

NJIUA

New Jersey Insurance Underwriting Association 2017 Annual Report



The 49th Annual Report



NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

2017 Annual Report

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New Jersey Insurance Underwriting Association

2017 ANNUAL REPORT

Message from the Chair and President

2017 Financial Results

The financial results for the Association in 2017 were excellent and for the second consecutive year, the Association attained an underwriting and overall net gain. The most important contributing factors for the result were the lower than expected adjustments made to the Pension Plan and Post-Retirement Medical Plan, the lack of catastrophic events and the improvement in both the number of large losses and the severity of those losses in 2017 versus 2016. The combined ratio improved by 21 points over last year's 97% to end the year at 75.9%. Throughout the year the Association posted net gains in every quarter, ending 2017 with an underwriting gain of \$2,430,792 and other income of \$169,656 for an overall net gain of \$2,600,448.

Written premium declined by 10.1% or \$972,000 from prior year to end 2017 at \$8,645,921. Earned premium was \$9,178,533 down \$763,498 or 7.7% from 2016. Although written and earned premiums have been declining over the past several years, the rate of decline seen in 2017 was the highest it has ever been. New business applications and renewals for residential and commercial properties are down again from prior year. Policies in force decreased by 1,316 or almost 10% to 12,177 compared to 13,493 the year before. This decline continues to support the evidence of a very open and competitive property marketplace for residential and commercial business in New Jersey.

Underwriting expenses were slightly better than prior year finishing the year at \$3,587,575 or 2.4% better than \$3,675,121 for the comparable time period. The expense ratio at 41.5% was slightly worse by 3.3% compared to last year's 38.2%. The change was largely due to the aforementioned 10% decrease in written premium.

There were 127 or 26% fewer claims reported in 2017 over prior year going from 491 in 2016 to 364 at the end of December 2017. For the most part the milder weather and lack of any major catastrophic events led to the reduction in newly reported claims. The Association ended the year with 39 open claims and only one claim in litigation. At the same time claims and claims expenses incurred went from \$5,840,728 in 2016 to \$3,160,166 in 2017, a 46% improvement. The reduction in the number of large losses had a major impact on the overall improvement in the claims area.

It is also worth noting the New Jersey Department of Banking and Insurance completed a financial examination of the Association in March 2017 for the five year period from December 2010 through December 2015. There were no deficiencies noted and the outcome was a clean audit.

The Association's results in 2017 were very good. A combination of lower claim counts due to favorable weather and lower expenses had a significant impact on the gains achieved at year end.

2017 Initiatives

After almost 40 years in our current location the Association will be relocating to a new office building just a few blocks north at 570 Broad Street. As our book of business continues to decline, it became apparent our office space was not cost effective at the current terms. Efforts to re-negotiate the expiring lease with more favorable terms in regard to smaller space and a reduction in rent to reflect current market trends did not materialize. Therefore, a major initiative for 2017 was the identification and procurement of adequate office space that would serve the needs of the Association for future years at a reduced cost and all the planning associated with an office move. After visiting many potential locations in the Newark downtown area I am happy to report a new lease was signed in November 2017 with a move in date in the latter part of May 2018. The monthly expenses will be approximately half of what they are now.

Intermediary Guy Carpenter completed their review of the Association's catastrophe exposure in July. The results reviewed by the Underwriting Committee and shared with the Board members indicated the exposure to a catastrophic event continued to decline in proportion to the decline in policy count.

The annual review by Verisk Analytics' ISO actuarial services unit to determine rate adequacy levels was completed in August. Based on the results from that review, the Association's rates were deemed adequate and the Board of Directors agreed no rate action was required in 2017.

In June, having no open claims to review, the financial department in compliance with our Plan of Operation, closed out policy year 2014. The final reconciliation reviewed by the Finance and Audit Committee and presented to the Board of Directors indicated a small deficit of \$225,000. Based on the Association's overall financial condition, the Board of Directors decided to defer any assessment to member companies in 2017.

Building upon a dialogue with AIPSO that started in the latter part of 2016, we began a business relationship with them in 2017. After several meetings with their technical staff, AIPSO was instrumental with assisting our IT Department with upgrading our website portal. In addition, AIPSO became the Association's remote disaster recovery partner during the year that concluded with a successful disaster recovery test in October.

Other important projects undertaken in 2017 included security platform upgrades for software programs used in underwriting and the financial departments.

We wish to extend our sincere appreciation to the staff and managers for their continued support, effort and dedication to making the Association a well-run organization that provides excellent customer experiences in all departments.

We express our sincere appreciation to the Department of Banking and Insurance Acting Commissioner, Marlene Caride, Director Peter Hartt, Assistant Commissioner of Property and Casualty Insurance, Carl Sornson, Department of Insurance representative Mark Nussenfeld and others at the Department of Banking and Insurance for their support and guidance. We extend our thanks to legal counsel, Hugh Francis for his contributions throughout the year. Special recognition goes to all members of the Board of Directors, Chair Michael Petersen, Vice Chair Brian Connors and Committee Chairs Susan Erney-Gleason, Vince Noggle, and Tim Cronin for their efforts on our business activities.



