

NJIUA

New Jersey Insurance Underwriting Association

2015 Annual Report



The 47th Annual Report



NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

2015 Annual Report

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New Jersey Insurance Underwriting Association

2015 Annual Report

Message from the Chair and the President

2015 Financial Results

The financial results for the Association in 2015 were highlighted by a return to an underwriting and overall gain not seen since 2009. Key drivers for this favorable result were a continuation of positive loss frequency trends and very minimal adjustments as compared to last year to the Pension Plan and Post-Retirement Medical Plan.

Written premium declined by 4% over prior year to \$10.3 million. Earned premium declined by \$257,000 or 2.40% to \$10.5 million. Policies in force declined by almost 6% to end the year at 14,592. The majority of the policies in force are residential structures of 1 to 4 family dwellings as the commercial book of business is at an all-time low of 351 policies. Included in the overall total are 157 and 1 residential crime and commercial crime policy respectively. From all indications we see, the property insurance landscape in the state remains very competitive and new companies continue to enter the market.

Underwriting expenses experienced a reduction of over 18% to \$4.7 million. As mentioned above the savings of slightly over \$1 million was primarily due to the lower Pension and Post-Retirement Benefit costs recorded in 2015 as compared to 2014. The net effect of this expense reduction resulted in an 8 point decrease in the expense ratio to 45.6%. In addition the Association's management team remains diligent in controlling the operating expenses especially in light of the continued decline in premium.

The number of new claims reported to the Association was 453 representing a decrease of 207 over 2014 or approximately 31%. A lack of catastrophe events throughout the year and the milder weather pattern in the 4th quarter in particular were the main reasons for the lower claim counts.

With several key areas performing well, the 2015 loss ratio of 47.9% was 3 points better than last year. Coupled with the aforementioned improvement in the expense ratio, the combined ratio for 2015 was 93.5%. This is an 11 point decrease from the prior year and it translates into an almost identical 11% improvement from 2014 enabling the Association to end the year with an underwriting gain of \$787,511 and an overall gain of \$914,965.

2015 Initiatives

In keeping with our commitment to provide more efficient ways of doing business with our insureds and the producers who write and service that business, the IT department completed two important initiatives identified in a survey completed in 2014. The producers for the past several years have had the ability to make online premium payments either through credit cards or ACH check. The next step was to provide the same capability directly for the insureds and in May 2015 the ability for insureds to make online payments through our website was introduced. Since the May roll out of the program, monthly usage of the online payment portal has steadily increased.

The second initiative completed at the same time was the enhancements made to the producer portal that allows them to view certain policy documents on line and print those documents in their office when needed. These two programs have greatly added to our commitment to providing outstanding customer service to all Association customers.

Utilization of the ImageRight imaging system remains an important component of our technology program. The IT staff has gained a vast amount of knowledge about the inner workings of the system that enables them to perform certain tasks without the assistance of Vertafore personnel. This has allowed the IT department to begin the process of revamping the underwriting and claims workflows and putting in production a new workflow for the finance department's accounts payable system.

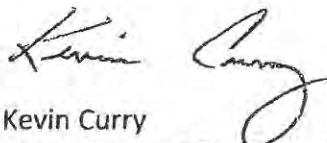
Association management conducted a review of rate adequacy, catastrophe exposure and continued to monitor regulatory compliance issues. Working with members of the Underwriting Committee and the Board of Directors, a review of the rate analysis data provided by the ISO actuarial services division indicated the prospective rate level was inadequate by 2.7%. Based on that information the Board of Directors recommended a rate filing be submitted to the Department of Banking and Insurance for approval which was subsequently granted. The new rates went into effect in January 2016. The catastrophe study performed by Guy Carpenter determined the amount of risk for the Association was well within the capability of the Association's resources, therefore, no further action for risk transfer was required. The Association also received approval from the Department of Banking and Insurance in May on its filing to comply with P.L. 2013,c53 that requires a one page summary of essential policy coverages and exclusions be included in every new and renewal policy going forward.

In June members of the Claim Committee reviewed the six outstanding claims from policy year 2012. The Committee agreed the reserves were adequate on all policies and recommended to the Finance and Audit Committee that they be moved to policy year 2013 and 2012 be closed. The final reconciliation prepared by the Association Controller and reviewed by the Finance and Audit Committee indicated a deficit of \$2,717,611 for policy year 2012. A recommendation was made to the Board to close out policy year 2012 and assess member companies for the deficit. The Board approved the recommendation.

Although SuperStorm Sandy occurred in 2012, certain aspects of that catastrophe have carried over in the way of litigated claims. In October the successful conclusion of the last Sandy claim occurred, closing out the largest loss event since the Association was formed.

We wish to extend our sincere appreciation to the staff and managers for their continued effort, support and enthusiasm for a job well done.

We express our sincere appreciation to Acting Commissioner Richard Badolato, Insurance Director Peter Hartt, and Assistant Commissioner of Property and Casualty Insurance, William Rader, Mark Nussenfeld who represents the Department on the Board, and others at the Department of Banking and Insurance for their continued support and guidance. We extend our thanks to legal counsel Hugh Francis for his contributions on our behalf. Very special recognition goes to all the members of the Board of Directors, Committee Chairs, John Friedman, Michael Peterson, Tim Cronin, Vince Noggle and Bruce Hill for their advice and direction of our business activities.


Kevin Curry
Chair, Board of Directors, NJIUA


Steven Mutterperl
President

New Jersey Insurance Underwriting Association

Financial Highlights

	Year Ending December 31, (U n a u d i t e d)	
	2015	2014
PREMIUM WRITTEN	\$10,260,636	\$10,697,330
PREMIUMS EARNED	10,495,251	10,752,290
LOSSES INCURRED	3,919,862	3,942,230
CLAIM EXPENSES INCURRED	1,104,341	1,547,611
EXPENSES INCURRED	4,683,537	5,741,900
UNDERWRITING GAIN (LOSS)	787,511	(479,451)
ADD NET INVESTMENT GAIN	108,022	89,857
TOTAL OTHER INCOME	19,432	21,647
NET OPERATING GAIN (LOSS)	\$914,965	(\$367,947)
LOSS RATIO	47.87%	51.06%
EXPENSE RATIO	45.65%	53.68%
COMBINED RATIO	93.52%	104.74%

New Jersey Insurance Underwriting Association

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

	As at December 31, (U n a u d i t e d)	
	2015	2014
Admitted assets		
Cash and invested assets:		
Bonds	\$1,124,290	\$1,075,900
Equity securities	1,012,067	1,013,176
Cash and short-term investments	11,568,359	9,321,910
Total cash and invested assets	13,704,716	11,410,986
Accrued investment income	26,130	11,961
EDP equipment	58,573	41,510
Premiums receivable	153,372	143,003
Total admitted assets	\$13,942,791	\$11,607,460
Liabilities and members' equity		
Liabilities:		
Unpaid losses	\$1,815,415	\$1,867,137
Unpaid loss adjustment expenses	406,281	391,446
Unearned premiums	5,184,614	5,419,229
Advance premiums	287,105	280,197
Amounts held for others	242,221	224,039
Accrued expenses	224,460	201,853
Other liabilities	101,268	97,425
Premium taxes and filing fees payable	37,509	38,430
Postretirement benefits	3,408,857	4,275,534
Defined pension plan benefits	1,673,606	1,436,170
Payable for securities	-	497,000
Total liabilities	\$13,381,336	\$14,728,460
Members' equity	561,455	(3,121,000)
Total liabilities and members' equity	\$13,942,791	\$11,607,460

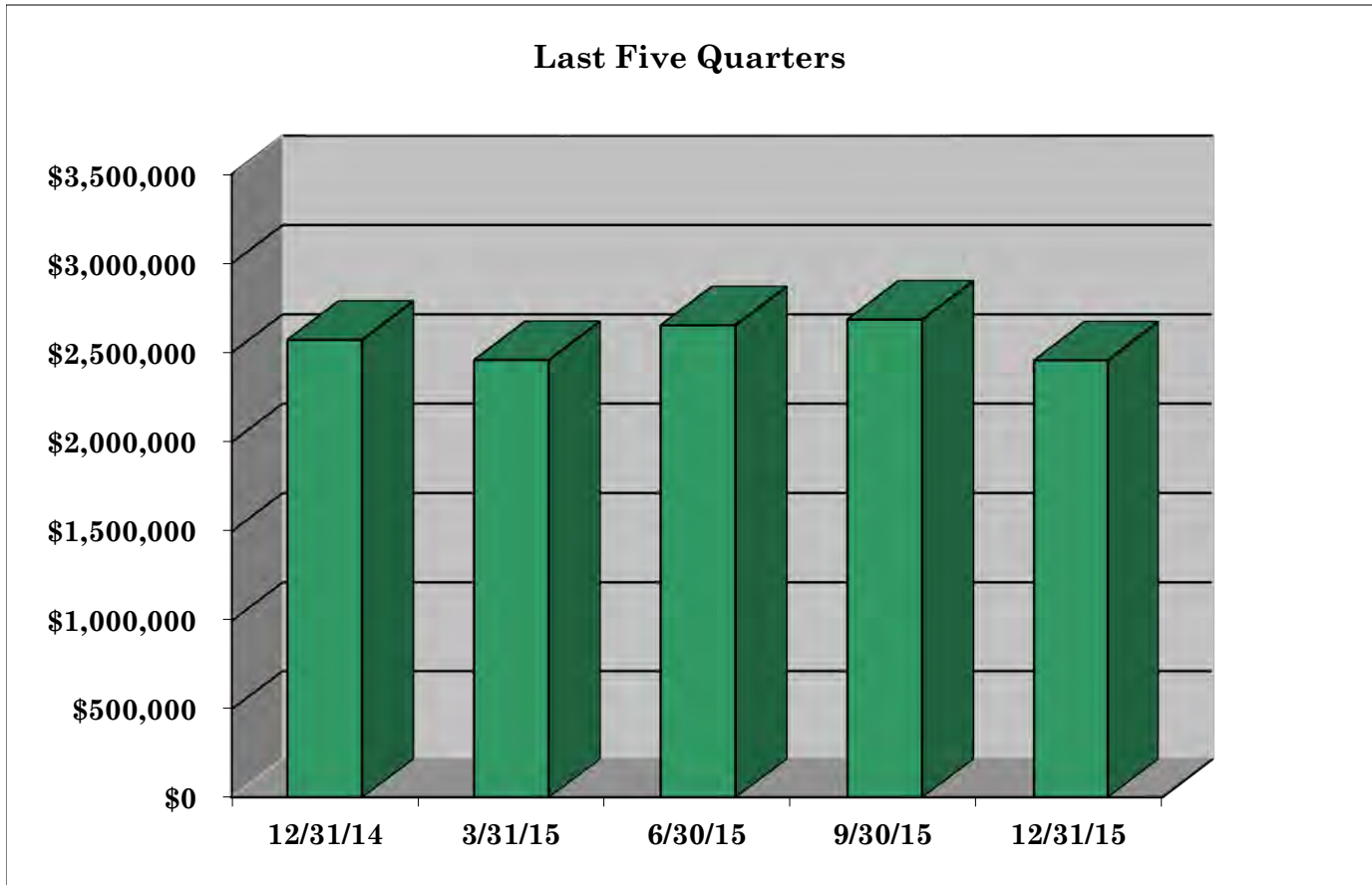
New Jersey Insurance Underwriting Association

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

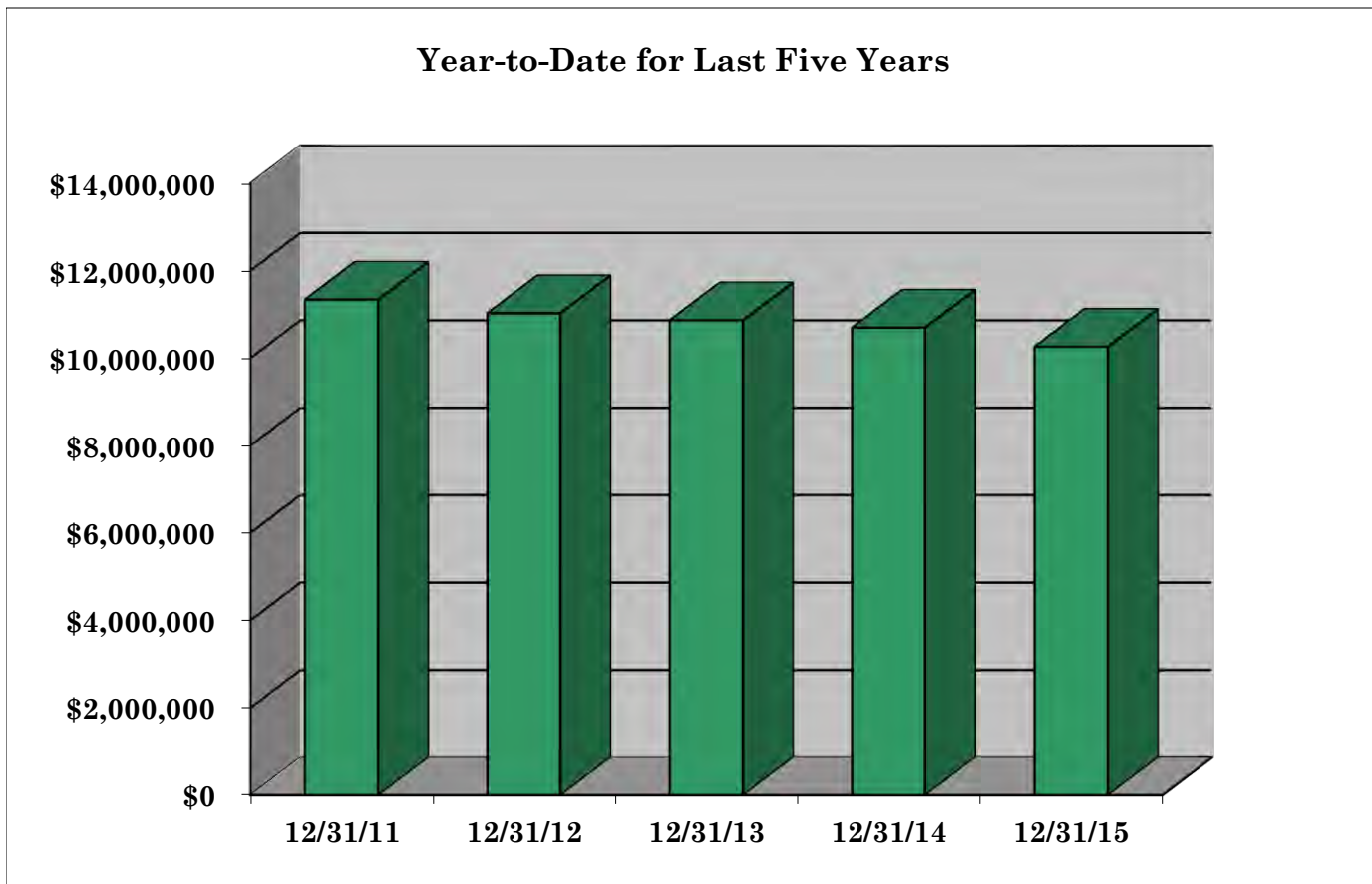
	Twelve Months Ending December 31, (U n a u d i t e d)	
	2015	2014
Underwriting income:		
Net premiums written	\$10,260,636	\$10,697,330
Change in unearned premiums	234,615	54,960
Total underwriting income	10,495,251	10,752,290
Underwriting expenses:		
Losses incurred	3,919,862	3,942,230
LAE incurred	1,104,341	1,547,611
Commissions	867,018	909,560
Other underwriting expenses	3,767,718	4,782,884
Premium taxes and filing fees	48,801	49,456
Total underwriting expenses	9,707,740	11,231,741
Net underwriting gain (loss)	787,511	(479,451)
Other income	108,022	21,647
Net investment income	19,432	89,857
Net gain (loss)	914,965	(367,947)
Members' equity at beginning of year	(3,121,000)	(3,626,002)
Member assessment	2,717,611	974,837
Change in nonadmitted assets	105,916	(102,754)
Change in net unrealized capital gains (losses)	(56,037)	866
Members' equity at end of year	\$561,455	(\$3,121,000)

