

NJIUA

New Jersey Insurance Underwriting Association

2008 Annual Report



The 40th Annual Report

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

2008 Annual Report

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New Jersey Insurance Underwriting Association

2008 Annual Report

Message from the Chair and President

2008 Financial Results in Review

For the fifth consecutive year, the Association achieved an underwriting gain.

Written premium declined 15.1% to a year-end total of \$14,667,822. Earned premium declined 18.5% to \$15,922,954 and policies-in-force declined 15.4% to 25,862. Year-end 2008 written premium and policies-in-force are at their lowest level in more than ten years.

Underwriting expenses decreased 12.1% over 2007 levels. However, the expense ratio increased 1.4 points or 3.5% to 40.1%. Primary factors contributing to the increase were the decline in written premium and costs associated with the Association's reduction in staff initiatives implemented in April 2008.

The volume of claims reported to the Association in 2008 declined 15.6% to 916 and claim and claim expenses incurred also declined 25.1% to \$9,453,490. The loss ratio decreased 5.2 points to 59.4%. The absence of any significant weather or catastrophes was clearly a factor in reducing the number of new claims reported to the Association to the lowest levels in more than a decade. Similarly, there were twenty-six losses in excess of \$100,000 reported in 2008; eighteen or 40.9% fewer such claims than were reported in 2007.

The combined ratio for 2008 decreased 3.8 points to 99.5%, a decrease of 3.7% over the combined ratio for 2007. The 2008 underwriting gain of \$590,567 is \$351,281 or 146.8% greater than the gain achieved in 2007. The Association's investment income of \$490,921 decreased \$463,379 or nearly 49% over 2007 results. The net gain in 2008 of \$1,081,488 is \$112,098 or 9.4% less than the net gain achieved in 2007.

For the fourth consecutive year, written premium has declined. For the twelfth consecutive year, the number of policies in force has declined as well. Our ongoing analysis is that New Jersey residents are able to acquire affordable coverage in the voluntary market. While we have seen the rate of policies being placed with companies in the voluntary markets moderate somewhat over the last four months of 2008, we expect the gradual decline in policies issued and written premium to continue as long as the voluntary market remains the viable entity it is in New Jersey.

Major Initiatives

Association managers monitor all expense performance indicators and maintain an aggressive posture on improving the cost of doing business. Detailed analysis of the staffing levels in each department in light of all of the technology and process improvements and the continuing decline in business volumes, led to a reduction in staff of 27% or twelve positions, a projected expense savings of \$325,000 in 2008.

Another measure taken to reduce operating expenses was the renegotiation of the lease for the space occupied by the Association. Working with the current landlord, the total space paid for was reduced from 16,359 square feet, to 11,426 square feet, an expected savings of \$300,000 over the next three years.

The Association introduced the DP2 Broad Form, the first change in fundamental coverage options offered to policyholders and applicants since 1968. By the end of the year, we had issued 606 policies. This was significantly less volume than we originally estimated, most likely due to the availability of affordable full coverage options in the voluntary market.

Based on updated risk data submitted by the Association, Guy Carpenter completed an analysis of NJIUA catastrophe exposures. The Underwriting Committee reviewed those results and recommended no further action be taken to the Board. The Board agreed with the Committee's decision not to pursue additional risk transfer alternatives.

The annual analysis of rate adequacy was completed and after appropriate review of the rate filing package and ISO results, the Underwriting Committee recommended filing for an overall rate increase of 9.9%. The Board of Directors concurred and the rate filing was submitted to DOBI who subsequently approved an overall rate increase of 6.2%.


The PIPSO Audit Team completed a thorough examination of NJIUA Underwriting Operations and determined the Underwriting Department to be well managed and meeting or exceeding all established standards. The advances made in the technology capabilities gained by the update to the Association's foundation underwriting and claims processing systems, the introduction of imaging technology to the Association's workflows and processes, and progress achieved in the implementation of web access, enabled the PIPSO Audit to be conducted at no cost to the Association via a remote access process which was found to be highly efficient and cost effective.

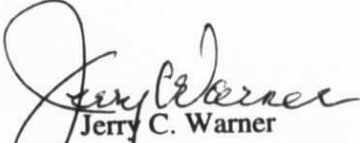
An extensive written survey of the top 27 producers who generate the majority percentage of the written premium of the Association was completed. The intent of the survey was to solicit input regarding the type of technology most beneficial to producers. That input resulted in the implementation of an on-line facility for reporting new claims, as well as the ability for select producers to access our system via the web to initiate endorsement processing for existing policyholders. At year's end, the staffs in three of

the largest producers' offices have been trained to access our web site and its functionality.

This has again been a very active and successful year. Association managers and employees dealt positively with the necessary reductions in workforce that took place 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, Ed Gray, Deborah Dickens-Hunter, Christopher Purcaro and Teresa Wankmuller, whose service as Board members ended in 2008. We wish to thank all of the members of the Board of Directors, Committee Chairs Lou Cappello, Bob Farnam, Bruce Hill, Mike O'Malley, Vince Noggle 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)	
	2008	2007
PREMIUM WRITTEN	\$14,667,822	\$17,279,031
PREMIUMS EARNED	15,922,954	19,546,272
LOSSES INCURRED	8,088,791	11,275,343
CLAIM EXPENSES INCURRED	1,364,699	1,341,238
EXPENSES INCURRED	5,878,897	6,690,405
UNDERWRITING GAIN	590,567	239,286
ADD INVESTMENT INCOME	490,921	954,300
NET OPERATING GAIN	\$1,081,488	\$1,193,586
LOSS RATIO	59.37%	64.55%
EXPENSE RATIO	40.08%	38.72%
COMBINED RATIO	99.45%	103.27%

New Jersey Insurance Underwriting Association

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

Admitted Assets	As at December 31, (Unaudited)	
	2008	2007
Cash and short-term investments	\$13,727,127	\$15,592,645
Accrued interest	72,361	94,329
Electronic data processing equipment	65,489	115,391
Premium receivable	29,209	36,591
Total Admitted Assets	\$13,894,186	\$15,838,956
Liabilities and Members' Equity		
Liabilities:		
Unearned premiums	\$7,152,001	\$8,407,133
Unpaid losses	3,245,788	3,965,423
Unpaid loss adjustment expenses	433,987	462,641
Claim checks payable	335	1,470
Amounts held for others	247,672	112,543
Accrued expenses	175,045	188,316
Other liabilities	130,355	439,386
Accrued premium taxes & filing fees	40,035	42,577
Post retirement benefits (other than pensions)	2,259,960	2,090,556
Defined benefit pension plan liability	1,748,970	-
Advanced premium	253,203	266,401
Total Liabilities and Reserves	\$15,687,351	\$15,976,446
Members' Equity (deficit)	(1,793,165)	(137,490)
Total Liabilities and Members' Equity	\$13,894,186	\$15,838,956

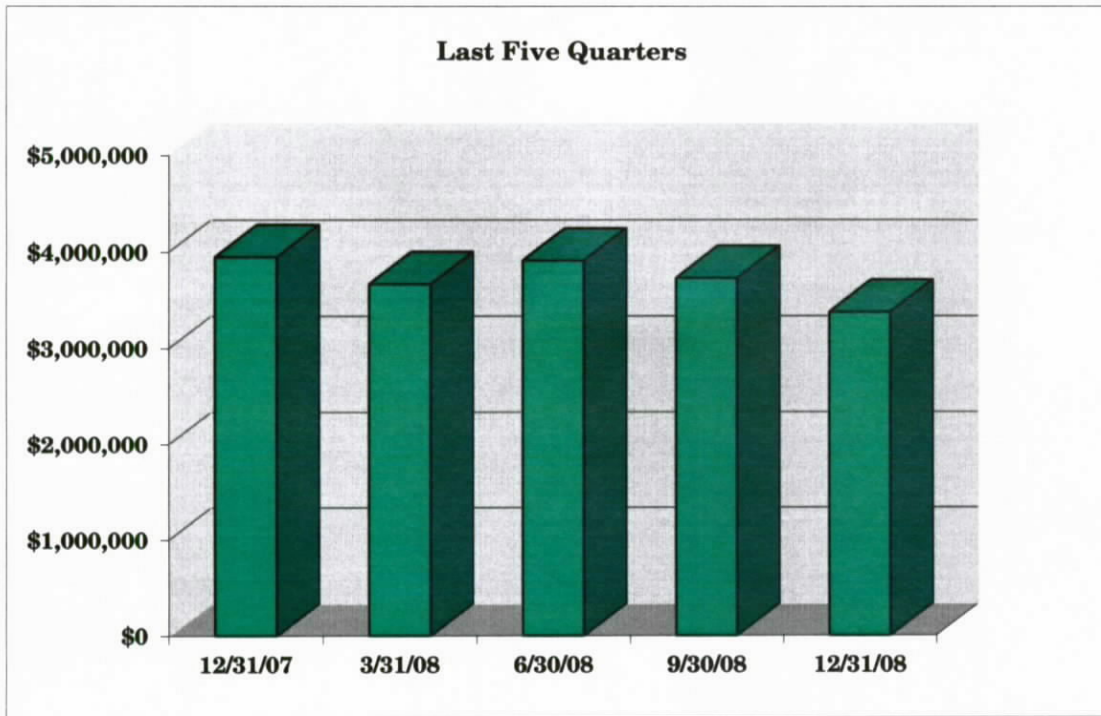
New Jersey Insurance Underwriting Association

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

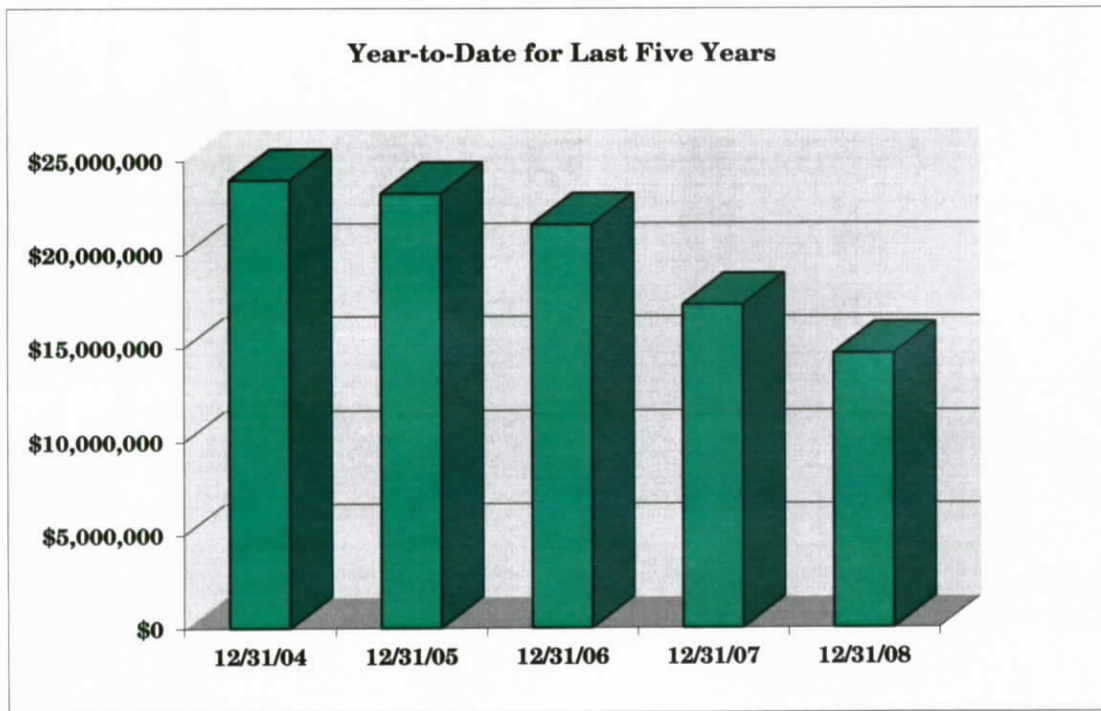
	Twelve Months Ending December 31, (Unaudited)	
	2008	2007
Underwriting Income:		
Net premiums written	\$14,667,822	\$17,279,031
Change in unearned premiums	1,255,132	2,267,241
Net premiums earned	15,922,954	19,546,272
Deductions:		
Losses incurred	8,088,791	11,275,343
Loss adjustment expenses incurred	1,364,699	1,341,238
Commissions	1,300,964	1,533,844
Other underwriting expenses	4,524,547	5,093,148
Premium taxes & filing fees	53,386	63,413
Total underwriting deductions	15,332,387	19,306,986
Net underwriting gain	590,567	239,286
Net investment income	490,921	954,300
Net gain	\$1,081,488	\$1,193,586
Members' equity (deficit) beginning of period	(137,490)	(1,581,190)
Net gain	1,081,488	1,193,586
Increase (decrease) in non-admitted assets	255,423	(17,296)
Employer's pension obligation	(2,992,586)	267,410
Members' equity (deficit) end of period	(\$1,793,165)	(\$137,490)

