

New Jersey Automobile Insurance Risk Exchange

PO Box 3508, Cherry Hill, NJ 08034

Annual Report of Operations – 2016

NJAIRE Officers

- Chairperson – Tom Myers, Plymouth Rock
- Vice-Chairperson – Mark Keenan, Allstate
- Treasurer – Frank Coscia, Public Member

NJAIRE Board of Directors

Thomas Myers, Chairperson, PCI (Plymouth Rock)
Mark Keenan, Vice-Chairperson, At Large (Allstate)
Frank M. Coscia, Esq., Treasurer, Public Member
Mary Bernadette Corrigan, AIA (Hanover)
Kevin Curry, AIA (Travelers)
Stephen Doyle, Non-affiliated (Safeco)
Ryan Graham, Public Member
Richard Hubschman, Esq., Public Member
Deana Lykins, Esq., PCI (CSAA) – nomination pending
David R. Spevack, Esq., Public Member
Brian O'Loughlin, Non-affiliated (State Farm)
Charles Fordham, At Large (New Jersey Manufactures) –nomination pending
Sam Sackey, N.J.D.O.B.I.

Carriers to be audited during 2017

- The Hartford
- State Farm Guaranty / Indemnity
- United Farm / Farm Family Casualty
- Insurance Company of Pennsylvania / AIG PC (formerly Chartis PC)
- Unitrin Direct / Response Insurance Company
- PURE
- Progressive Group
- Metropolitan Group
- Liberty Mutual
- California Casualty & Fire

New Member Carrier Audits

- None Scheduled during 2016 or 2017

Selection of Compliance and Financial Auditors

- Compliance Auditors – AIPSO Audit Services
- Financial Auditors – Withum, Smith & Brown

Significant and Functional Events Occurring During 2016

During 2016 NJAIRE again worked with Governor Christie's Appointments Office, the New Jersey Department of Banking and Insurance and the New Jersey Legislature to ensure a fully complemented Board of Directors, subject to five pending confirmations. Contrary to previous years, NJAIRE did not experience potential fraudulent activity, although we continue to monitor as a preventative measure. There were no regulatory changes to affect NJAIRE during 2016, allowing NJAIRE to function effectively and efficiently, also resulting from professional performance of all entities involved with NJAIRE, including the NJAIRE Board of Directors and Officers, our Central Processor, Insurance Services Office (ISO), our Carrier Auditor, AIPSO and their Auditing Consultants, the auditing firm that conducts annual audits of NJAIRE operations, Withum, Smith and Brown, and the expert legal advice from our attorney, Paige Berry.

The following NJAIRE events occurred during 2016.

- NJAIRE bank accounts remained secure, thereby requiring no account changes. We continue to maintain a warning on our Website.
- NJAIRE investment returns continued to reflect lower yield during 2016, resulting from interest rates ranging between .25 % and .55%
- One Webinar providing an overview of NJAIRE operations were conducted on November 9th with continued excellent attendance by a large group of insurers to assure their accuracy in managing NJAIRE assessments.
- NJAIRE Board Members, Management and the NJAIRE office were protected through three policies for (a) Directors and Officers (b) Professional Liability and (c) Business Owners and Umbrella coverage.
- Great American provided protective insurance coverage for NJAIRE Officers and Directors.
- Hiscox Insurance Company provided Professional Liability coverage. The Hiscox Professional Liability Policy for Donald Foth was endorsed to include the Extended Reporting Period option for one year effective 11/1/2016.
- The Hartford provided Business Owner Coverage.
- The NJAIRE office lease for the Franklin location was non-renewed effective November 30, 2016. Donald Foth, General Manager announced his retirement effective November 30 and he was replaced by John McBride. The NJAIRE office was relocated to Marlton, NJ and a 24 month lease was executed effective October 1, 2016.
- Record retention guidelines were observed and achieved for paper and electronic records maintained at the NJAIRE office, with Records Destruction performed in accordance with our Record Retention policy.
- New Jersey Automobile Insurance Risk Exchange Counsel M. Paige Berry continued to monitor and report as liquidations were finalized for member companies in liquidation.

