

PRINGLE QUINN ANZANO, P.C.

KENNETH E. PRINGLE [□]
PAUL ANZANO
GEORGE D. MCGILL
ROBERT A. GALIZIO
JEFFREY S. QUINN
DANIEL S. HUNCZAK [△]

H. STEVEN BERKOWITZ [△]
MICHAEL P. O'CONNELL ^{○ * □}
THOMAS O. MULVIHILL
DENISE M. O'HARA [○]
THOMAS J. HALL ^{△ *}
RICHARD E. VUERNICK
TODD J. SCHWARTZ [△]
GAURI S. SHAH ^{*}
JOSHUA P. THIER
RANDALL R. MILAZZO
JOHN E. RIEHL, JR.

OF COUNSEL

JOANNE S. GRAY
JOHN A. HAULENBEEK
LISA R. LEVINE
RAYMOND A. RAYA

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

202 WEST STATE STREET
TRENTON, NJ 08608

TELEPHONE (609) 393-8944
TELECOPIER (609) 393-8964

REPLY TO: TRENTON OFFICE

MONMOUTH COUNTY OFFICE
701 SEVENTH AVENUE
P.O. BOX 420
BELMAR, NEW JERSEY 07719
TELEPHONE (732) 280-2400
TELECOPIER (732) 280-2402

MORRIS COUNTY OFFICE
60 WASHINGTON STREET
SUITE 101G
MORRISTOWN, NJ 07960
TELEPHONE (973) 656-9159
TELECOPIER (973) 656-9158

[□]DC BAR [△]PA BAR ^{*}MASS BAR
[○]NY BAR [△]FL BAR

December 17, 2007

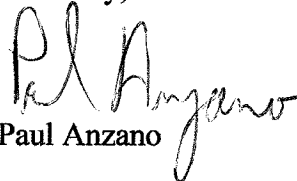
Peter Muzzei
Office of Legislative Services
PO Box 068
Trenton, New Jersey 08625

Dear Mr. Muzzei:

On behalf of my client, the New Jersey Personal Automobile Insurance Plan, please accept the enclosed *Fifteenth Annual Report of Operations*.

Please feel free to contact me should you have any questions.

Sincerely,


Paul Anzano

NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN

FRANK J. PENSABENE, AIS, API
Resident Manager

MARITERESE A. ZALUPSKI
Operations Manager

December 13, 2007

Peter Muzzei
Office of Legislative Services
PO Box 068
Trenton, New Jersey 08625

Dear Mr. Muzzei:

Pursuant to N.J.S.A. 17:29D-1 et seq., enclosed is the Fifteenth Annual Report of Operations of the New Jersey Personal Automobile Insurance Plan (NJPAIP) from October 1, 2006 through September 30, 2007. In accordance with prior instruction, this Annual Report was forwarded to the Department of Banking and Insurance on September 27, 2007.

In addition to the Annual Report of Operations and pursuant to N.J.S.A. 17:29D-1, NJPAIP is providing information regarding recent rate activity. One rate filing was made from October 1, 2006 to September 30, 2007. The filing was effective December 1, 2007, and amended the rates for all NJPAIP risks with an overall increase of 1.1%. The Governing Committee will continue to review rates to ensure that the Plan operates in a revenue neutral environment.

Sincerely,



Frank J. Pensabene, AIS, API
Director and Resident Manager

cc: Steven M. Goldman, Commissioner of the NJ Department of Banking and Insurance
NJPAIP Governing Committee
Lawrence Iacoi, AIPSO
Charles Kwolek, AIPSO

FIFTEENTH ANNUAL REPORT

REPORT OF OPERATIONS - 10/1/06 THROUGH 9/30/07

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006

Prepared By:

