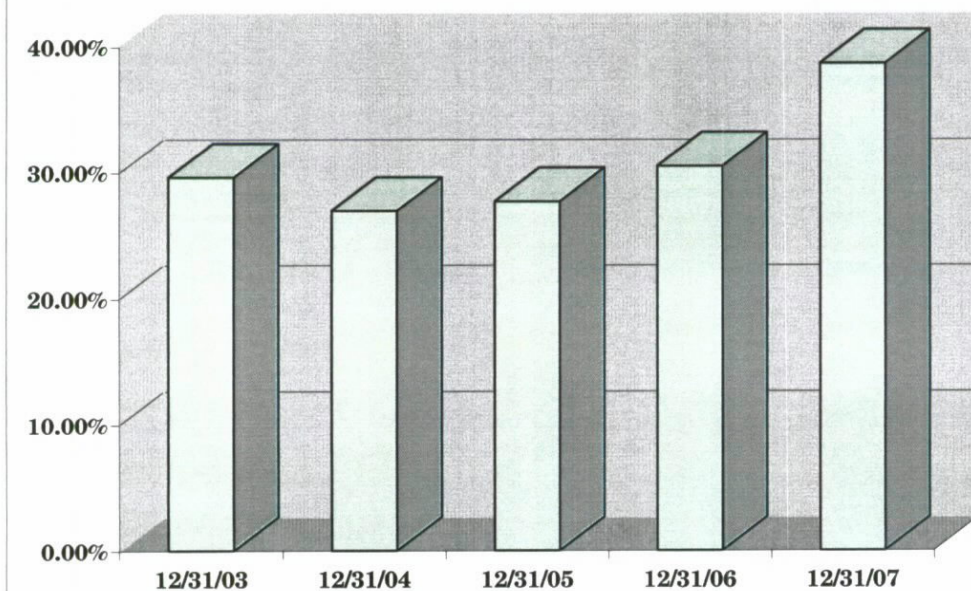
Last Five Quarters



Quarter Ending

12/31/06	31.96%
3/31/07	36.36%
6/30/07	38.73%
9/30/07	37.63%
12/31/07	42.61%

Year-to-Date for Last Five Years



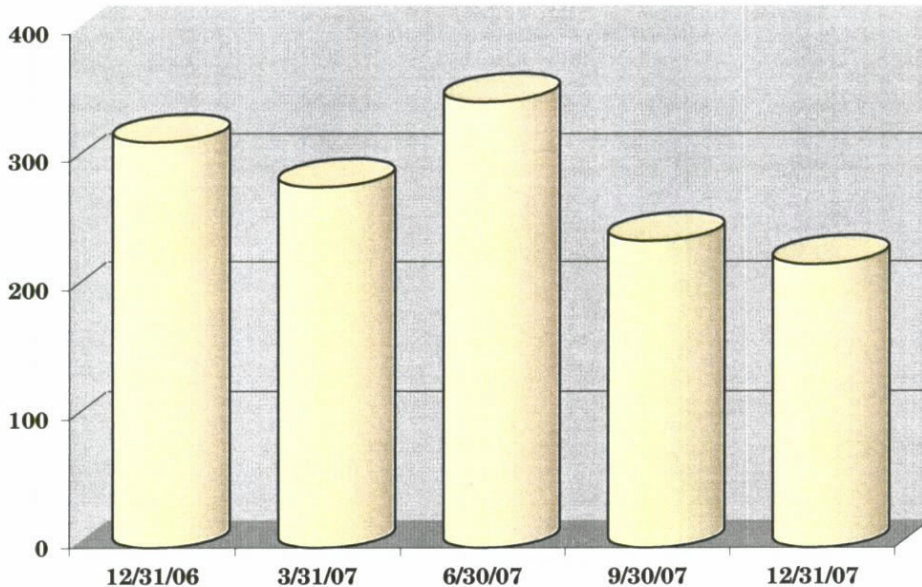
Period Ending

12/31/03	29.66%
12/31/04	26.99%
12/31/05	27.74%
12/31/06	30.55%
12/31/07	38.72%

## NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

### Number of New Claims Reported

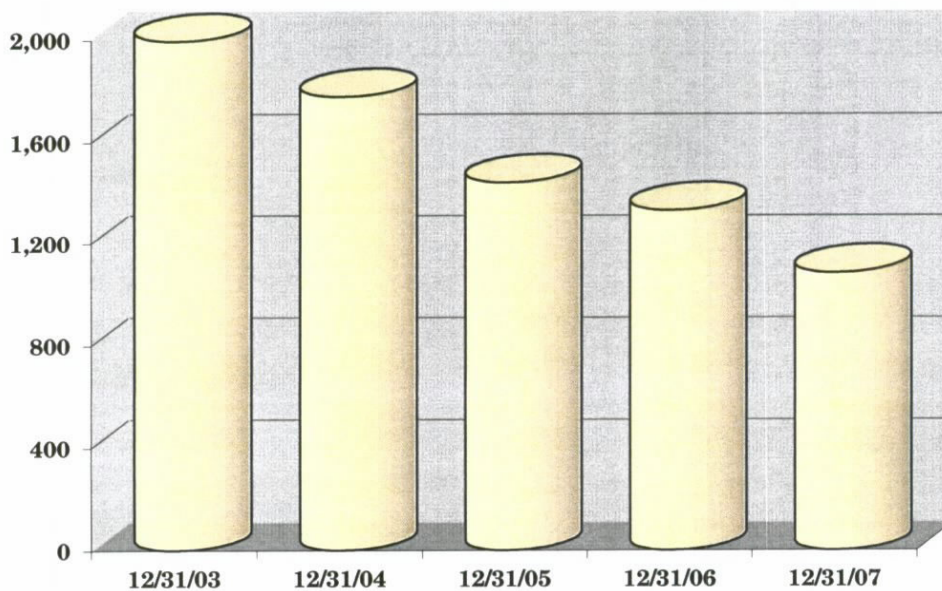
Last Five Quarters



Quarter Ending

12/31/06	315
3/31/07	280
6/30/07	347
9/30/07	238
12/31/07	220

Year-to-Date for Last Five Years



Period Ending

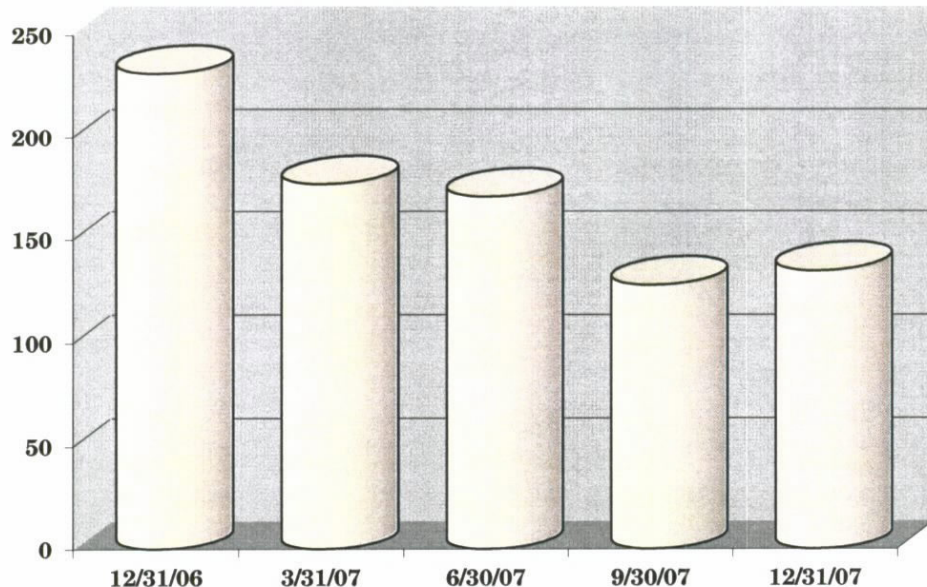
12/31/03	1,994
12/31/04	1,778
12/31/05	1,442
12/31/06	1,332
12/31/07	1,085



## NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

### Number of Open Claims

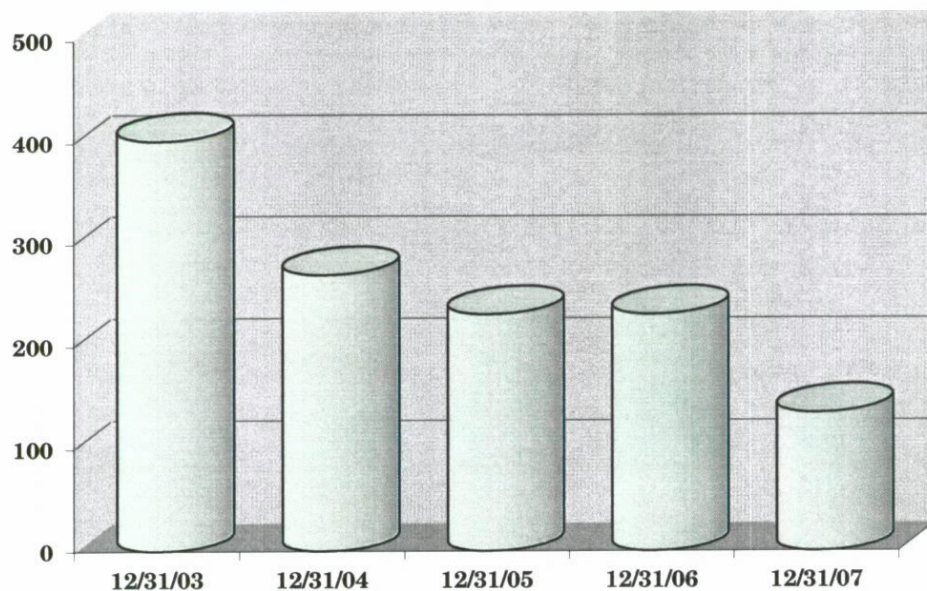
Last Five Quarters



Quarter Ending

12/31/06	231
3/31/07	177
6/30/07	171
9/30/07	128
12/31/07	135

Year-to-Date for Last Five Years



Period Ending

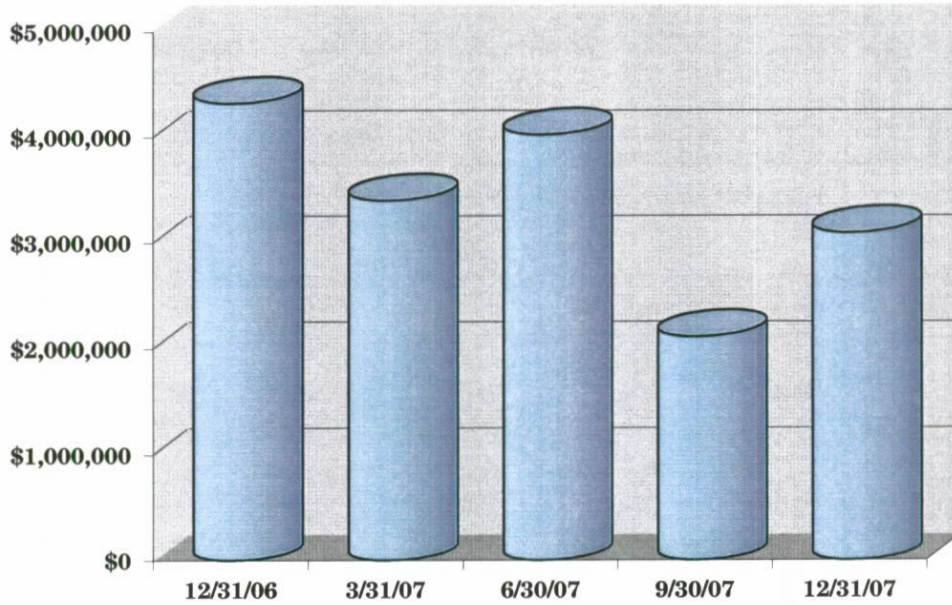
12/31/03	402
12/31/04	270
12/31/05	231
12/31/06	231
12/31/07	135



## NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

### Claims & Claim Expenses Incurred

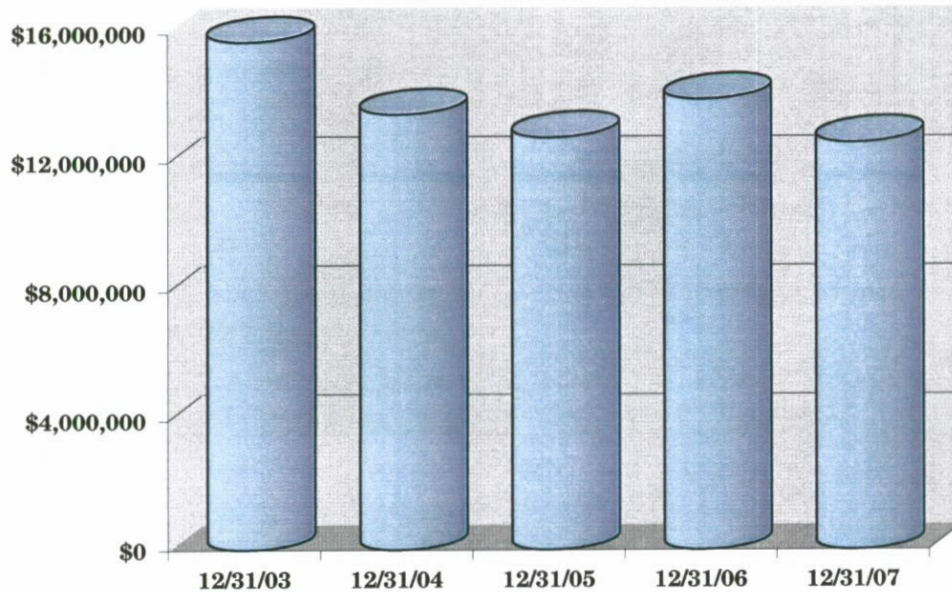
Last Five Quarters



Period Ending

12/31/06	\$4,319,835
3/31/07	3,397,559
6/30/07	4,020,179
9/30/07	2,108,276
12/31/07	\$3,090,570

Year-to-Date for Last Five Years



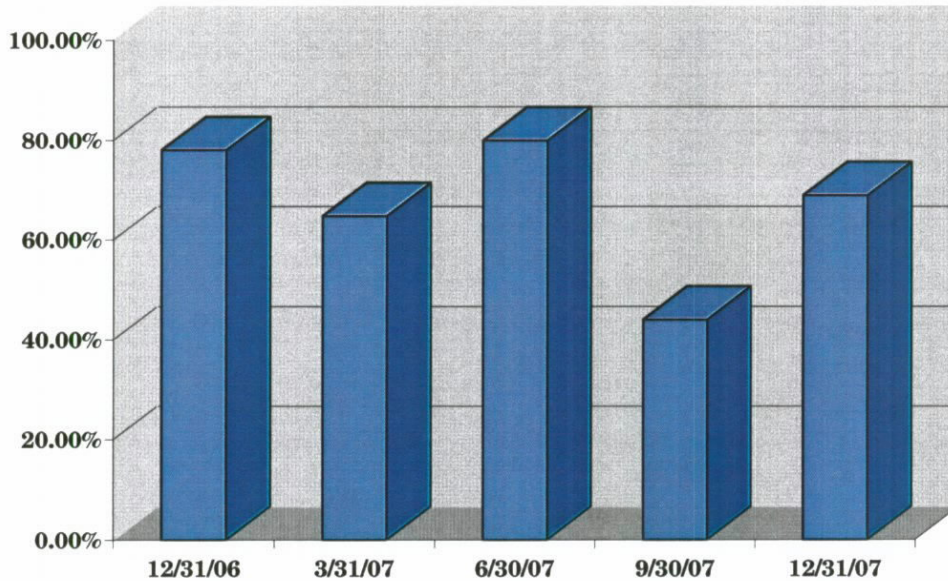
Period Ending

12/31/03	\$15,736,999
12/31/04	13,490,323
12/31/05	12,776,400
12/31/06	13,954,956
12/31/07	\$12,616,581

## NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

### Loss Ratio

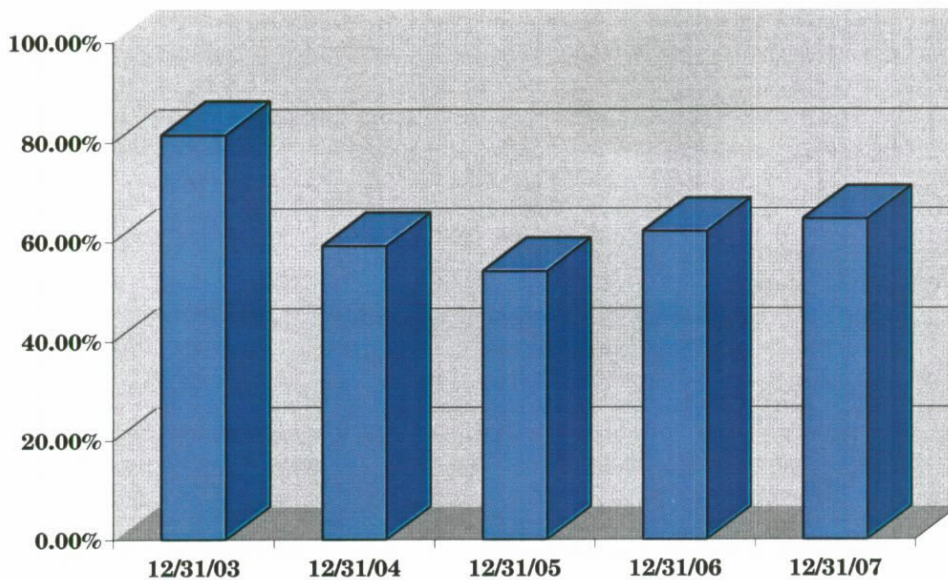
Last Five Quarters



Quarter Ending

12/31/06	78.03%
3/31/07	64.74%
6/30/07	79.92%
9/30/07	44.06%
12/31/07	68.95%

Year-to-Date for Last Five Years



Period Ending

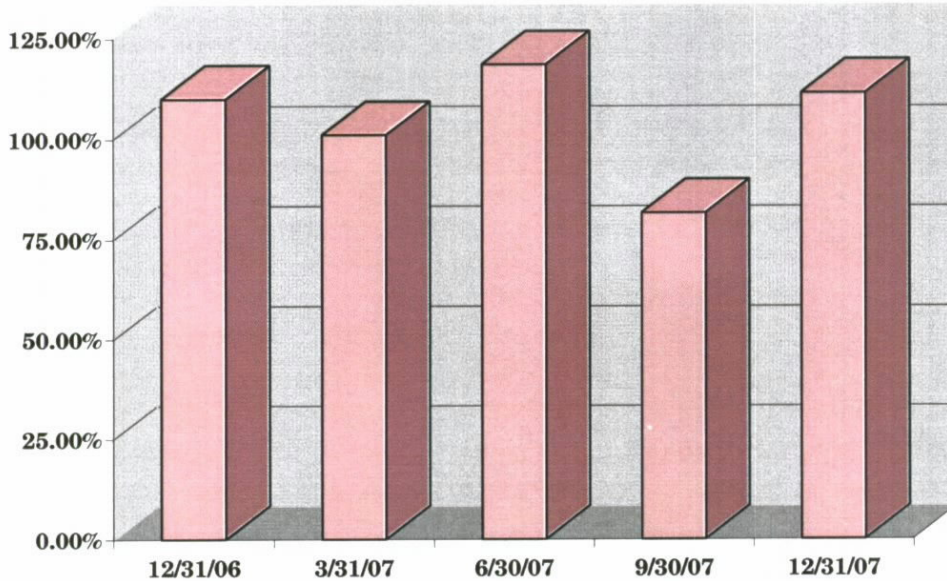
12/31/03	81.56%
12/31/04	59.20%
12/31/05	54.10%
12/31/06	62.13%
12/31/07	64.55%



# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## Combined Ratio

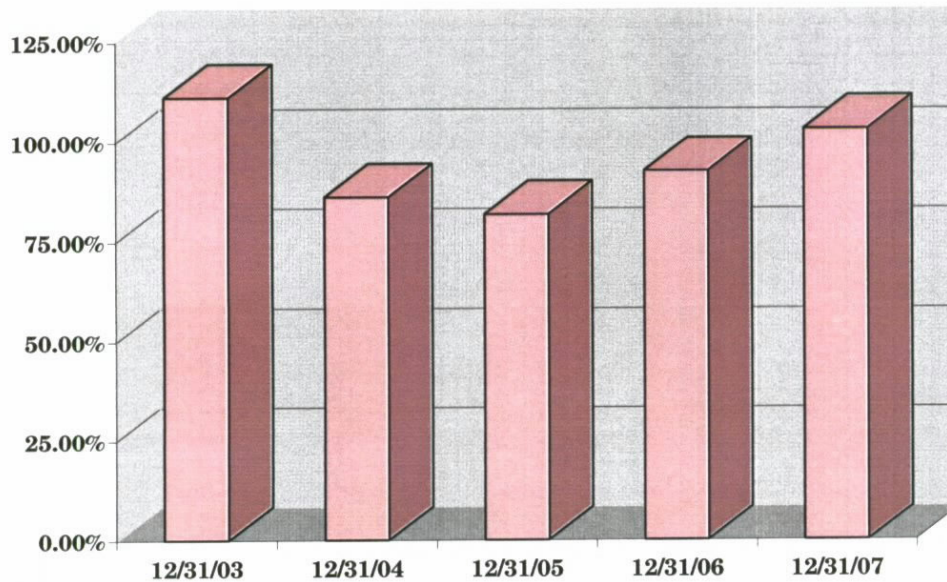
Last Five Quarters



Quarter Ending

12/31/06	109.99%
3/31/07	101.11%
6/30/07	118.65%
9/30/07	81.69%
12/31/07	111.56%