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Written Premium - All Lines



Quarter Ending	
12/31/14	\$2,573,337
3/31/15	2,460,264
6/30/15	2,654,907
9/30/15	2,686,795
12/31/15	\$2,458,670

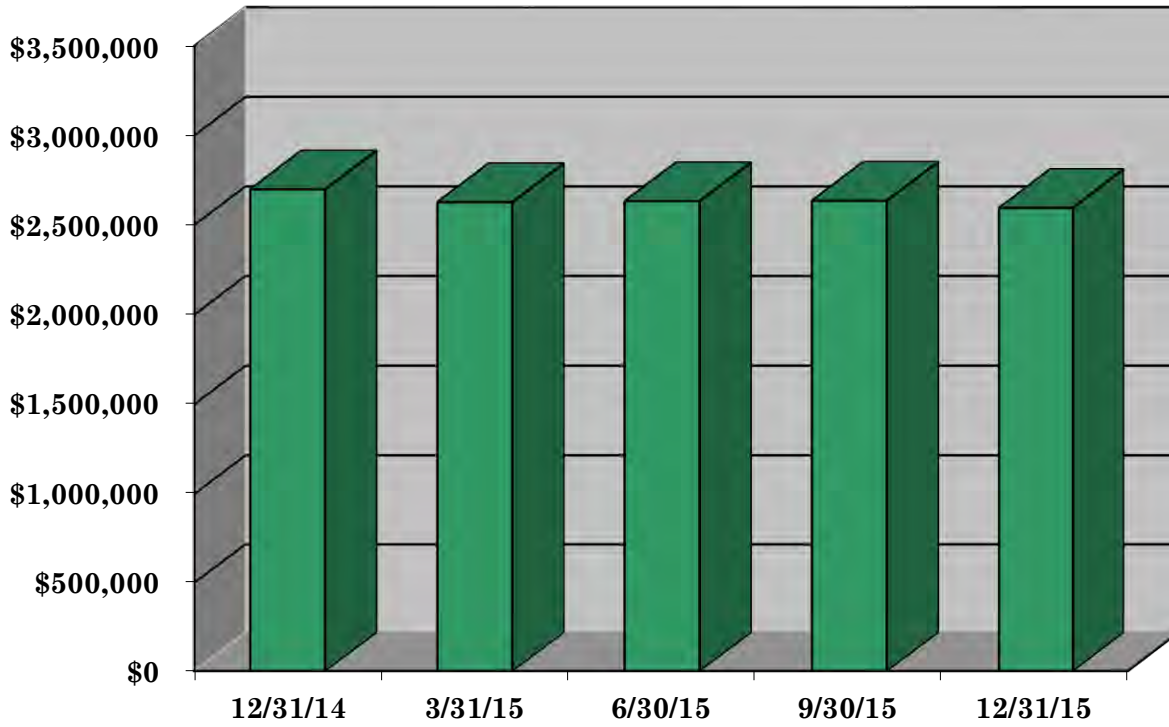


Period Ending	
12/31/11	\$11,338,579
12/31/12	11,026,925
12/31/13	10,864,769
12/31/14	10,697,330
12/31/15	\$10,260,636

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Earned Premium - All Lines

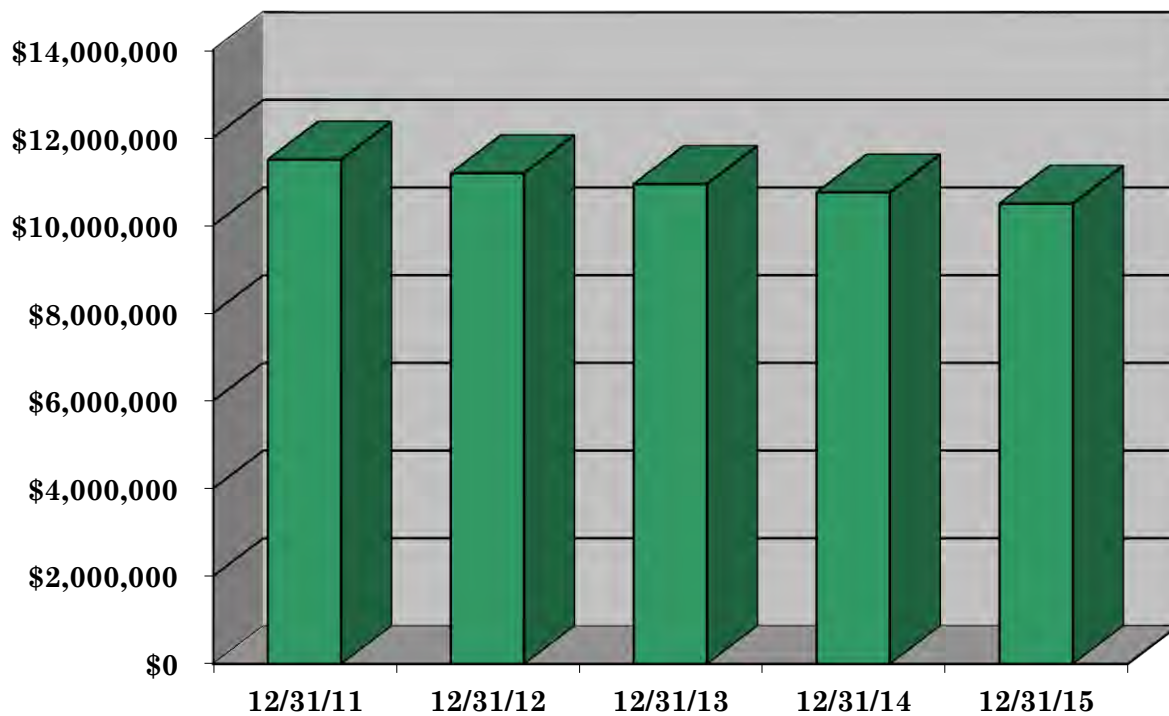
Last Five Quarters



Quarter Ending

12/31/14	\$2,700,226
3/31/15	2,628,579
6/30/15	2,634,063
9/30/15	2,636,499
12/31/15	\$2,596,110

Year-to-Date for Last Five Years



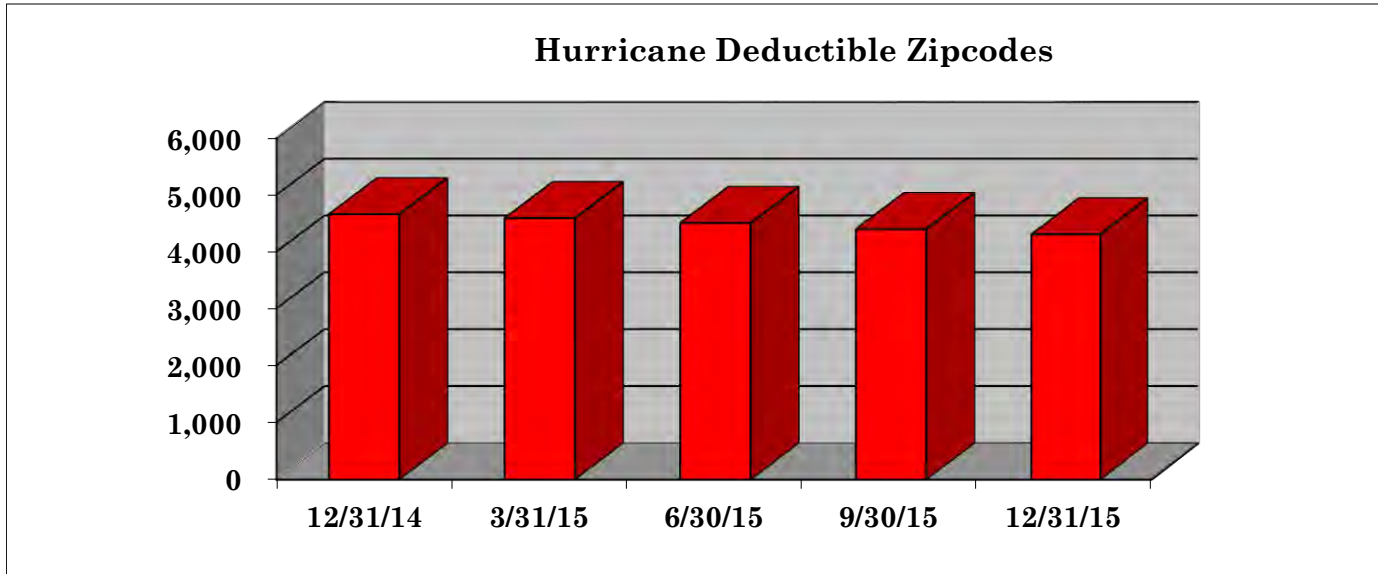
Period Ending

12/31/11	\$11,500,990
12/31/12	11,191,051
12/31/13	10,944,693
12/31/14	10,752,290
12/31/15	\$10,495,251

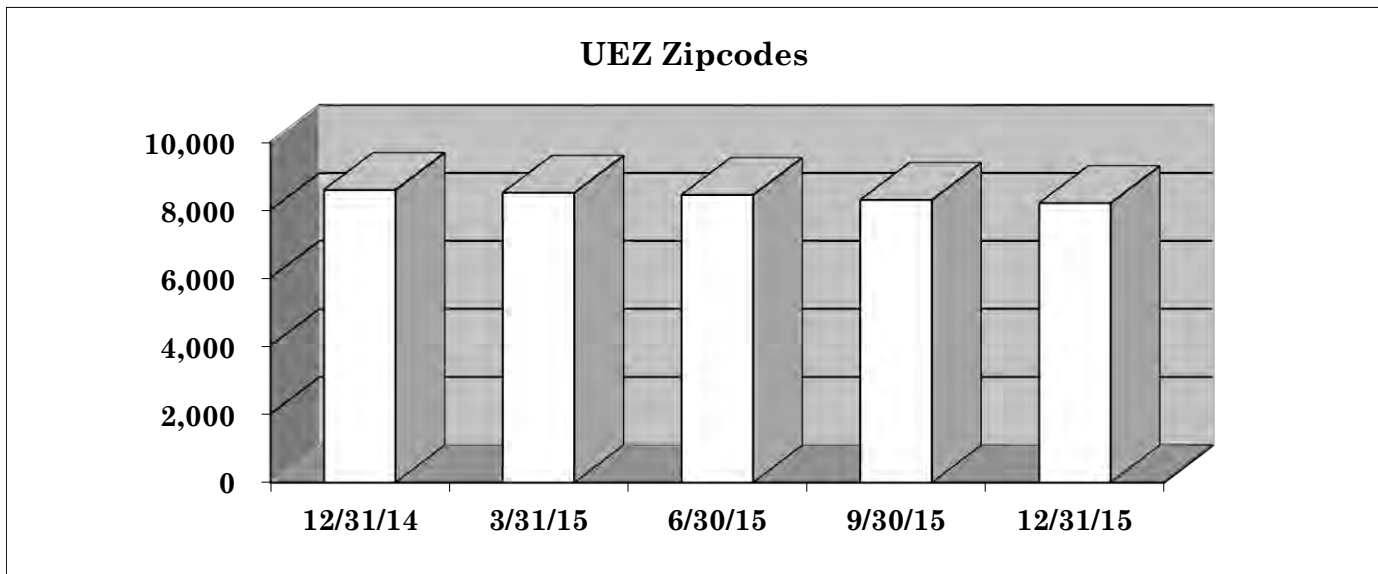
NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

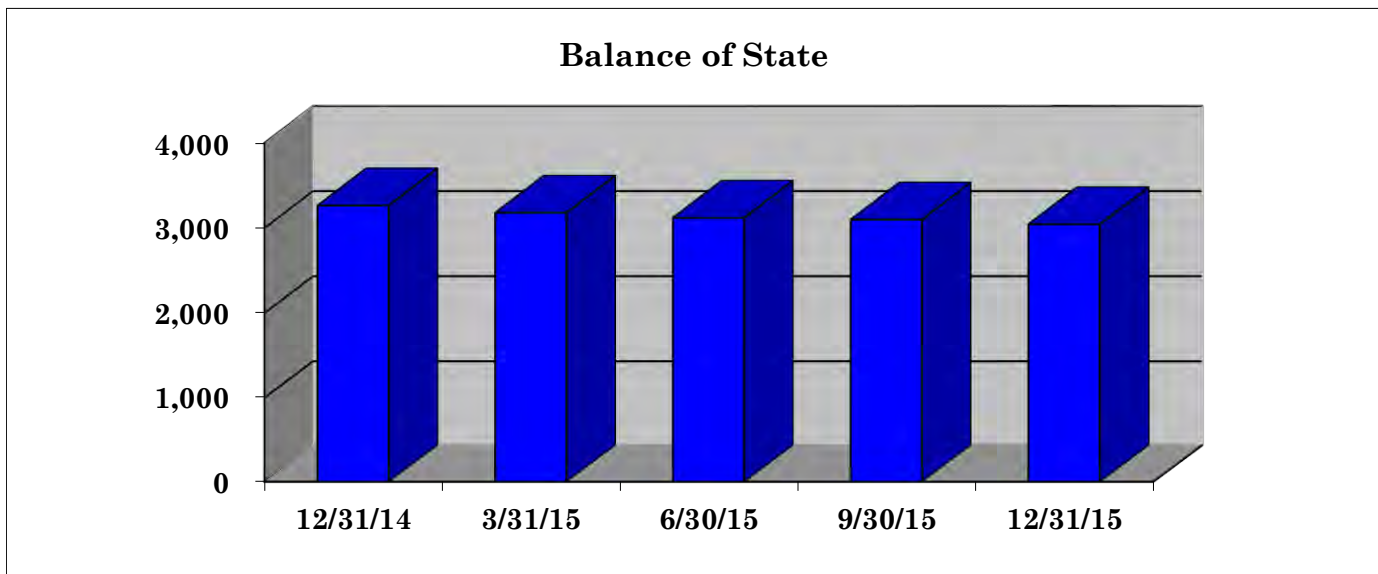
Last Five Quarters



Quarter Ending	
12/31/14	4,660
3/31/15	4,590
6/30/15	4,504
9/30/15	4,397
12/31/15	4,306



Quarter Ending	
12/31/14	8,590
3/31/15	8,506
6/30/15	8,443
9/30/15	8,295
12/31/15	8,202



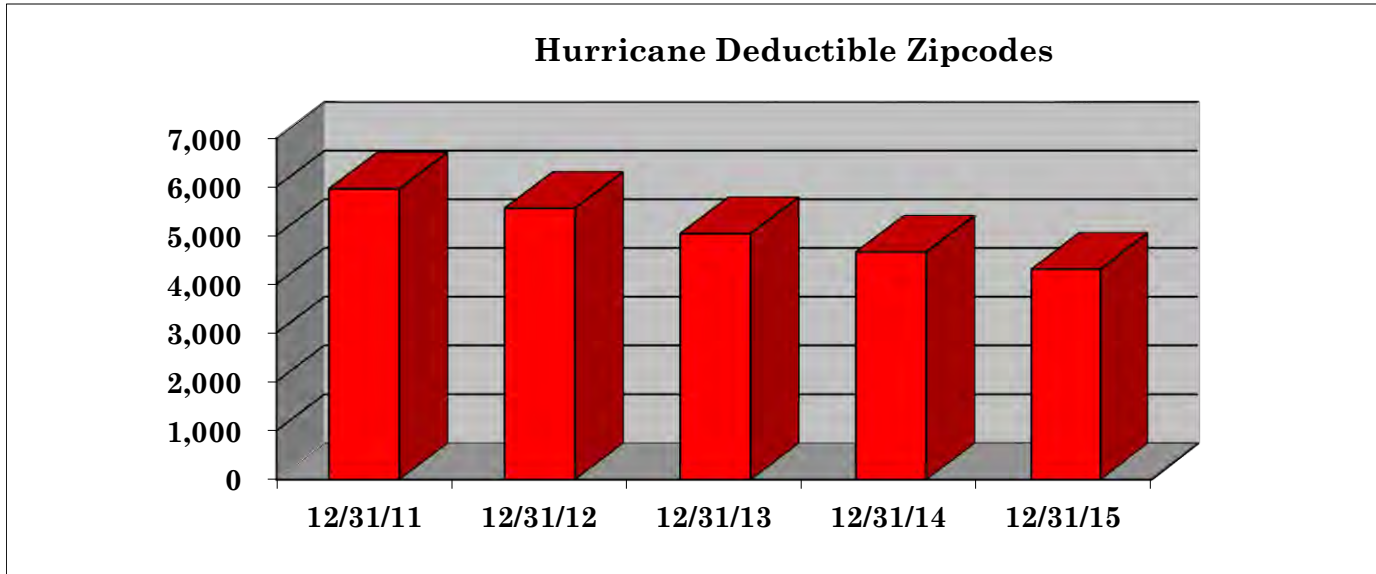
Quarter Ending	
12/31/14	3,266
3/31/15	3,181
6/30/15	3,122
9/30/15	3,100
12/31/15	3,045