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Written Premium - All Lines



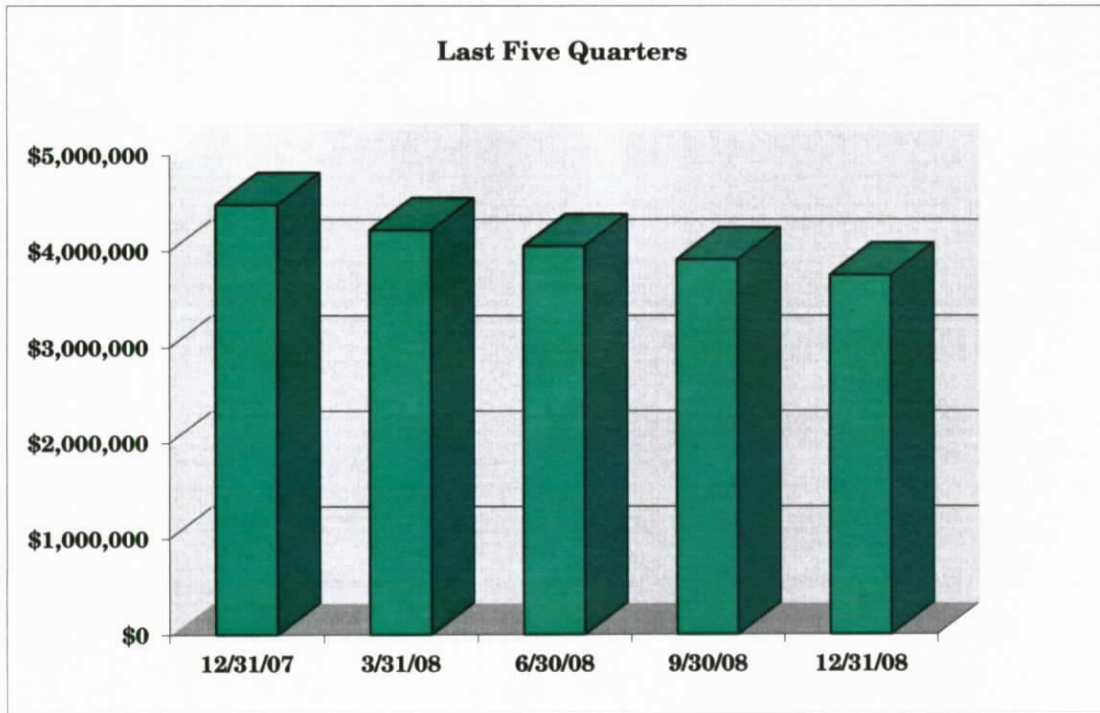
Quarter Ending	
12/31/07	\$3,945,166
3/31/08	3,664,847
6/30/08	3,906,548
9/30/08	3,723,943
12/31/08	\$3,372,484



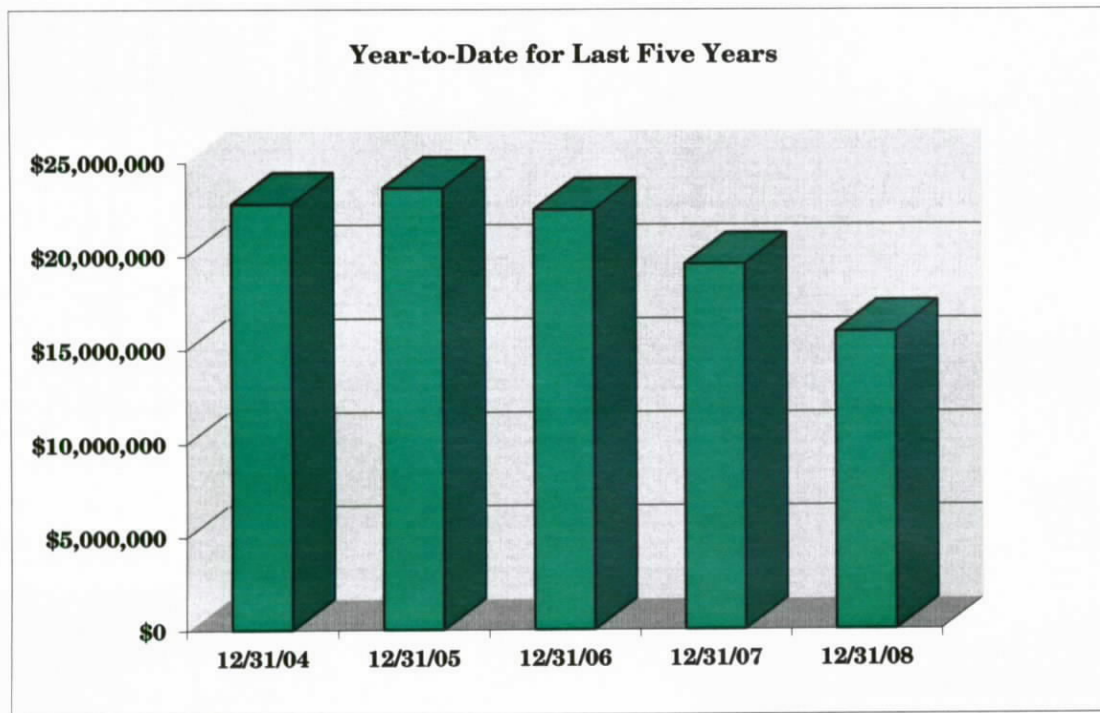
Period Ending	
12/31/04	\$23,958,287
12/31/05	23,237,640
12/31/06	21,594,840
12/31/07	17,279,031
12/31/08	\$14,667,822

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Earned Premium - All Lines



Quarter Ending	
12/31/07	\$4,482,644
3/31/08	4,216,655
6/30/08	4,049,166
9/30/08	3,909,272
12/31/08	\$3,747,861

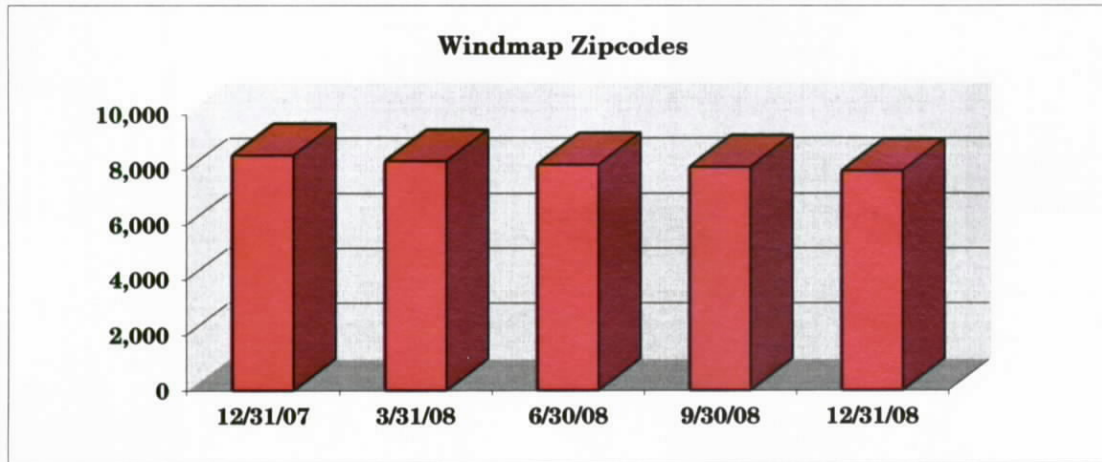


Period Ending	
12/31/04	\$22,788,202
12/31/05	23,618,216
12/31/06	22,459,462
12/31/07	19,546,272
12/31/08	\$15,922,954

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

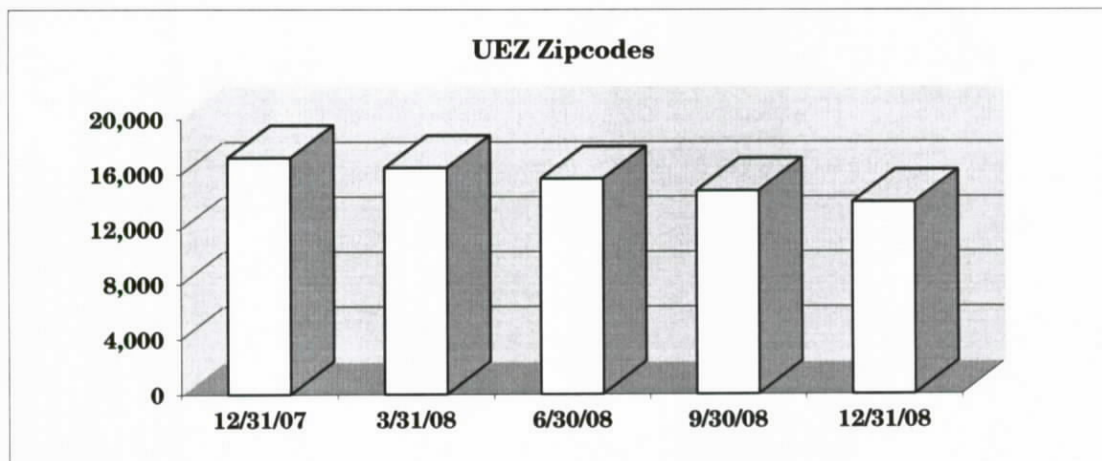
In-Force Policies by Territory - All Lines

