

NJIUA

New Jersey Insurance Underwriting Association

2009 Annual Report



The 41st Annual Report

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

2009 Annual Report

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**New Jersey Insurance Underwriting Association
2009 Annual Report
Message from the Chair and President**

2009 Financial Results in Review

Even though the declining trends in written premium volume and the number of policies-in-force continued throughout all of 2009, The Association achieved a net gain for the sixth consecutive year.

Written premium declined 11.8% to a year-end total of \$12,930,581. Earned premium declined 14.5% to \$13,614,752 and policies-in-force declined 14.4% to 22,129.

Underwriting expenses decreased 5.8% over 2008 levels, although the expense ratio increased 2.7 points or 6.8% to 42.8%. Once again, the primary factor contributing to the increase is the ongoing decline in written premium.

The volume of new claims reported to the Association in 2009 declined 8.9% to 834 and claim and claim expenses incurred declined 19.5% to \$7,611,870. The 2009 loss ratio decreased 3.5 points or 5.8% to 55.9%. Once again, the absence of any catastrophes or significant losses due to weather, were major factors in reducing the number of new claims reported to the Association. Twenty-two large losses, \$100,000 or greater, were reported in 2009, 15.4% fewer than the twenty-six large losses reported in 2008.

The combined ratio for 2009 declined 0.72 of a point to 98.7%, a decrease of nearly 1% over the 2008 combined ratio. The 2009 underwriting gain of \$466,039 is \$124,528 or 21.1% less than the underwriting gain achieved in 2008. The Association's investment income of \$213,795 reflects a decrease of \$277,126 or 56.5% from the gain achieved in 2008. The Association's 2009 net gain of \$679,834 is \$401,654 or 37.1% less than the net gain achieved in 2008.

This past year has been the fifth consecutive year in which Association written premium has declined and the thirteenth consecutive year in which the number of policies-in-force declined. The voluntary insurance market in New Jersey remains accessible and affordable to policyholders and as long that market remains viable, Association written premium volume and the numbers of policies issued will continue to decline.

Major Initiatives

Following more than three years of extensive analysis, investigation and constructive dialogue between the management of the Association, members of the Board of

Directors and representatives of the Department of Banking and Insurance, significant revisions and updates were approved to the NJIUA Plan of Operation. Principle amongst the changes was the adoption of a methodology for the closing of policy years and the reconciliation and reporting of those results to member companies. The requirement for existing policyholders to submit a new application for coverage at the time a policy is renewed has been eliminated and a new, streamlined continuous policy renewal process implemented. The maximum coverage limit for dwelling policies was increased to \$600,000.

During the discussions surrounding the proposed revisions to the Plan of Operation, Association managers, working closely with the members of the Underwriting and Finance and Audit Committees, developed and recommended a two-pay installment payment program for qualified renewal policyholders, as well as underwriting guidelines for offering theft coverage to qualified policyholders. The Board of Directors approved the recommendations and both programs were implemented.

The Association's ongoing initiative to continuously improve systems and processes resulted in the staffs of nineteen of the top producers who generate policies for NJIUA being trained in the use of the web based policy endorsement facility. Management also undertook a lengthy and detailed analysis to determine the feasibility of automating existing Association application and risk selection processes. The Board approved the development of an expert underwriting system for dwelling fire business only and charged Association management to continue to work closely with the Underwriting Committee to ensure the integrity and quality of the underwriting process. The development of this new system application is a direct result of the extensive feedback provided by producers to provide technology that will enhance their functionality, reduce their costs and improve their productivity.

Based on updated risk data submitted by the Association, Guy Carpenter completed an analysis of NJIUA 2009 catastrophe exposures. Those results were reviewed by the Underwriting Committee whose members recommended to the Board that no further action be taken. 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 2.9%. After much discussion with the Board and a dialogue with the representatives of the Department of Insurance, the general consensus was the economic climate was not conducive to supporting a rate increase at the time and it was mutually agreed by the Board, the Association and the Department to withdraw the 2009 rate filing.

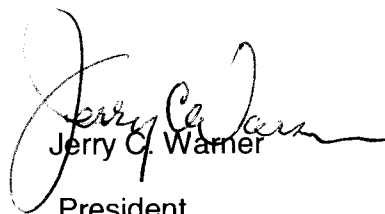
As a matter of course, Association managers maintain a strict focus on the management of all expenses within their scope of responsibilities. Still, the continued decline in the number of policies-in-force and written premium, and the prospect that the residual market will not likely experience significant growth or expansion in the foreseeable future, has meant that vigilance about maximizing productivity and reducing the cost of doing business is more important than ever. The Association has had another active and successful year and managers and employees continued to be committed to providing the best possible customer service and responsiveness to the mission of NJIUA. We want to thank all of the managers and employees for their support and congratulate them on their dedication and professionalism.

We also wish to express our sincere appreciation to former Commissioner Goldman, former Acting Commissioner Jasey, Acting Commissioner Rader, Donald Bryan, 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 support and efforts on our behalf. Special thanks and appreciation are expressed to Lou Cappello, Robert Simmons and Georgia Flamporis whose service as Board members ended in 2009. We wish to thank all of the members of the Board of Directors, Committee Chairs, Jim Ayers, Vince Noggle, Thad Holman, Bruce Hill and Bob Farnam for their valuable advice and direction on our business activities.



William W. Martin

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)	
	2009	2008
PREMIUM WRITTEN	\$12,930,581	\$14,667,822
PREMIUMS EARNED	13,614,752	15,922,954
LOSSES INCURRED	6,443,814	8,088,791
CLAIM EXPENSES INCURRED	1,168,056	1,364,699
EXPENSES INCURRED	5,536,843	5,878,897
UNDERWRITING GAIN	466,039	590,567
ADD INVESTMENT INCOME	213,795	490,921
NET OPERATING GAIN	\$679,834	\$1,081,488
LOSS RATIO	55.91%	59.37%
EXPENSE RATIO	42.82%	40.08%
COMBINED RATIO	98.73%	99.45%

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)	
	2009	2008
Cash and short-term investments	\$14,162,626	\$13,727,127
Accrued interest	34,325	72,361
Electronic data processing equipment	53,503	65,489
Premium receivable	22,376	29,209
Total Admitted Assets	\$14,272,830	\$13,894,186
Liabilities and Members' Equity		
Liabilities:		
Unearned premiums	\$6,467,830	\$7,152,001
Unpaid losses	3,033,000	3,245,788
Unpaid loss adjustment expenses	384,118	433,987
Claim checks payable	-	335
Amounts held for others	349,062	247,672
Accrued expenses	197,281	175,045
Other liabilities	218,413	130,355
Accrued premium taxes & filing fees	44,068	40,035
Post retirement benefits (other than pensions)	2,420,897	2,259,960
Defined benefit pension plan liability	929,703	1,748,970
Advanced premium	258,739	253,203
Total Liabilities and Reserves	\$14,303,111	\$15,687,351
Members' Equity (deficit)	(30,281)	(1,793,165)
Total Liabilities and Members' Equity	\$14,272,830	\$13,894,186

New Jersey Insurance Underwriting Association

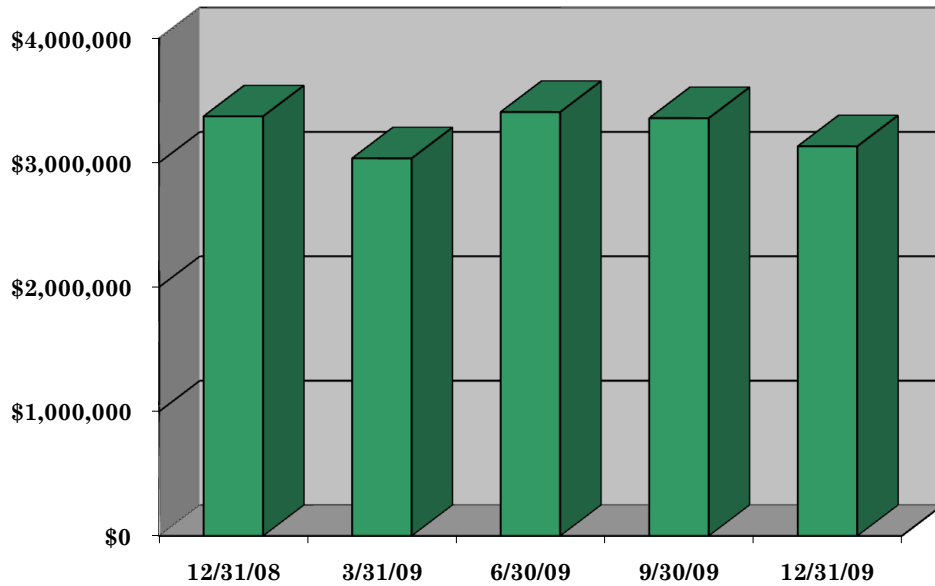
Statements of Operations and Changes in Members' Equity - Statutory Basis

	Twelve Months Ending December 31, (U n a u d i t e d)	
	2009	2008
Underwriting Income:		
Net premiums written	\$12,930,581	\$14,667,822
Change in unearned premiums	684,171	1,255,132
Net premiums earned	13,614,752	15,922,954
Deductions:		
Losses incurred	6,443,814	8,088,791
Loss adjustment expenses incurred	1,168,056	1,364,699
Commissions	1,146,922	1,300,964
Other underwriting expenses	4,337,544	4,524,547
Premium taxes & filing fees	52,377	53,386
Total underwriting deductions	13,148,713	15,332,387
Net underwriting gain	466,039	590,567
Net investment income	213,795	490,921
Net gain	\$679,834	\$1,081,488
Members' equity (deficit) beginning of period	(1,793,165)	(137,490)
Net gain	679,834	1,081,488
Decrease in non-admitted assets	263,783	255,423
Employer's pension obligation	819,267	(2,992,586)
Members' equity (deficit) end of period	(\$30,281)	(\$1,793,165)