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

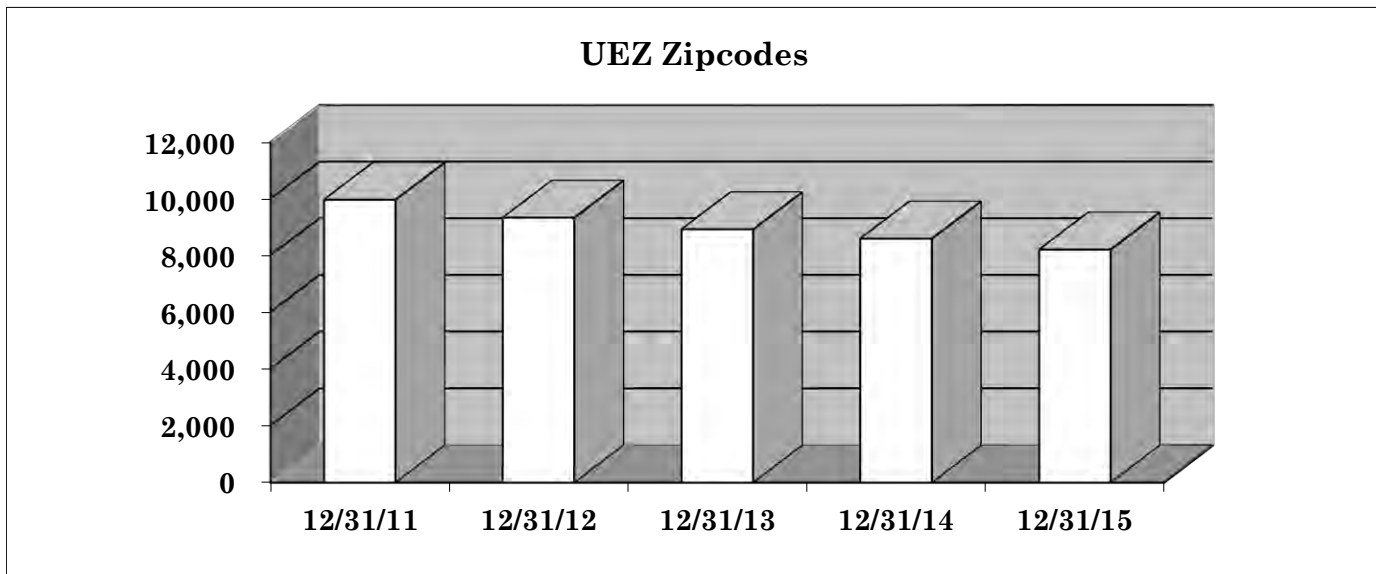
NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

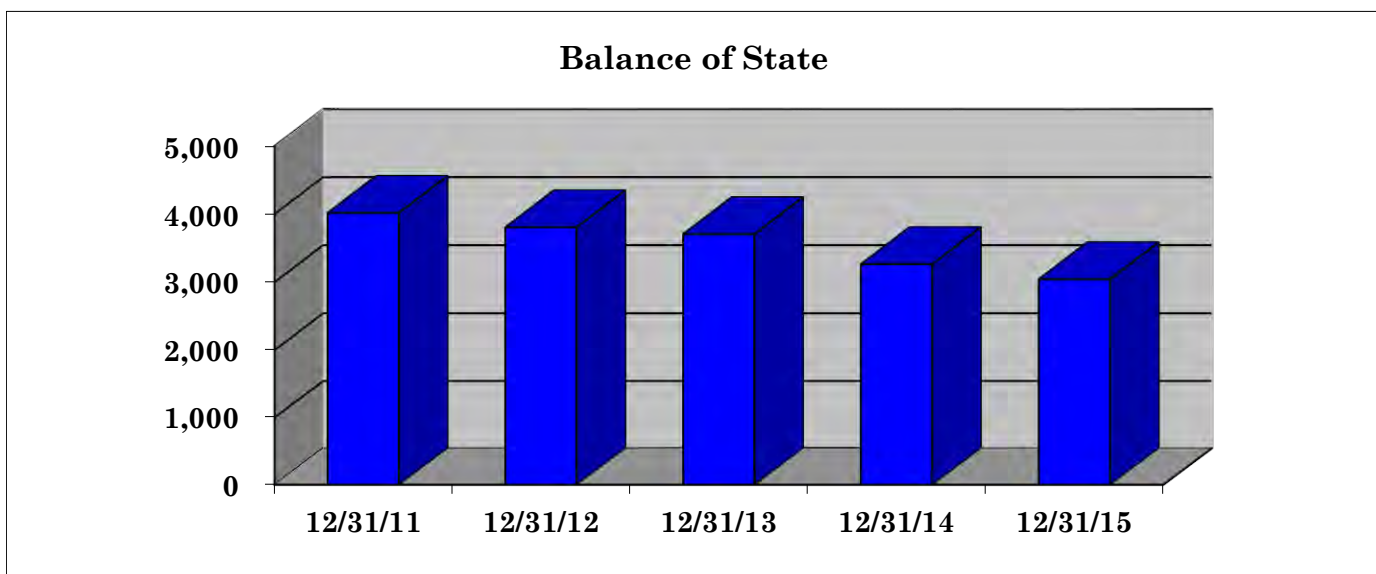
Last Five Years



Period Ending	
12/31/11	5,958
12/31/12	5,558
12/31/13	5,039
12/31/14	4,660
12/31/15	4,306



Period Ending	
12/31/11	9,963
12/31/12	9,329
12/31/13	8,918
12/31/14	8,590
12/31/15	8,202

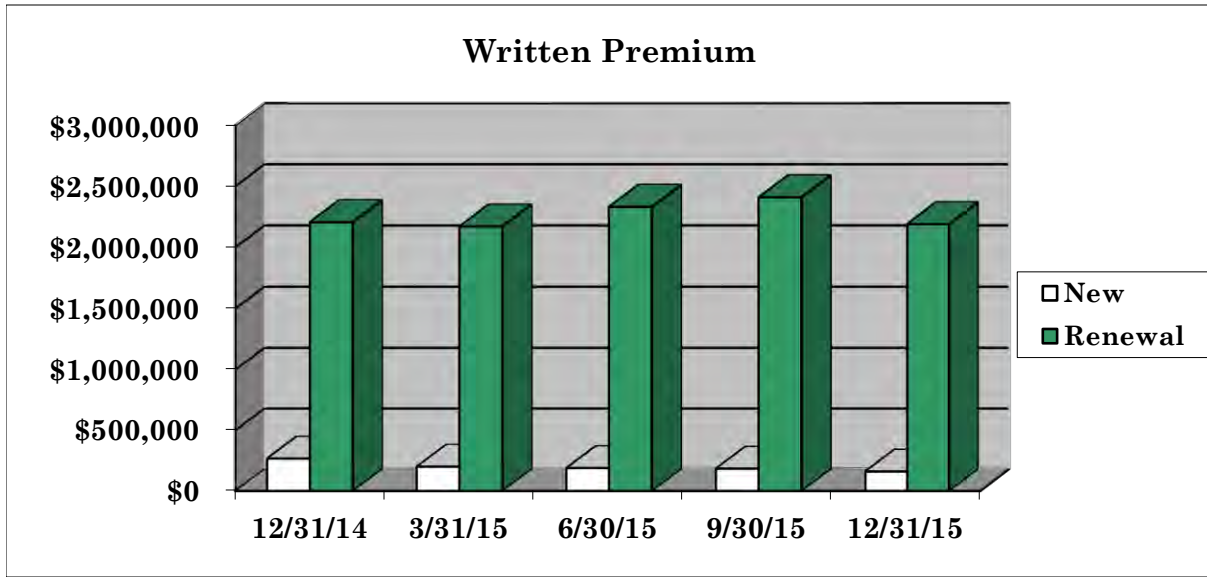


Period Ending	
12/31/11	4,019
12/31/12	3,808
12/31/13	3,707
12/31/14	3,266
12/31/15	3,045

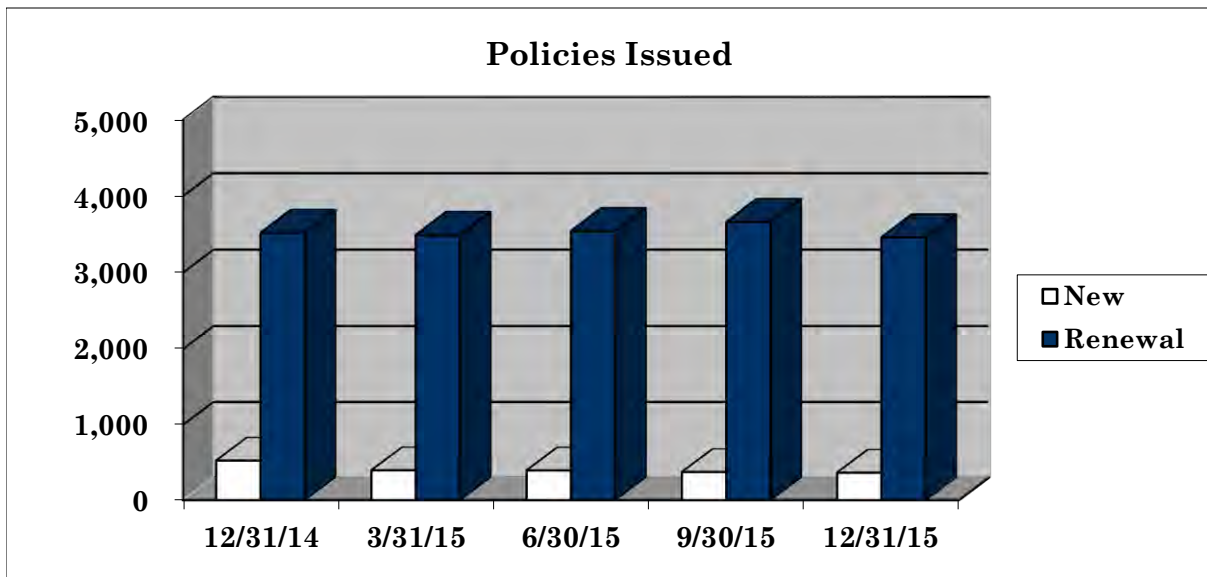
Note: Sum of zipcodes does not equal total due to overlap between Hurricane Deductible and UEZ definitions.

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

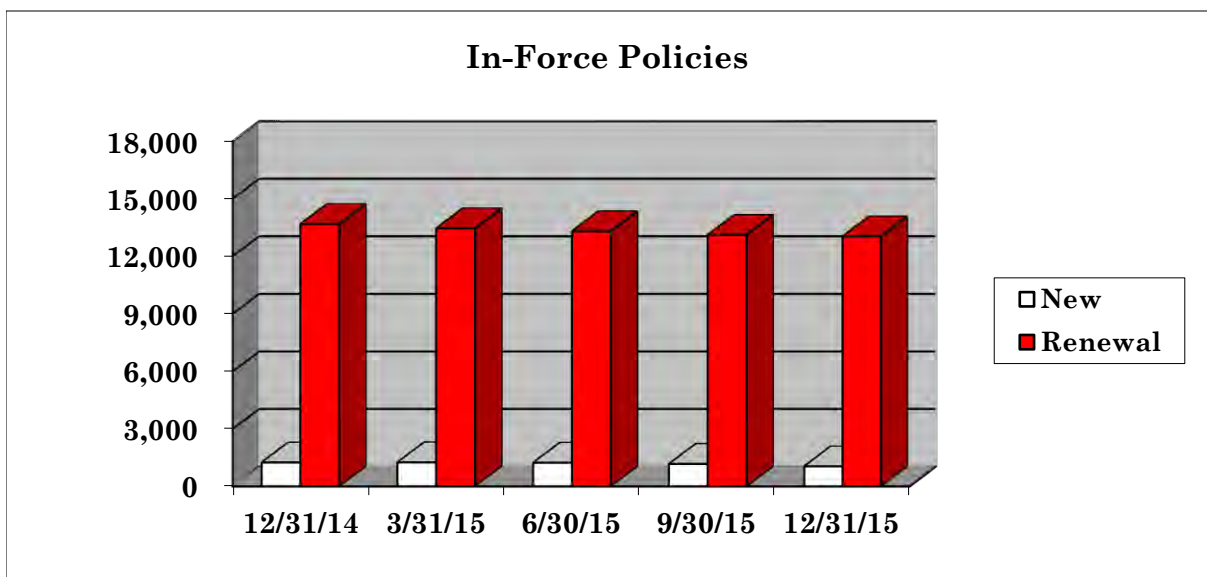
Dwelling Business



	<u>Quarter Ending</u>	
	<u>New</u>	<u>Renewal</u>
12/31/14	\$267,709	\$2,207,503
3/31/15	200,193	2,172,571
6/30/15	188,627	2,333,014
9/30/15	183,913	2,410,931
12/31/15	\$160,222	\$2,191,324



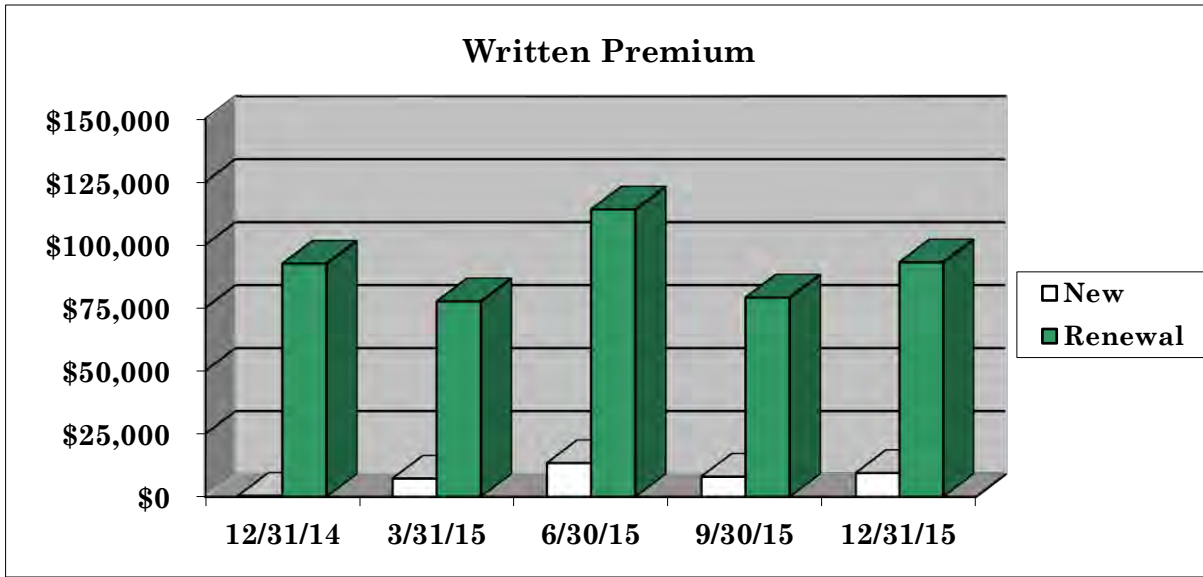
	<u>Quarter Ending</u>	
	<u>New</u>	<u>Renewal</u>
12/31/14	524	3,521
3/31/15	395	3,495
6/30/15	394	3,545
9/30/15	373	3,665
12/31/15	364	3,463