Last Five Quarters



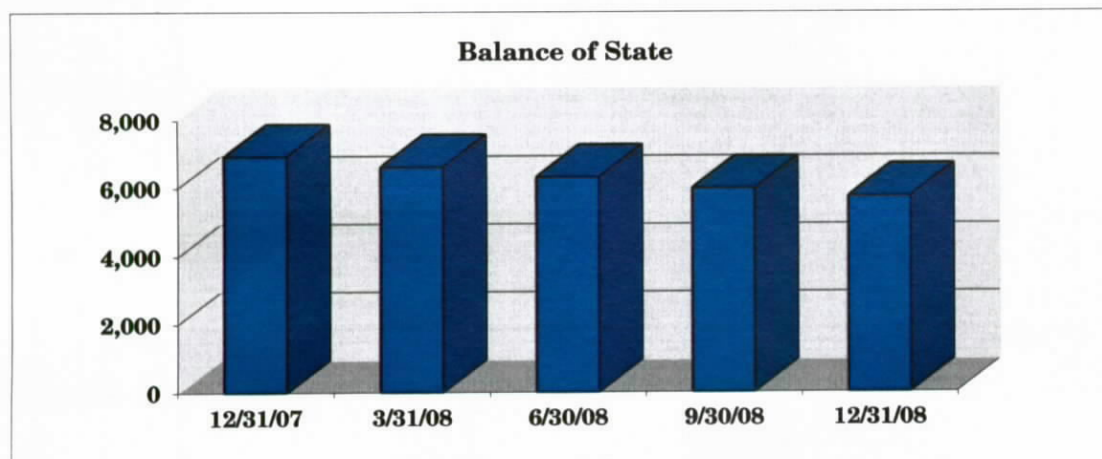
Quarter Ending

12/31/07	8,507
3/31/08	8,293
6/30/08	8,169
9/30/08	8,086
12/31/08	7,949



Quarter Ending

12/31/07	17,183
3/31/08	16,441
6/30/08	15,638
9/30/08	14,769
12/31/08	13,930



Quarter Ending

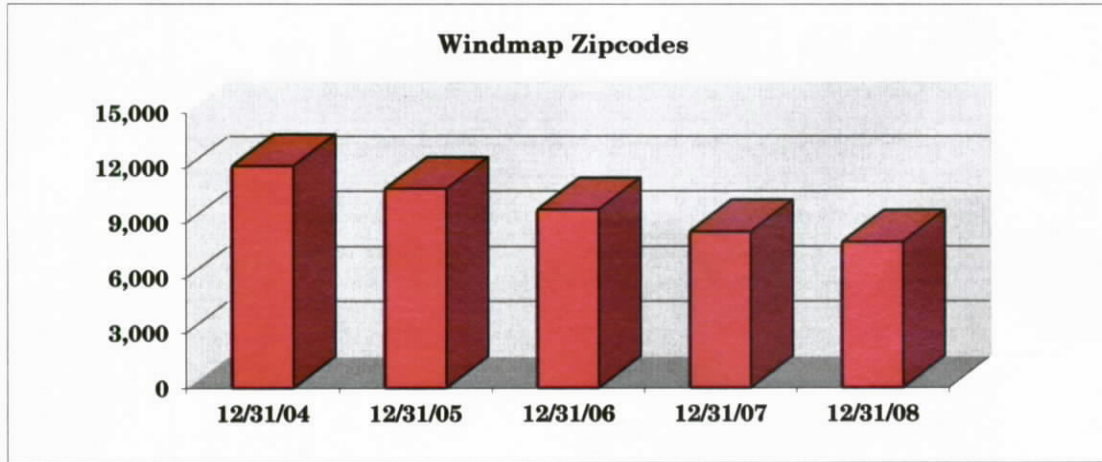
12/31/07	6,922
3/31/08	6,611
6/30/08	6,311
9/30/08	5,980
12/31/08	5,741

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

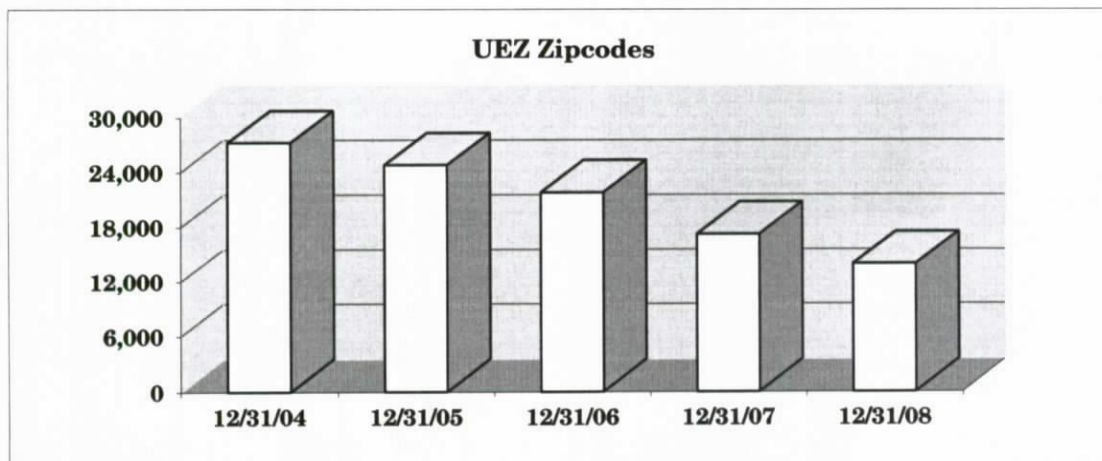
NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

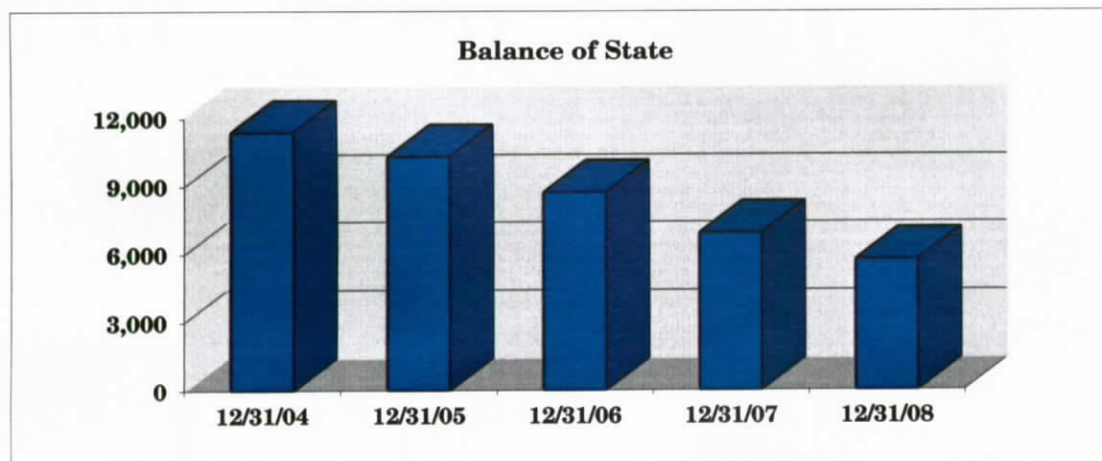
Last Five Years



Period Ending	
12/31/04	12,086
12/31/05	10,836
12/31/06	9,709
12/31/07	8,507
12/31/08	7,949



Period Ending	
12/31/04	27,207
12/31/05	24,757
12/31/06	21,740
12/31/07	17,183
12/31/08	13,930



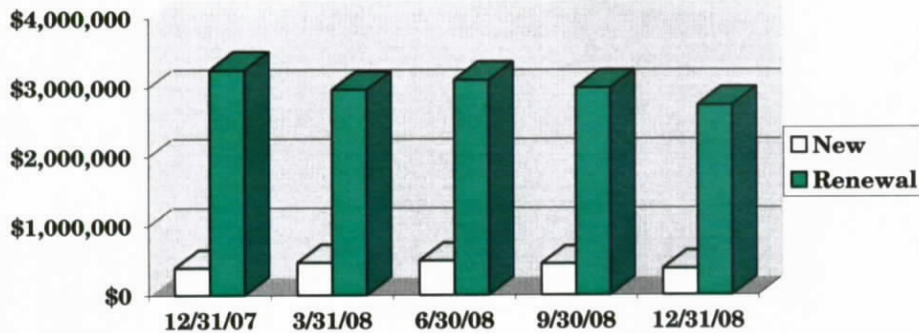
Period Ending	
12/31/04	11,383
12/31/05	10,306
12/31/06	8,723
12/31/07	6,922
12/31/08	5,741

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

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

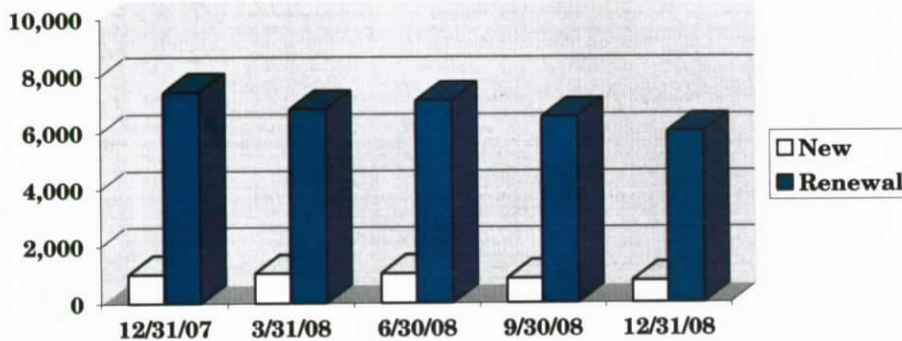
Dwelling Business

Written Premium



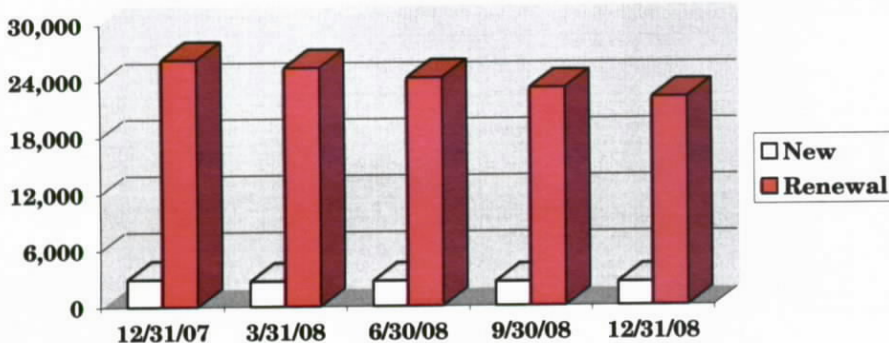
	Quarter Ending	
	New	Renewal
12/31/07	\$392,463	\$3,252,626
3/31/08	469,410	2,966,535
6/30/08	494,554	3,107,833
9/30/08	447,626	2,994,837
12/31/08	\$380,386	\$2,747,206

Policies Issued



	Quarter Ending	
	New	Renewal
12/31/07	1,024	7,423
3/31/08	1,050	6,822
6/30/08	1,046	7,116
9/30/08	858	6,534
12/31/08	769	6,016

