

New Jersey Automobile Insurance Risk Exchange

PO Box 3508, Cherry Hill, NJ 08034

Annual Report of Operations – 2018 Submitted by John McBride, General Manager

NJAIRE Officers for 2018

- 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)
Steve Doyle, Non-affiliated (Liberty Mutual)
Brian O'Loughlin, Non-affiliated (State Farm)
David Spevack, Esq., Public Member
Charles Fordham, At Large (New Jersey Manufacturers)
Sam Sackey, N.J.D.O.B.I.
Vacant (2) Trade Associations Board Positions
Vacant (2) Public Member Board Positions

Carriers audited during 2018

- Allstate Insurance Group
- Bankers Standard Insurance Company
- Liberty Mutual Insurance Company
- Foremost Insurance Company
- Travelers Group
- National Liability & Fire
- National General Group
- Mercury Indemnity of America
- CSAA
- Farmers Insurance Group

New Member Carrier(s) audited during 2018

- Nationwide Mutual Insurance Company.

Compliance and Financial Auditors

- Compliance Auditors – AIPSO Audit Services
- Financial Auditors – Withum

Significant and Functional Events Occurring During 2018

During 2018 NJAIRE worked with Governor Murphy'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 four current Board vacancies. There were no regulatory changes to affect NJAIRE during 2018, 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, Verisk, our Carrier Auditor, AIPSO and their Auditing Consultants, the auditing firm that conducts annual audits of NJAIRE operations, Withum , and the legal advice from our attorney, Paige Berry Esq..

The following NJAIRE events occurred during 2018.

- NJAIRE bank accounts remained secure. NJAIRE continue to maintain a fraud warning on our Website.
- NJAIRE investment returns continued to reflect slightly higher yield during 2018, resulting from interest rates ranging between .30% and 2.28%. One Bank account was closed during the year and the funds transferred to improve our investment return.
- One Webinar providing an overview of NJAIRE operations was conducted on November 6th with continued excellent attendance by a large group of insurers to assure their accuracy in managing NJAIRE reportings.
- NJAIRE Board Members, General Manager and the NJAIRE office were protected through three insurance policies: Directors and Officers, Professional Liability and Business Owners and Umbrella coverage.
 - Great American continued to provide protective insurance coverage for NJAIRE Officers and Directors.
 - Hiscox Insurance Company continued to provide Professional Liability coverage for the General Manager.
 - Hartford continued to provide Business Owner Coverage.
- The NJAIRE Marlton office continued to operate under the 24 month lease that was executed in October 2016. The lease was renewed for an additional 24-month effective October 1, 2018.
- Record retention guidelines were observed and achieved for paper and electronic records maintained at the NJAIRE office and Verisk, with Records Destruction performed professionally.
- Historical Board Member and Meeting material have been backed up in the Cloud.
- New Jersey Automobile Insurance Risk Exchange Counsel M. Paige Berry continued to monitor and report as liquidations were started for certain member companies.
- An annual audit of the Exchange was conducted by external auditors Withum. Their results stated: "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, 2017 and 2016, 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 Cash Management Plan, Contact List Data, Disaster Recovery Plan, New Member Audit Process, and Records Retention Program, with appropriate amendments where required.
- During 2018 NJAIRE initiated a comprehensive review of its Plan of Operation as the last amendments to the Plan were approved in June 2007. The changes were primarily administrative in nature and ensure that the Plan is consistent with how NJAIRE operates. The changes were approved by the Board of Directors and the Department of Banking and Insurance and all member companies were notified that the revised Plan was posted on the NJAIRE website.
- 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.
- Verisk, (ISO) staff continued to provide superior carrier data management control of assessment, reimbursement and annual cash settlement processes, web-site coordination, manual maintenance and financial transactions.
- NJAIRE Counsel M. Paige Berry, partner at Saul Ewing Arnstein & Lehr LLP, provided 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
 Stephen Doyle, Liberty Mutual Insurance Co.
 Frank Coscia, Esq., Public Member

Finance & Investment Committee

Frank Coscia, Esq., Chair, Public Member
 Charles Fordham, New Jersey Manufacturers