Michael Petersen
Chair, Board of Directors, NJIUA



Steven Mutterperl
President

New Jersey Insurance Underwriting Association

Financial Highlights

	Year Ending December 31, (U n a u d i t e d)	
	2017	2016
PREMIUM WRITTEN	\$8,645,921	\$9,617,729
PREMIUMS EARNED	9,178,533	9,942,031
LOSSES INCURRED	2,455,392	4,890,606
CLAIM EXPENSES INCURRED	704,774	950,122
EXPENSES INCURRED	3,587,575	3,675,121
UNDERWRITING GAIN	2,430,792	426,182
ADD NET INVESTMENT GAIN	152,348	116,601
TOTAL OTHER INCOME	17,308	31,109
NET OPERATING GAIN	\$2,600,448	\$573,892
LOSS RATIO	34.43%	58.75%
EXPENSE RATIO	41.49%	38.21%
COMBINED RATIO	75.92%	96.96%

New Jersey Insurance Underwriting Association

Statements of Admitted Assets, Liabilities and Members' Equity - Statutory Basis

	As at December 31, (U n a u d i t e d)	
	2017	2016
Admitted assets		
Cash and invested assets:		
Bonds	\$1,193,777	\$1,142,717
Equity securities	1,110,216	1,062,841
Cash and short-term investments	10,166,765	9,807,483
Total cash and invested assets	12,470,758	12,013,041
Accrued investment income	38,132	27,591
EDP equipment	20,825	38,495
Premiums receivable	124,498	140,140
Total admitted assets	\$12,654,213	\$12,219,267
Liabilities and members' equity		
Liabilities:		
Unpaid losses	\$1,496,317	\$1,507,408
Unpaid loss adjustment expenses	310,654	323,281
Unearned premiums	4,327,700	4,860,312
Advance premiums	237,034	286,938
Amounts held for others	127,574	202,043
Accrued expenses	60,810	194,956
Other liabilities	105,590	118,996
Claim checks payable	495	6,400
Premium taxes and filing fees payable	126,554	35,222
Postretirement benefits	1,050,047	1,937,229
Defined pension plan benefits	991,695	1,530,164
Payable for securities	-	6,754
Total liabilities	\$8,834,470	\$11,009,703
Members' equity	3,819,743	1,209,564
Total liabilities and members' equity	\$12,654,213	\$12,219,267

New Jersey Insurance Underwriting Association

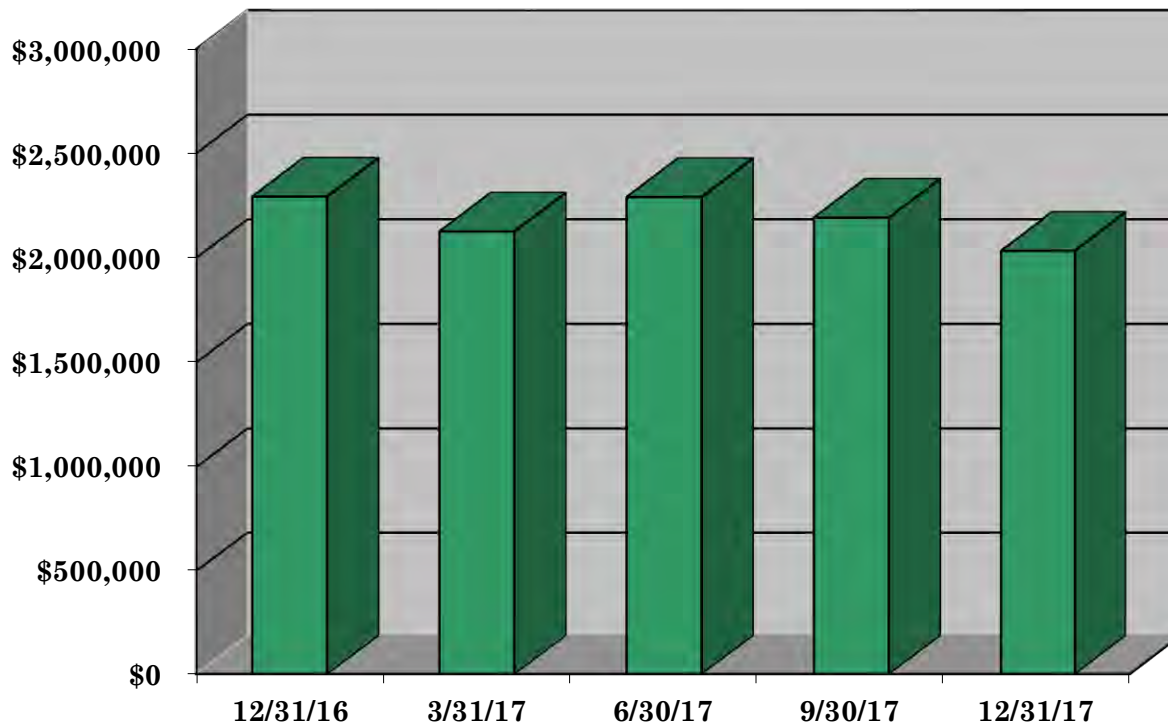
Statements of Operations and Changes in Members' Equity - Statutory Basis

	Twelve Months Ending December 31, (U n a u d i t e d)	
	2017	2016
Underwriting income:		
Net premiums written	\$8,645,921	\$9,617,729
Change in unearned premiums	532,612	324,302
Total underwriting income	9,178,533	9,942,031
Underwriting expenses:		
Losses incurred	2,455,392	4,890,606
LAE incurred	704,774	950,122
Commissions	713,987	805,206
Other underwriting expenses	2,812,005	2,825,036
Premium taxes and filing fees	61,583	44,879
Total underwriting expenses	6,747,741	9,515,849
Net underwriting gain	2,430,792	426,182
Other income	17,308	31,109
Net investment income	152,348	116,601
Net gain	2,600,448	573,892
Members' equity at beginning of year	1,209,564	561,455
Member assessment	-	-
Change in nonadmitted assets	(14,370)	63,775
Change in net unrealized capital gains	24,101	10,442
Members' equity at end of year	\$3,819,743	\$1,209,564