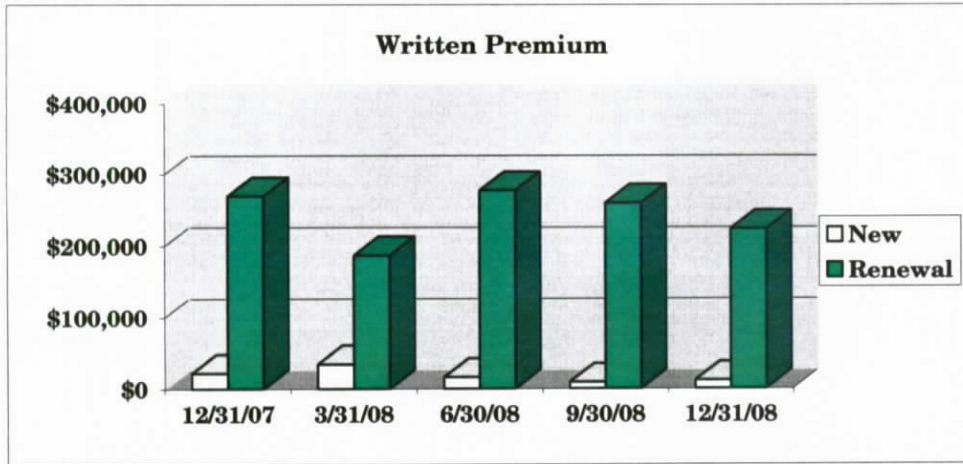
In-Force Policies



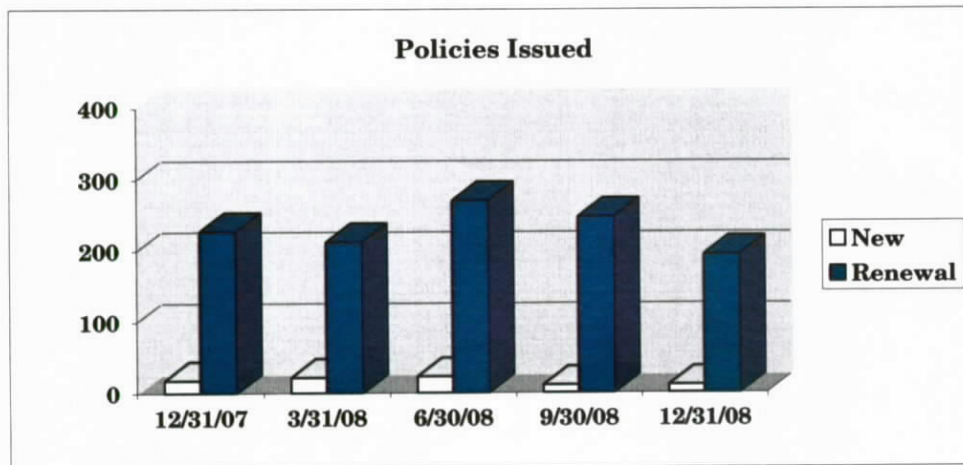
	Quarter Ending	
	New	Renewal
12/31/07	2,896	26,260
3/31/08	2,679	25,353
6/30/08	2,652	24,279
9/30/08	2,542	23,178
12/31/08	2,470	22,132

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

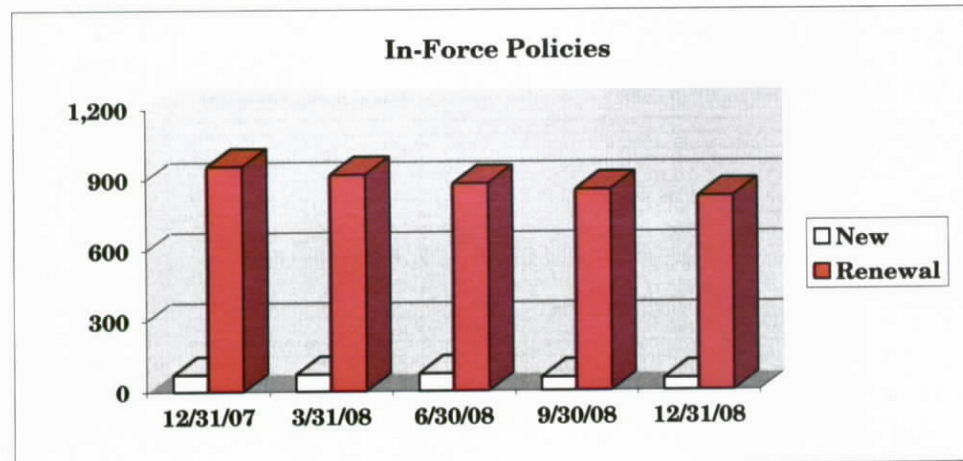
Commercial Business



	Quarter Ending	
	New	Renewal
12/31/07	\$21,669	\$269,297
3/31/08	34,302	186,639
6/30/08	16,217	277,080
9/30/08	8,722	259,522
12/31/08	\$11,608	\$223,407



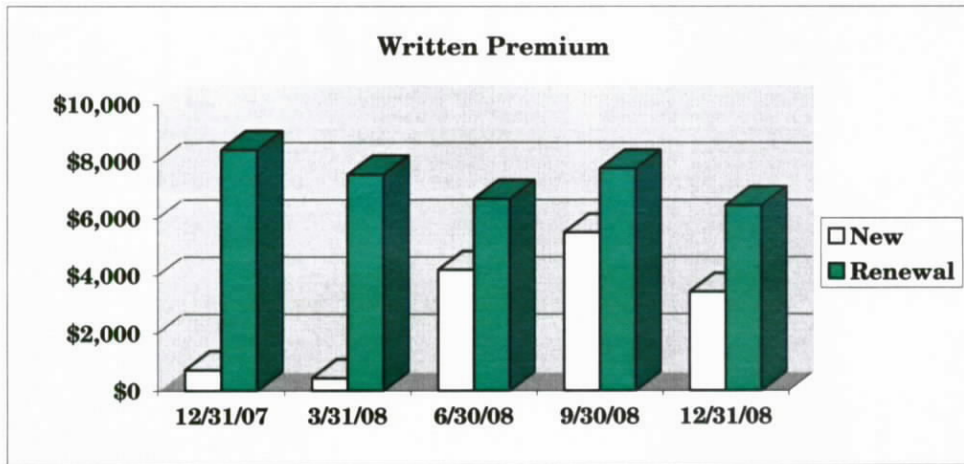
	Quarter Ending	
	New	Renewal
12/31/07	18	227
3/31/08	22	212
6/30/08	23	270
9/30/08	11	247
12/31/08	11	194



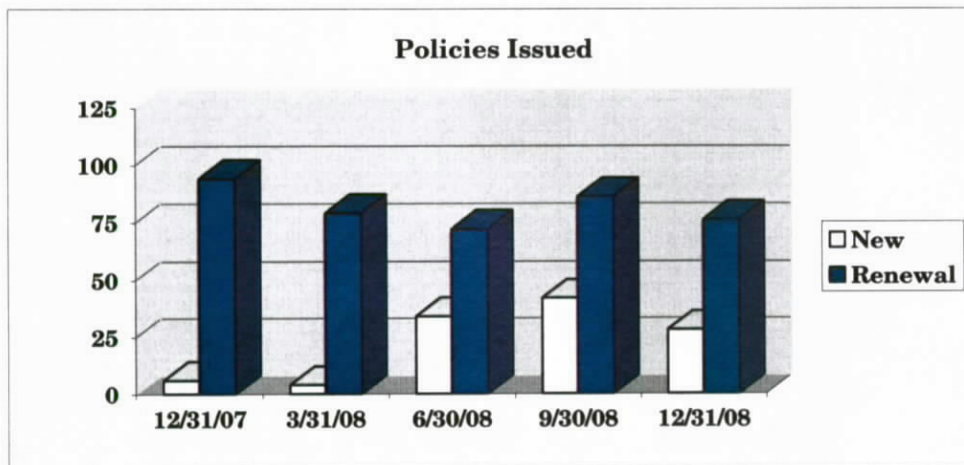
	Quarter Ending	
	New	Renewal
12/31/07	72	957
3/31/08	72	921
6/30/08	74	882
9/30/08	57	854
12/31/08	51	825

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

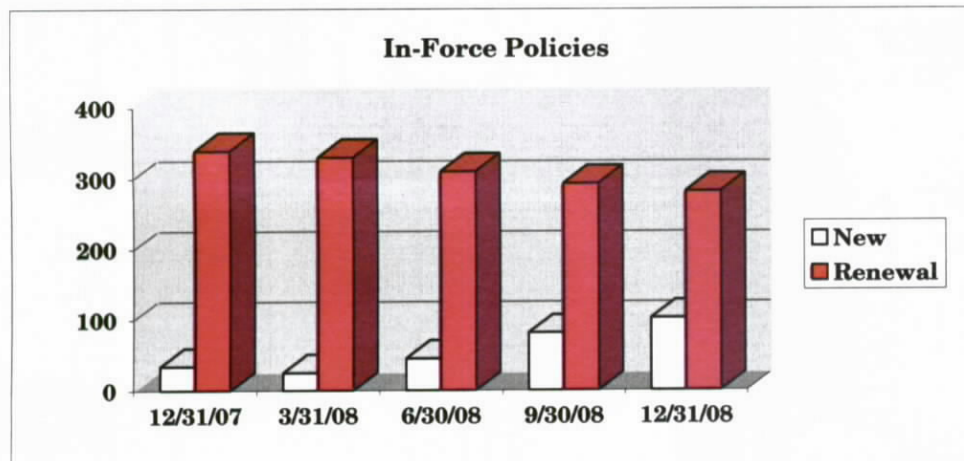
Crime Business



	Quarter Ending	
	New	Renewal
12/31/07	\$717	\$8,394
3/31/08	436	7,525
6/30/08	4,187	6,677
9/30/08	5,503	7,733
12/31/08	\$3,427	\$6,450



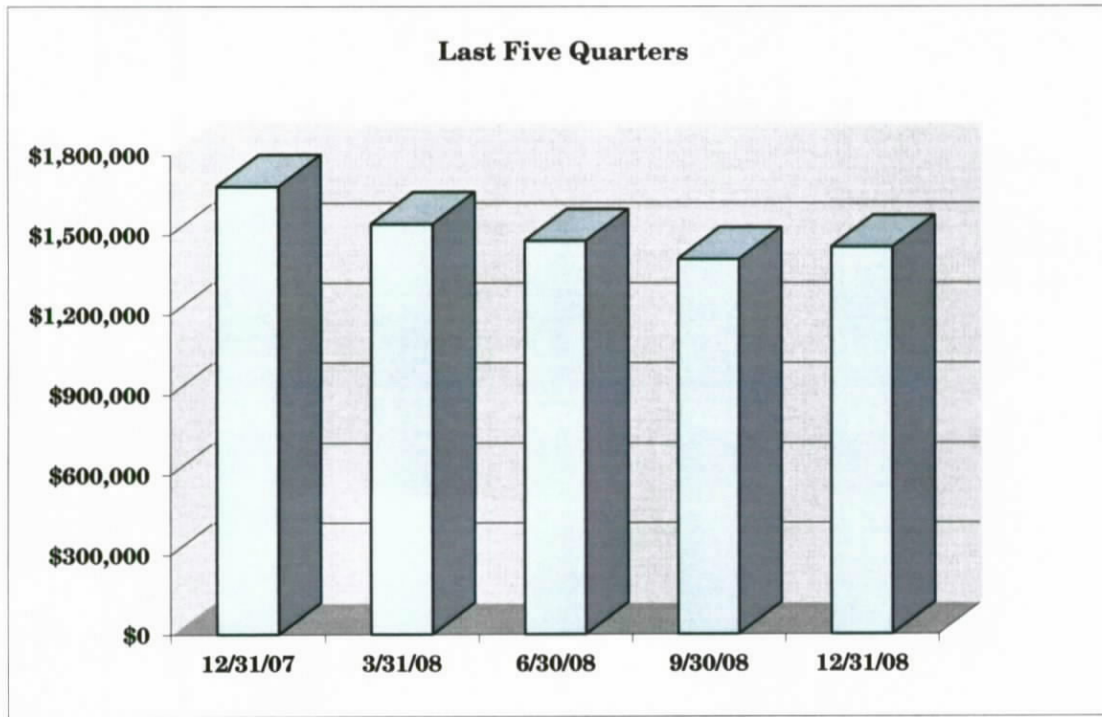
	Quarter Ending	
	New	Renewal
12/31/07	6	94
3/31/08	4	79
6/30/08	34	72
9/30/08	42	86
12/31/08	28	76



