

**EIGHTEENTH ANNUAL REPORT**

**REPORT OF OPERATIONS - 10/1/09 THROUGH 9/30/10**

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009**

**Prepared By:**

**Frank J. Pensabene, AIS, API**  
**Director and Resident Manager**  
**September 28, 2010**

**NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN  
EIGHTEENTH ANNUAL REPORT  
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**NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN  
EIGHTEENTH ANNUAL REPORT  
10-1-09 TO 9-30-10**

**OPERATIONS OVERVIEW**

The New Jersey Personal Automobile Insurance Plan was made effective October 1, 1992.

The following will summarize the activity that has occurred in the past year of operation.

**Assigned Applications**

**NJPAIP**

In the past year of operation, 54,962 private passenger automobile insurance applications were assigned (compared to 36,426 in the previous 12-month period), representing an increase of 50.9%. As of June 30, 2010, the PAIP in-force exposures represent 0.70% of the total voluntary market volume. (State mandated cap is 10%) Exhibit 1 displays additional assignment information including exposure counts. We expect assignments for the calendar year 2010 to be approximately 60,000 with the anticipation that 2011 assignments will be approximately 66,000.

**NJSAIP**

The Special Automobile Insurance Policy provides low-income individuals with certain Medicaid coverages to purchase this policy for the amount of \$365. The Special Policy only provides Emergency PIP not to exceed \$250,000; death benefit in the amount of \$10,000; and Limitation on Lawsuit Option. This policy complies with the mandatory insurance requirements for the State of New Jersey. This program was effective October 1, 2003. There were 34,392 SAIP applications assigned to Praetorian National Insurance Company during the period October 1, 2009 through September, 2010. There are 25,714 In-force Policies as of August 31, 2010.

**Low Speed Vehicles (LSV)**

Low Speed Vehicle Assignments began on May 1, 2006. From October 1, 2009 through September, 2010, the plan assigned 30 Low Speed Vehicle assignments.

**Staffing**

Our budgeted staff for 2010 is 15 for CAIP, PAIP, and SAIP, down from 19 in 2009. The Plan currently has 14 employees. This includes 13 full-time employees and 2 part-time employees (the 2 part-time employees share one position). We have budgeted for 15 employees for 2011 and expect to end the year with 14 employees.

**Budget** The 2009 year end expenses were \$1,359,954, 8.96% below budgeted expenses of \$1,493,745. The under budget condition was attributable to year-end staff vacancies. Our proposed 2011 combined budget for PAIP, SAIP, VBAPP and LSV is \$1,287,045. This figure represents a 12.27% decrease from the original 2010 combined budget of \$1,466,997 and a 19.82% decrease from the combined reprojected budget of \$1,605,103.

	<b>PAIP</b>	<b>SAIP</b>	<b>VBAPP</b>	<b>LSV</b>	<b>TOTAL</b>
2010 Original Budget	1,293,543	171,808	1,373	273	1,466,997
2010 Reprojected Budget	1,429,210	174,247	1,373	273	1,605,103
2011 Proposed Budget	1,114,907	171,092	773	273	1,287,045

**Assigned Carriers**

60 companies conducting business in the state of New Jersey are eligible to receive PAIP assignments based on their voluntary writings. As of September, 2010, 10 companies are currently receiving assignments, including the four LAD carriers.

**Certified Producers**

As of 9/24/10 there are 1,864 producers certified to transact business with NJPAIP.

In conjunction with producer recertification, the Plan established a Security Fund to reimburse assigned carriers for lost premiums caused by the willful actions of producers. The fund balance as of August 31, 2010 is \$103,524.68. Reimbursement payments to carriers since inception total \$21,635.14.

One of the requirements for certification is attendance at a NJPAIP/NJCAIP Combined Producer Procedures Course. The staff had 303 attendees in monthly seminars in the last twelve months.

A **Producer Peer Review Panel** was appointed by the Commissioner of Banking and Insurance to review the performance of producers that were not operating in compliance with NJPAIP rules and procedures. They met for the first time on May 17, 1993 and since that time held hearings for 440 producers. Based on recommendations of the Peer Review Panel, the NJPAIP Governing Committee approved the following actions as a result of the hearings:

- Permanent Revocation 57
  - Conditional Revocation 6
  - One year Revocation 22
  - Six Month Revocation 46
  - Suspension (30 to 90 days) 83
  - Conditioned (Ongoing monitoring) 171
  - No Action 25
  - Reinstatement of Certification 16
  - Denied Certification/Recertification 7
  - Granted UZAR Certification 1
  - Granted PAIP Certification 6
- Total Decisions 440

Since May 17, 1993, 25 of the decisions were appealed to the Commissioner of Banking and Insurance. Of the 25 appeals, 1 was granted and 24 were upheld.