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Written Premium - All Lines

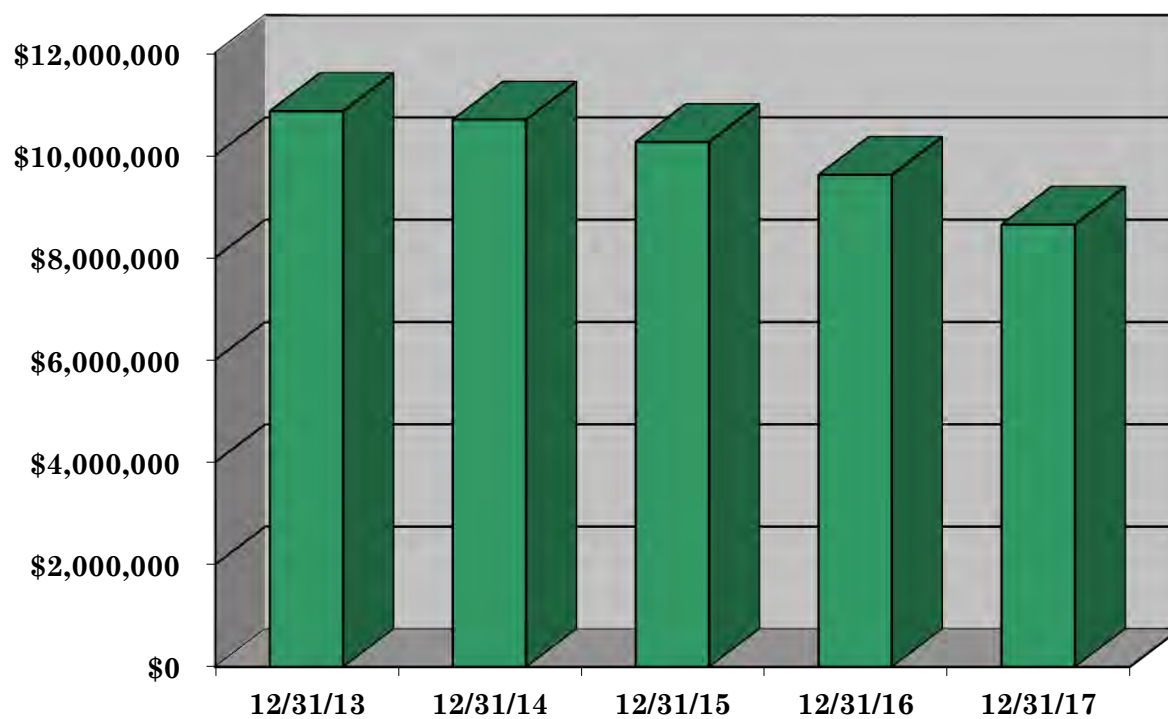
Last Five Quarters



Quarter Ending

12/31/16	\$2,293,724
3/31/17	2,126,942
6/30/17	2,291,419
9/30/17	2,193,368
12/31/17	\$2,034,192

Year-to-Date for Last Five Years



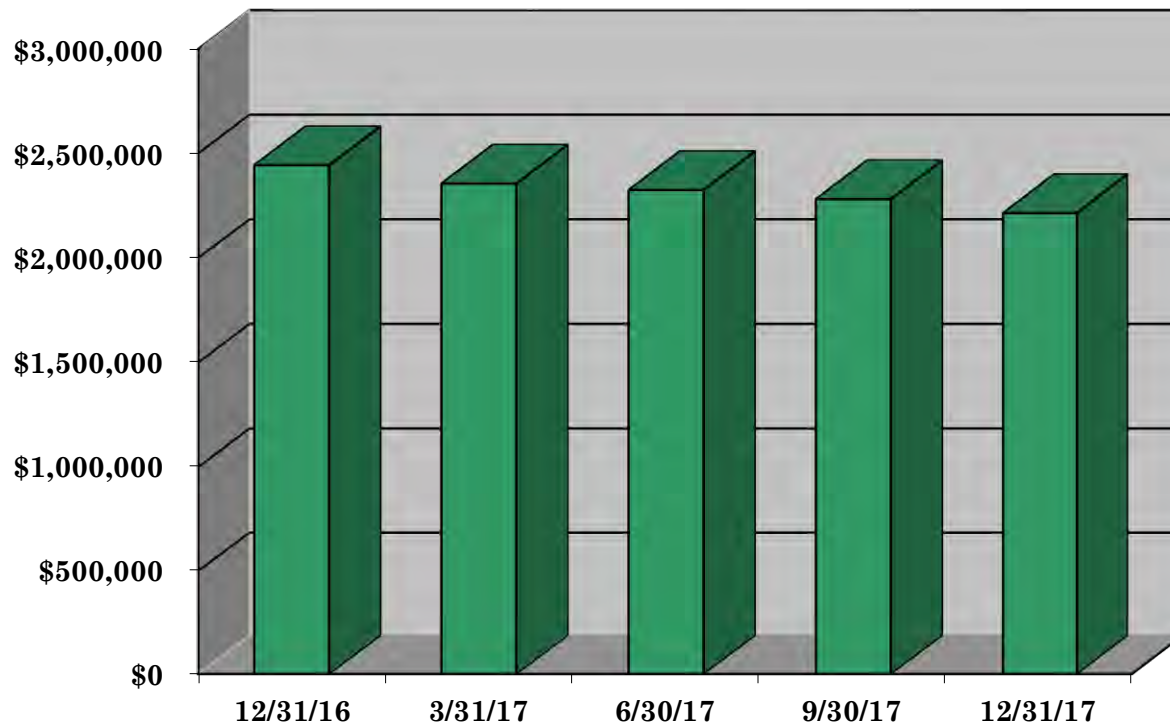
Period Ending

12/31/13	\$10,864,769
12/31/14	10,697,330
12/31/15	10,260,636
12/31/16	9,617,729
12/31/17	\$8,645,921