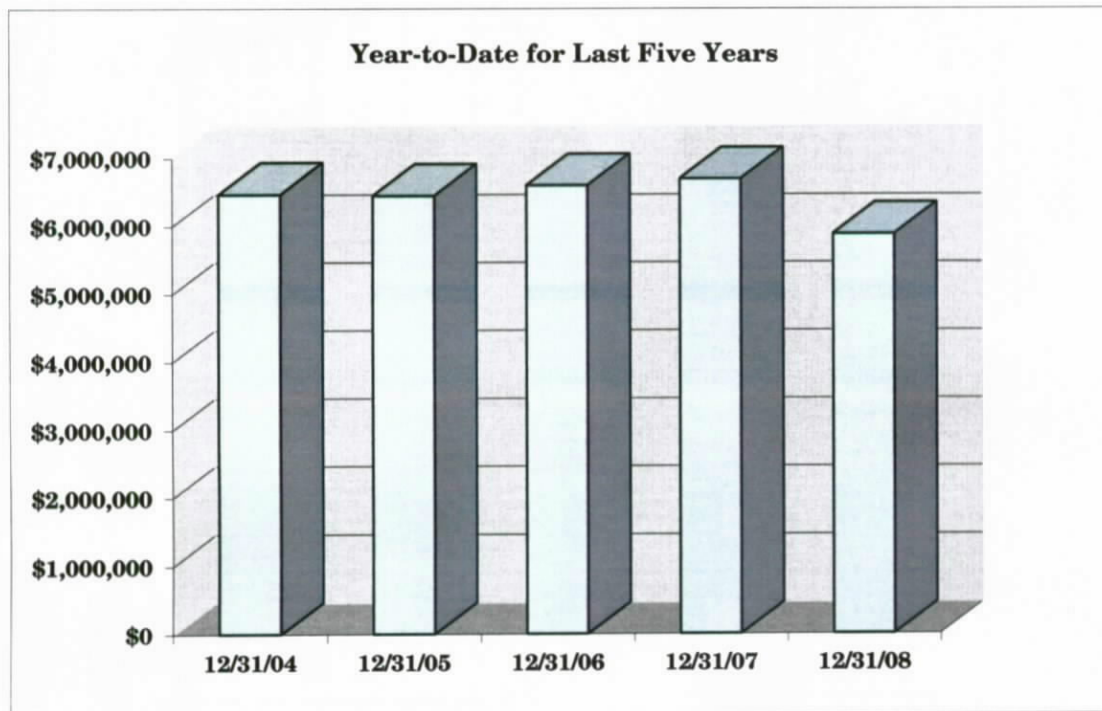
	Quarter Ending	
	New	Renewal
12/31/07	34	339
3/31/08	25	330
6/30/08	45	310
9/30/08	81	293
12/31/08	102	282

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Expenses Incurred



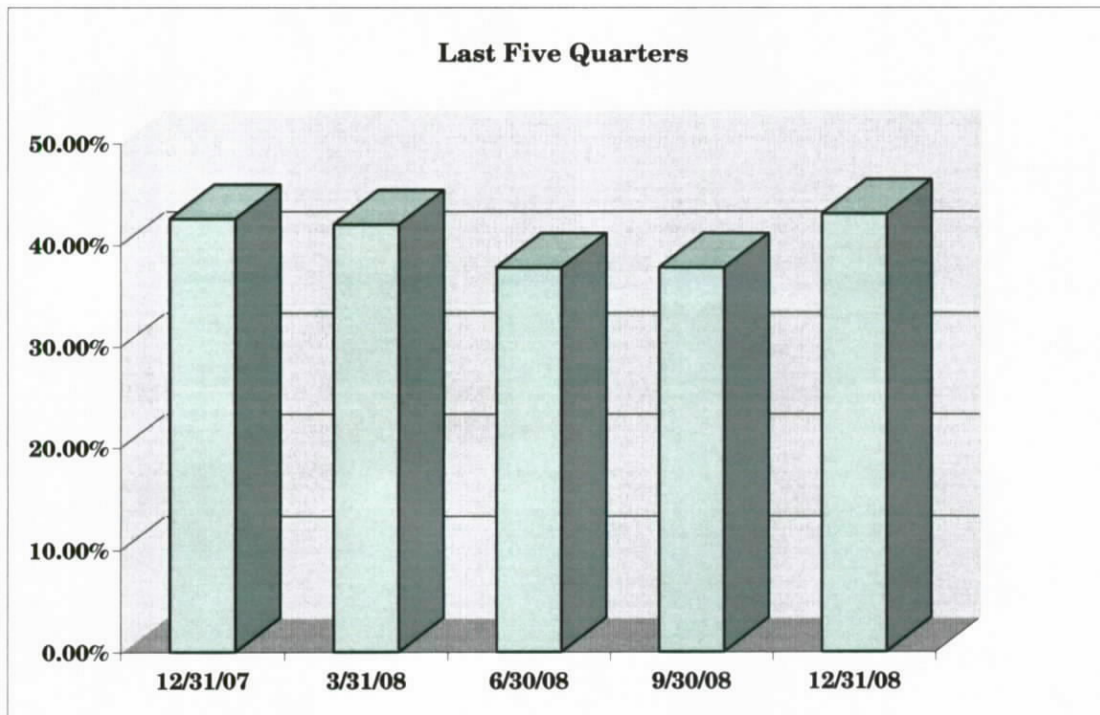
Quarter Ending	
12/31/07	\$1,681,188
3/31/08	1,540,798
6/30/08	1,476,514
9/30/08	1,407,811
12/31/08	\$1,453,772



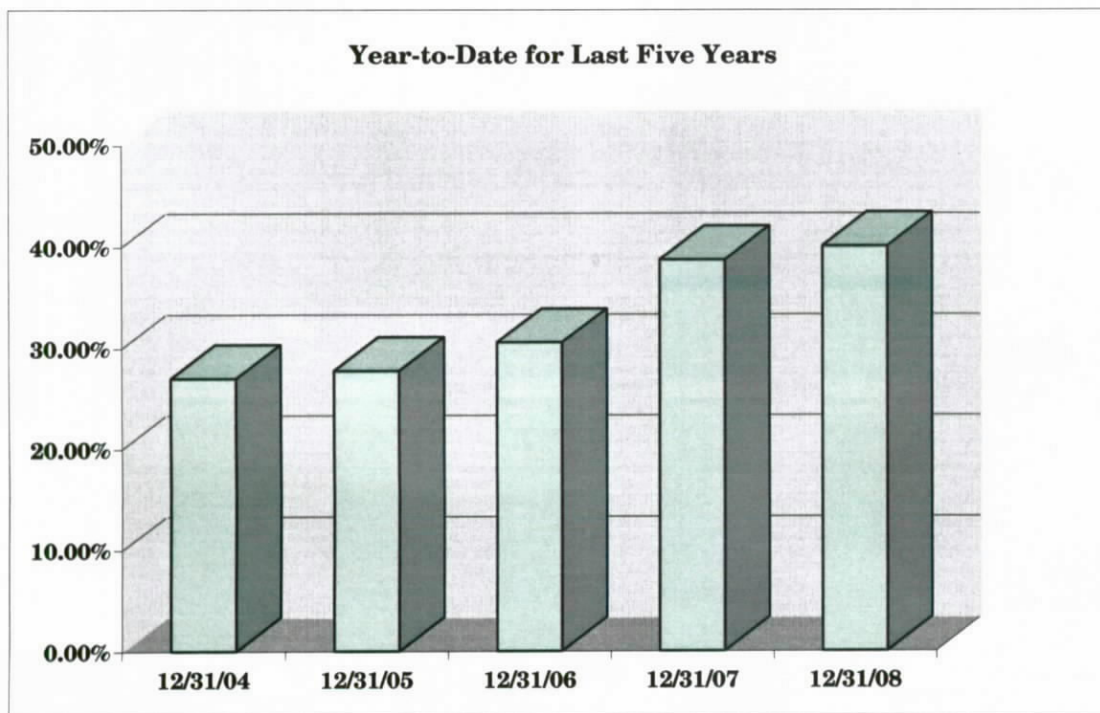
Period Ending	
12/31/04	\$6,466,996
12/31/05	6,446,146
12/31/06	6,597,320
12/31/07	6,690,405
12/31/08	\$5,878,897

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Expense Ratio



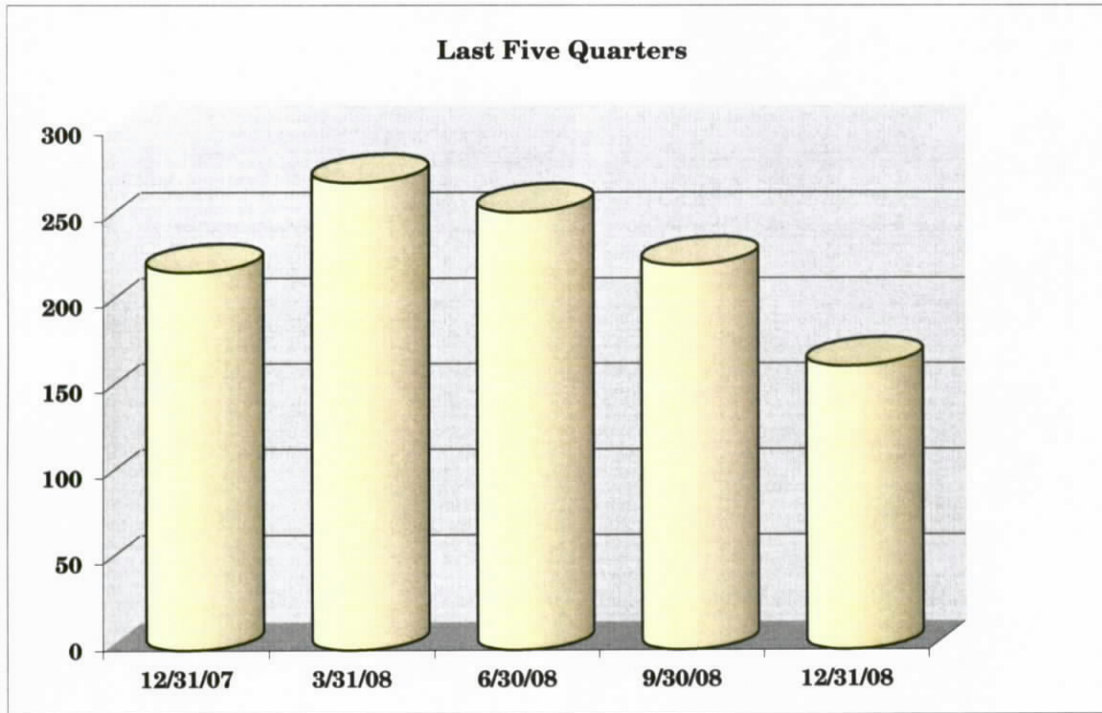
Quarter Ending	
12/31/07	42.61%
3/31/08	42.04%
6/30/08	37.80%
9/30/08	37.80%
12/31/08	43.11%