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Written Premium - All Lines

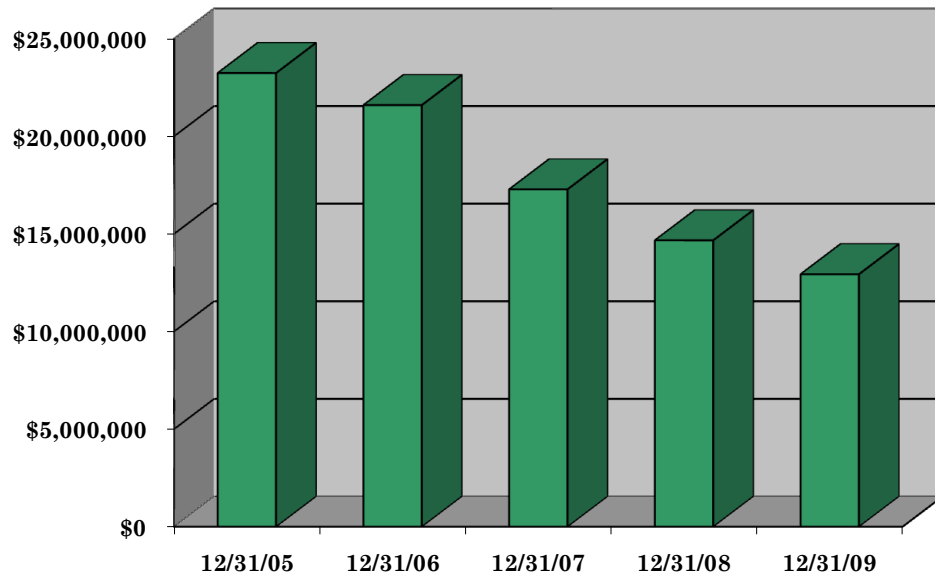
Last Five Quarters



Quarter Ending

12/31/08	\$3,372,484
3/31/09	3,034,532
6/30/09	3,406,996
9/30/09	3,357,455
12/31/09	\$3,131,598

Year-to-Date for Last Five Years



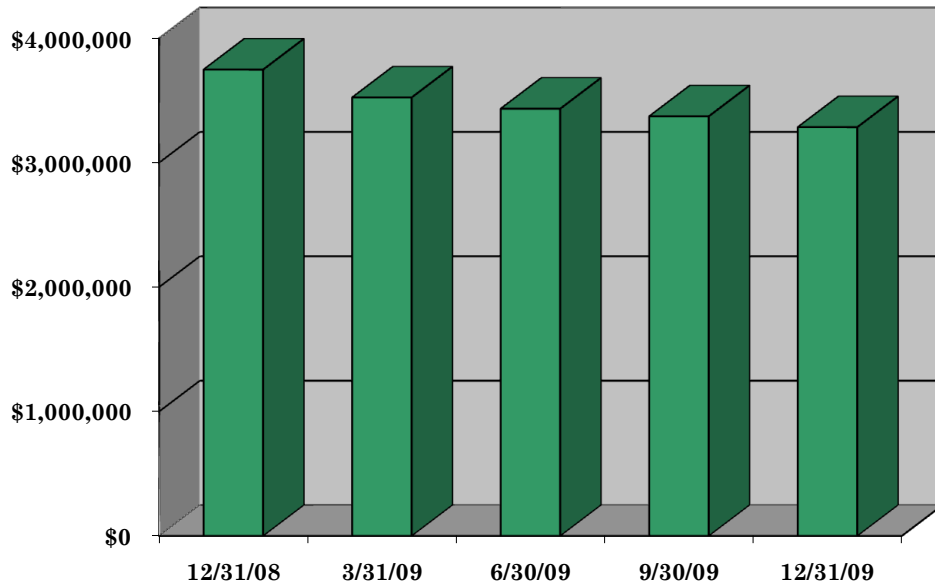
Period Ending

12/31/05	\$23,237,640
12/31/06	21,594,840
12/31/07	17,279,031
12/31/08	14,667,822
12/31/09	\$12,930,581

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Earned Premium - All Lines

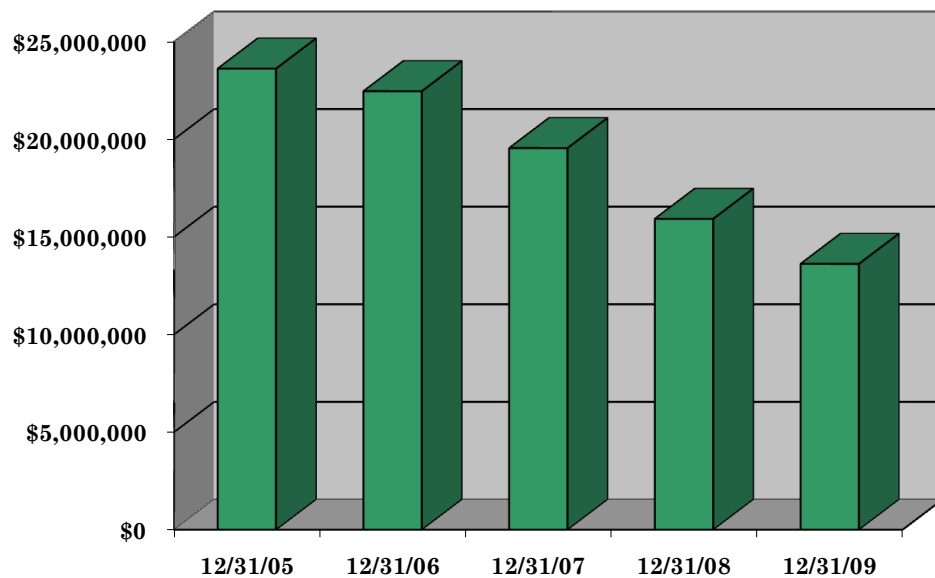
Last Five Quarters



Quarter Ending

12/31/08	\$3,747,861
3/31/09	3,523,725
6/30/09	3,433,385
9/30/09	3,372,379
12/31/09	\$3,285,263

Year-to-Date for Last Five Years



Period Ending

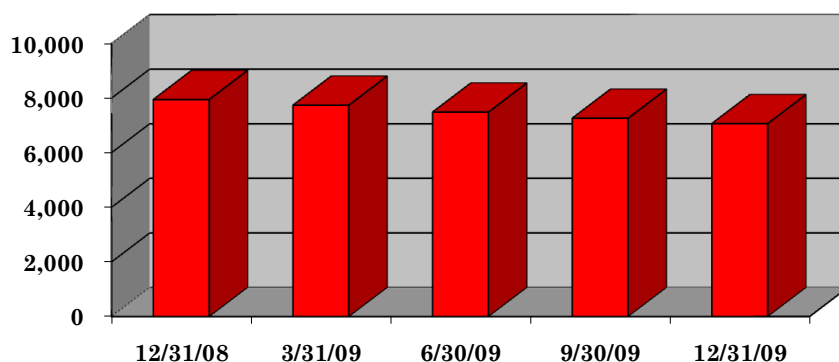
12/31/05	\$23,618,216
12/31/06	22,459,462
12/31/07	19,546,272
12/31/08	15,922,954
12/31/09	\$13,614,752

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

Last Five Quarters

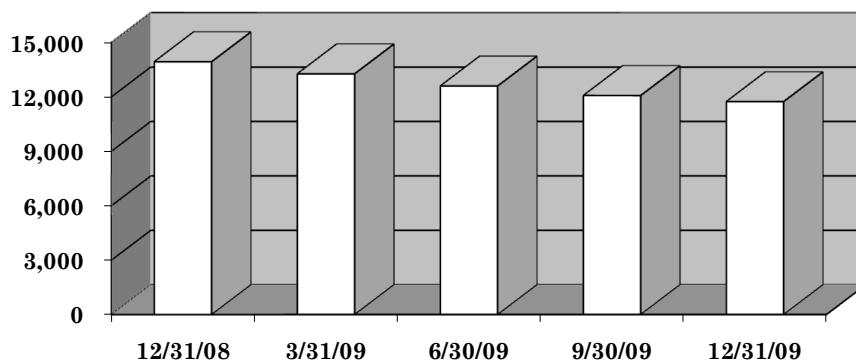
Windmap Zipcodes



Quarter Ending

12/31/08	7,949
3/31/09	7,740
6/30/09	7,487
9/30/09	7,262
12/31/09	7,067

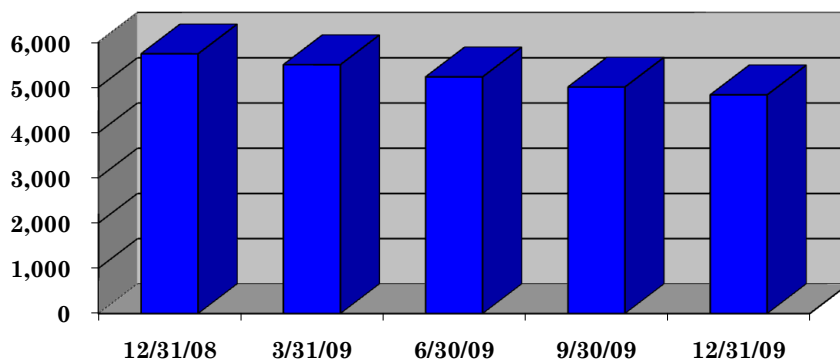
UEZ Zipcodes



Quarter Ending

12/31/08	13,930
3/31/09	13,262
6/30/09	12,591
9/30/09	12,065
12/31/09	11,731

Balance of State



Quarter Ending

12/31/08	5,741
3/31/09	5,501
6/30/09	5,232
9/30/09	5,007
12/31/09	4,834

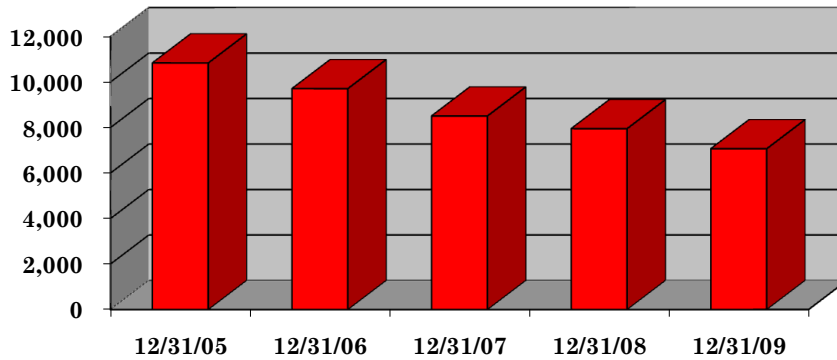
Note: Sum of zipcodes does not equal total due to overlap between WindMap and UEZ definitions.