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Earned Premium - All Lines

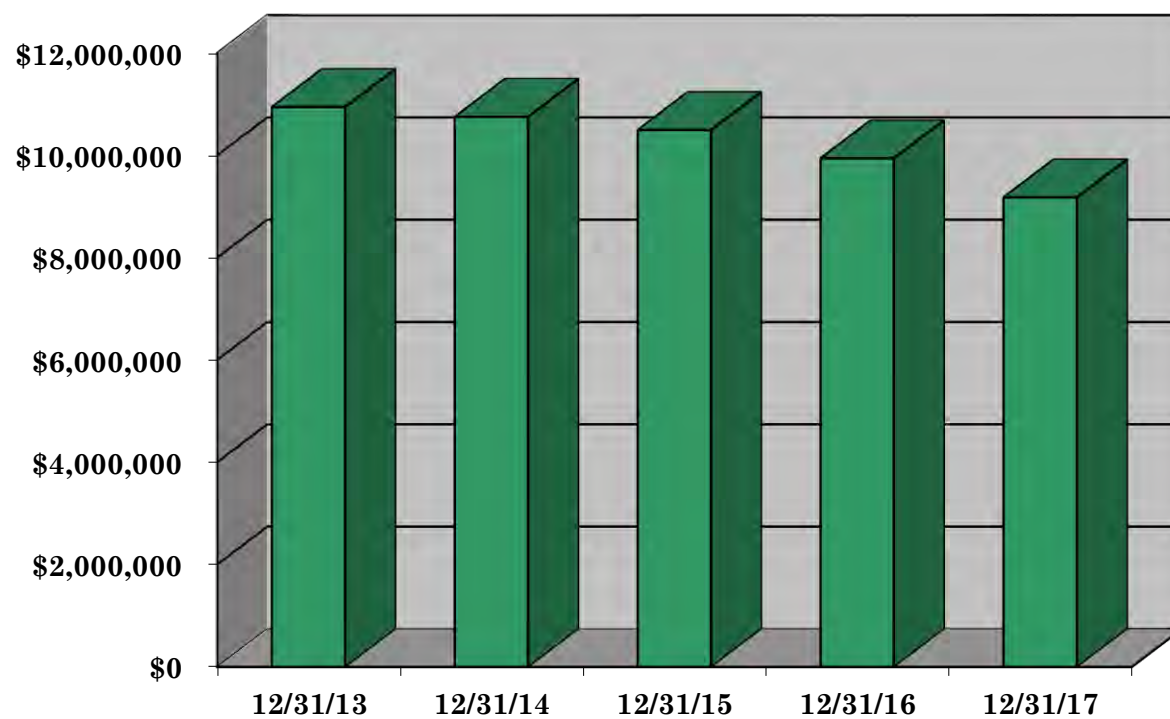
Last Five Quarters



Quarter Ending

12/31/16	\$2,444,218
3/31/17	2,356,087
6/30/17	2,325,533
9/30/17	2,281,748
12/31/17	\$2,215,165

Year-to-Date for Last Five Years



Period Ending

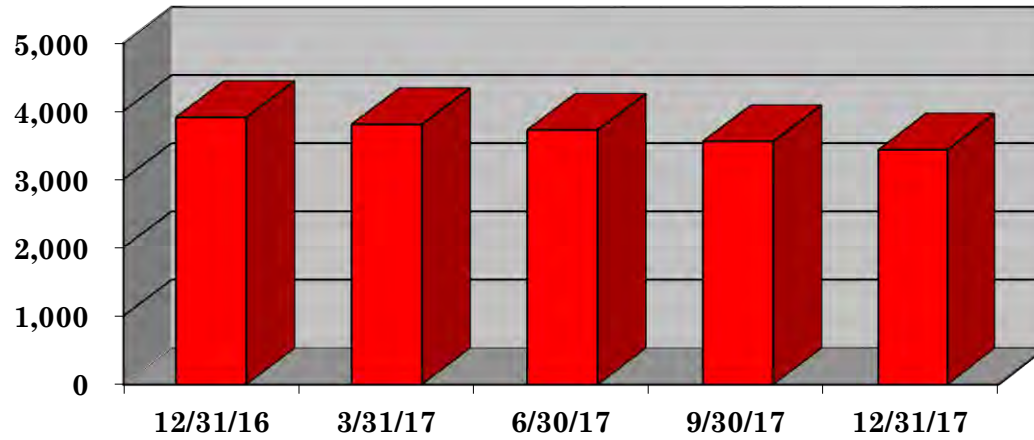
12/31/13	\$10,944,693
12/31/14	10,752,290
12/31/15	10,495,251
12/31/16	9,942,031
12/31/17	\$9,178,533