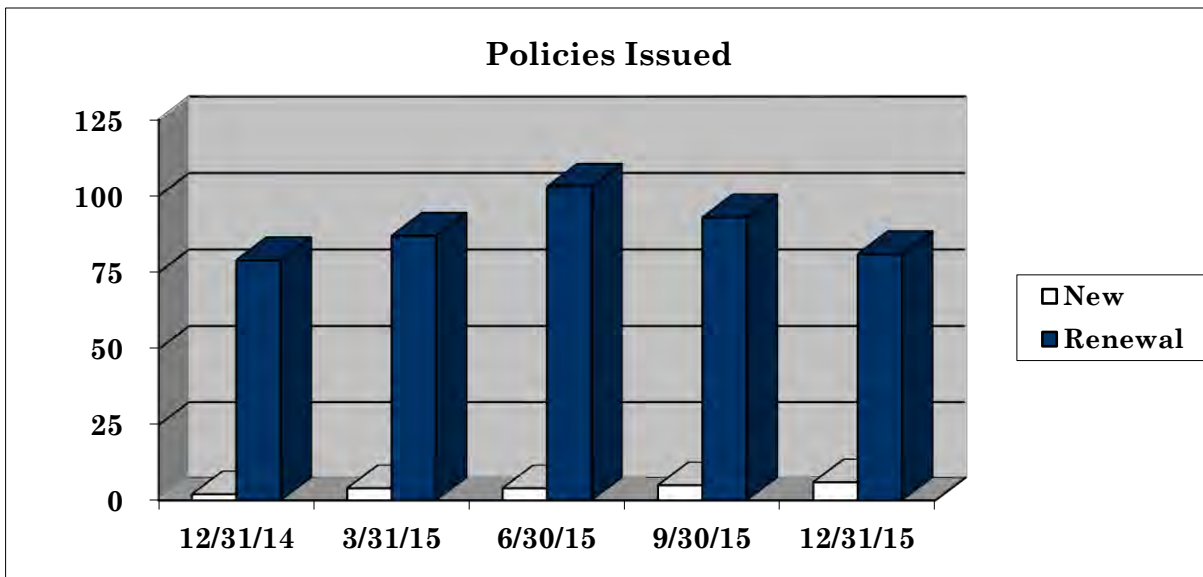
	<u>Quarter Ending</u>	
	<u>New</u>	<u>Renewal</u>
12/31/14	1,250	13,680
3/31/15	1,255	13,457
6/30/15	1,238	13,305
9/30/15	1,174	13,117
12/31/15	1,046	13,037

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

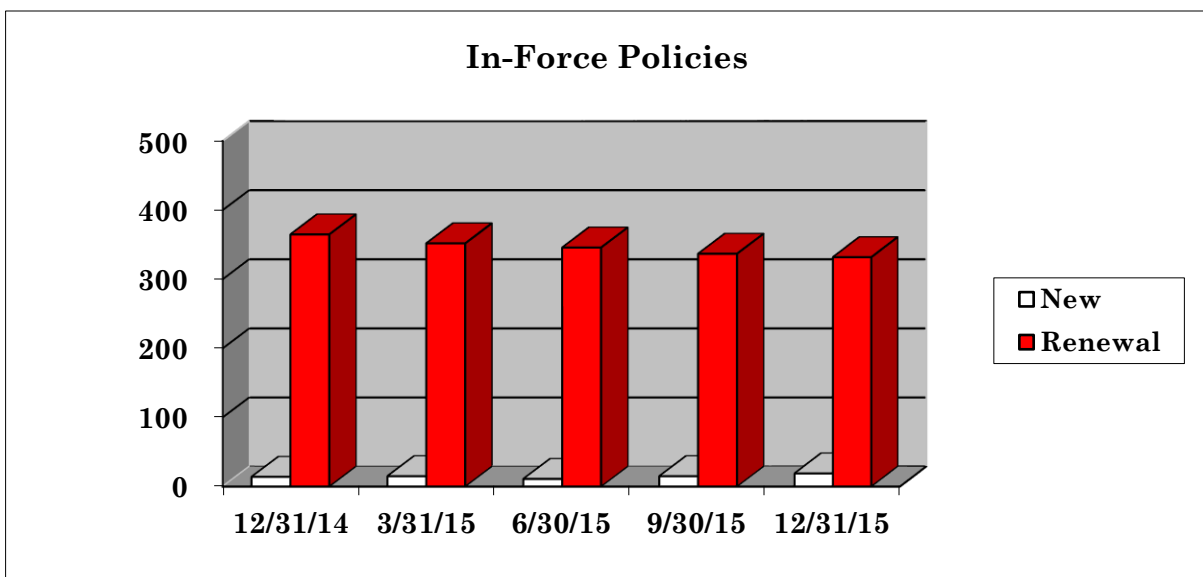
Commercial Business



Quarter Ending	Quarter Ending	
	<u>New</u>	<u>Renewal</u>
12/31/14	\$414	\$92,526
3/31/15	7,254	77,596
6/30/15	13,419	114,062
9/30/15	8,008	79,128
12/31/15	\$9,445	\$93,102



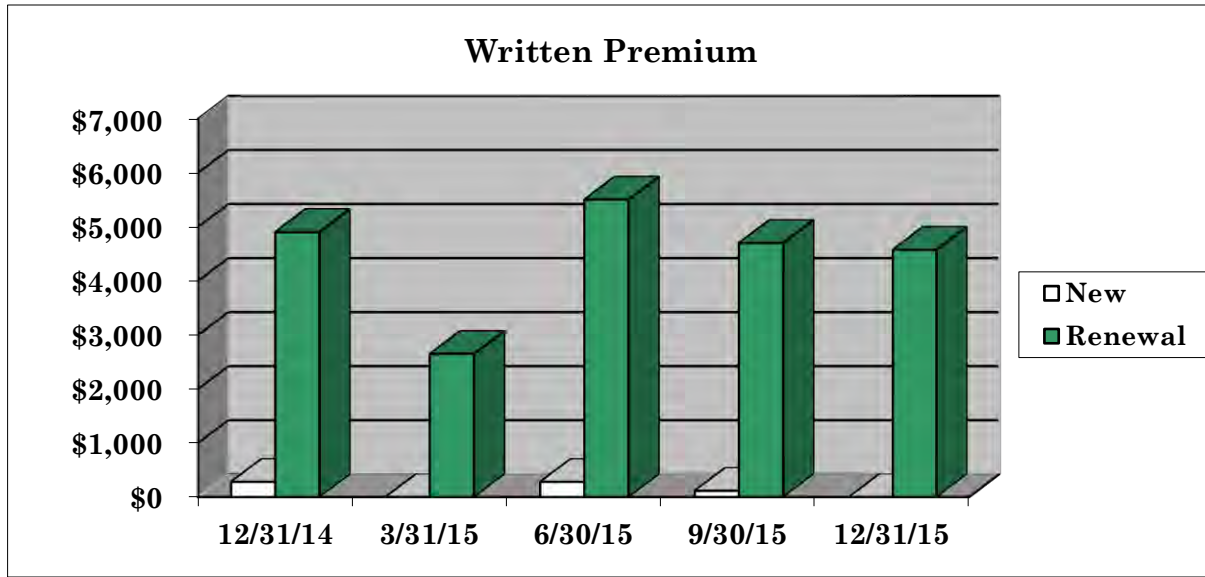
Quarter Ending	Quarter Ending	
	<u>New</u>	<u>Renewal</u>
12/31/14	2	79
3/31/15	4	87
6/30/15	4	103
9/30/15	5	93
12/31/15	6	81



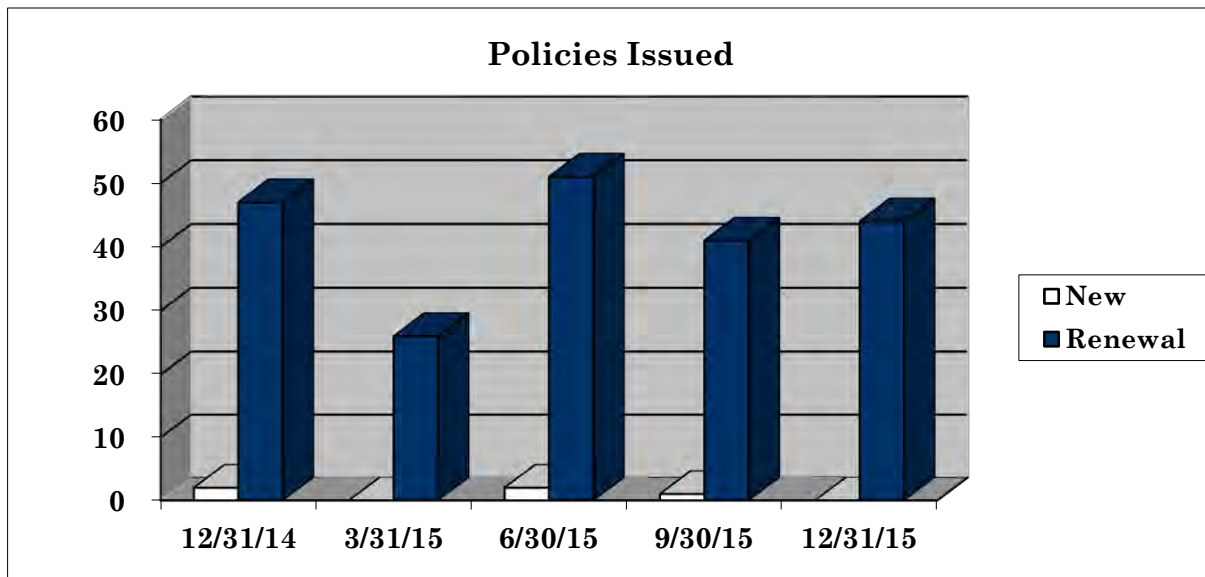
Quarter Ending	Quarter Ending	
	<u>New</u>	<u>Renewal</u>
12/31/14	14	365
3/31/15	15	352
6/30/15	11	346
9/30/15	15	337
12/31/15	19	332

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

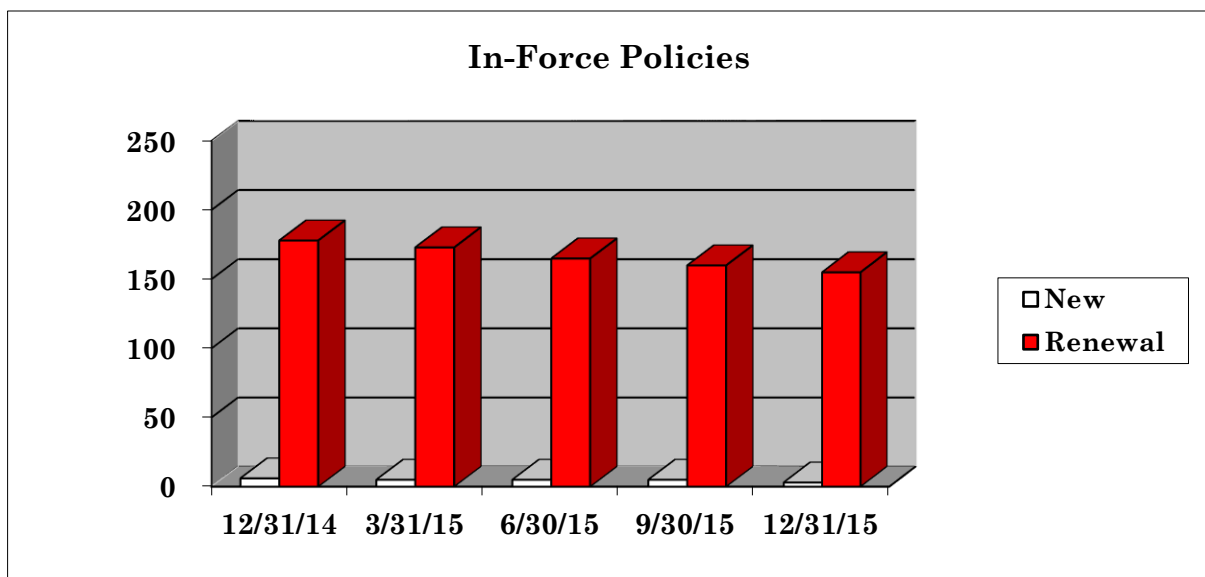
Crime Business



	<u>Quarter Ending</u>	
	<u>New</u>	<u>Renewal</u>
12/31/14	\$280	\$4,905
3/31/15	0	2,650
6/30/15	280	5,505
9/30/15	114	4,701
12/31/15	\$0	\$4,577



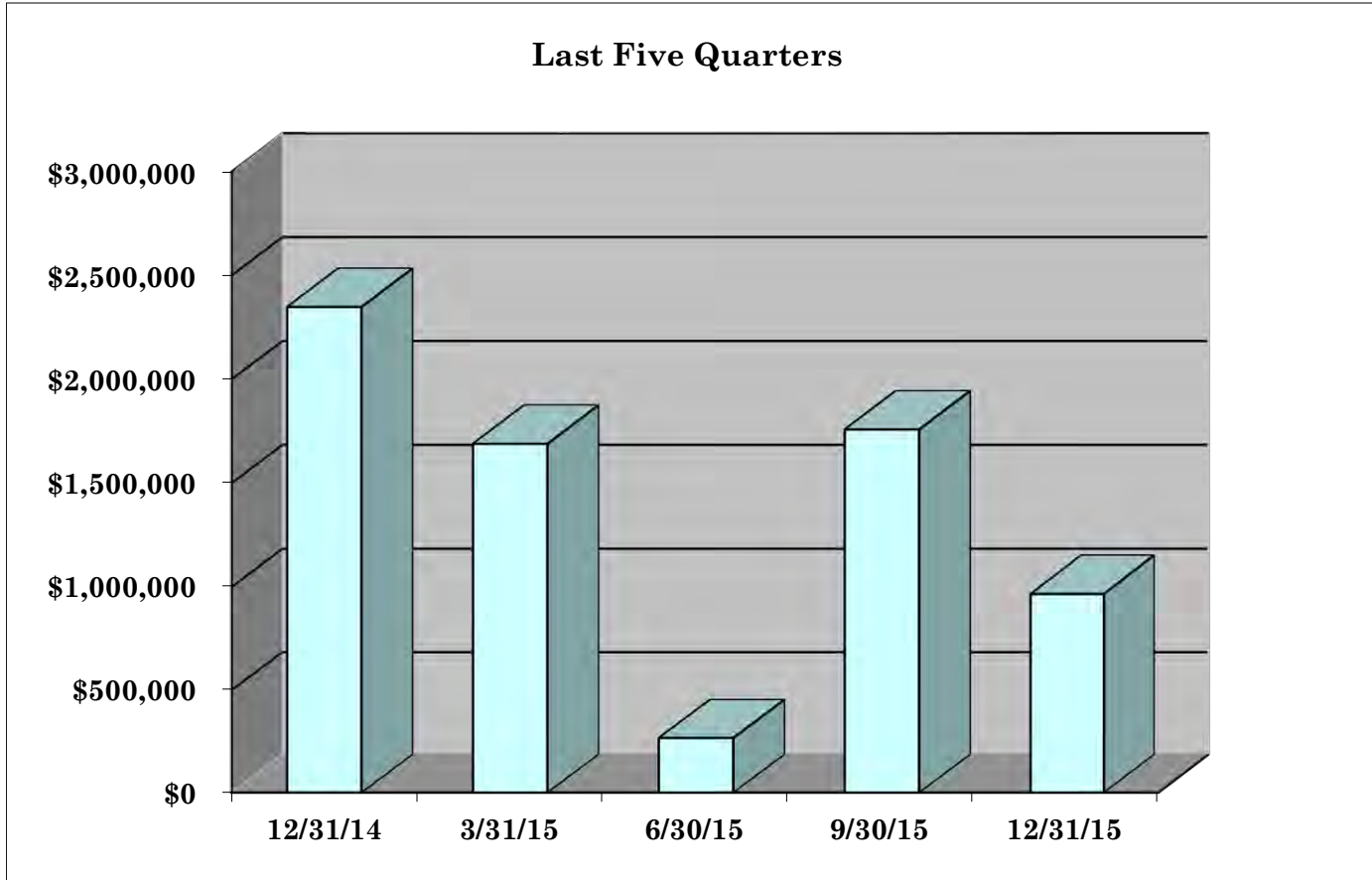
	<u>Quarter Ending</u>	
	<u>New</u>	<u>Renewal</u>
12/31/14	2	47
3/31/15	0	26
6/30/15	2	51
9/30/15	1	41
12/31/15	0	44