- An annual audit of the Exchange was conducted by external auditors Withum, Smith and Brown. Their results were: “In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Jersey Automobile Insurance Risk Exchange at December 31, 2015 and 2014, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.”
- Board members and Service Providers conducted an annual review of NJAIRE processes and procedures to assure currency and accuracy. Areas reviewed included (1) Cash Management Plan, (2) Contact List Data, (3) Disaster Recovery Plan, (4) New Member Audit Process, and (5) Records Retention Program, with appropriate updates where required.
- AIPSO, our carrier compliance auditor completed all audits in a timely and effective manner. Independent Audit Consultants provided their extensive industry experience as they conducted audits to assure carrier NJAIRE compliance. Coordination and oversight at AIPSO has assured the highest quality NJAIRE audits via actions by Kayla Evans, Toni O’Leary and Debbie Silva. Special thanks to Debbie Silva for her outstanding contributions to NJAIRE.
- Insurance Services Office (ISO) staff continued to provide excellent carrier data management control of assessment, reimbursement and annual cash settlement processes, web-site coordination, manual maintenance and financial transactions, thanks to Susan Adler, Sharjil Ahmad, Fred Mason, Mike McAuley, Renessa Tuason, Kevin O’Hora and dedicated ISO staff that effectively contributed to NJAIRE’s success. Thanks to Susan Adler who assures that NJAIRE’s fiscal function were effective and timely. And special thanks to Mike McAuley whose outstanding talent assures that ISO’s NJAIRE processing functions as a well-oiled machine.
- A Members Only section was added to the NJAIRE website which provides the latest version of the Tort Threshold Verification Contact List and Quarterly Monitoring Report.
- NJAIRE Counsel M. Paige Berry, partner at Saul Ewing LLP, provided her usual outstanding legal advice and counsel to NJAIRE, assuring adherence to our statutory charge. Ms. Berry also effectively guided any legislative needs through appropriate channels to assure timely adoption.
- The following NJAIRE Committees provided effective and pertinent input to assure optimum Board operations. Our thanks to all chairpersons for the excellent leadership and to committee members for their dedicated time and talent.

Actuarial Committee

Craig Isaacs, Chair, State Farm
 Phil Banet, Allstate
 Carl Gullans, New Jersey Manufacturers
 Alex Maizys, Selective
 Thomas Myers, Plymouth Rock
 Samuel Sackey, NJDOBI

Audit Committee

Brian O’Loughlin, Chair, State Farm
 Mary Bernadette Corrigan, Hanover
 Frank Coscia, Esq., Public Member
 Stephen Doyle, Safeco

Finance & Investment Committee

Frank Coscia, Esq., Chair, Public Member
Kevin Curry, Travelers
Richard Hubschman, Esq., Public Member

Insurance and Contracts Committee

Stephen Doyle, Chair, Safeco
Mary Bernadette Corrigan, Hanover
Mark Keenan, Allstate
David R. Spevack, Esq., Public Member

Nominating Committee

Kevin Curry, Chair, Travelers
Ryan Graham, Public Member

Webinar Committee

Donald Foth / John McBride, Co- Chair, NJAIRE
Michael McAuley, ISO
Debbie Silva, AIPSO

ACTUARIAL COMMITTEE

The following recommendations from the Actuarial Committee were approved by the Board of Directors.

- a) Convert Accident Year 2013 from exposure to claim basis. This is consistent with prior year practices.
- b) Close out Accident 2007 on December 31, 2016.
- c) Approve a 0.40% annual interest rate for the 2016 Annual Cash Settlement.