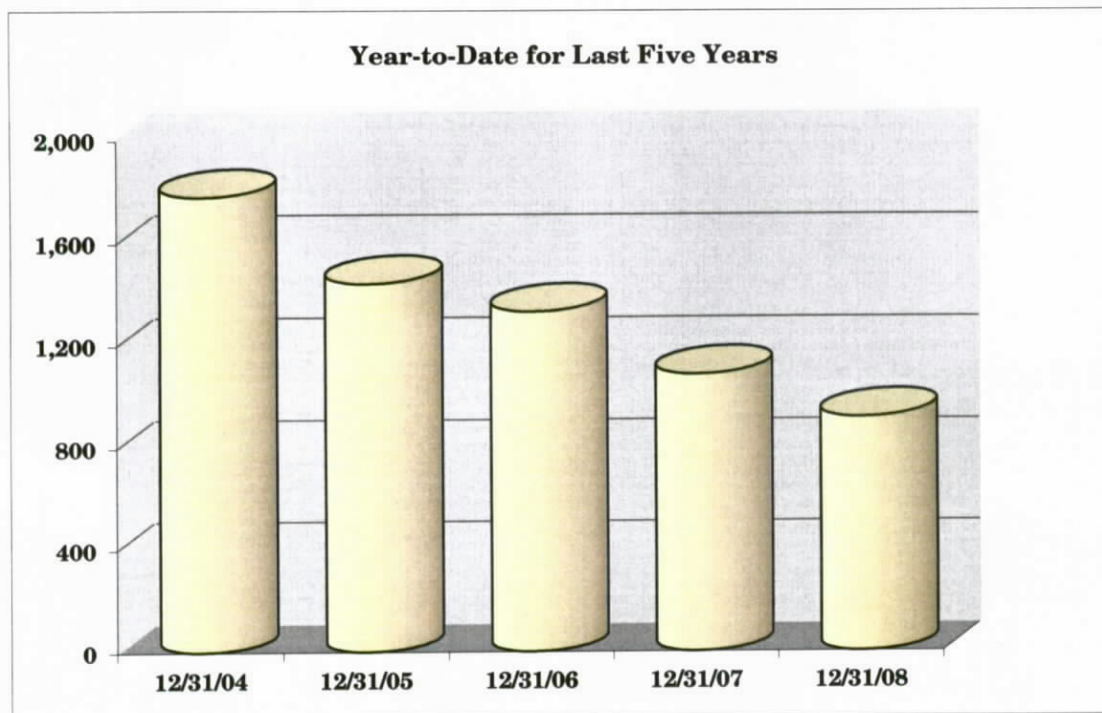
Period Ending	
12/31/04	26.99%
12/31/05	27.74%
12/31/06	30.55%
12/31/07	38.72%
12/31/08	40.08%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of New Claims Reported



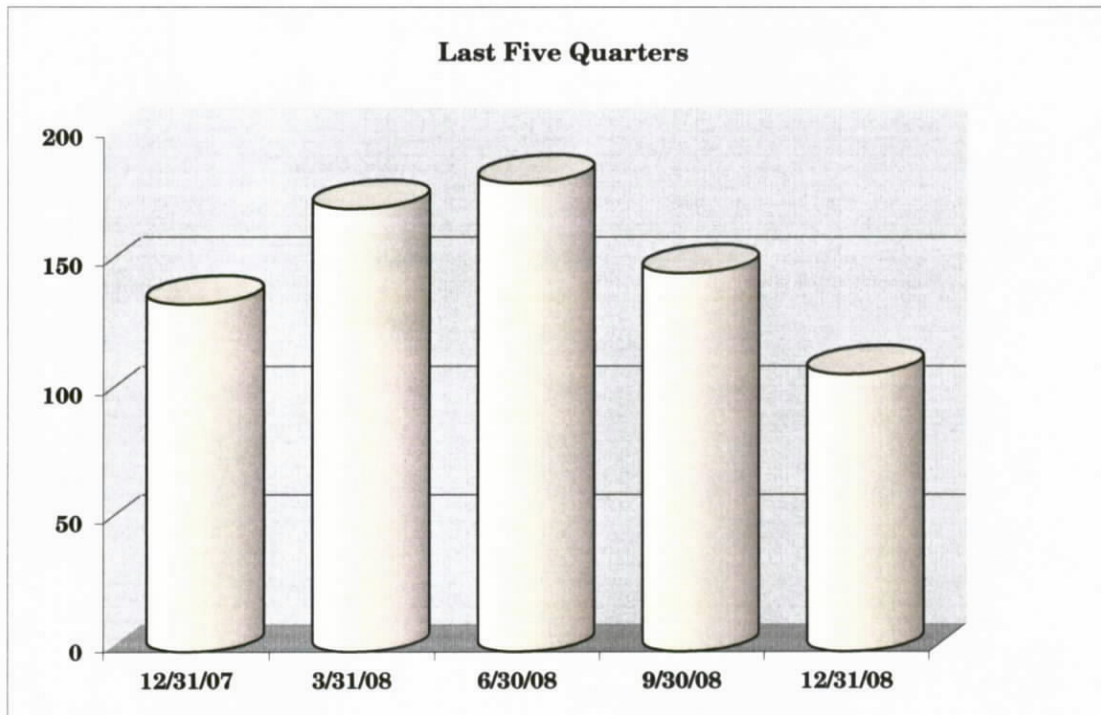
Quarter Ending	
12/31/07	220
3/31/08	272
6/30/08	255
9/30/08	224
12/31/08	165



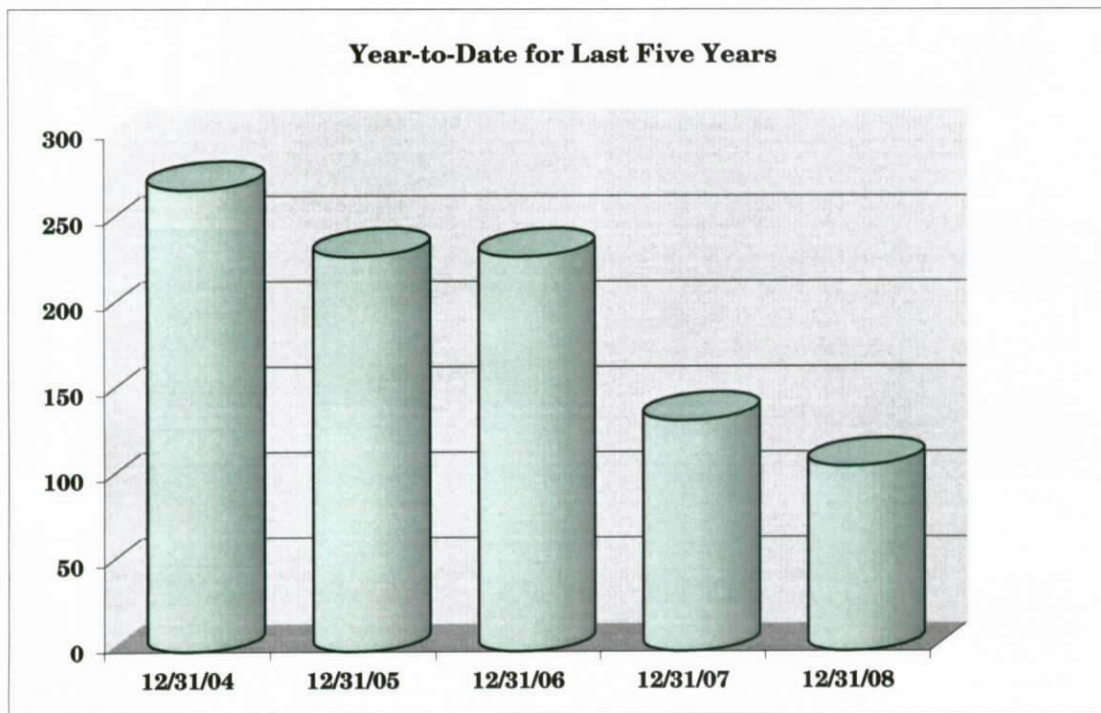
Period Ending	
12/31/04	1,778
12/31/05	1,442
12/31/06	1,332
12/31/07	1,085
12/31/08	916

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of Open Claims



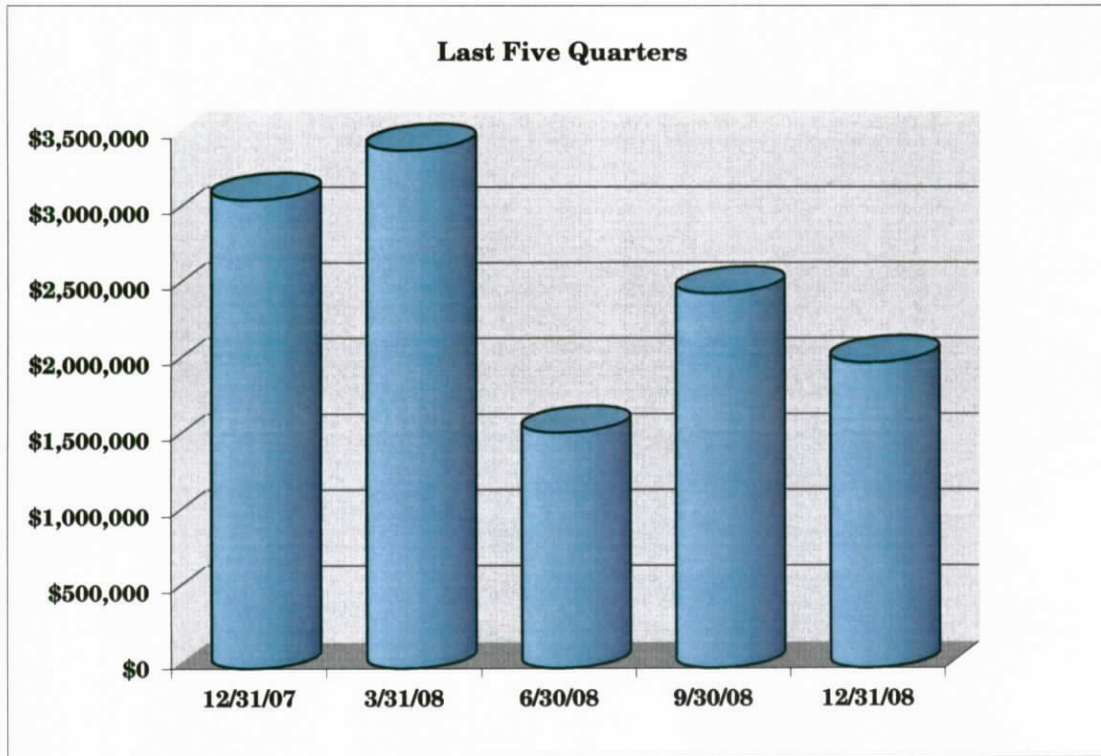
Quarter Ending	
12/31/07	135
3/31/08	172
6/30/08	182
9/30/08	147
12/31/08	108