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

Last Five Years

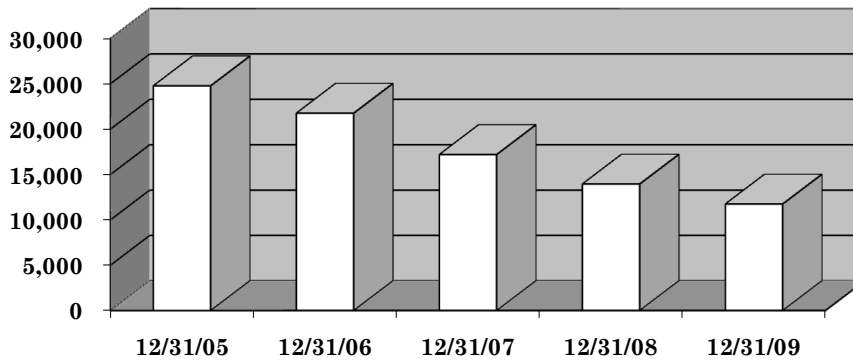
Windmap Zipcodes



Period Ending

12/31/05	10,836
12/31/06	9,709
12/31/07	8,507
12/31/08	7,949
12/31/09	7,067

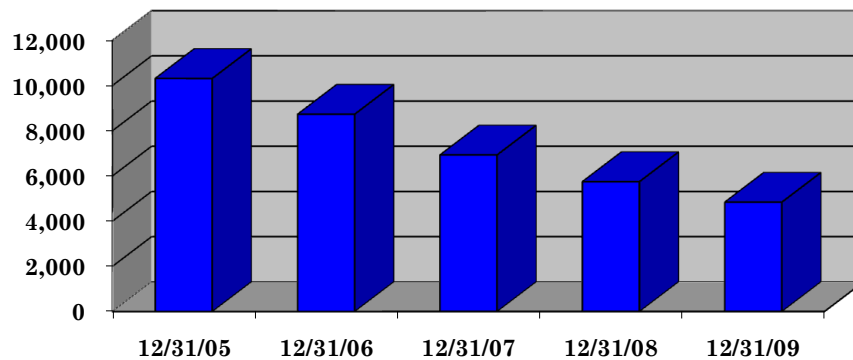
UEZ Zipcodes



Period Ending

12/31/05	24,757
12/31/06	21,740
12/31/07	17,183
12/31/08	13,930
12/31/09	11,731

Balance of State



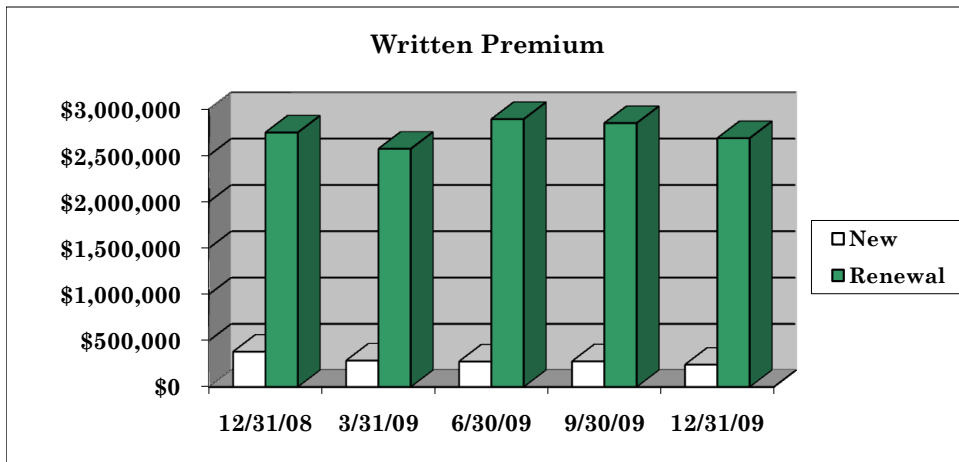
Period Ending

12/31/05	10,306
12/31/06	8,723
12/31/07	6,922
12/31/08	5,741
12/31/09	4,834

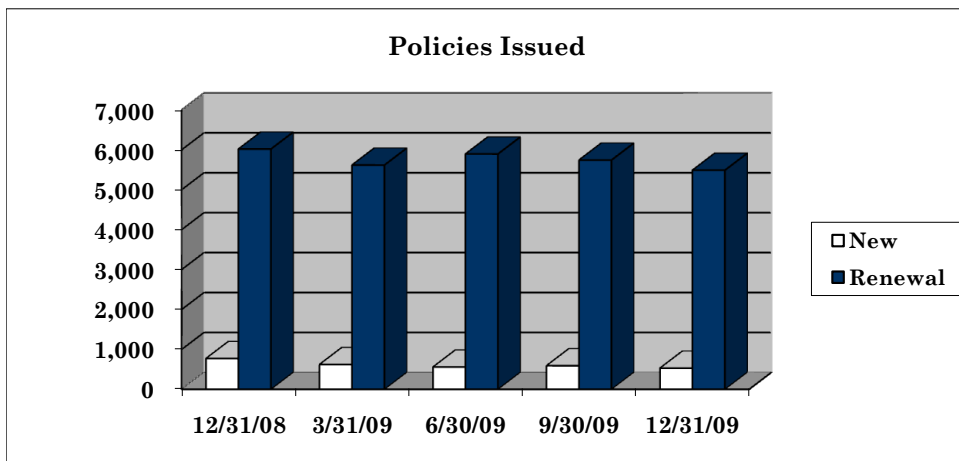
Note: Sum of zipcodes does not equal total due to overlap between WindMap and UEZ definitions.

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

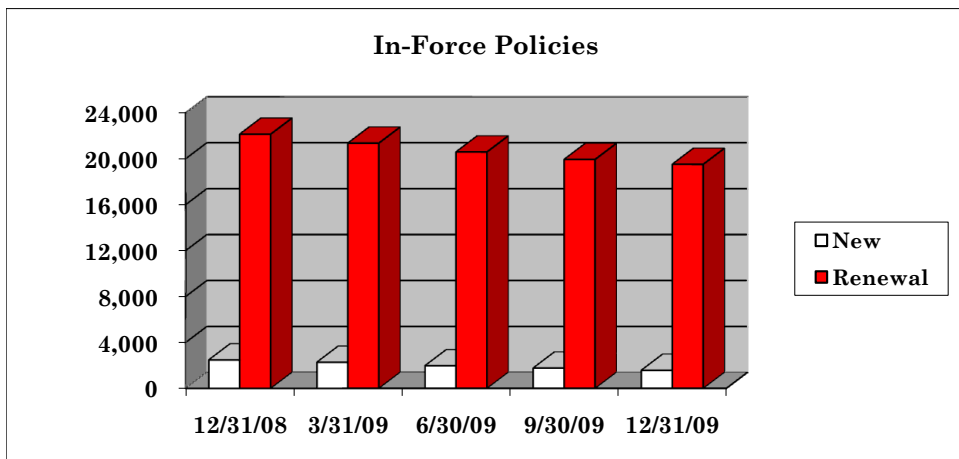
Dwelling Business



	Quarter Ending	
	New	Renewal
12/31/08	\$380,386	\$2,747,206
3/31/09	284,439	2,571,050
6/30/09	274,907	2,891,690
9/30/09	276,679	2,848,886
12/31/09	\$240,553	\$2,686,169



	Quarter Ending	
	New	Renewal
12/31/08	769	6,016
3/31/09	619	5,614
6/30/09	556	5,892
9/30/09	589	5,739
12/31/09	528	5,486

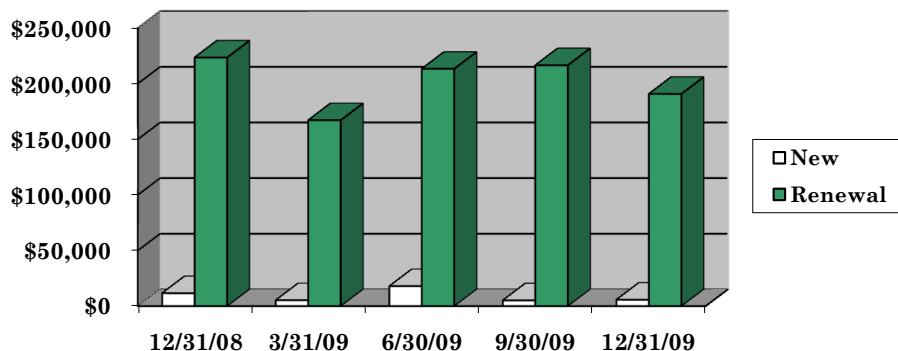


	Quarter Ending	
	New	Renewal
12/31/08	2,470	22,132
3/31/09	2,270	21,351
6/30/09	1,968	20,583
9/30/09	1,764	19,933
12/31/09	1,569	19,510