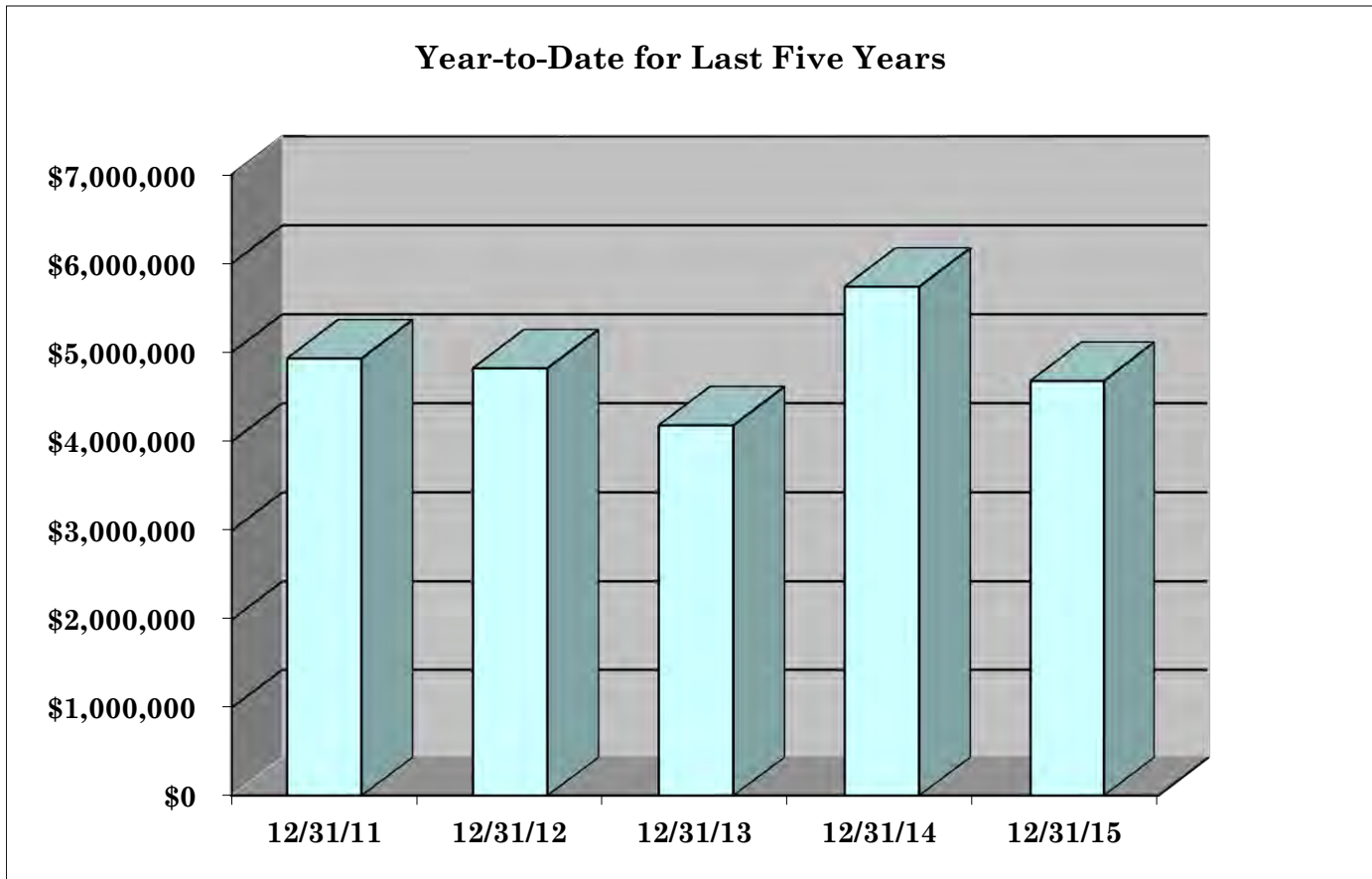
	<u>Quarter Ending</u>	
	<u>New</u>	<u>Renewal</u>
12/31/14	6	178
3/31/15	5	173
6/30/15	5	165
9/30/15	5	160
12/31/15	3	155

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Expenses Incurred



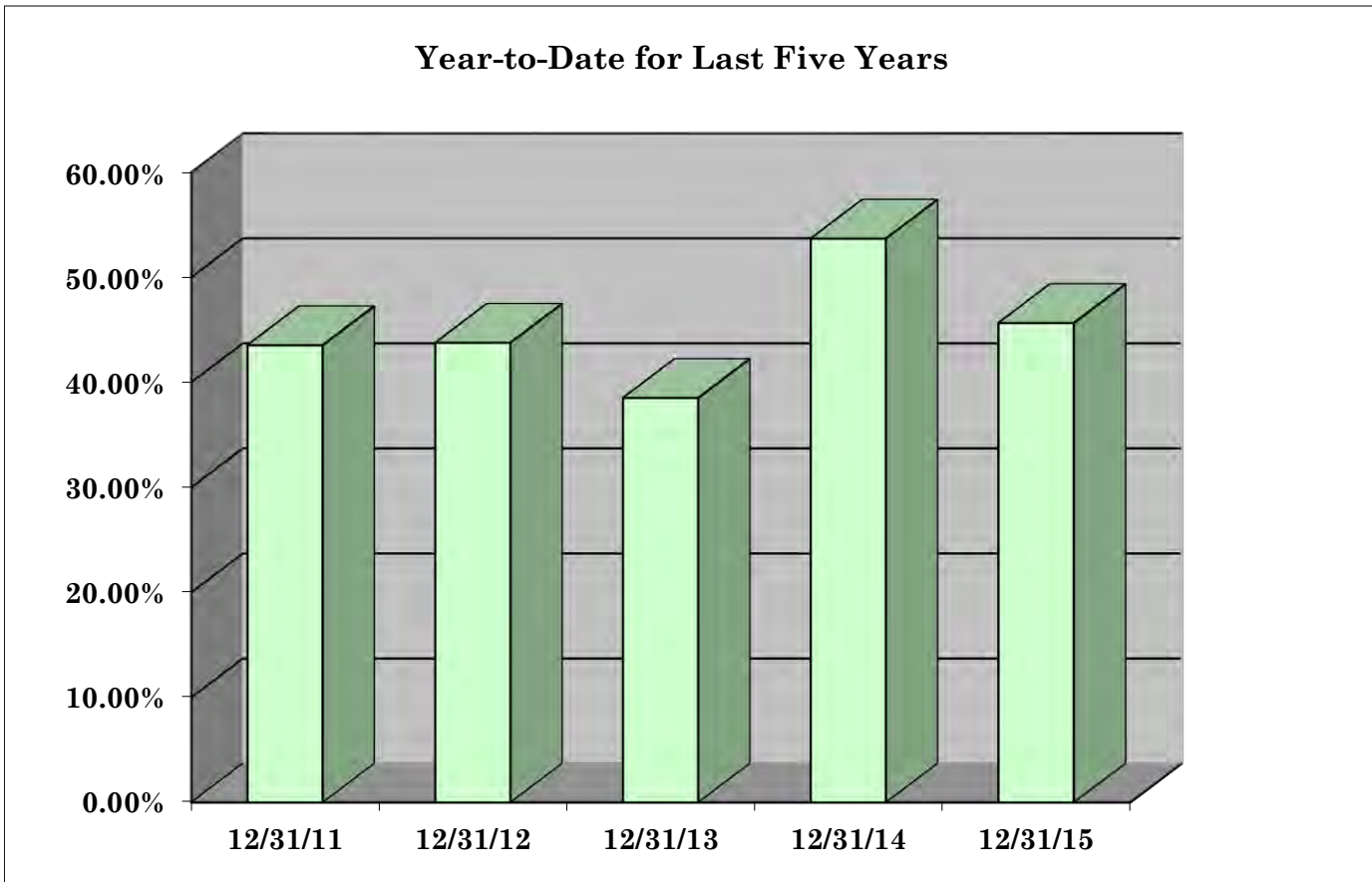
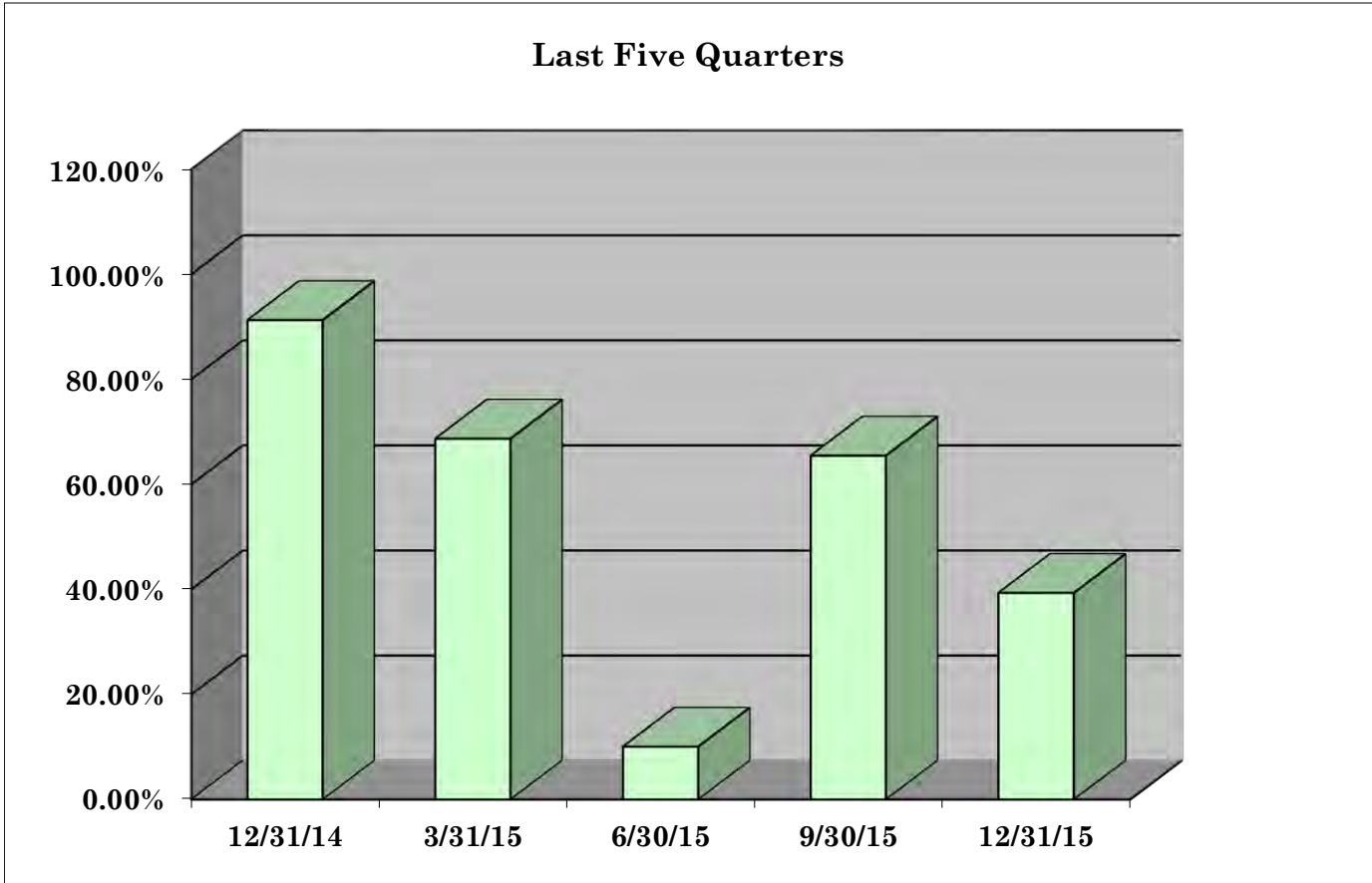
Quarter Ending	
12/31/14	\$2,348,837
3/31/15	1,690,166
6/30/15	266,935
9/30/15	1,759,125
12/31/15	\$967,316



Period Ending	
12/31/11	\$4,935,813
12/31/12	4,825,784
12/31/13	4,183,977
12/31/14	5,741,900
12/31/15	\$4,683,537

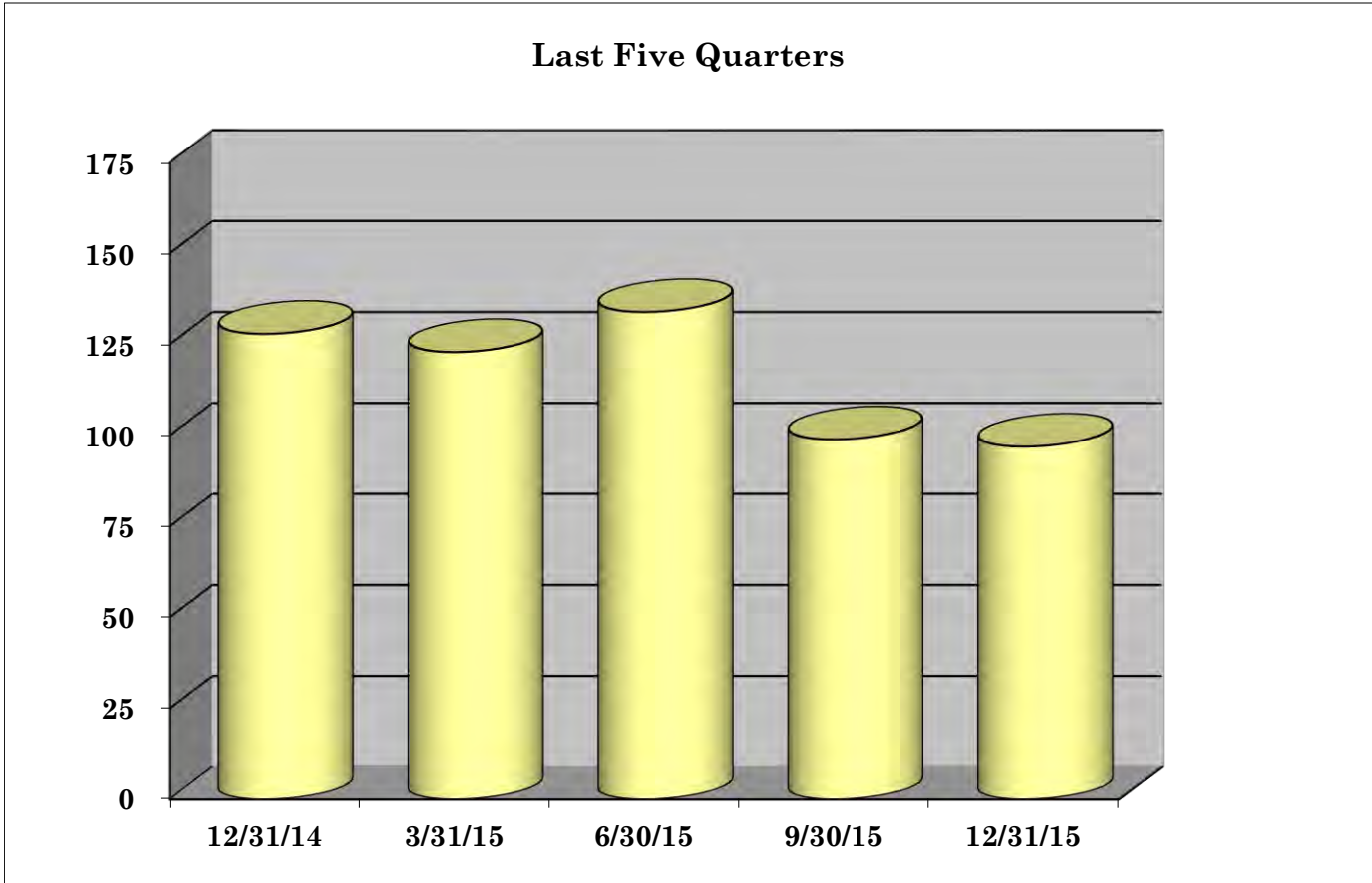
NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Expense Ratio