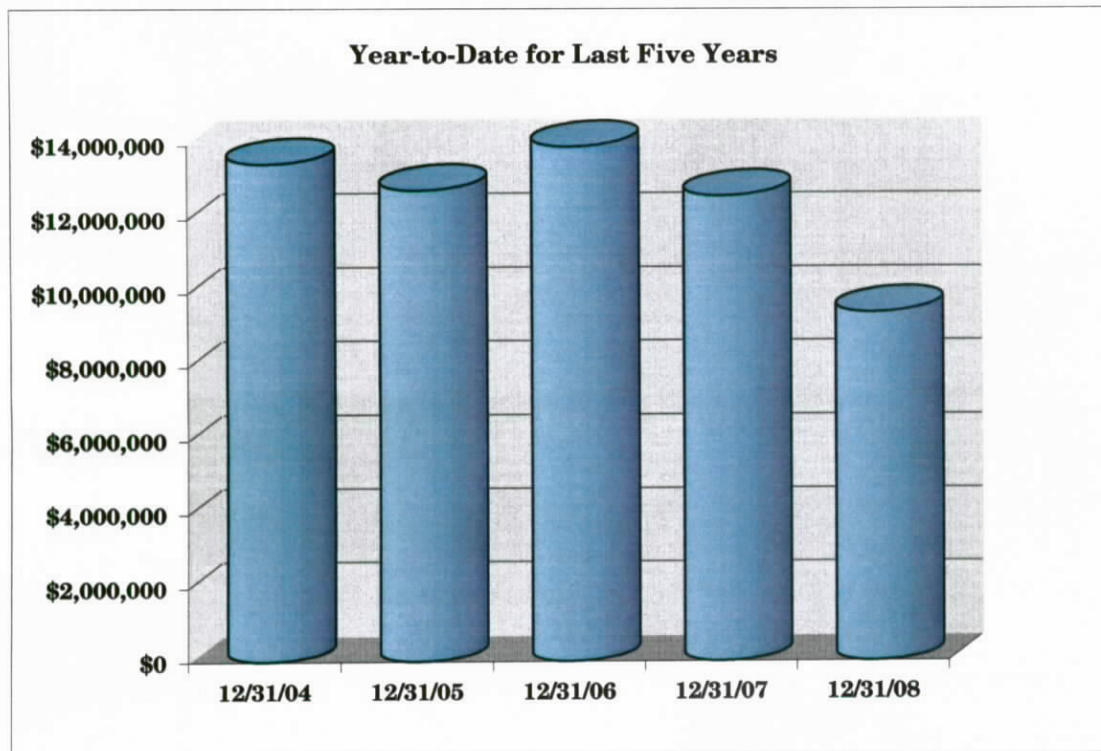
Period Ending	
12/31/04	270
12/31/05	231
12/31/06	231
12/31/07	135
12/31/08	108

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Claims & Claim Expenses Incurred



Period Ending	
12/31/07	\$3,090,570
3/31/08	3,417,510
6/30/08	1,551,364
9/30/08	2,471,183
12/31/08	\$2,013,432

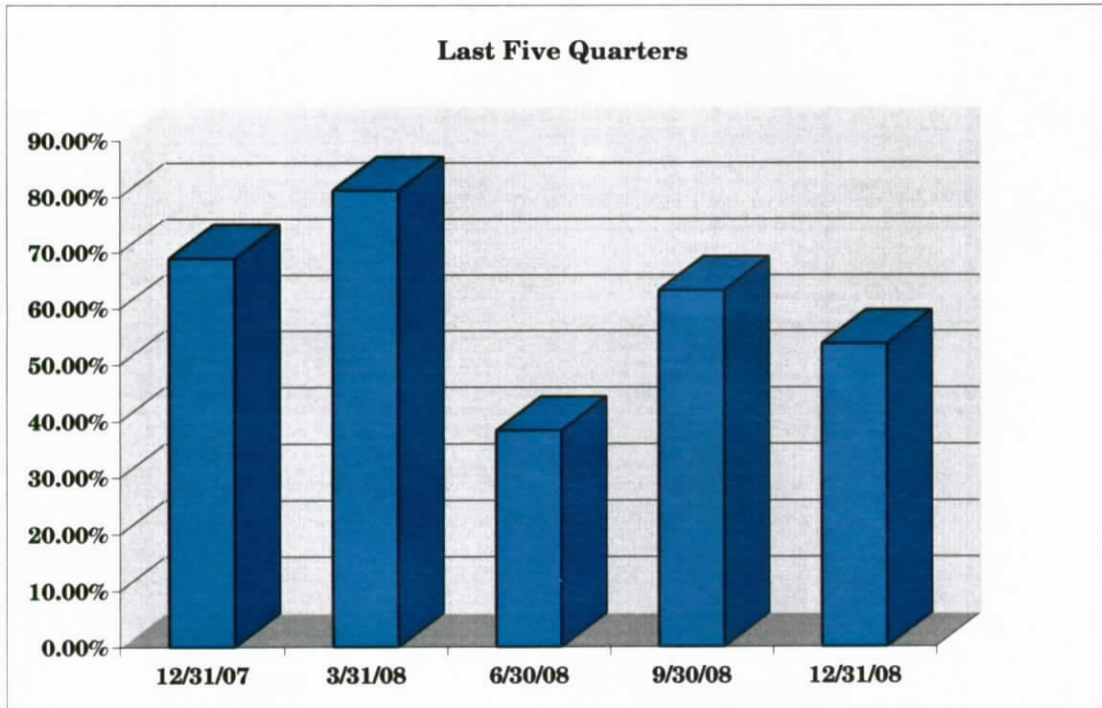


Period Ending	
12/31/04	\$13,490,323
12/31/05	12,776,400
12/31/06	13,954,956
12/31/07	12,616,581
12/31/08	\$9,453,490

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Loss Ratio

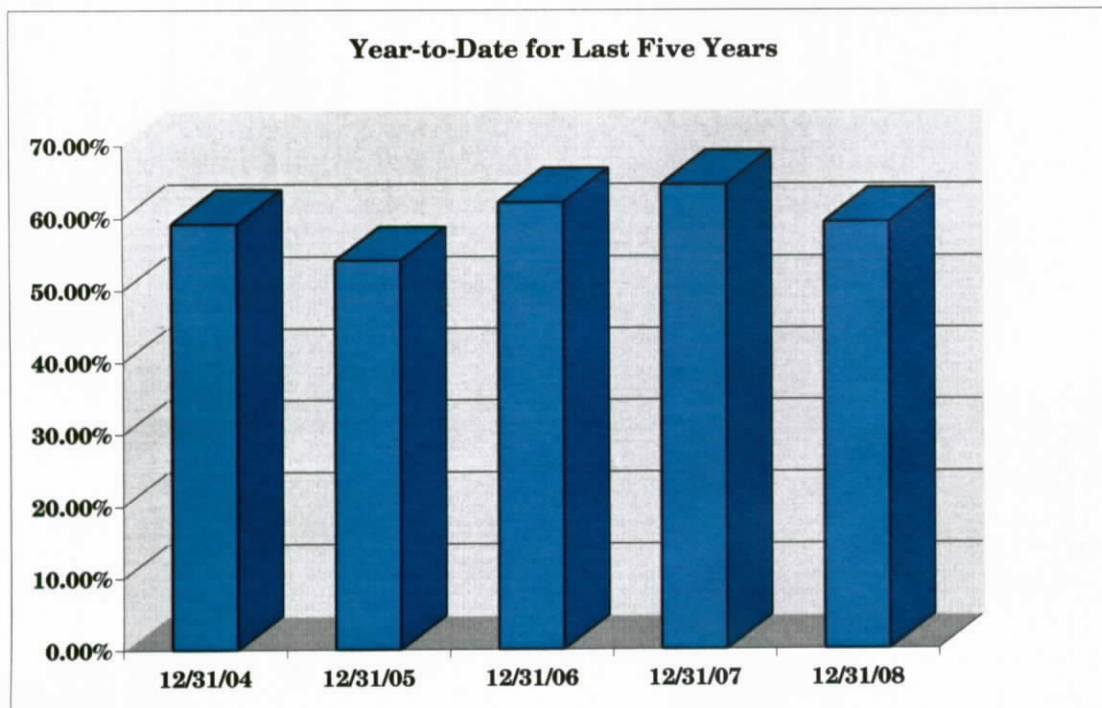
Last Five Quarters



Quarter Ending

12/31/07	68.95%
3/31/08	81.05%
6/30/08	38.31%
9/30/08	63.21%
12/31/08	53.72%

Year-to-Date for Last Five Years



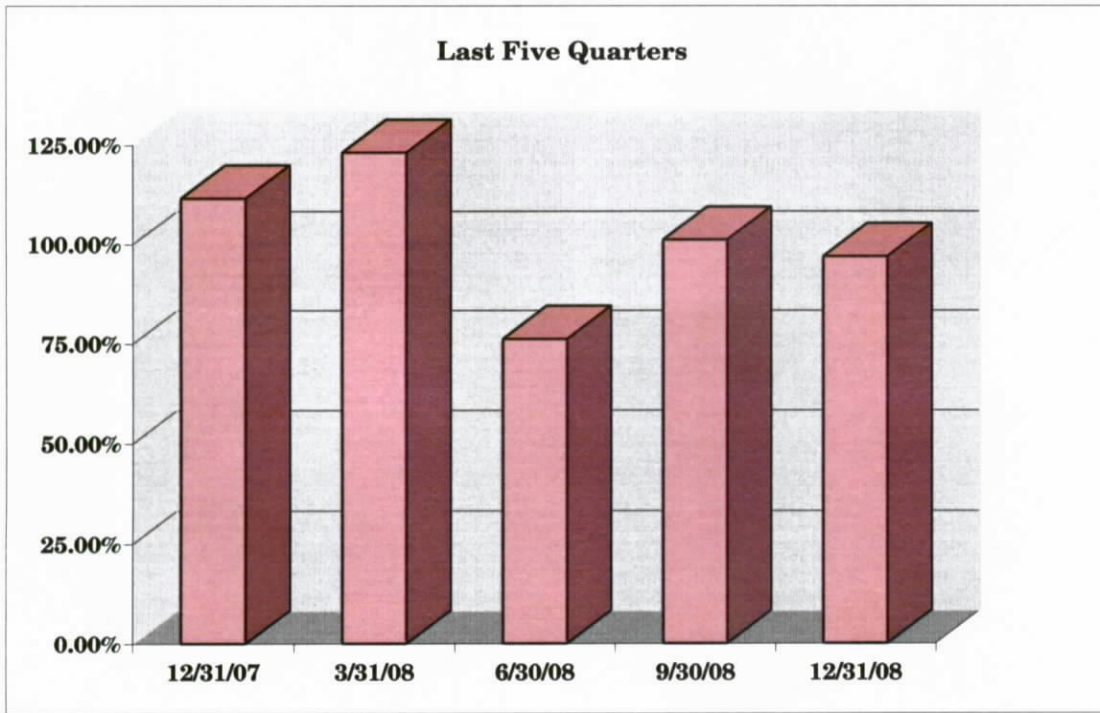
Period Ending

12/31/04	59.20%
12/31/05	54.10%
12/31/06	62.13%
12/31/07	64.55%
12/31/08	59.37%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