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

Last Five Quarters

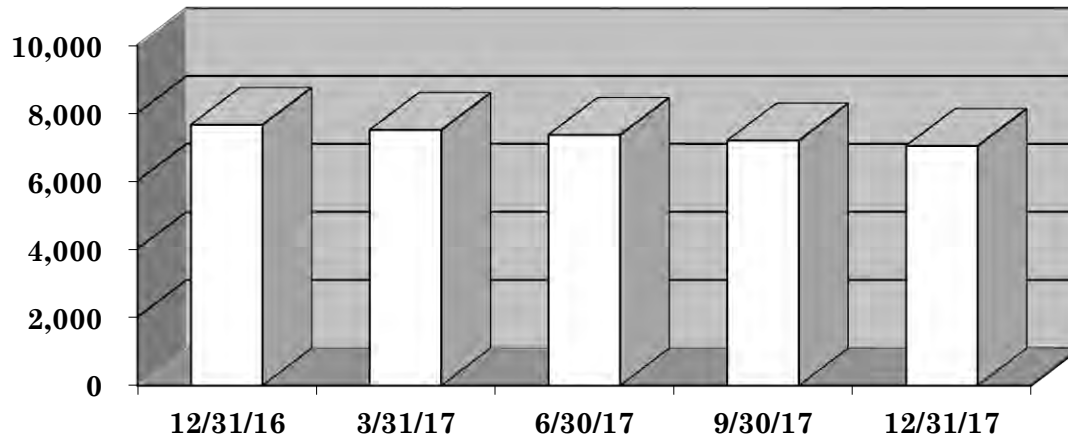
Hurricane Deductible Zipcodes



Quarter Ending

12/31/16	3,911
3/31/17	3,807
6/30/17	3,724
9/30/17	3,556
12/31/17	3,435

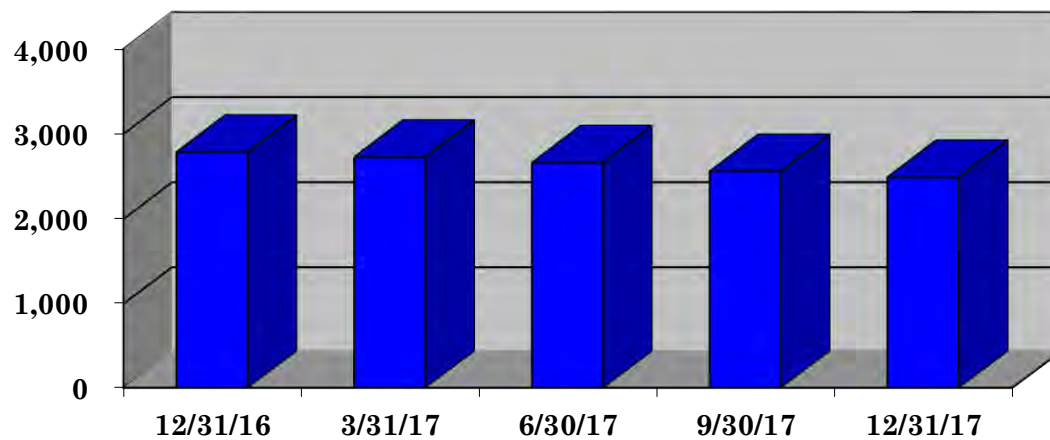
UEZ Zipcodes



Quarter Ending

12/31/16	7,653
3/31/17	7,500
6/30/17	7,356
9/30/17	7,189
12/31/17	7,031

Balance of State



Quarter Ending

12/31/16	2,788
3/31/17	2,729
6/30/17	2,664
9/30/17	2,562
12/31/17	2,492

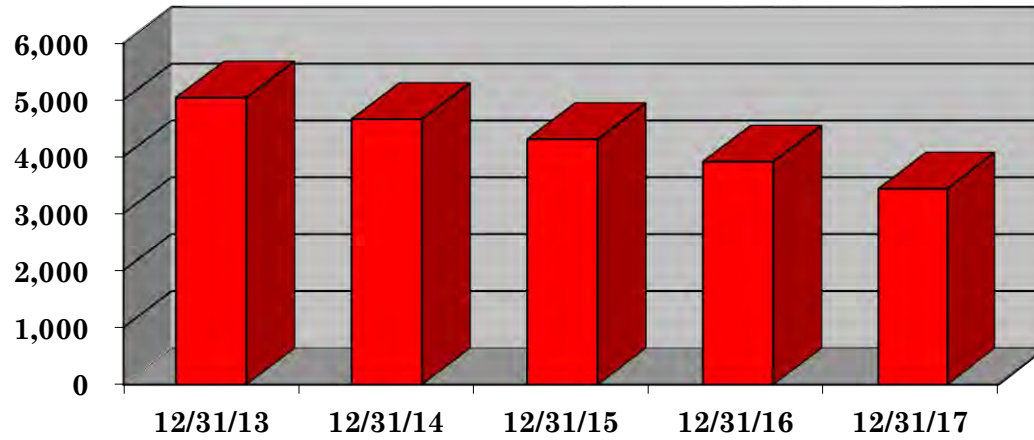
Note: Sum of zipcodes does not equal total due to overlap between Hurricane Deductible and UEZ definitions.