**Appeals Hearing Activity**

The Plan office received 25 appeals between October 1, 2009 and September 24, 2010. All appeals were resolved by Plan staff.

### **Department of Banking and Insurance Filings**

From October 1, 2009 through September 24, 2010, 5 filings were made with the Department of Banking and Insurance for NJPAIP. All 5 filings have been approved by the Department of Banking and Insurance. The effective working relationship established between the Department and the NJPAIP Governing Committee, with the efforts of AIPSO Field Operations teams, expedited approvals for NJPAIP filings.

### **Rate Activity**

The rate filing submitted on January 15, 2010 was approved by the Department of Banking and Insurance on February 5, 2010. An overall 4.4% increase was effective April 1, 2010 with renewals being effective May 15, 2010. The Governing Committee will continue to review rates to ensure that the Plan operates in a revenue neutral environment.

**EXHIBIT I**

**NJPAIP**

**PROCESSING OPERATION REPORT**

**OCTOBER 1, 2009 - SEPTEMBER 30, 2010\***

<b>APPLICATION COUNTS</b>	<b>#</b>	<b>%</b>
<b>TOTAL ASSIGNED</b>	<b>54,962</b>	
<b>NON-QUALIFIED</b> <b>(Lack of 2 declinations)</b>	<b>30</b>	<b>0.05%</b>
<b>APPLICATIONS WITH PHYSICAL DAMAGE COVERAGE</b>		<b>21.1%</b>

<b>EXPOSURE COUNTS</b>	
<b>EXPOSURES/VEHICLES ASSIGNED</b>	<b>61,920</b>
<b>AVG. # OF VEHICLES PER ASSIGNMENT</b>	<b>1.13</b>

<b>AVERAGE SERVICE TIME</b>	<b>1 Day</b>
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<b># OF CERTIFIED PRODUCERS OF RECORD AS OF 9/24/10</b>	<b>1,864</b>
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\* The figures for the month of September have been estimated.

## EXHIBIT II

**Companies (or Groups of Companies) Eligible to Receive NJPAIP Assignments  
(Excluding LAD Buy-Out Companies)  
As of September, 2010**

**Non-exempt companies (or groups of companies) which reported calendar year 2008 PPNF New Jersey voluntary liability data and are eligible to receive NJPAIP assignments in calendar year 2010:**

Allstate New Jersey Insurance Company  
American Bankers Insurance Company of Florida\*  
Encompass Insurance Company of NJ  
Farm Family Casualty Insurance Company  
National Interstate Insurance Company of Hawaii, Inc.  
New Jersey Manufacturers Group  
Pacific Specialty Insurance Company  
Philadelphia Indemnity Insurance Company\*  
Rider Insurance Company\*  
State Farm Indemnity Co.  
21<sup>st</sup> Century Centennial Insurance Company  
Twin Lights Insurance Co.

**\*Company is a specialty writer.**

**LAD servicing companies that did not report calendar year 2008 PPNF New Jersey voluntary liability data, yet are receiving assignments in 2010 on behalf of their LAD buy-out companies:**

Camden Fire Insurance Association  
National Liability & Fire Insurance Company  
Praetorian Insurance Company

**Companies that have reported 2008 PPNF voluntary liability data but are exempt from receiving assignments by order of the NJ Department of Banking and Insurance.**