THE NJAIRE Board approved the following amended assessments:

Accident Year	Current Assessment	Approved Assessment
2006	33.5 million	33.5 million
2007	30.0 million	30.0 million
2008	30.7 million	30.7 million
2009	31.1 million	30.8 million
2010	29.4 million	29.1 million
2011	26.5 million	26.0 million
2012	24.5 million	23.5 million
2013	\$90	20.8 million
2014	\$95	\$87
2015	\$110	\$100
2016	\$100	\$100
2017		\$100

NJAIRE Financial Report

The following provides financial details for year-end 2015, 7 month 2016, and the 2017 budget.

	2015	2016 (7 Mos)	2017 Budget
Assessments	\$25,926,670	\$11,882,090	TBD
Reimbursements	\$25,926,462	\$11,879,672	TBD
Administration	\$1,199,487	\$637,928	TBD
Expenses:	2015	2016 (7 Mos)	2017 Budget
Central Processor	\$900,000	\$530,833	\$925,000
Compensation	\$70,469	\$ 42,000	\$55,000
Clerical, Furniture & Equipment	\$0	\$0	\$400
Rent & Rent Items	\$11,238	\$6,636	\$11,400
Meetings & Travel	\$5,502	\$ 2,584	\$9,000
Postal Expenses	\$40	\$12	\$200
Printing, Software, Supplies	\$155	\$ 167	\$1,100
Communications	\$1,753	\$1,084	\$0
Insurance	\$12,705	\$7,567	\$15,000
Member Company Audits	\$130,404	\$19,120	\$161,079
Exchange Audit	\$33,287	\$0	\$33,850
Legal Fees	\$29,265	\$24,425	\$33,000
Public Member Fee	\$2,250	\$1,500	\$4,000
Bank Fees	\$321	\$0	\$200
Taxes	\$2,000	\$2,000	\$2,000
Miscellaneous	\$98	\$0	\$500
I Cloud / IT	\$0	\$0	\$250
Total	\$1,199,487	\$637,928	\$1,251,979

On behalf of the Board of Directors, Don Foth, and myself, I would like to thank the previously listed members, the following officers and associates for making 2016 a successful year for the New Jersey Automobile Insurance Risk Exchange, and also recognize 2017 Committee Chairpersons:

- NJAIRE Board Chairman Tom Myers, Vice-Chairman Mark Keenan, and Treasurer Frank Coscia for their outstanding participation, guidance and leadership.

- The 2017 Board Committees that will be chaired by;

Actuarial Committee – Craig Isaacs, State Farm

Audit Committee – Brian O'Loughlin, State Farm

Finance & Investment Committee - Frank Coscia, Public Member

Insurance & Contracts Committee – Stephen Doyle, Safeco

Nominating Committee – Kevin Curry, Travelers

- Paige Berry, our aggressive, proactive and outstanding attorney.
- Sam Sackey of the New Jersey Department of Banking and Insurance, for his continued excellent support of NJAIRE.
- Susan Adler, Fred Mason, Mike McAuley, and Renessa Tuason, our outstanding and dedicated ISO team.
- AIPSO associates Debbie Silva, Kayla Evans, and Toni O'Leary and their Consultants; our exceptionally talented and experienced Independent Auditor Team.
- Rick Coyne, Katie Moraski, Lonnie Bloom and Amanda Reed-Darby from Withum, Smith and Brown who, through their audit expertise, assure that the Exchange functions in a professional manner.

NJAIRE 2017 Meeting Schedule

Quarterly and Annual Meetings will be held at the Holiday Inn National Conference Center, 399 Monmouth Street, East Windsor, New Jersey 08520 on:

- Thursday, February 9, 2017
- Thursday, May 11, 2017
- Thursday, August 10, 2017
- Thursday, November 9, 2017 (Board & Annual meetings)

These dates will be posted on the New Jersey Automobile Insurance Risk Exchange Website (www.njaire.org)

Respectfully submitted,

John McBride, General Manager
New Jersey Automobile Insurance Risk Exchange