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

Last Five Years

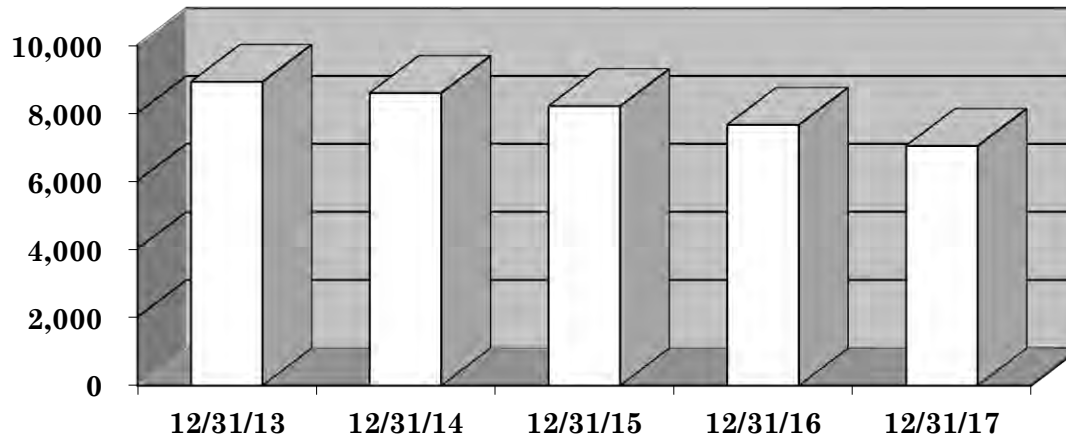
Hurricane Deductible Zipcodes



Period Ending

12/31/13	5,039
12/31/14	4,660
12/31/15	4,306
12/31/16	3,911
12/31/17	3,435

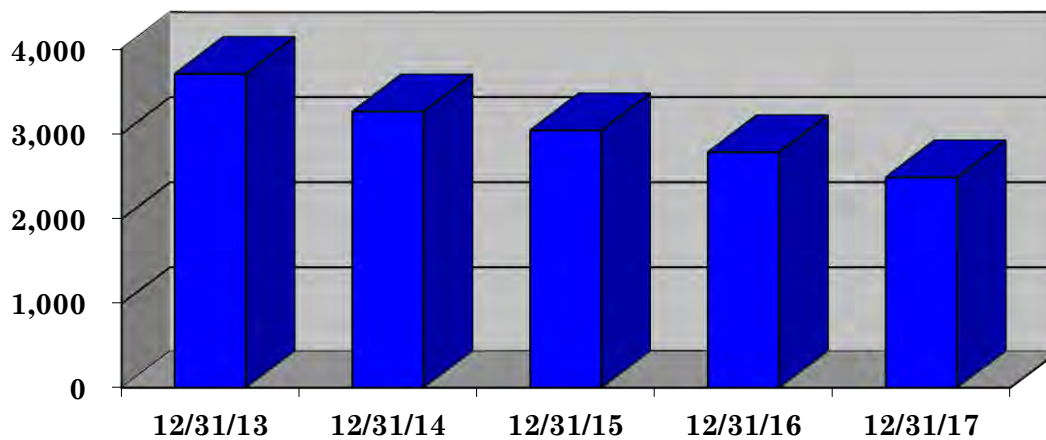
UEZ Zipcodes



Period Ending

12/31/13	8,918
12/31/14	8,590
12/31/15	8,202
12/31/16	7,653
12/31/17	7,031

Balance of State



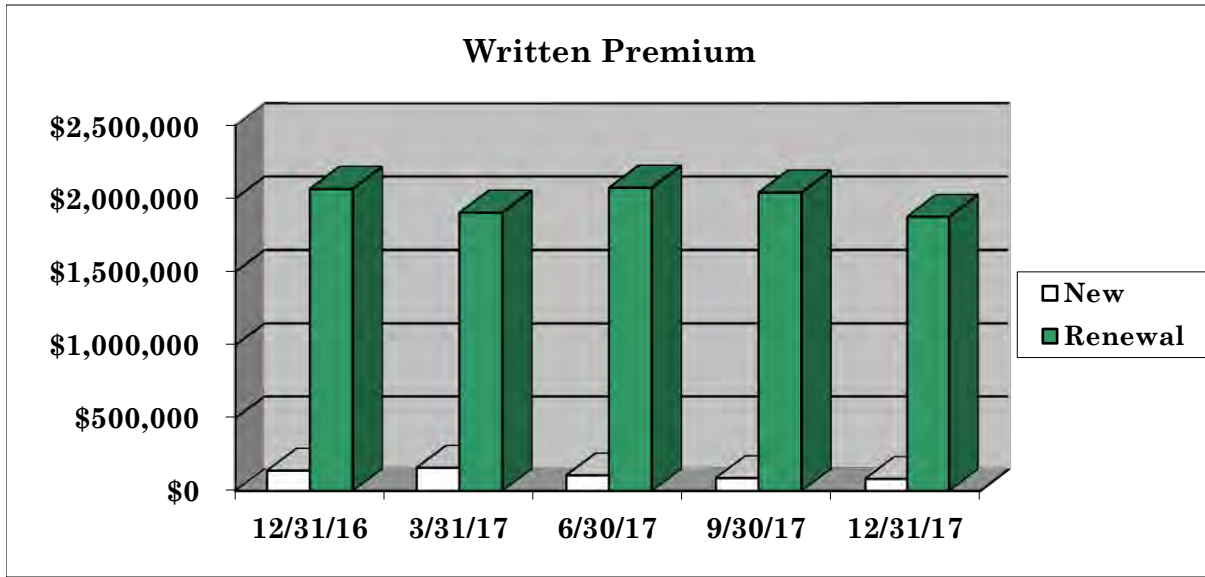
Period Ending

12/31/13	3,707
12/31/14	3,266
12/31/15	3,045
12/31/16	2,788
12/31/17	2,492

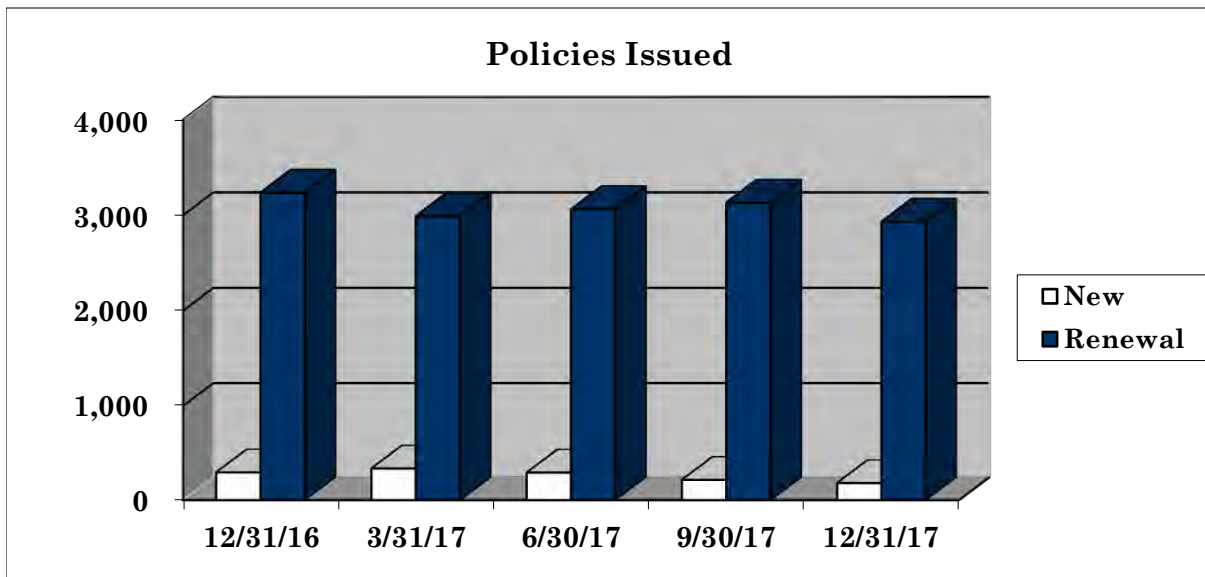
Note: Sum of zipcodes does not equal total due to overlap between Hurricane Deductible and UEZ definitions.