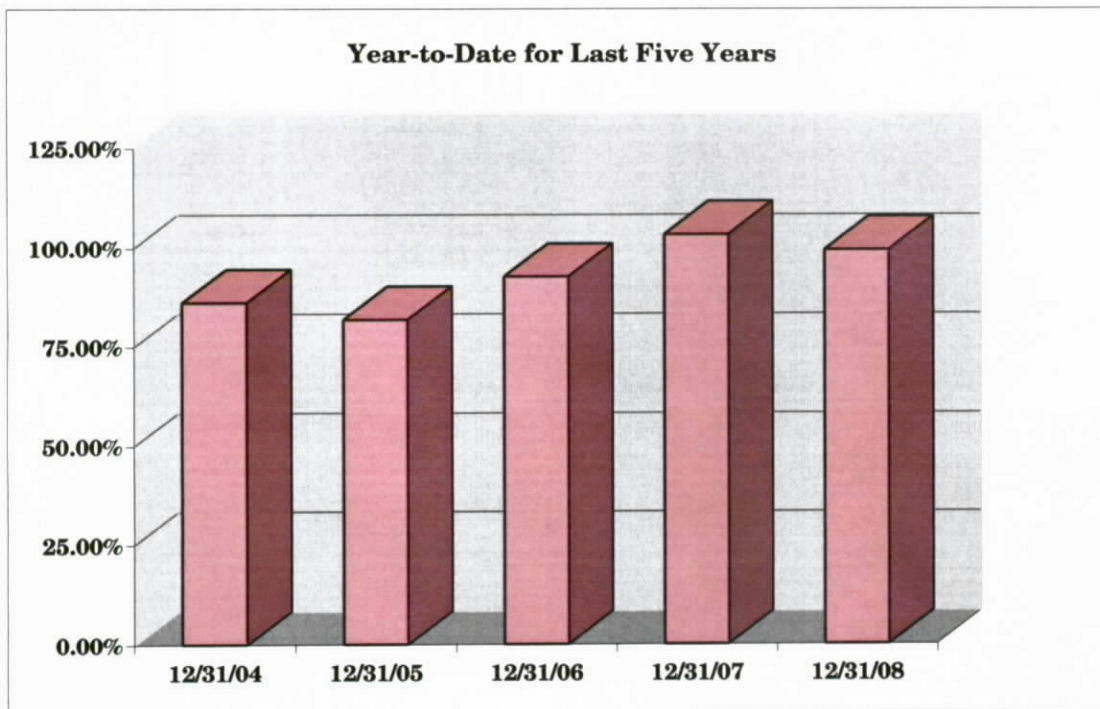
Combined Ratio

Last Five Quarters



Quarter Ending	
12/31/07	111.56%
3/31/08	123.09%
6/30/08	76.11%
9/30/08	101.01%
12/31/08	96.83%

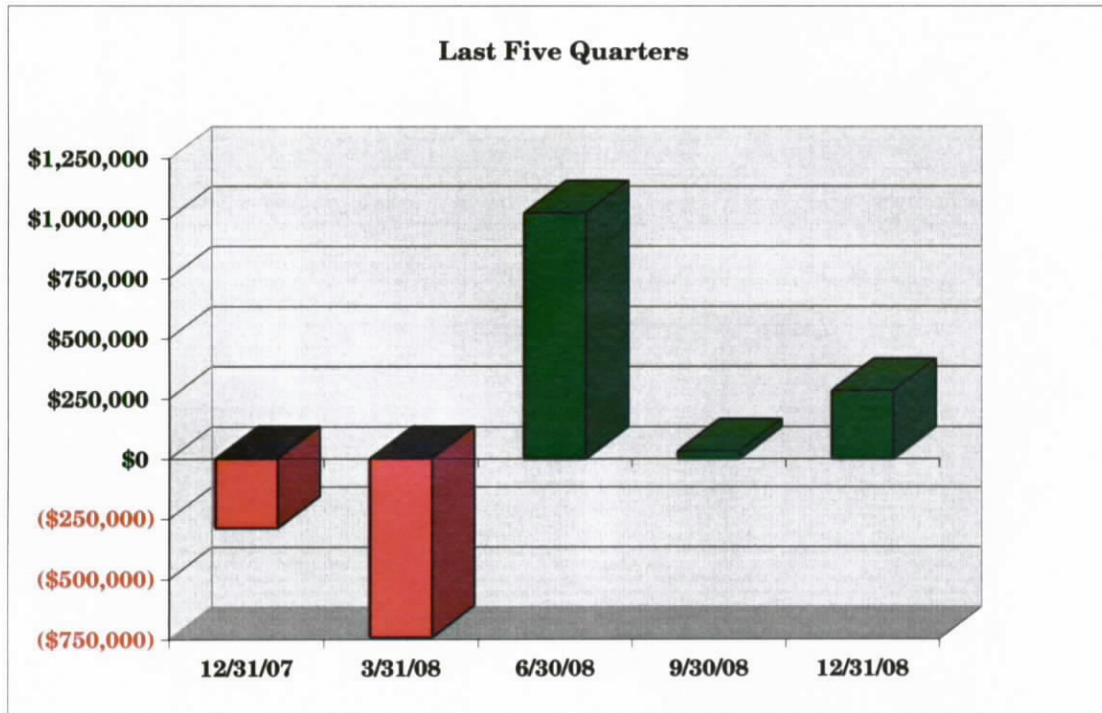
Year-to-Date for Last Five Years



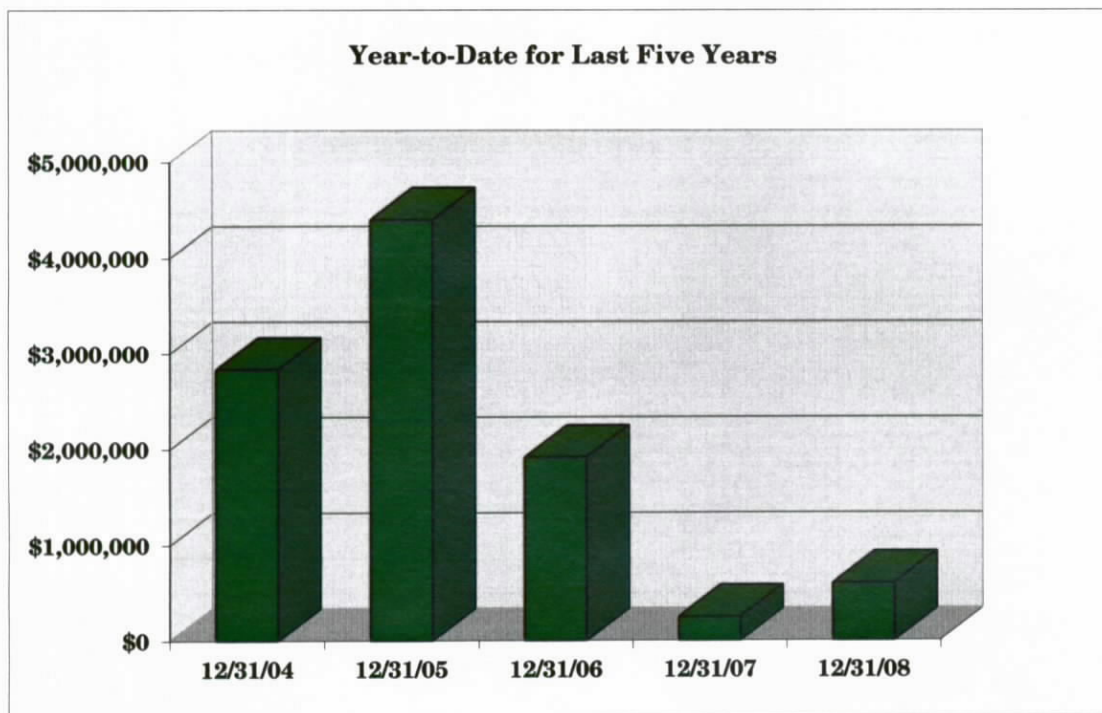
Period Ending	
12/31/04	86.19%
12/31/05	81.84%
12/31/06	92.68%
12/31/07	103.27%
12/31/08	99.45%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Gain (Loss)



Quarter Ending	
12/31/07	(\$289,114)
3/31/08	(741,653)
6/30/08	1,021,288
9/30/08	30,278
12/31/08	\$280,657



Period Ending	
12/31/04	\$2,830,883
12/31/05	4,395,670
12/31/06	1,907,186
12/31/07	239,286
12/31/08	\$590,567

New Jersey Insurance Underwriting Association

Policies Issued by Line of Business

<u>Dwelling Business</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
New	3,723	5,255	8,046	10,019	12,005
Renewal	26,488	31,683	33,661	36,950	39,098
Total	30,211	36,938	41,707	46,969	51,103
<u>Commercial Business</u>					
New	67	114	149	207	259
Renewal	923	1,129	1,281	1,441	1,670
Total	990	1,243	1,430	1,648	1,929
<u>Crime Business</u>					
New	108	40	60	53	101
Renewal	313	393	408	488	597
Total	421	433	468	541	698
<u>All Lines</u>					
New	3,898	5,409	8,255	10,279	12,365
Renewal	27,724	33,205	35,350	38,879	41,365
Total	31,622	38,614	43,605	49,158	53,730

New Jersey Insurance Underwriting Association

Applications Received by Line of Business

<u>Dwelling Business</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
New	3,822	5,617	8,402	10,215	12,778
Renewal	27,524	31,898	33,979	37,337	39,320
Total	31,346	37,515	42,381	47,552	52,098
<u>Commercial Business</u>					
New	75	141	184	212	294
Renewal	933	1,177	1,301	1,473	1,883
Total	1,008	1,318	1,485	1,685	2,177
<u>Crime Business</u>					
New	132	47	69	71	119
Renewal	328	411	408	492	673
Total	460	458	477	562	792
<u>All Lines</u>					
New	4,029	5,805	8,655	10,497	13,191
Renewal	28,785	33,486	35,688	39,302	41,876
Total	32,814	39,291	44,343	49,800	55,067

New Jersey Insurance Underwriting Association

Claim Information

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
New Claims Reported	916	1,085	1,332	1,442	1,778
Large Losses (+ \$100k)	26	44	44	43	37
Catastrophe Losses	79	147	150	159	195
Arson Losses	2	8	5	17	9
Paid Losses	\$8,808,000	\$13,018,000	\$12,162,000	\$12,319,000	\$12,675,000
Case Reserves	\$1,670,000	\$3,207,000	\$5,526,000	\$3,973,000	\$4,975,000
Loss Exp. Paid	\$1,393,000	\$1,464,000	\$1,467,000	\$1,645,000	\$1,618,000
Loss Exp. Reserves	\$434,000	\$463,000	\$585,000	\$650,000	\$643,000
IBNR Reserves	\$1,575,000	\$758,000	\$183,000	\$1,345,000	\$1,537,000

2008 ANNUAL REPORT

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

BOARD OF DIRECTORS 2008

<u>NAME</u>	<u>REPRESENTING</u>
Ms. Sandra Horvath, Chair	State Farm Fire and Casualty Company
Mr. Robert Simmons	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 Company
Mr. Michael Petersen	Liberty Mutual Insurance Company
Mr. Jack Hoffman	NJ Manufacturers Insurance Company
Ms. Susan Erney	The Harleysville 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
 <u>OBSERVER</u>	
Mr. Mark Nussenfeld	New Jersey Department of Banking and Insurance

2008 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
Jane Cogswell
Indra Daniel
Felicia Dubose
Tisha Elam
Kamie Koonjan
Faziah Mangar
Ruth Williams
Diane Young
Toni Yumang
Ibis Zafra

Information Technology – Israel Popack

Ted Abrams

Claim Services – Al Jankoski

Michael Balzano
Justin Floyd

Financial Services – Ted Green

Akleema Abrams
Fred Lund
Joan Reed
Carmen Rodriguez
Larcina Wilkins

Office Services – Frank Punturieri

Zabida Allie
Yvonne Elam
MaryLou Kolvek
Eric Valdes