Insurance and Contracts Committee

Steve Doyle, Chair, Liberty Mutual Insurance Co
 Mary Bernadette Corrigan, Hanover
 Mark Keenan, Allstate
 David Spevack, Esq, Public Member
 Charles Fordham, New Jersey Manufacturers

Nominating Committee

Mary Bernadette Corrigan, Chair, Hanover

Webinar Committee

John McBride, Chair, NJAIRE

Michael McAuley, Verisk

Bonnie Arpin, AIPSO

ACTUARIAL COMMITTEE

The following recommendations from the Actuarial Committee were approved by the Board of Directors at their August meeting:

- a) Convert Accident Year 2015 from exposure to claim basis.
- b) Close out Accident 2009 on December 31, 2018.
- c) As in the past, IFA and Lincoln General receivership will be included in the calculation.
- d) 1.26% annual interest rate for 2018 Annual Cash Settlement

The Board of Directors also approved the adoption of the following assessments amounts:

Accident Year	Current Assessment	Recommended Assessment
2008	30.7million	30.7 million
2009	30.8 million	30.8 million
2010	29.0 million	28.9 million
2011	25.2 million	25.2million
2012	22.4 million	21.7 million
2013	19.8 million	19.1million
2014	18.4 million	17.6million
2015	\$85	17.6 million
2016	\$95	\$82
2017	\$100	\$84
2018	\$100	\$100
2019		\$70

NJAIRE Financial and Income Reports

The following provides financial details for year-end 2017, 8 month 2018, and the 2019 budget

NJAIRE Income Statement

	2018 (8 months ended 8/31/18)	2017
Assessments from members	\$13,854,966	\$21,702,400
Administrative assessment	\$727,668	\$1,224,847
Interest income	\$65,058	\$71,651
Total	\$14,647,692	\$22,998,898
reimbursements to members	\$13,854,996	\$21,702,400

Administrative expenses	\$727,688	\$1,224,847
Interest allocation	\$65,058	\$71,651
Total	\$14,647,692	\$22,998,898

Net Income	\$0	\$0
Member Equity at beginning of year	\$0	\$0
Member Equity at end of year	\$0	\$0

NJAIRE Administrative Expenses

	2017	2018 (8 Months ending 8/31/18)	2019 Budget
Assessments	\$21,702,400	\$13,854,966	-TBD-
Reimbursements	\$21,702,400	\$13,854,996	-TBD-
Administration	\$1,224,847	\$727,668	\$1,287,533
Expenses:	2017 (actual)	2018 (8 months ending 8/31/18)	2019 Budget
Central Processor	\$925,000	\$623,333	\$935,000
Compensation	\$55,000	\$37,667	\$56,500
Clerical, Furniture & Equipment	\$0	\$0	\$400
Rent & Rent Items	\$11,400	\$7,600	\$11,592
Meetings & Travel	\$3,190	\$1,753	\$6,800
Postal Expenses	\$10	\$0	\$200
Printing, Software, Supplies	\$198	\$244	\$900
Communications	\$0	\$0	\$0
Insurance	\$13,565	\$9,288	\$15,000
Member Company Audits	\$139,005	\$20,509	\$159,448
I Cloud/IT Expenses	\$0	\$0	\$250
Exchange Audit	\$33,850	\$250	\$34,100
Legal Fees	\$39,997	\$23,426	\$40,000
Public Member Fee	\$1,500	\$750	\$3,000
Bank Fees	\$0	\$692	\$200
Taxes	\$2,000	\$2,000	\$2000
Miscellaneous	\$132	\$156	\$250
Total	\$1,224,847	\$727,668	\$1,265,640

NJAIRE Meeting Schedule

During 2018 the Board agreed to reduce the number of Board meetings from 4 to 3 by combining the February and May meetings. The meetings were held at the Holiday Inn National Conference Center on the following dates:

- Wednesday, March 14, 2018
- Wednesday, August 8, 2018
- Wednesday, November 7, 2018 (Board & Annual meetings)

These dates were 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