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

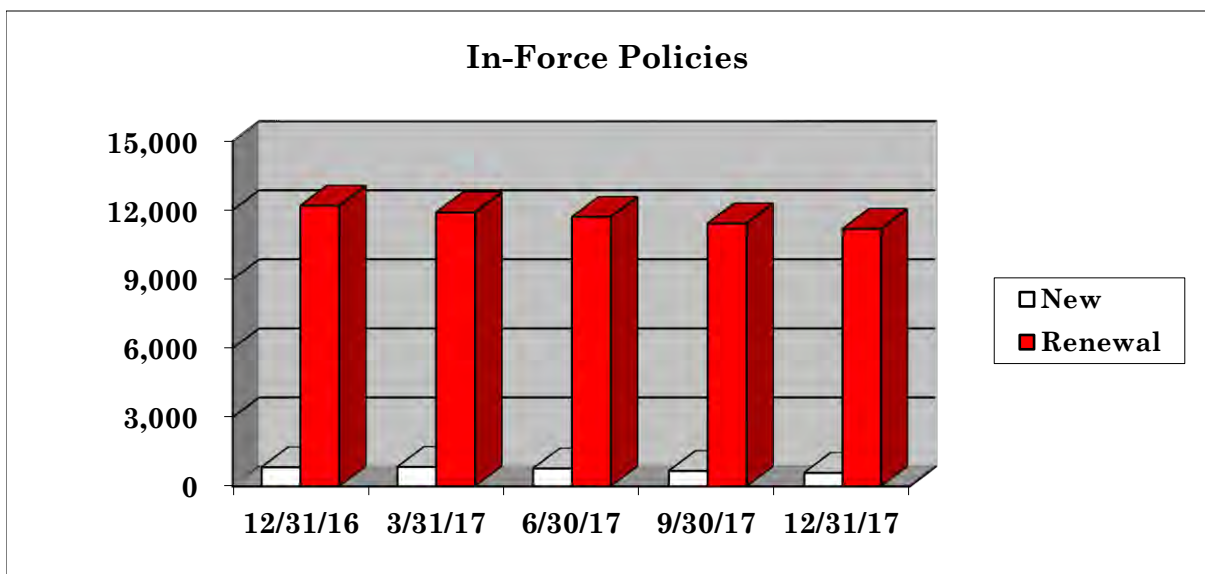
Dwelling Business



	Quarter Ending	
	New	Renewal
12/31/16	\$139,518	\$2,066,250
3/31/17	159,303	1,904,003
6/30/17	107,341	2,073,790
9/30/17	87,911	2,041,806
12/31/17	\$82,520	\$1,875,895



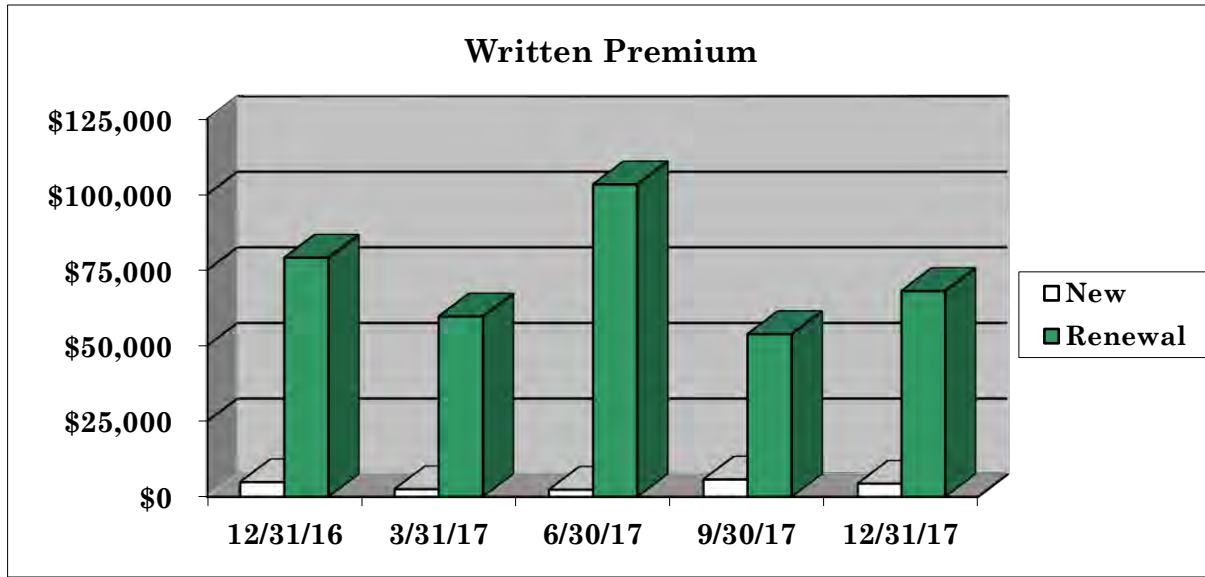
	Quarter Ending	
	New	Renewal
12/31/16	294	3,238
3/31/17	335	2,992
6/30/17	292	3,064
9/30/17	215	3,132
12/31/17	181	2,933