**Frank J. Pensabene, AIS, API
Director and Resident Manager
September 27, 2007**

**NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN
FIFTEENTH ANNUAL REPORT
TABLE OF CONTENTS**

OPERATIONS OVERVIEW.....	1-2-3
EXHIBIT I - PROCESSING OPERATIONS REPORT.....	4
EXHIBIT II - COMPANIES ELIGIBLE TO RECEIVE NJPAIP ASSIGNMENTS AND COMPANIES EXEMPT FROM PARTICIPATION.....	5
EXHIBIT III - BUYOUT COMPANIES.....	6
EXHIBIT IV - AUDITED FINANCIAL STATEMENT OF THE PLAN AS OF 12/31/06.....	7-8
EXHIBIT V - GOVERNING COMMITTEE MEMBERS AS OF 09/30/07.....	9

**NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN
FIFTEENTH ANNUAL REPORT
10-1-06 TO 9-30-07**

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, 28,996 private passenger automobile insurance applications were assigned (compared to 58,259 in the previous 12-month period), representing a decrease of 50.2%. As of December 31, 2006, the PAIP in-force exposures represent 1.2% 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 2007 to be approximately 30,000 with the anticipation that 2008 assignments will be approximately 35,000.

UZAR

There were 7,739 UZAR assignments made by the Plan during the period of March 7, 2005 (Date UZAR reopened) to July 21, 2006 (Date UZAR Closed).

NJSAIP

The Special Automobile Insurance Policy provides low-income individuals with certain Medicaid coverages to purchase this policy for the amount of \$360. 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 23,923 SAIP applications assigned to Praetorian National Insurance Company during the period October 1, 2006 to September 25, 2007.

Voluntary Rating Tier (VRT)

The Voluntary Rating Tier was established for applicants who have a Notice of Declination pursuant to N.J.S.A. 17:33B-15. This program was effective on June 1, 2004. From October 1, 2006 to September 25, 2007, the NJAIP assigned 134 VRT applications to carriers.

Low Speed Vehicles (LSV)

Low Speed Vehicle Assignments began on May 1, 2006. From October 1, 2006 to September 25, 2007, the plan assigned 2 Low Speed Vehicle assignments.

Staffing

Our budgeted staff for 2007 is 24 for CAIP, PAIP, SAIP and UZAR, down from 28 in 2006. The Plan currently has 19 full-time employees and 1 part-time employee. We have budgeted for 22 employees for 2008 should the need arise. We expect to end the year with 20 employees due to the hiring of an SIU Investigator whose expenses will be shared with the Pennsylvania Plan.

Budget The 2006 year end expenses were \$1,554,638, 13.7% below budgeted expenses of \$1,801,482. The under budget condition was attributable to year-end staff vacancies and lower than anticipated volume. Our proposed 2008 combined budget for PAIP, SAIP, UZAR and VBAPP is \$1,536,060. This figure represents a 9.64% decrease from the original 2007 combined budget of \$1,699,885 and a 3.70% increase from the combined reprojected budget of \$1,481,233.

	PAIP	SAIP	UZAR	VBAPP	TOTAL
2007 Original Budget	\$1,529,454	\$118,468	\$51,963	--	\$1,699,885
2007 Reprojected Budget	\$1,317,050	\$131,522	\$32,661	--	\$1,481,233
2008 Proposed Budget	\$1,351,656	\$149,704	\$ 32,606	\$2,094	\$1,536,060

Assigned Carriers

64 companies conducting business in the state of New Jersey are eligible to receive PAIP assignments based on their voluntary writings. As of September, 2007, 11 companies are currently receiving assignments, including the four LAD carriers.

Certified Producers

As of 9/25/07 there are 2,223 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, 2007 is \$100,392.82. Reimbursement payments to carriers since inception total \$18,810.44. Reimbursements to the Security Fund from producers since inception total \$5,462.05.

One of the requirements for certification is attendance at a NJPAIP/NJCAIP Combined Producer Procedures Course. The staff had 364 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 416 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	53
• Conditional Revocation	6
• One year Revocation	22
• Six Month Revocation	45
• Suspension (30 to 90 days)	79
• Conditioned (Ongoing monitoring)	161
• No Action	24
• Reinstatement of Certification	16
• Denied Certification/Recertification	6
• Granted UZAR Certification	1
• Granted PAIP Certification	3
Total Decisions	416

Since October, 2004, there have been 16 producers placed on EASI restriction.