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Commercial Business

Written Premium

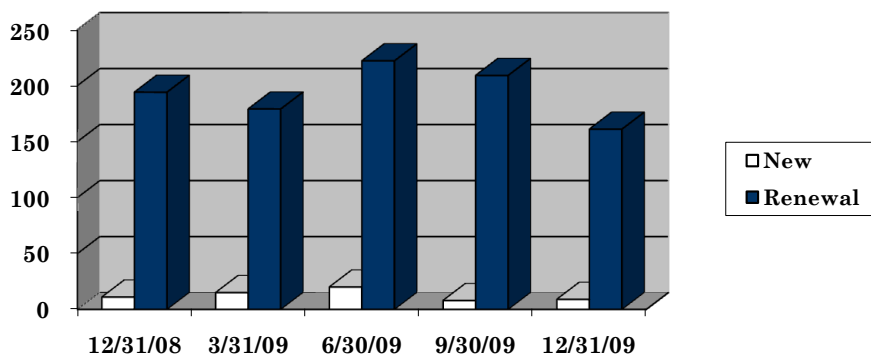


Quarter Ending

New Renewal

12/31/08	\$11,608	\$223,407
3/31/09	5,273	167,039
6/30/09	17,880	213,235
9/30/09	5,140	216,472
12/31/09	\$5,725	\$190,713

Policies Issued

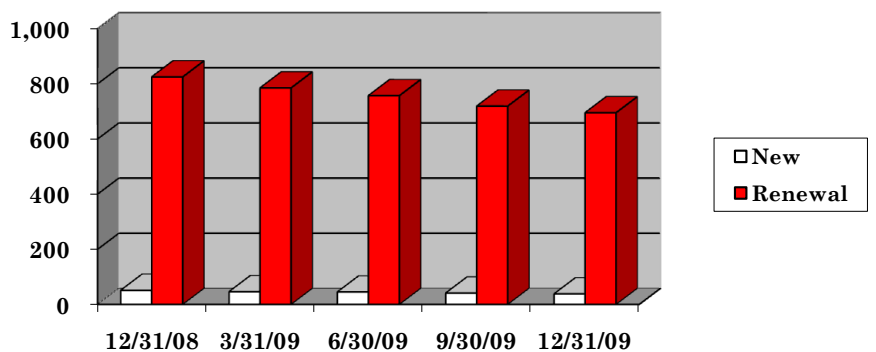


Quarter Ending

New Renewal

12/31/08	11	194
3/31/09	15	179
6/30/09	20	222
9/30/09	8	209
12/31/09	9	161

In-Force Policies



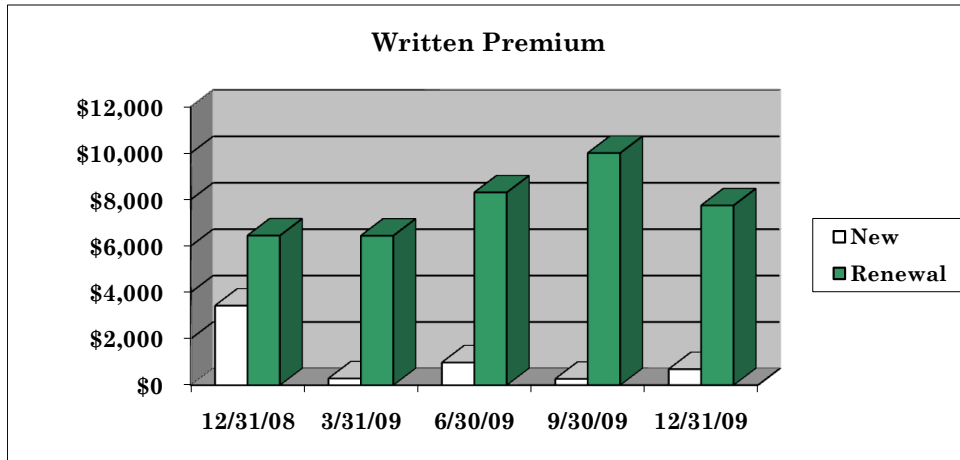
Quarter Ending

New Renewal

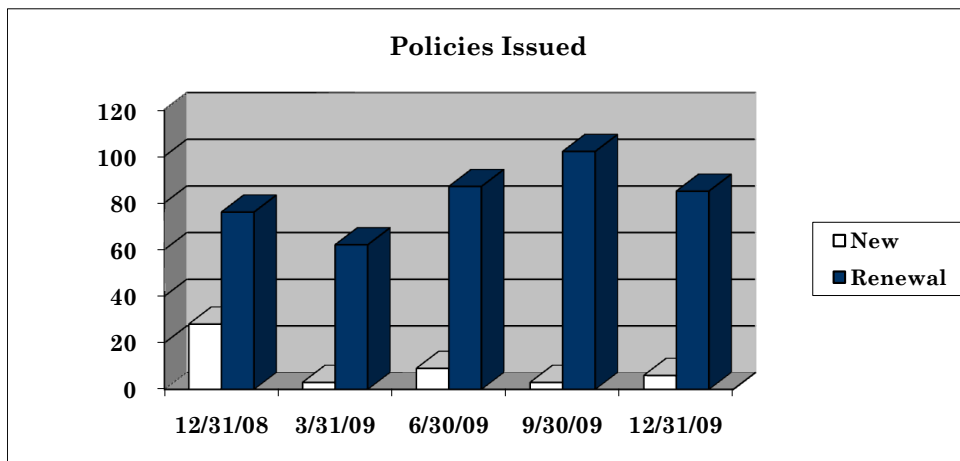
12/31/08	51	825
3/31/09	46	785
6/30/09	45	757
9/30/09	41	719
12/31/09	38	695

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

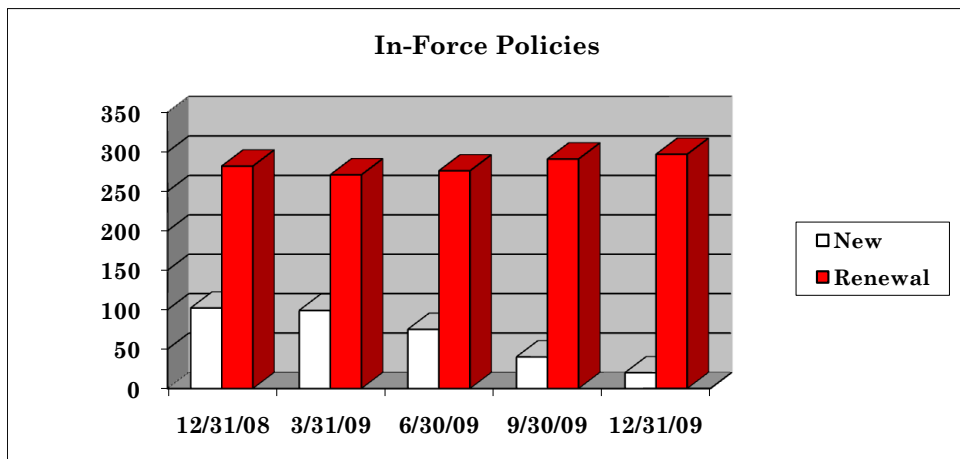
Crime Business



	Quarter Ending	
	New	Renewal
12/31/08	\$3,427	\$6,450
3/31/09	287	6,444
6/30/09	977	8,307
9/30/09	271	10,007
12/31/09	\$690	\$7,748



	Quarter Ending	
	New	Renewal
12/31/08	28	76
3/31/09	3	62
6/30/09	9	87
9/30/09	3	102
12/31/09	6	85

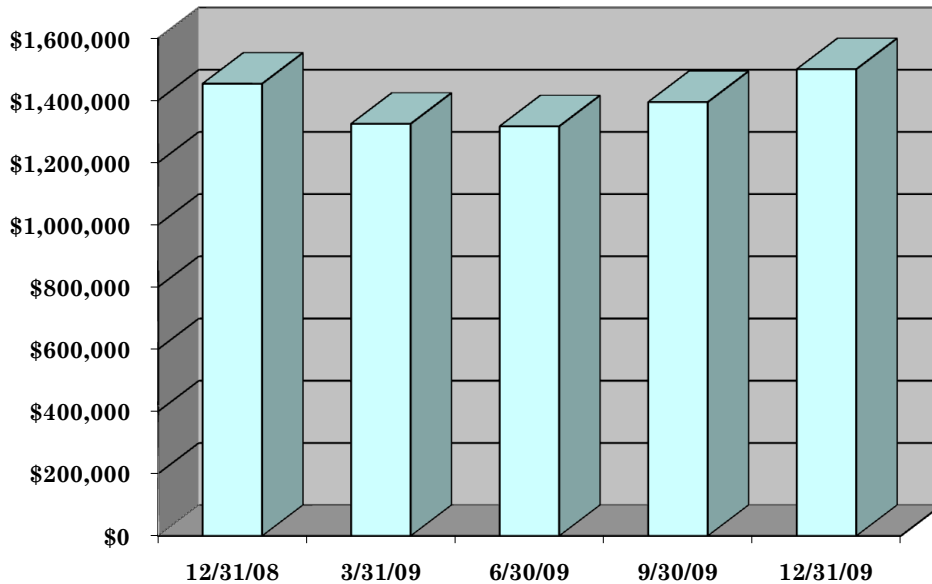


	Quarter Ending	
	New	Renewal
12/31/08	102	282
3/31/09	99	271
6/30/09	75	276
9/30/09	40	291
12/31/09	20	297