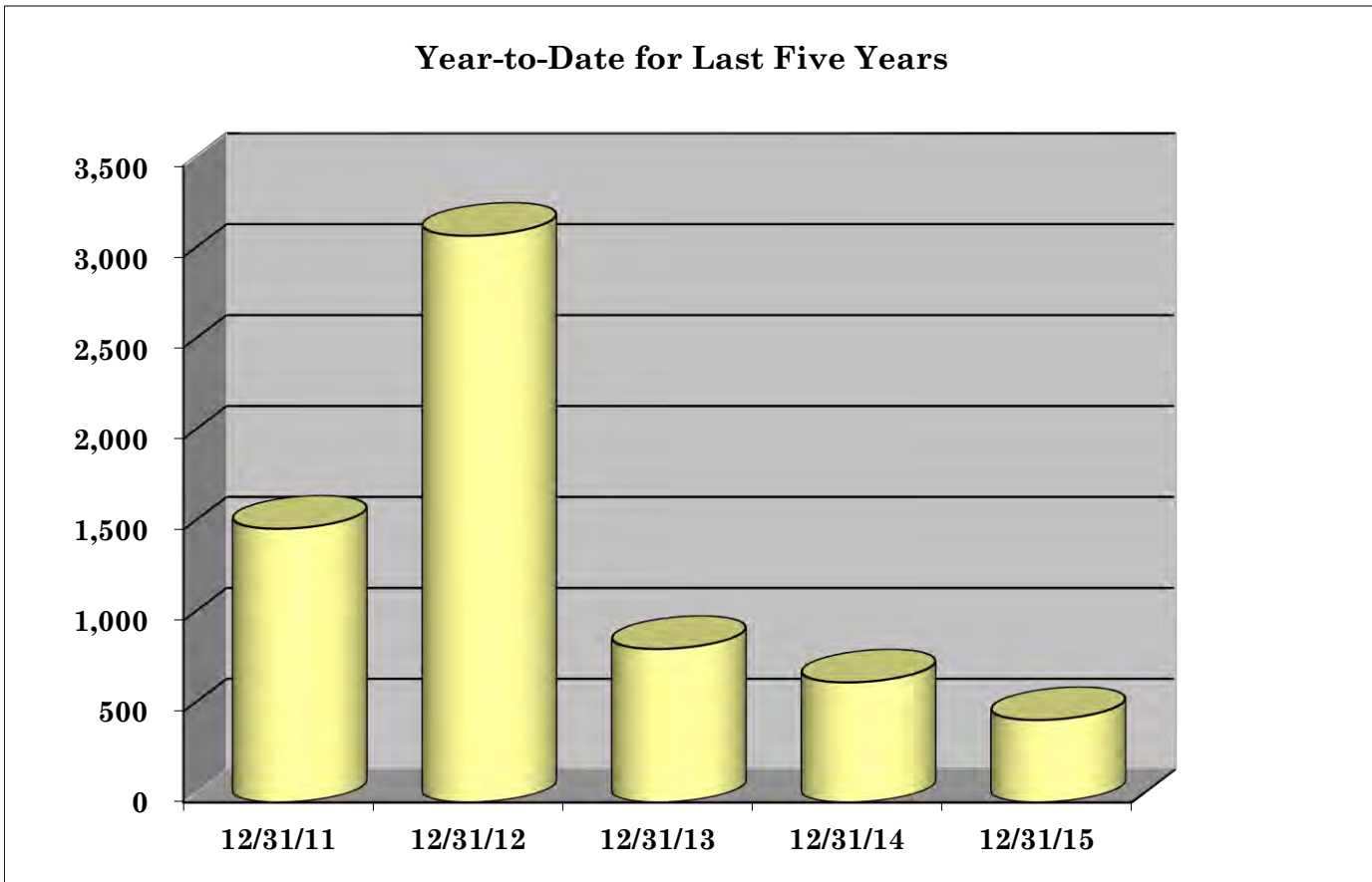


NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of New Claims Reported



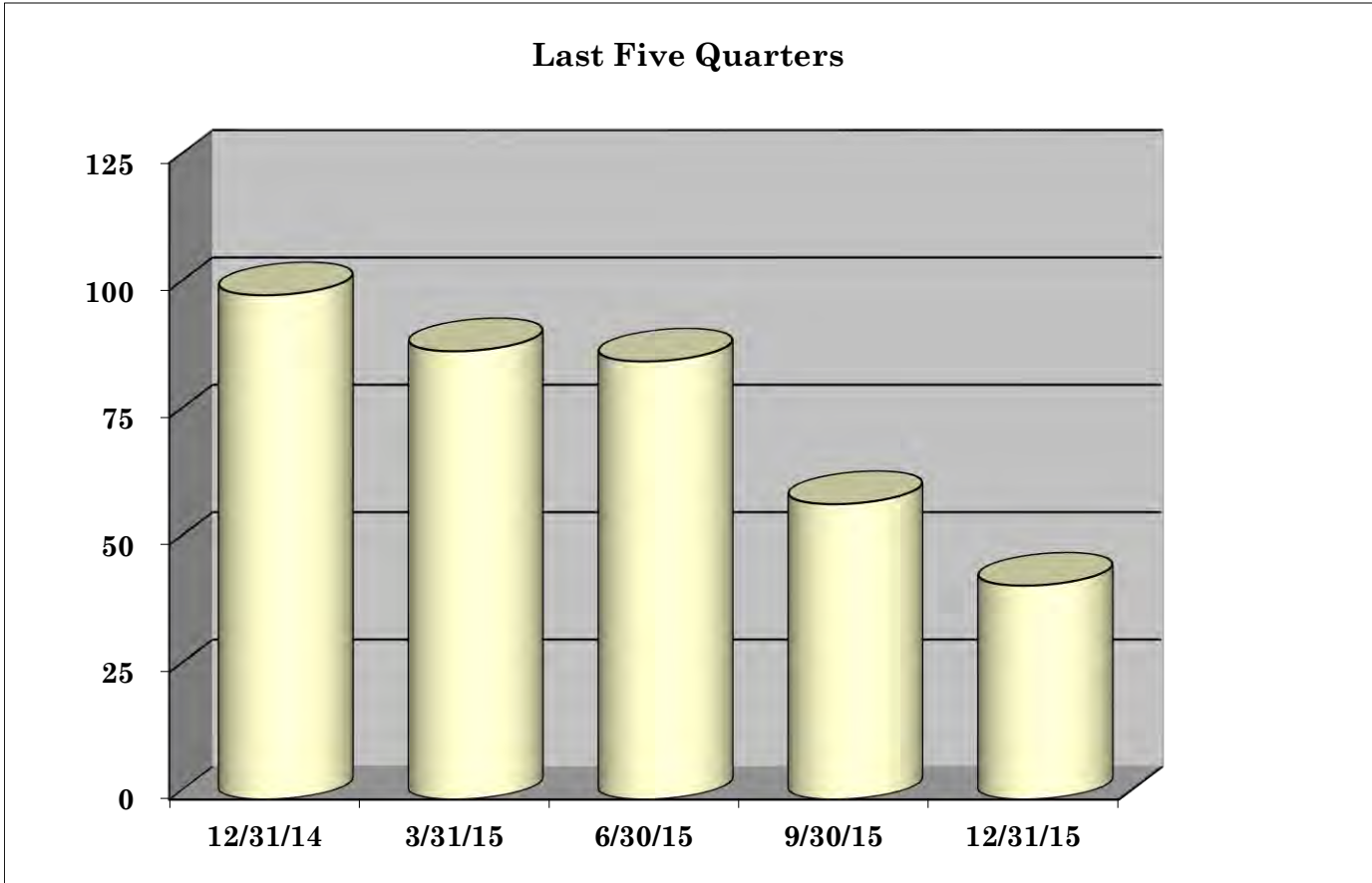
Quarter Ending	
12/31/14	128
3/31/15	123
6/30/15	134
9/30/15	99
12/31/15	97



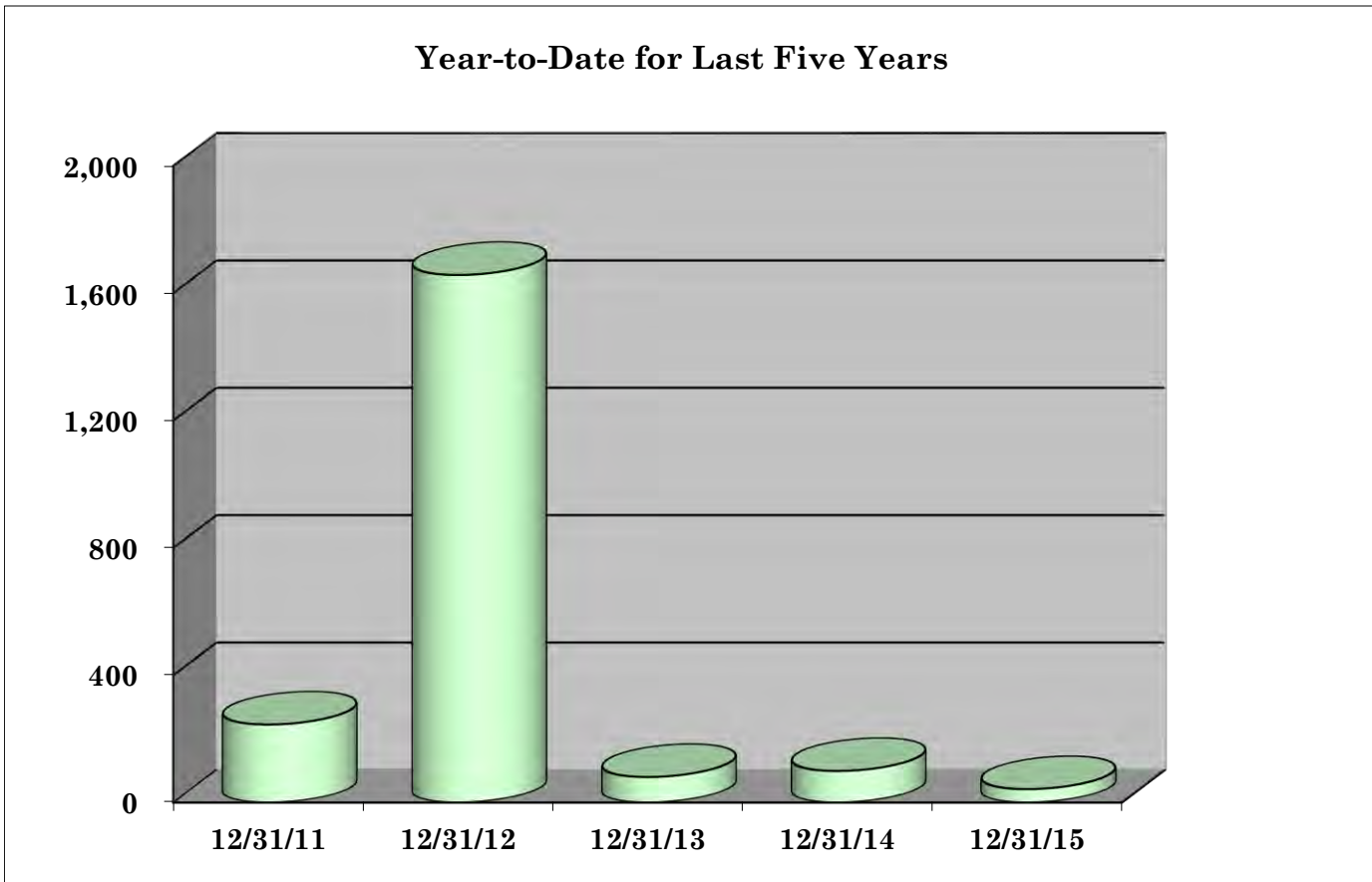
Period Ending	
12/31/11	1,505
12/31/12	3,116
12/31/13	844
12/31/14	660
12/31/15	453

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of Open Claims



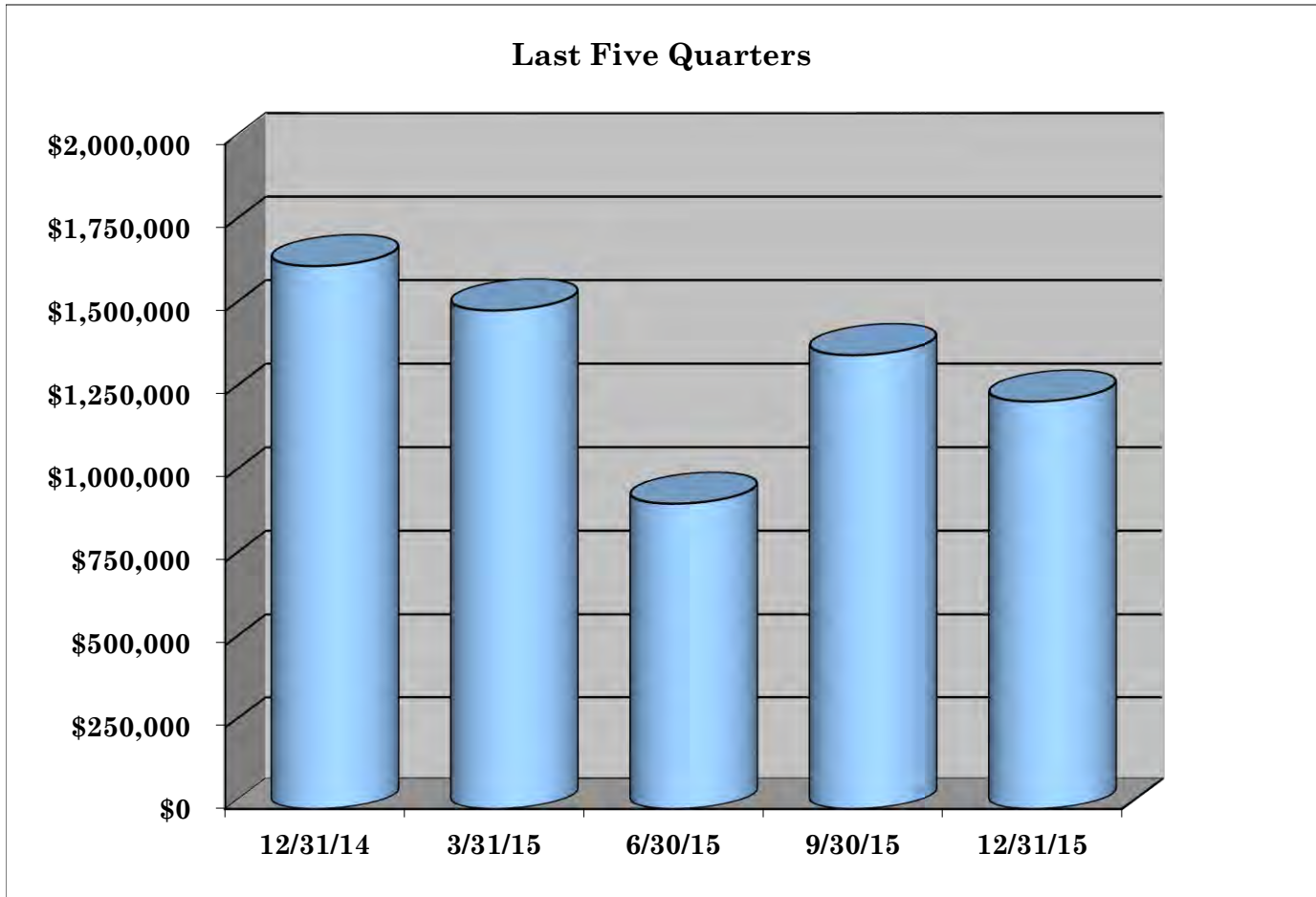
Quarter Ending	
12/31/14	99
3/31/15	88
6/30/15	86
9/30/15	58
12/31/15	42