Since May 17, 1993, 28 of the decisions were appealed to the Commissioner of Banking and Insurance. Of the 28 appeals, 1 was granted and 27 were upheld.

Appeals Hearing Activity

The Plan office received 241 appeals between October 1, 2006 and September 25, 2007. All appeals were resolved by Plan staff.

Department of Banking and Insurance Filings

From October 1, 2006 through September 25, 2007, 18 filings were made with the Department of Banking and Insurance for NJPAIP. 17 filings have been approved by the Department of Banking and Insurance and 1 filing is pending. The effective working relationship established between the Department of Banking and Insurance and the NJPAIP Governing Committee, with the efforts of AIPSO Field Operations teams, expedited approvals for NJPAIP filings.

Rate Activity

There has been 1 rate filing from October 1, 2006 to September 25, 2007 that is currently pending with the Department of Banking and Insurance. The filing proposes an overall increase of 1.1%. This filing was submitted on July 20, 2007.

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, 2006 - SEPTEMBER 30, 2007*

APPLICATION COUNTS		#	%
TOTAL ASSIGNED		28,996	
QUALIFIED		27,612	95%
	<u>% of qualified</u>		
points	47%		
non-pay	45%		
suspended	3%		
misc. other	0.30%		
NON-QUALIFIED (lack of evidence)		1,384	4.8%
APPLICATIONS WITH PHYSICAL DAMAGE COVERAGE			29.7%

EXPOSURE COUNTS	
EXPOSURES/VEHICLES ASSIGNED	33,317
AVG. # OF VEHICLES PER ASSIGNMENT	1.15

AVERAGE SERVICE TIME	1 Day
----------------------	-------

# OF CERTIFIED PRODUCERS OF RECORD AS OF 9/25/07	2,223
--	-------

* 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, 2007**

Non-exempt companies (or groups of companies) which reported calendar year 2005 PPNF New Jersey voluntary liability data and are eligible to receive NJPAIP assignments in calendar year 2007:

AIG Centennial Insurance Company
Allstate New Jersey Insurance Company
American Bankers Insurance Company of Florida*
Encompass Insurance Company of NJ
Farm Family Casualty Insurance Company
Foremost Insurance Company*
Government Employees Insurance Company
New Jersey Manufacturers Group
Rider Insurance Company*
State Farm Indemnity Co.
Twin Lights Insurance Co.

*Company is a specialty writer.

LAD servicing companies that did not report calendar year 2005 PPNF New Jersey voluntary liability data, yet are receiving assignments in 2007 on behalf of their LAD buy-out companies:

Camden Fire Insurance Association
Lincoln General Insurance Company
Praetorian Insurance Company

Companies that have reported 2005 PPNF voluntary liability data but are exempt from receiving assignments by order of the NJ Department of Banking and Insurance.

COMPANY

Consumer First Insurance Co.

EXHIBIT III

BUY-OUT COMPANIES (As of September, 2007)

AAA Mid-Atlantic Insurance Co. of NJ
Ace American Insurance Co.
Aegis Security Insurance Co.
Alea North America Insurance Co.
American Modern Home Insurance Co.
Amica Mutual Insurance Co.
Centennial Insurance Co.
Chubb Insurance Co. of NJ
Church Mutual Insurance Co.
Cincinnati Insurance Co.
Countryway Insurance Co.
Drive Insurance Co.
Electric Insurance Co.
Employers Mutual Casualty Co.
Esurance Insurance Co.
Firemans Fund Insurance Co.
First Trenton Indemnity Co.
Founders Insurance Co.
General Insurance Co. of America
Great American Insurance Co.
Greater New York Mutual Insurance Co.
Greenwich Insurance Co.
Hanover Insurance Co.
Harleysville-Garden State Insurance Corp.
IDS Property & Casualty Insurance Co.
IFA Insurance Co.
Liberty Mutual Insurance Co.
Maryland Casualty Co.
Merastar Insurance Co.
Mercury Indemnity Co. of America
Metropolitan Property & Casualty Insurance Co.
Motor Club of America
National General Insurance Co.
National Interstate Insurance Co.
New Jersey Cure
New Jersey Skylands Insurance Assoc.
North American Specialty Insurance Co.
Preserver Insurance Co.
Proformance Insurance Co.
Quincy Mutual Fire Insurance
Selective Auto Insurance Co. of NJ
Selective Insurance Co. of America
Sompo Japan Insurance Co. of America
Star Insurance Co.
TIG Insurance Co.
Tokio Marine & Fire Insurance Co.
Twin City Fire Insurance Co. (Part of Hartford Group)
Ulico Casualty Co.
USAA Casualty Insurance Co.
Virginia Surety Co.