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Expenses Incurred

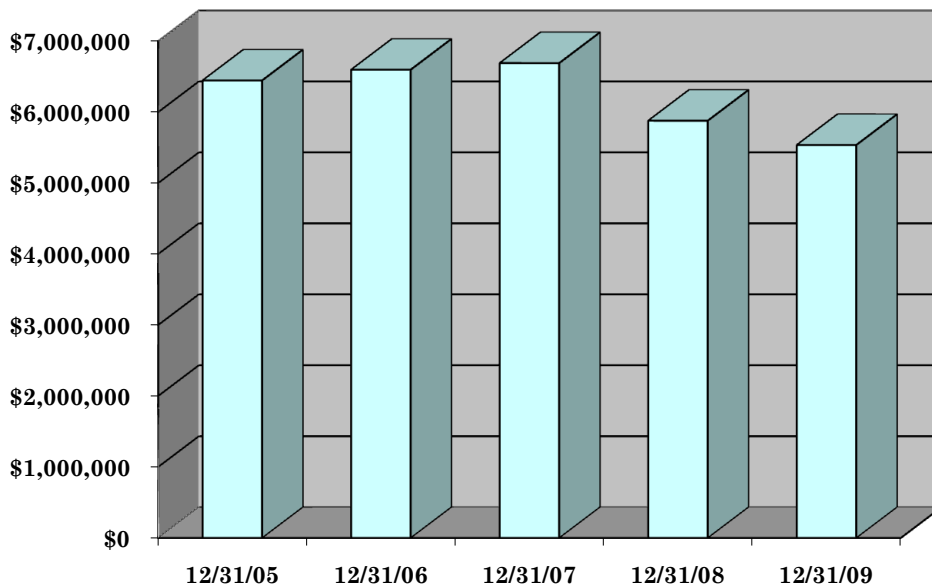
Last Five Quarters



Quarter Ending

12/31/08	\$1,453,772
3/31/09	1,324,897
6/30/09	1,316,870
9/30/09	1,394,636
12/31/09	\$1,500,442

Year-to-Date for Last Five Years



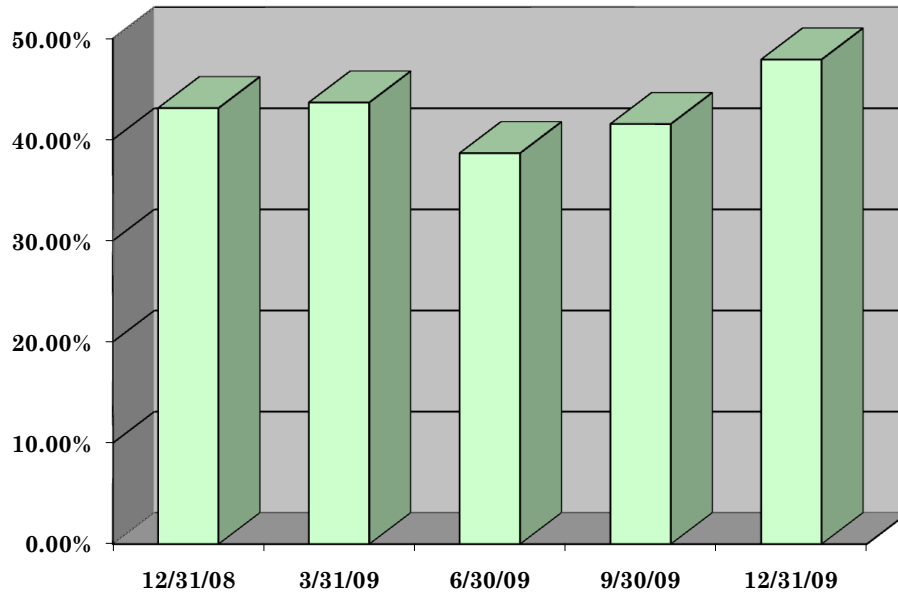
Period Ending

12/31/05	\$6,446,146
12/31/06	6,597,320
12/31/07	6,690,405
12/31/08	5,878,897
12/31/09	\$5,536,843

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Expense Ratio

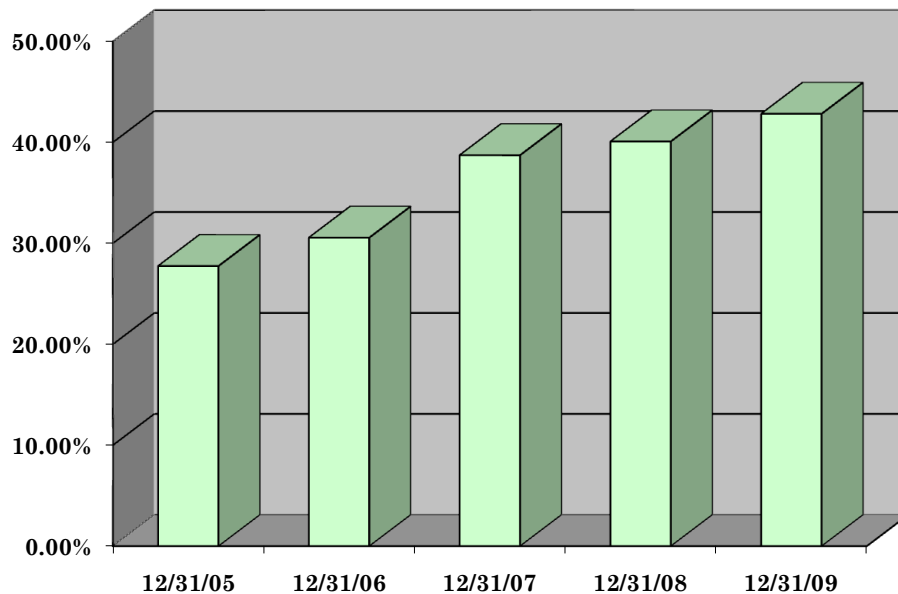
Last Five Quarters



Quarter Ending

12/31/08	43.11%
3/31/09	43.66%
6/30/09	38.65%
9/30/09	41.54%
12/31/09	47.91%

Year-to-Date for Last Five Years

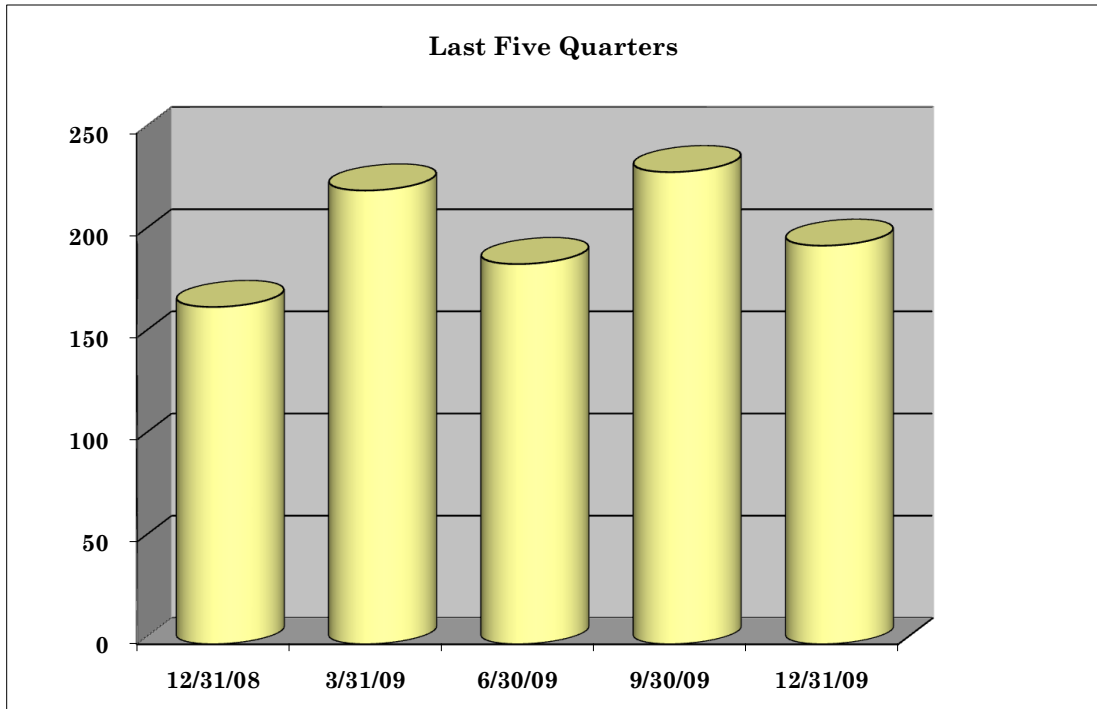


Period Ending

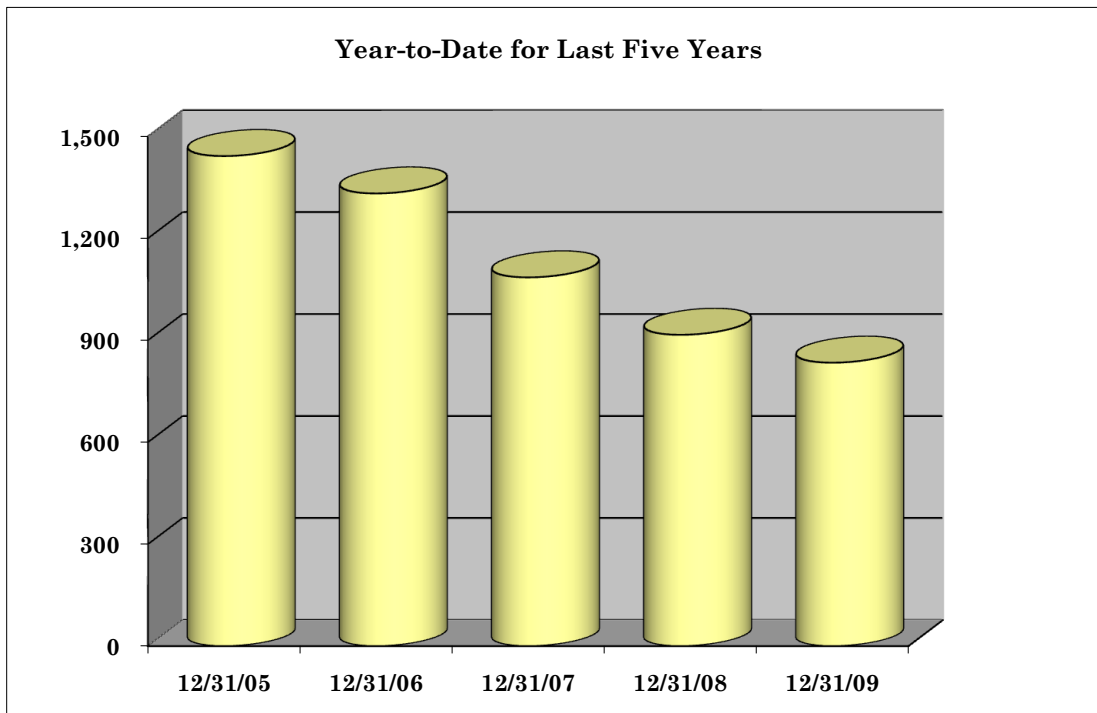
12/31/05	27.74%
12/31/06	30.55%
12/31/07	38.72%
12/31/08	40.08%
12/31/09	42.82%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of New Claims Reported