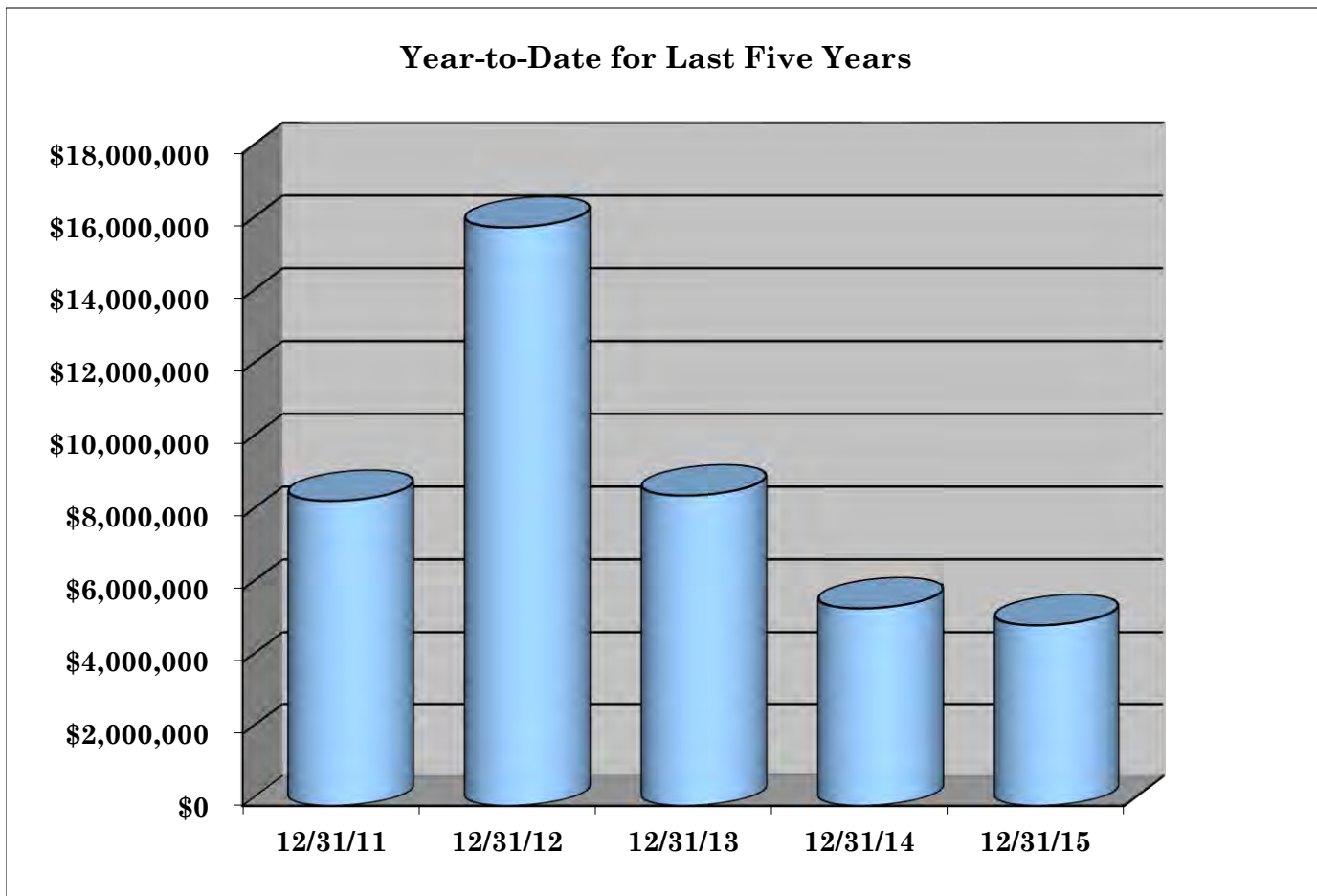
Period Ending	
12/31/11	245
12/31/12	1,657
12/31/13	80
12/31/14	99
12/31/15	42

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Claims & Claim Expenses Incurred



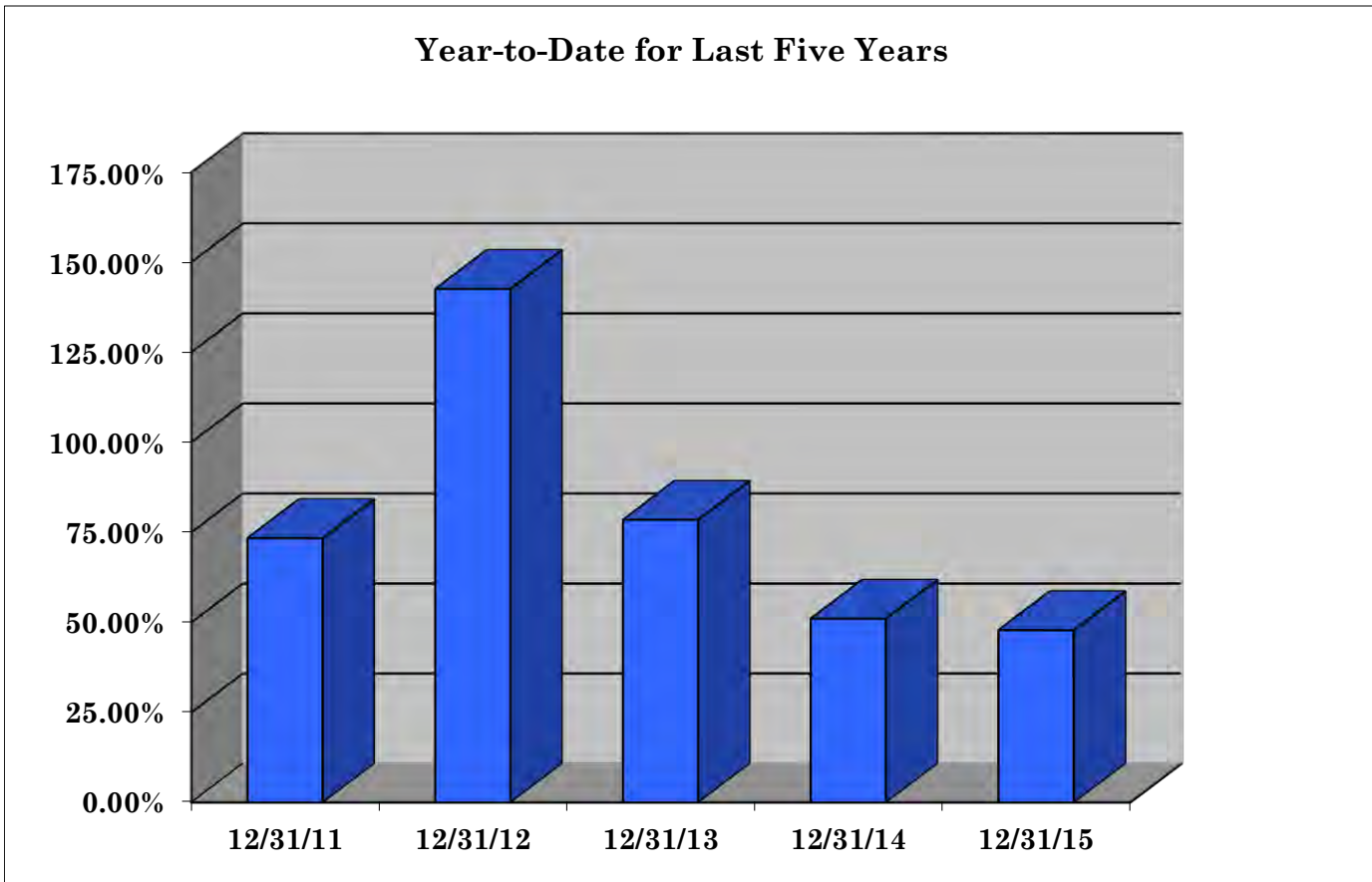
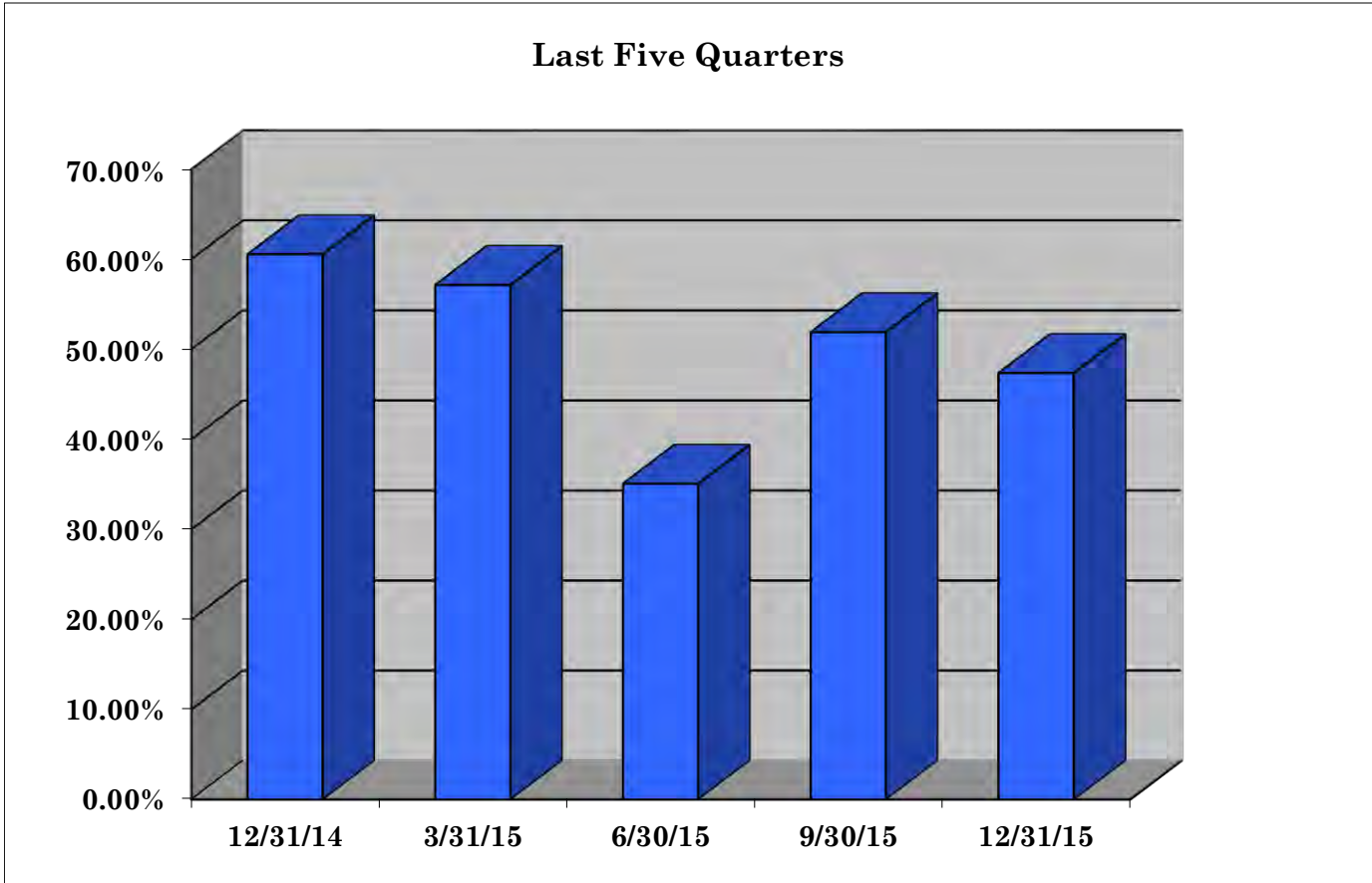
Period Ending	
12/31/14	\$1,634,964
3/31/15	1,502,184
6/30/15	923,888
9/30/15	1,368,476
12/31/15	\$1,229,655



Period Ending	
12/31/11	\$8,443,975
12/31/12	15,958,319
12/31/13	8,591,094
12/31/14	5,489,841
12/31/15	\$5,024,203

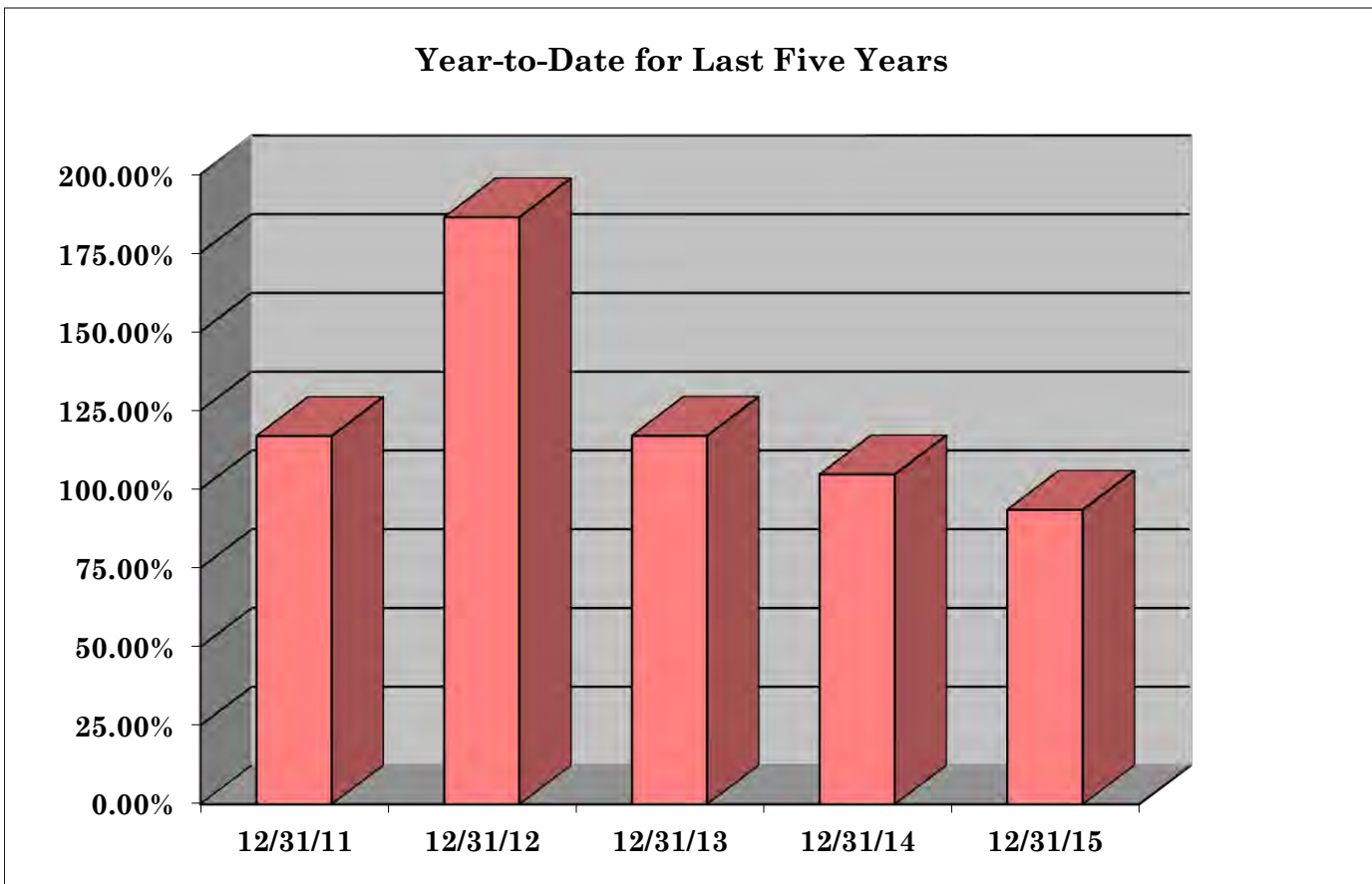
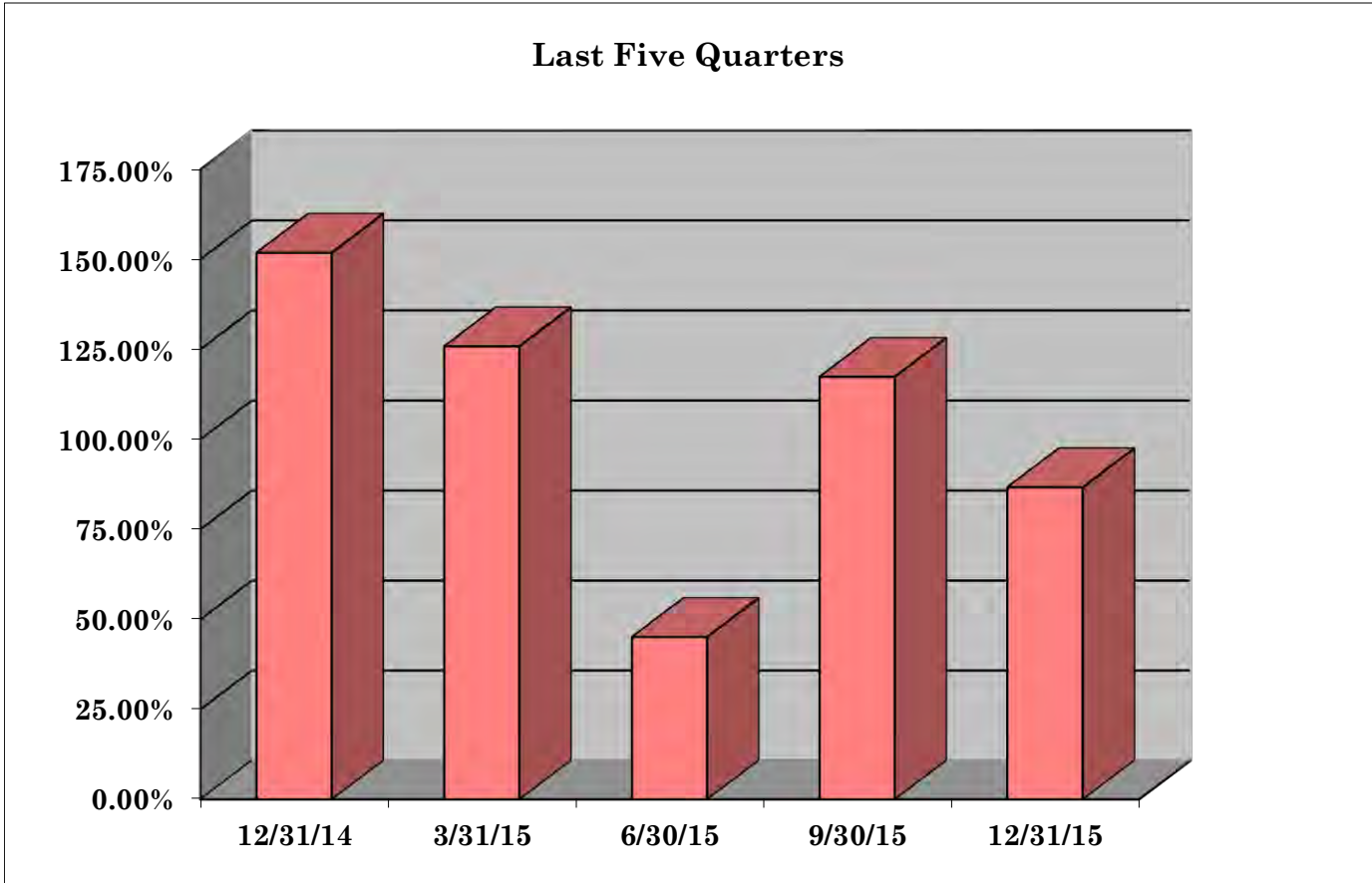
NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Loss Ratio