EXHIBIT IV

NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN

Balance Sheet

December 31, 2006

Assets

Current Assets:

Cash and cash equivalents (note 3)	\$	258,380
Accrued interest receivable - LAT (note 3)		1,251
Prepaid expenses		30,833
Assessment receivable		25,068
Accounts receivable - CAIP		44,656
Accounts receivable - SAIP		4,109
Accounts receivable - cash advance		185
Total current assets		<u>364,482</u>
Furniture, fixtures and equipment and leasehold improvements, net (note 4)		<u>58,228</u>
Total assets	\$	<u>422,710</u>

Liabilities and Fund Balance

Current Liabilities:

Accrued expenses	\$	804
Accounts payable - AIPSO		46,742
Accounts payable - American Express		389
Accounts payable - trade		7,610
Accounts payable - use tax		106
Security fund reserve (note 2(c))		97,253
Deferred rent obligation		7,263
Total current liabilities		<u>160,167</u>
Accrued pension expense (note 6)		<u>136,441</u>
Total liabilities		<u>296,608</u>
Fund balance		<u>126,102</u>
Commitments and contingencies (notes 7 and 8)		
Total liabilities and fund balance	\$	<u>422,710</u>

See accompanying notes to financial statements.

NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN

Statement of Income, Expenses and Fund Balance

Year ended December 31, 2006

Income:	
Assessment	\$ 1,609,451
Interest	25,001
Producer seminars	21,350
Miscellaneous	11
Total income	<u>1,655,813</u>
Expenses:	
Salaries	598,822
Legal	48,365
Rent and rental equipment (note 7)	234,529
Central processor	210,166
Employee relations and welfare (note 6)	144,597
Postage	70,805
Telephone	20,873
Electronic binding	6,647
Travel	29,308
Taxes, licenses and fees	51,342
Office equipment	4,105
Printing and stationery	6,848
Depreciation and amortization (note 4)	17,575
Inspection program	47
Insurance	5,010
Producer seminars	5,812
Miscellaneous	5,018
Total expenses	<u>1,459,869</u>
Income over expenses before reapportionment	195,944
Reapportionment of prior year's surplus	<u>(306,782)</u>
Income under expenses	(110,838)
Fund balance, beginning of year	<u>236,940</u>
Fund balance, end of year	<u>\$ 126,102</u>

See accompanying notes to financial statements.

EXHIBIT V

NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN GOVERNING COMMITTEE MEMBERS AS OF SEPTEMBER 30, 2007

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA

David Hart
New Jersey Manufacturers

Deborah Dickens-Hunter
Allstate Insurance Company

AMERICAN INSURANCE ASSOCIATION

Kevin Curry
Travelers Auto Insurance Company of NJ

Basil Morris
Hanover Insurance Company

LAD CARRIER REPRESENTATIVE

John Lusardi
Lincoln General Insurance Company

PRODUCER REPRESENTATIVES

Stanley Eisenberg, IBANJ

John Latimer, PIANJ
Barclay Group

Louise Gernhardt, IIANJ
Insurance Office of America

NON-AFFILIATED INSURANCE COMPANIES

Roger Hanson
State Farm Mutual

VACANT

AT-LARGE REPRESENTATIVES

David Moorhead
Liberty Mutual Insurance Company

John Tiene
New Jersey Skylands Insurance Companies

PUBLIC MEMBER

David Kleinwaks
Abby Rating Systems

DEPARTMENT OF BANKING AND INSURANCE

Anna Saldan (ex-officio)
New Jersey Department of Banking and Insurance