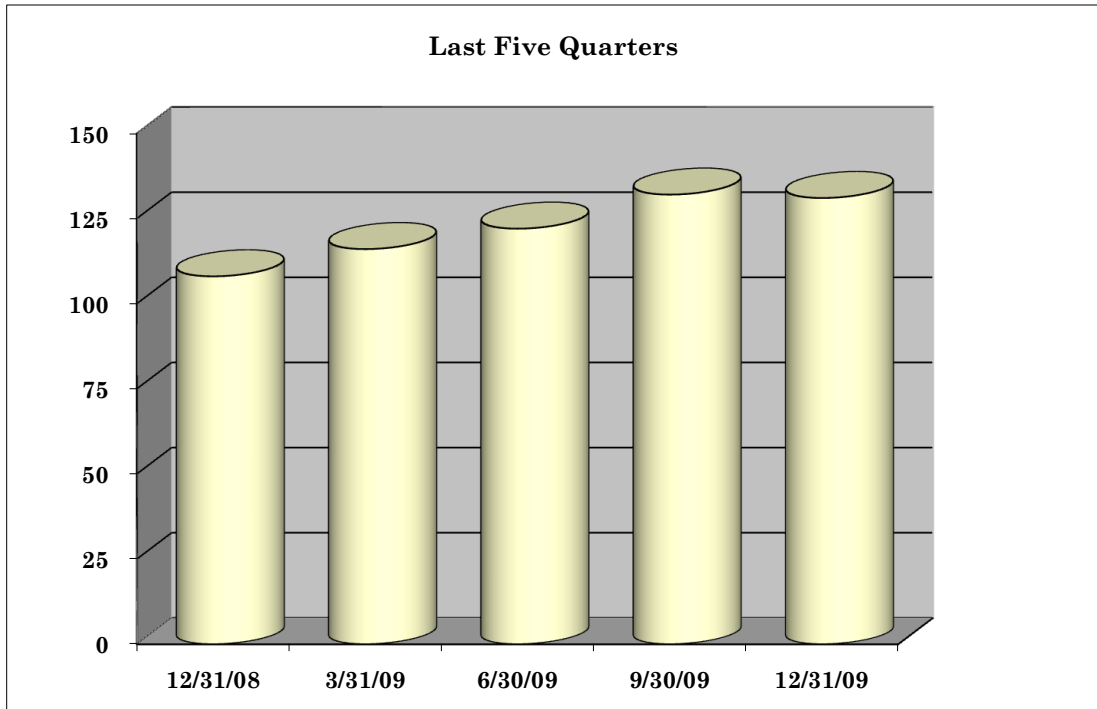
Quarter Ending	
12/31/08	165
3/31/09	222
6/30/09	186
9/30/09	231
12/31/09	195



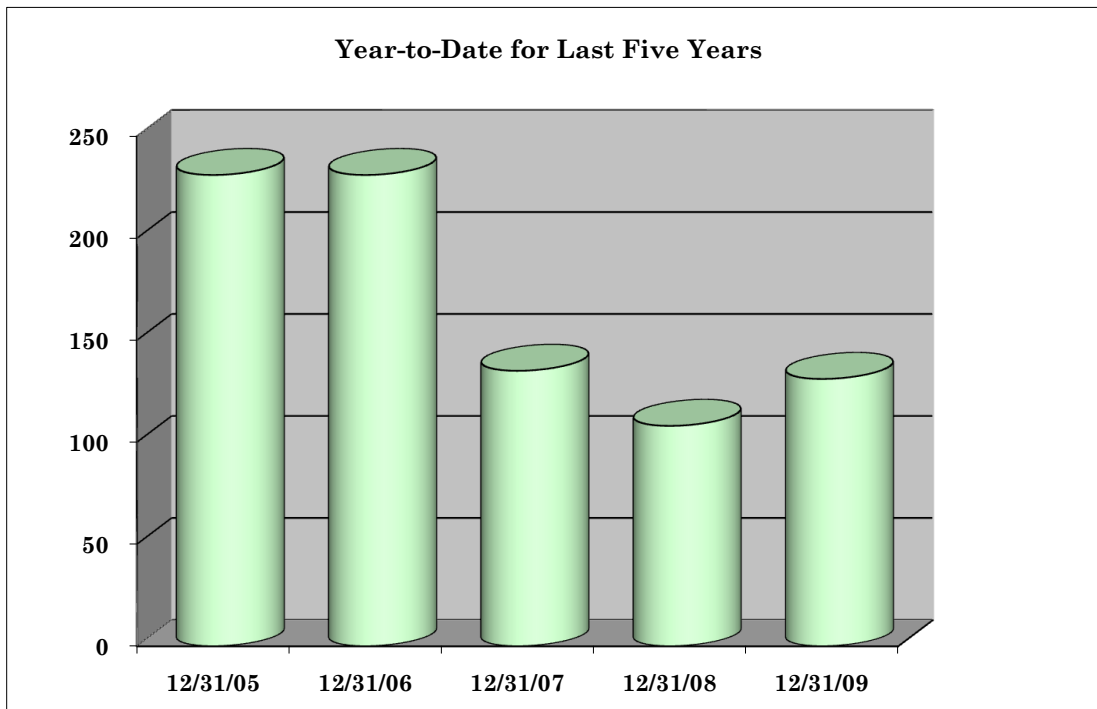
Period Ending	
12/31/05	1,442
12/31/06	1,332
12/31/07	1,085
12/31/08	916
12/31/09	834

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of Open Claims



Quarter Ending	
12/31/08	108
3/31/09	116
6/30/09	122
9/30/09	132
12/31/09	131

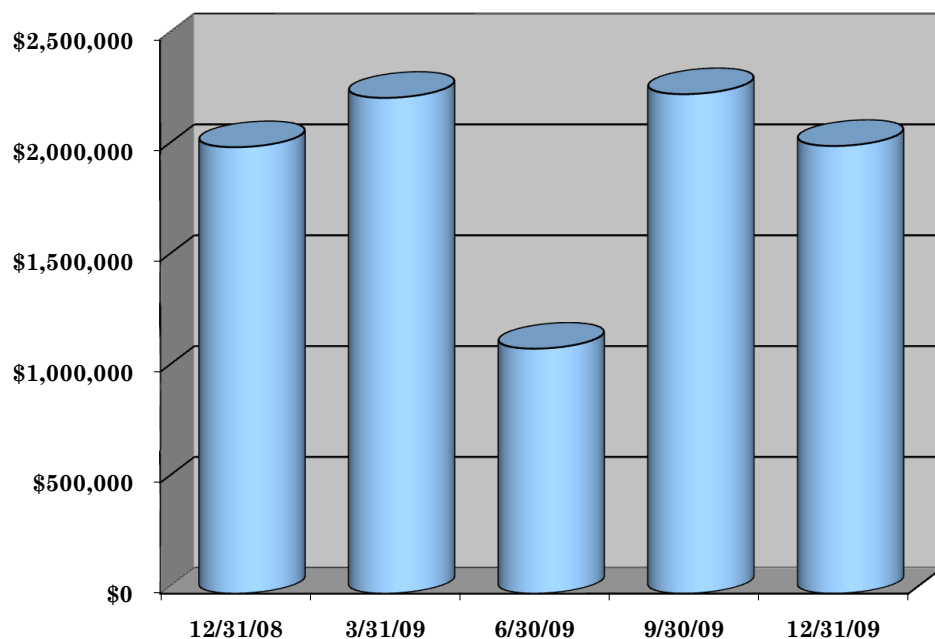


Period Ending	
12/31/05	231
12/31/06	231
12/31/07	135
12/31/08	108
12/31/09	131

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Claims & Claim Expenses Incurred

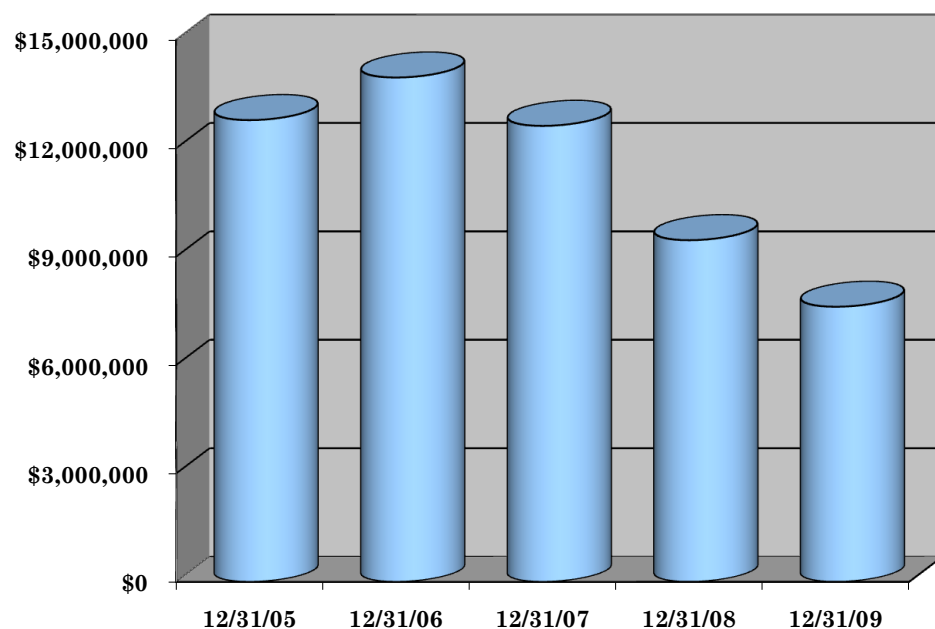
Last Five Quarters



Period Ending

12/31/08	\$2,013,432
3/31/09	2,235,896
6/30/09	1,104,522
9/30/09	2,252,598
12/31/09	\$2,018,854