**COMPANY**

**New Jersey Skylands Insurance Company**

## EXHIBIT III

### BUY-OUT COMPANIES (As of September, 2010)

AAA Mid-Atlantic Insurance Co. of NJ  
Ace American Insurance Co.  
Aegis Security Insurance Co.  
American Commerce Insurance Co.  
American Modern Home Insurance Co.  
Amica Mutual Insurance Co.  
Balboa Insurance Co.  
Centennial Insurance Co.  
Chartis Property & Casualty Ins Co. of NJ  
Chubb Insurance Co. of NJ  
Church Mutual Insurance Co.  
Countryway Insurance Co.  
Cumberland Mutual Fire Insurance Co.  
Drive Insurance Co.  
Electric Insurance Co.  
Employers Mutual Casualty Co.  
Essentia Insurance Co.  
Esurance Insurance Co.  
Firemans Fund Insurance Co.  
First Trenton Indemnity Co.  
Founders Insurance Co.  
Greater New York Mutual Insurance Co.  
Hanover Insurance Co.  
IDS Property & Casualty Insurance Co.  
IFA Insurance co.  
Liberty Mutual Insurance Co.  
Merastar Insurance Co.  
Mercury Indemnity Co. of America  
Metropolitan Property & Casualty Insurance Co.  
National General Insurance Co.  
National Interstate Insurance Co.  
New Jersey Cure  
New Jersey Skylands Insurance Assoc.  
Personal Service Insurance Co.  
Quincy Mutual Fire Insurance  
Selective Auto Insurance Co. of NJ  
Star Insurance Co.  
Tokio Marine & Fire Insurance Co.  
Twin City Fire Insurance Co.  
USAA Casualty Insurance Co.



# EXHIBIT IV

## NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN

Balance Sheet

December 31, 2009

### Assets

Current assets:

Cash and cash equivalents (note 3)	\$	194,684
Accrued interest receivable – LAT (note 3)		11
Accounts receivable – SAIP		7,234
Accounts receivable – CAIP		55,562
Prepaid expenses		30,885

Total current assets 288,376

Furniture, fixtures, equipment, and leasehold improvements, net (note 4) 39,198

Total assets \$ 327,574

### Liabilities and Fund Deficit

Current liabilities:

Accrued expenses	\$	4,918
Accounts payable – assessment		22,420
Accounts payable – AIPSO		33,537
Accounts payable – trade		3,149
Accounts payable – Eastern Region		3,116
Accounts payable – other		4,850
Security fund reserve (note 2(c))		103,363
Deferred rent obligation		5,699

Total current liabilities 181,052

Accrued pension expense (note 6(a)) 301,762

Total liabilities 482,814

Commitments and contingencies (notes 7 and 8)

Fund deficit (155,240)

Total liabilities and fund deficit \$ 327,574

See accompanying notes to financial statements.

**NEW JERSEY PERSONAL AUTOMOBILE  
INSURANCE PLAN**

Statement of Income, Expenses, and Fund Deficit

Year ended December 31, 2009

Income:	
Assessment	\$ 1,318,732
Investment	621
Producer seminars	15,100
Total income	1,334,453
Expenses:	
Producer seminars	4,195
Salaries	488,380
Employee relations and welfare (note 6)	154,671
Insurance	8,099
Travel	24,383
Rent and rental equipment (note 7)	224,544
Office equipment	297
EDP equipment	2,194
Printing and stationery	4,161
Postage	55,676
Telephone	11,348
Legal	11,996
Taxes, licenses, and fees	37,908
Central processor	160,822
Electronic binding	807
Depreciation and amortization (note 4)	13,366
Miscellaneous	46,617
Total expenses	1,249,464
Income over expenses before reapportionment	84,989
Reapportionment of prior year's deficit (note 2(a))	(160,834)
Income under expenses	(75,845)
Pension related changes other than net periodic cost (note 6(a))	123,509
Fund deficit, beginning of year	(202,904)
Fund deficit, end of year	\$ (155,240)

See accompanying notes to financial statements.

# EXHIBIT V

## NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN GOVERNING COMMITTEE MEMBERS AS OF SEPTEMBER 30, 2010

### PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA

David Hart  
New Jersey Manufacturers Insurance Co.

Carol Berthold  
GEICO

### AMERICAN INSURANCE ASSOCIATION

Kevin Curry  
Travelers Auto Insurance Company of NJ

Jason Steinert  
Hanover Insurance Company

### LAD CARRIER REPRESENTATIVE

Doug Beck  
21<sup>st</sup> Century Centennial Insurance Co.

### PRODUCER REPRESENTATIVES

Joseph Botte, IBANJ

Ronald Gansfuss, IIA  
Gansfuss Agency

William Vowteras, PIA  
Fraser Brothers Group LLC

### NON-AFFILIATED INSURANCE COMPANIES

David Ridge  
State Farm Indemnity Company

Carl (Bud) Baxter  
Allstate Insurance Companies

### AT-LARGE REPRESENTATIVES

Joanne Martyn  
CHUBB Insurance Company of  
New Jersey

Gavin Blair  
New Jersey Skylands Insurance  
Company

### PUBLIC MEMBER

David Kleinwaks  
Abby Rating Systems

### DEPARTMENT OF BANKING AND INSURANCE

William Rader (ex-officio)  
New Jersey Department of Banking  
and Insurance