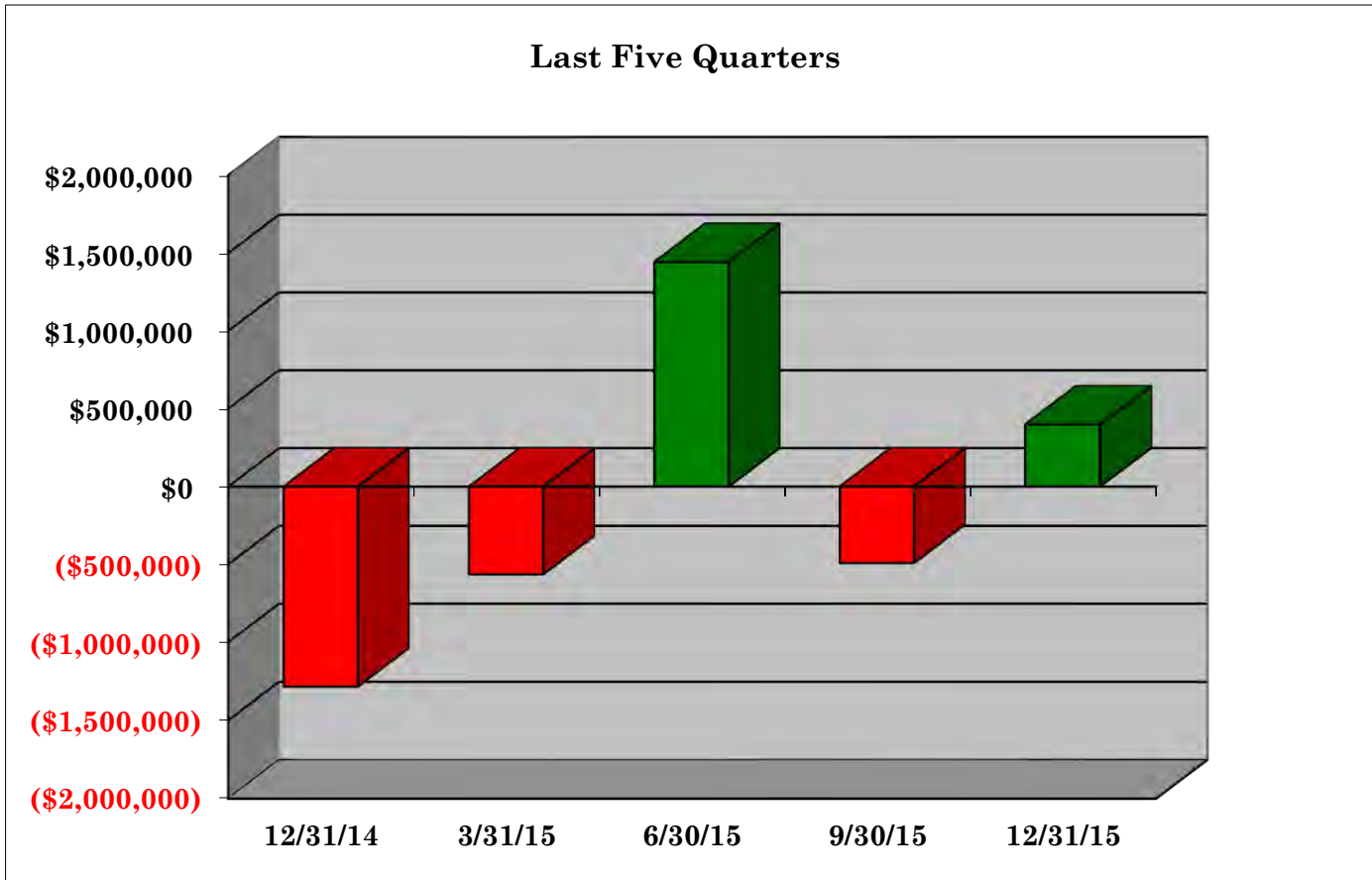
NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Combined Ratio

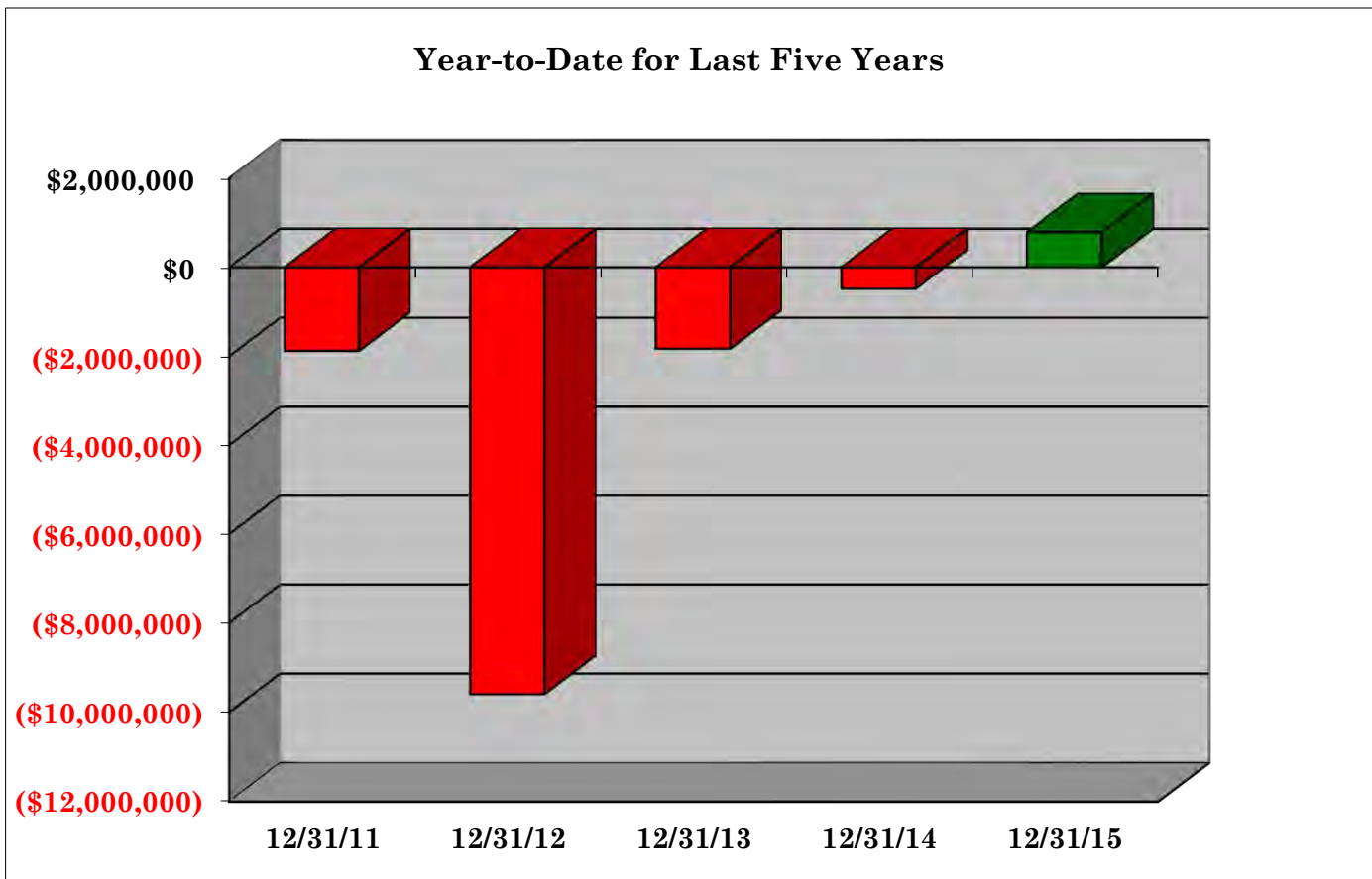


NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Gain (Loss)



Quarter Ending	
12/31/14	(\$1,283,575)
3/31/15	(563,771)
6/30/15	1,443,240
9/30/15	(491,102)
12/31/15	\$399,139



Period Ending	
12/31/11	(\$1,878,798)
12/31/12	(9,593,052)
12/31/13	(1,830,378)
12/31/14	(479,451)
12/31/15	\$787,511

New Jersey Insurance Underwriting Association

Policies Issued by Line of Business

<u>Dwelling Business</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
New	1,526	1,968	1,891	1,765	1,776
Renewal	14,168	14,860	16,037	16,933	18,134
Total	15,694	16,828	17,928	18,698	19,910
<u>Commercial Business</u>					
New	19	20	24	31	31
Renewal	364	401	462	512	593
Total	383	421	486	543	624
<u>Crime Business</u>					
New	3	6	10	10	17
Renewal	162	180	203	234	254
Total	165	186	213	244	271
<u>All Lines</u>					
New	1,548	1,994	1,925	1,806	1,824
Renewal	14,694	15,441	16,702	17,679	18,981
Total	16,242	17,435	18,627	19,485	20,805

New Jersey Insurance Underwriting Association

Applications Received by Line of Business

<u>Dwelling Business</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
New	1,664	1,981	1,905	1,941	1,931
Renewal	15,292	15,996	17,200	17,624	19,515
Total	16,956	17,977	19,105	19,565	21,446
<u>Commercial Business</u>					
New	33	35	42	51	47
Renewal	403	443	510	546	766
Total	436	478	552	597	813
<u>Crime Business</u>					
New	4	8	12	12	23
Renewal	189	210	236	257	320
Total	193	218	248	269	343
<u>All Lines</u>					
New	1,701	2,024	1,959	2,004	2,001
Renewal	15,884	16,649	17,946	18,427	20,601
Total	17,585	18,673	19,905	20,431	22,602

New Jersey Insurance Underwriting Association

Claim Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
New Claims Reported	453	660	844	3,116	1,505
Large Losses (+ \$100k)	14	14	15	17	14
Catastrophe Losses	34	14	3	2,404	627
Arson Losses	1	1	0	0	0
Paid Losses	\$3,972,000	\$4,650,000	\$13,076,000	\$8,167,000	\$6,161,000
Case Reserves	\$1,279,000	\$1,154,000	\$1,470,000	\$8,719,000	\$2,438,000
Loss Exp. Paid	\$1,090,000	\$1,560,000	\$2,165,000	\$1,540,000	\$1,354,000
Loss Exp. Reserves	\$406,000	\$391,000	\$404,000	\$380,000	\$493,000
IBNR Reserves	\$536,000	\$713,000	\$1,105,000	\$530,000	\$447,000

2015 ANNUAL REPORT

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

BOARD OF DIRECTORS 2015

NAME

REPRESENTING

Mr. Kevin Curry, Chair	Travelers of New Jersey
Ms. Dana Pelzer	Allstate New Jersey Insurance Company
Mr. Michael O'Malley	Federal Insurance Company
Mr. Vince Noggle	Franklin Mutual Insurance Company
Ms. Susan Erney	Harleysville Insurance Company
Mr. Sean J. Meehan	Hartford Fire Insurance Company
Mr. Michael Petersen	Liberty Mutual Insurance Company
Mr. Mike Vajo	NJ Manufacturers Insurance Company
Mr. Joseph G. Wood	Selective Insurance Company of America
Mr. J. Brian Crawford	State Farm Fire and Casualty Company
Mr. Brian F. Connors	Tower National Insurance Company
Mr. John Friedman	USAA
Mr. John Papa	Public Member
Mr. L. Richard Gore	Public Member
Mr. Mario Giudice	Public Member
Mr. Richard Romano	Public Member
Ms. Jeanette Seabrooks	Public Member
Mr. John B. Wilson	Public Member
Mr. Bruce Hill	Independent Insurance Agents of New Jersey
Ms. Esther Saldivar-Tanez	Professional Insurance Agents of New Jersey

OBSERVER

Mr. Mark Nussenfeld	New Jersey Department of Banking and Insurance
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2015 ANNUAL REPORT

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

STAFF OF THE ASSOCIATION

Jerry Warner
Jennifer Peaks

Underwriting Services – Steve Mutterperl

Dianna Anthony
Indra Daniel
Tisha Elam
Kamie Koonjan
Faziah Mangar
Toni Yumang
Ibis Zafra

Claim Services – Steve Mutterperl

Justin Floyd
Laurie Hallam

Information Technology – Israel Popack

Ted Abrams

Financial Services – Albert Chin

Akleema Abrams
Fred Lund
Carmen Rodriguez