Year-to-Date for Last Five Years

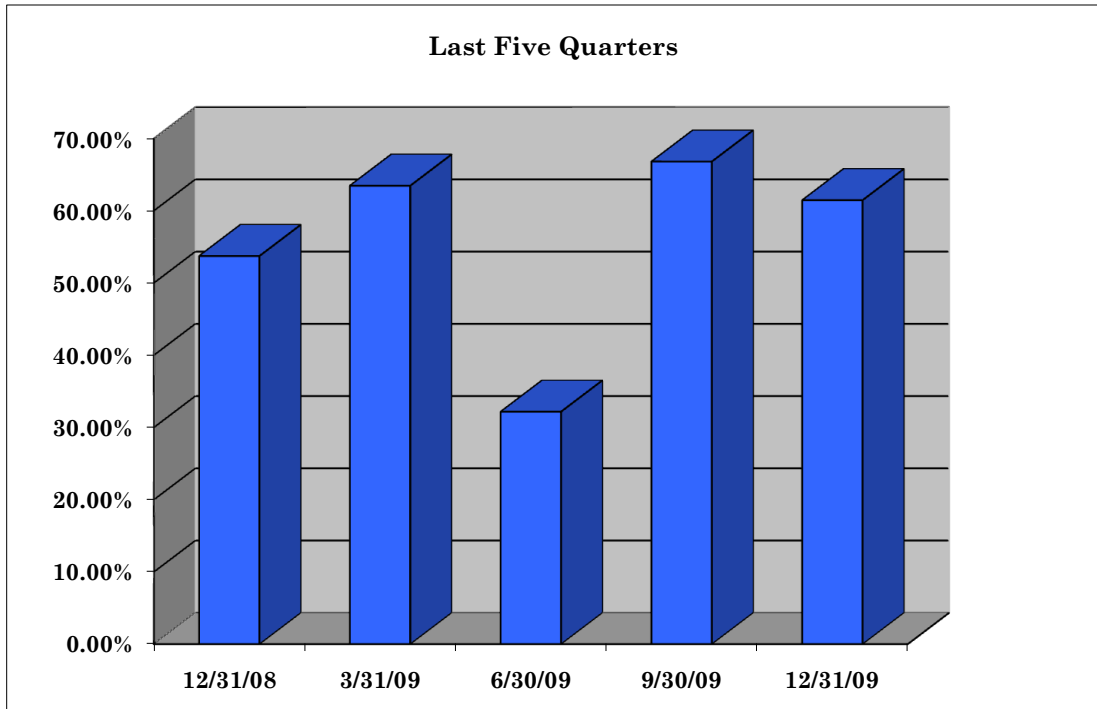


Period Ending

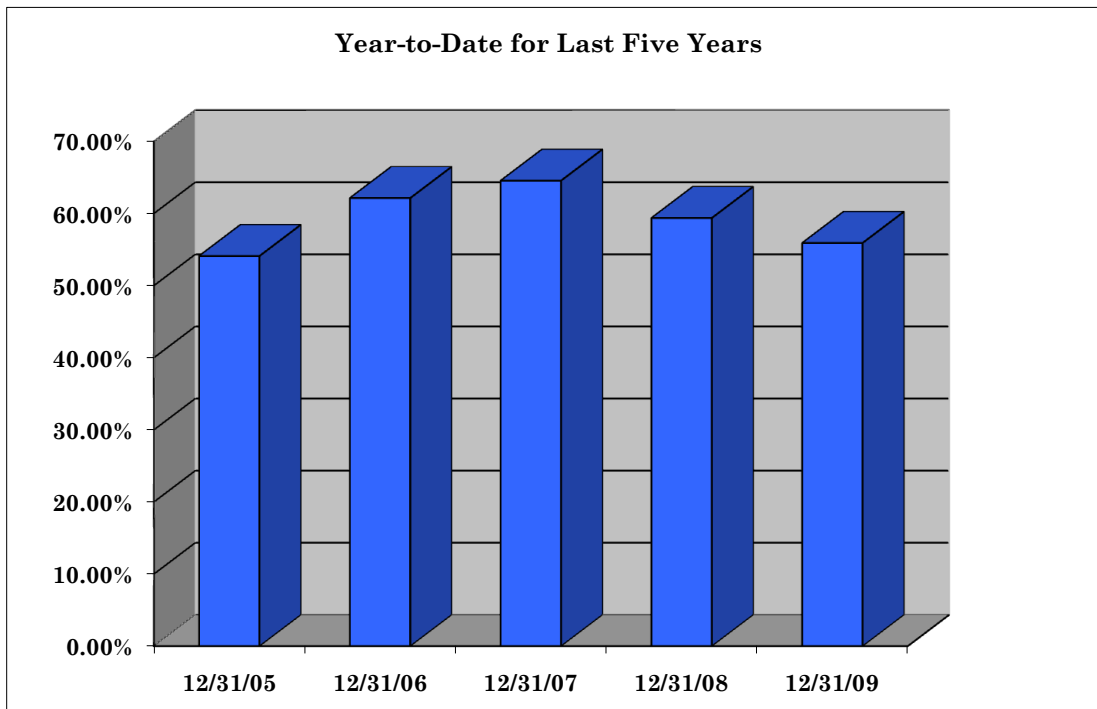
12/31/05	\$12,776,400
12/31/06	13,954,956
12/31/07	12,616,581
12/31/08	9,453,490
12/31/09	\$7,611,870

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Loss Ratio



Quarter Ending	
12/31/08	53.72%
3/31/09	63.45%
6/30/09	32.17%
9/30/09	66.80%
12/31/09	61.45%

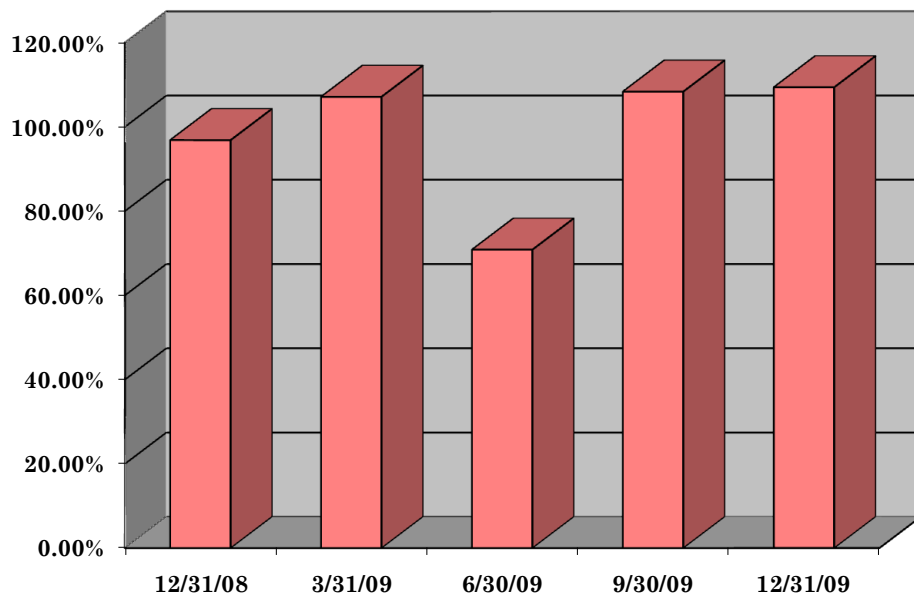


Period Ending	
12/31/05	54.10%
12/31/06	62.13%
12/31/07	64.55%
12/31/08	59.37%
12/31/09	55.91%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Combined Ratio