Year-to-Date for Last Five Years



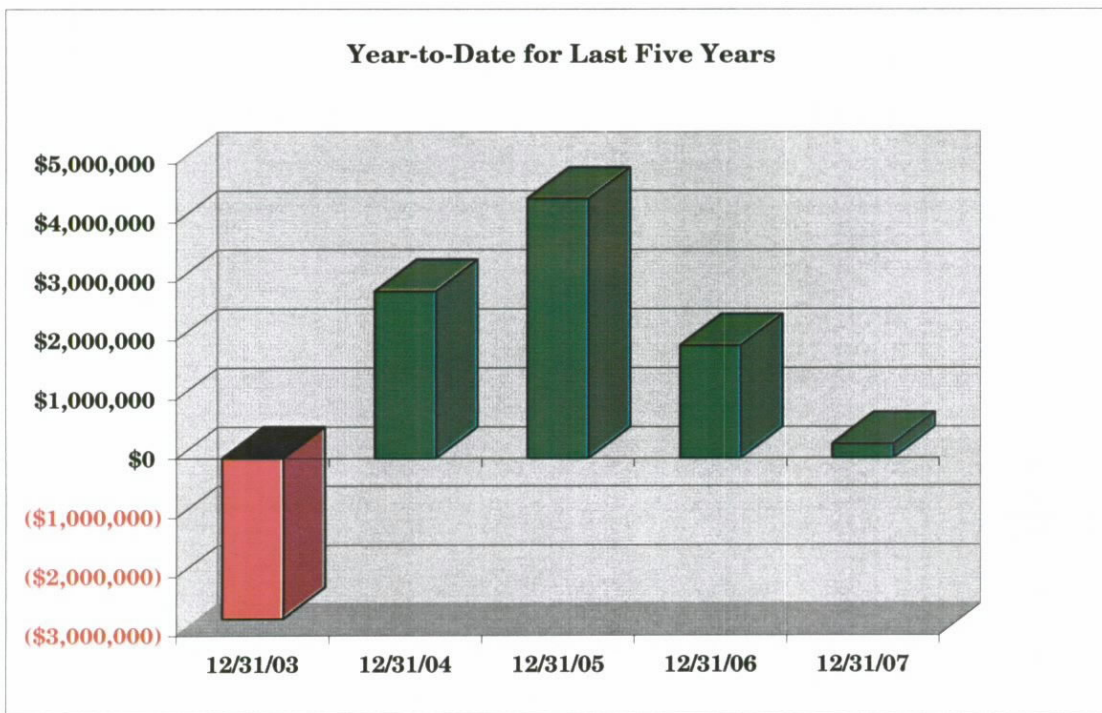
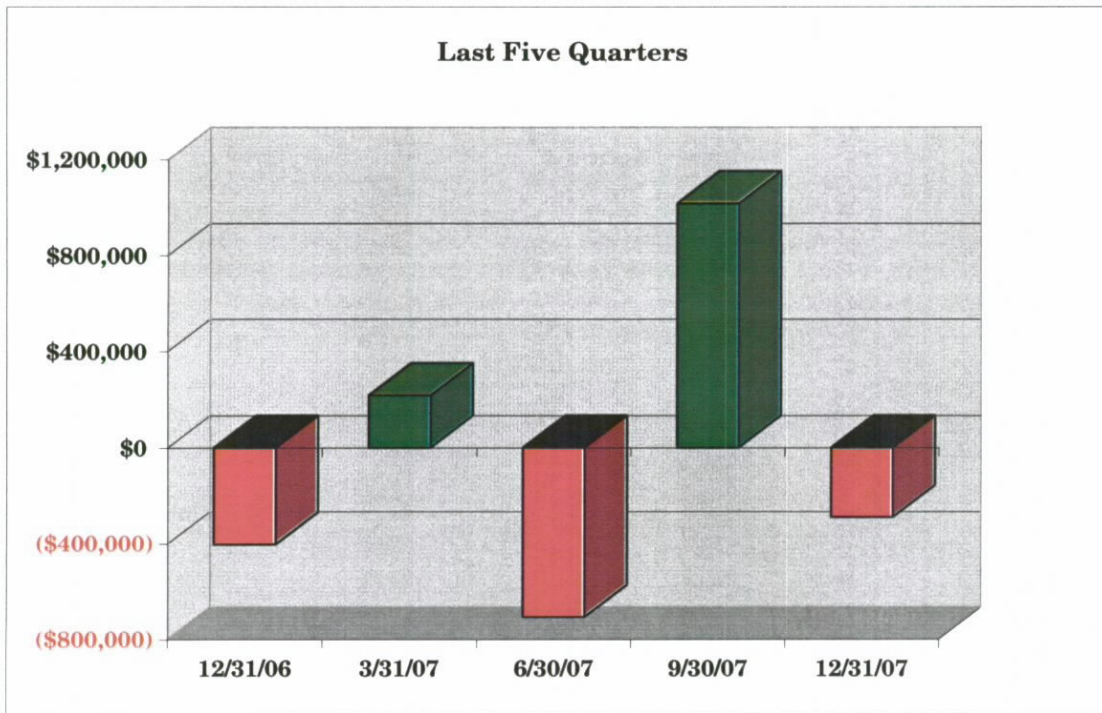
Period Ending

12/31/03	111.22%
12/31/04	86.19%
12/31/05	81.84%
12/31/06	92.68%
12/31/07	103.27%



## NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

### Underwriting Gain (Loss)



## New Jersey Insurance Underwriting Association

### Policies Issued by Line of Business

<u>Dwelling Business</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
New	5,255	8,046	10,019	12,005	12,607
Renewal	31,683	33,661	36,950	39,098	39,188
Total	36,938	41,707	46,969	51,103	51,795
 <u>Commercial Business</u>					
New	114	149	207	259	335
Renewal	1,129	1,281	1,441	1,670	1,787
Total	1,243	1,430	1,648	1,929	2,122
 <u>Crime Business</u>					
New	40	60	53	101	89
Renewal	393	408	488	597	673
Total	433	468	541	698	762
 <u>All Lines</u>					
New	5,409	8,255	10,279	12,365	13,031
Renewal	33,205	35,350	38,879	41,365	41,648
Total	38,614	43,605	49,158	53,730	54,679

## New Jersey Insurance Underwriting Association

### Applications Received by Line of Business

<u>Dwelling Business</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
New	5,617	8,402	10,215	12,778	14,469
Renewal	31,898	33,979	37,337	39,320	39,250
Total	37,515	42,381	47,552	52,098	53,719
 <u>Commercial Business</u>					
New	141	184	212	294	521
Renewal	1,177	1,301	1,473	1,883	1,797
Total	1,318	1,485	1,685	2,177	2,318
 <u>Crime Business</u>					
New	47	69	71	119	93
Renewal	411	408	492	673	703
Total	458	477	562	792	796
 <u>All Lines</u>					
New	5,805	8,655	10,497	13,191	15,083
Renewal	33,486	35,688	39,302	41,876	41,750
Total	39,291	44,343	49,800	55,067	56,833



# New Jersey Insurance Underwriting Association

## Claim Information

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
New Claims Reported	1,085	1,332	1,442	1,778	1,994
Large Losses (+ \$100k)	44	34	36	27	32
Catastrophe Losses	147	150	159	195	326
Arson Losses	8	5	17	9	11
Paid Losses	\$13,018,000	\$12,162,000	\$12,319,000	\$12,675,000	\$12,271,000
Case Reserves	\$3,207,000	\$5,526,000	\$3,973,000	\$4,975,000	\$5,661,000
Loss Exp. Paid	\$1,464,000	\$1,467,000	\$1,645,000	\$1,618,000	\$1,571,000
Loss Exp. Reserves	\$463,000	\$585,000	\$650,000	\$643,000	\$717,000
IBNR Reserves	\$758,000	\$183,000	\$1,345,000	\$1,537,000	\$1,580,000

## 2007 ANNUAL REPORT

### NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

#### BOARD OF DIRECTORS 2007

##### NAME

##### REPRESENTING

Ms. Sandra Horvath, Chair	State Farm Fire and Casualty Company
Ms. Deborah Dickens-Hunter	Allstate New Jersey Insurance Company
Mr. Michael O'Malley	Federal Insurance Company
Mr. Christopher Purcaro	Travelers of New Jersey
Mr. James P. Ayers	Franklin Mutual Insurance Company
Mr. William W. Martin	Hartford Fire Insurance Company
Ms. Teresa Wankmuller	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. Mark Musser	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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## 2007 ANNUAL REPORT

### NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

#### STAFF OF THE ASSOCIATION

Jerry Warner  
Jennifer Peaks

Underwriting Services – Steve Mutterperl  
Customer Services – Brenda Morgan

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

Information Technology – Israel Popack

Ted Abrams  
Donald Dauphin

Claim Services – Al Jankoski

Michael Balzano  
Justin Floyd  
Vetta Munswami  
Gloria Pendleton

Financial Services – Ted Green

Larcina Frazier  
Fred Lund  
Joan Reed  
Carmen Rodriguez  
Akleema Satar

Office Services – Frank Punturieri

Zabida Allie  
Lillie Alston  
Yvonne Elam  
MaryLou Kolvek  
Nazarene Mohamed  
Marina Palacios  
Lerone States  
Eric Valdes