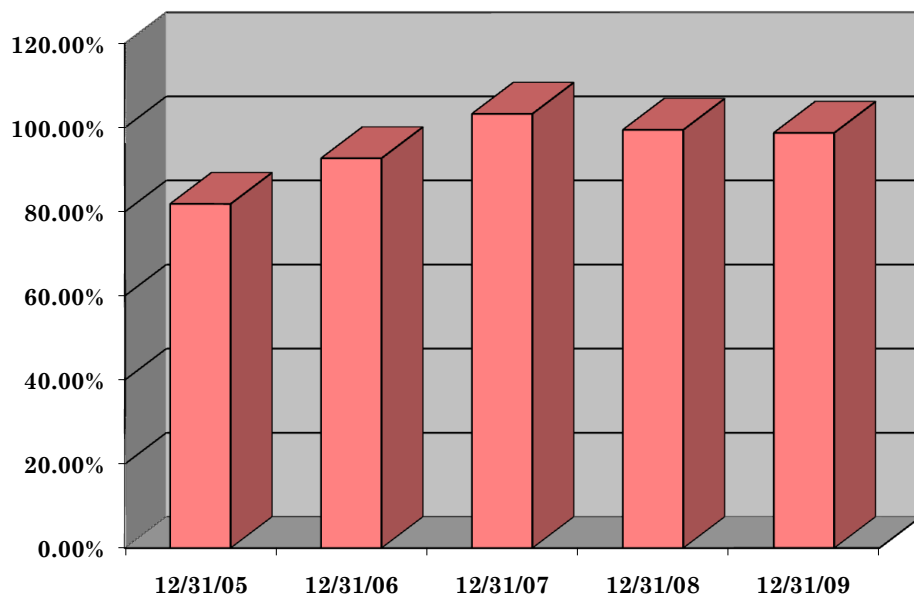
Last Five Quarters



Quarter Ending

12/31/08	96.83%
3/31/09	107.11%
6/30/09	70.82%
9/30/09	108.34%
12/31/09	109.36%

Year-to-Date for Last Five Years

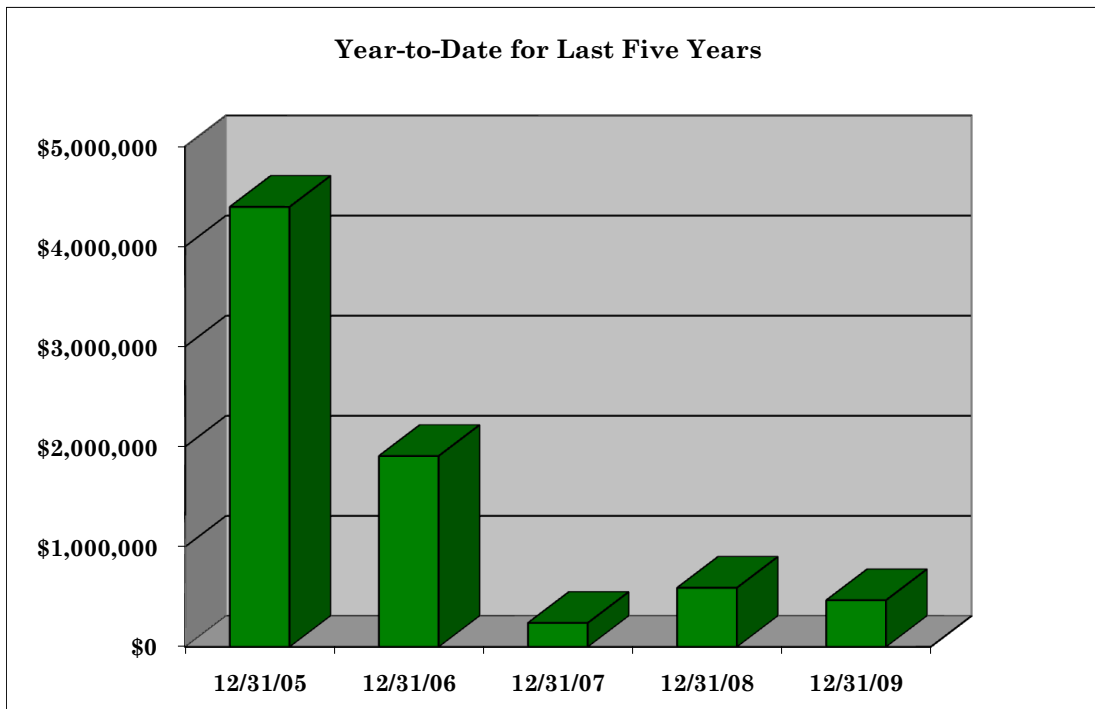
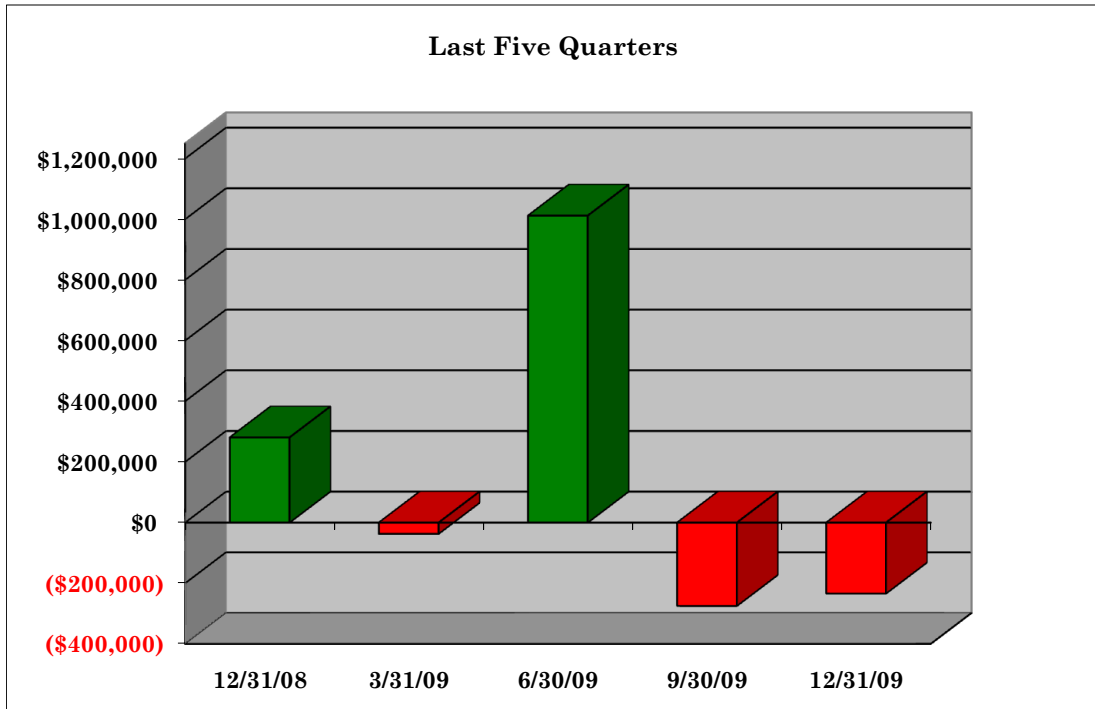


Period Ending

12/31/05	81.84%
12/31/06	92.68%
12/31/07	103.27%
12/31/08	99.45%
12/31/09	98.73%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Gain (Loss)



New Jersey Insurance Underwriting Association

Policies Issued by Line of Business

<u>Dwelling Business</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
New	2,292	3,723	5,255	8,046	10,019
Renewal	22,731	26,488	31,683	33,661	36,950
Total	25,023	30,211	36,938	41,707	46,969
 <u>Commercial Business</u>					
New	52	67	114	149	207
Renewal	771	923	1,129	1,281	1,441
Total	823	990	1,243	1,430	1,648
 <u>Crime Business</u>					
New	21	108	40	60	53
Renewal	336	313	393	408	488
Total	357	421	433	468	541
 <u>All Lines</u>					
New	2,365	3,898	5,409	8,255	10,279
Renewal	23,838	27,724	33,205	35,350	38,879
Total	26,203	31,622	38,614	43,605	49,158

New Jersey Insurance Underwriting Association

Applications Received by Line of Business

<u>Dwelling Business</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
New	2,597	3,822	5,617	8,402	10,215
Renewal	24,339	27,524	31,898	33,979	37,337
Total	26,936	31,346	37,515	42,381	47,552

Commercial Business

New	58	75	141	184	212
Renewal	885	933	1,177	1,301	1,473
Total	943	1,008	1,318	1,485	1,685

Crime Business

New	38	132	47	69	71
Renewal	356	328	411	408	492
Total	394	460	458	477	562

All Lines

New	2,693	4,029	5,805	8,655	10,497
Renewal	25,580	28,785	33,486	35,688	39,302
Total	28,273	32,814	39,291	44,343	49,800

New Jersey Insurance Underwriting Association

Claim Information

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
New Claims Reported	834	916	1,085	1,332	1,442
Large Losses (+ \$100k)	22	26	44	44	43
Catastrophe Losses	0	79	147	150	159
Arson Losses	10	2	8	5	17
Paid Losses	\$6,657,000	\$8,808,000	\$13,018,000	\$12,162,000	\$12,319,000
Case Reserves	\$2,594,000	\$1,670,000	\$3,207,000	\$5,526,000	\$3,973,000
Loss Exp. Paid	\$1,218,000	\$1,393,000	\$1,464,000	\$1,467,000	\$1,645,000
Loss Exp. Reserves	\$384,000	\$434,000	\$463,000	\$585,000	\$650,000
IBNR Reserves	\$439,000	\$1,575,000	\$758,000	\$183,000	\$1,345,000

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NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

BOARD OF DIRECTORS 2009

<u>NAME</u>	<u>REPRESENTING</u>
William W. Martin, Chair	Hartford Fire Insurance Company
Mr. Robert Simmons	Allstate New Jersey Insurance Company
Mr. Michael O'Malley	Federal Insurance Company
Mr. James P. Ayers	Franklin Mutual Insurance Company
Ms. Susan Erney	Harleysville Insurance Company
Mr. Michael Petersen	Liberty Mutual Insurance Company
Mr. Jack Hoffman	NJ Manufacturers Insurance Company
Mr. Robert D. Farnam	Tower National Insurance Company
Mr. Mark Musser	Selective Insurance Company
Ms. Sandra Horvath	State Farm Fire and Casualty Company
Mr. Kevin Curry	Travelers of New Jersey
Mr. John Friedman	USAA
Ms. Gloria Boseman	Public Member
Mr. Donald Bryan	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
Mr. Frank Christiano	Professional Insurance Agents of New Jersey

OBSERVER

Mr. Mark Nussenfeld	New Jersey Department of Banking and Insurance
Mr. Vince Noggle, Chair Finance and Audit Committee	Franklin Mutual Insurance Company

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

Claim Services – Al Jankoski

Michael Balzano
Justin Floyd

Financial Services – Ted Green

Akleema Abrams
Fred Lund
Joan Reed
Carmen Rodriguez
Larcina Wilkins

Information Technology – Israel Popack

Ted Abrams

Office Services – Frank Punturieri

Zabida Allie
Jane Cogswell
Yvonne Elam
MaryLou Kolvek
Eric Valdes