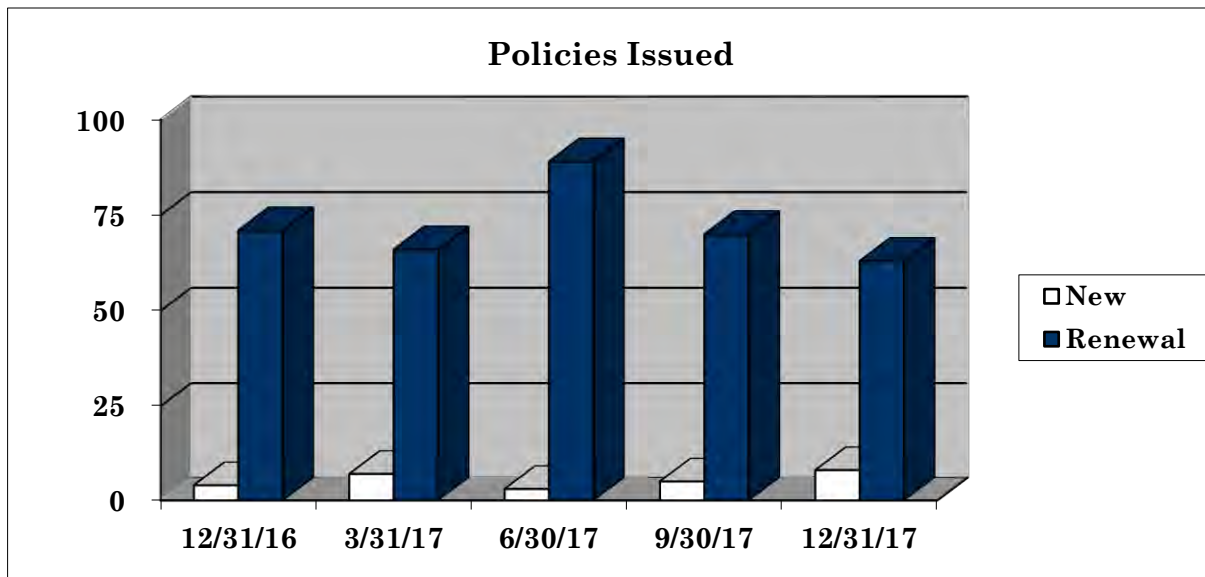
	Quarter Ending	
	New	Renewal
12/31/16	834	12,199
3/31/17	848	11,908
6/30/17	779	11,707
9/30/17	670	11,431
12/31/17	589	11,190

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

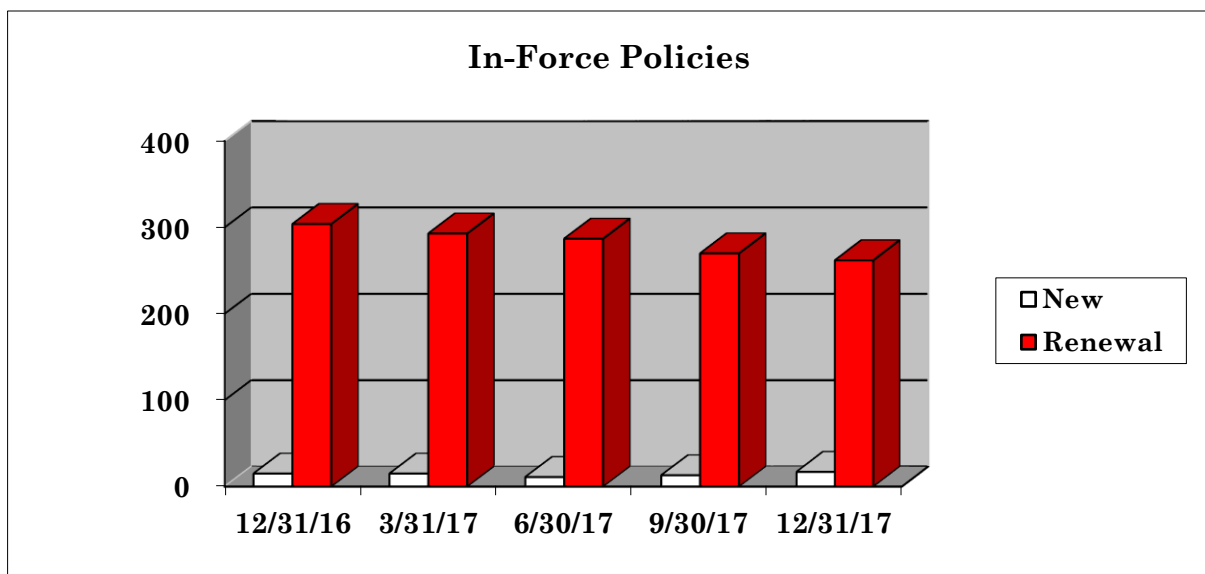
Commercial Business



	Quarter Ending	
	New	Renewal
12/31/16	\$4,871	\$79,131
3/31/17	2,526	59,707
6/30/17	2,368	103,373
9/30/17	5,747	53,854
12/31/17	\$4,381	\$68,128



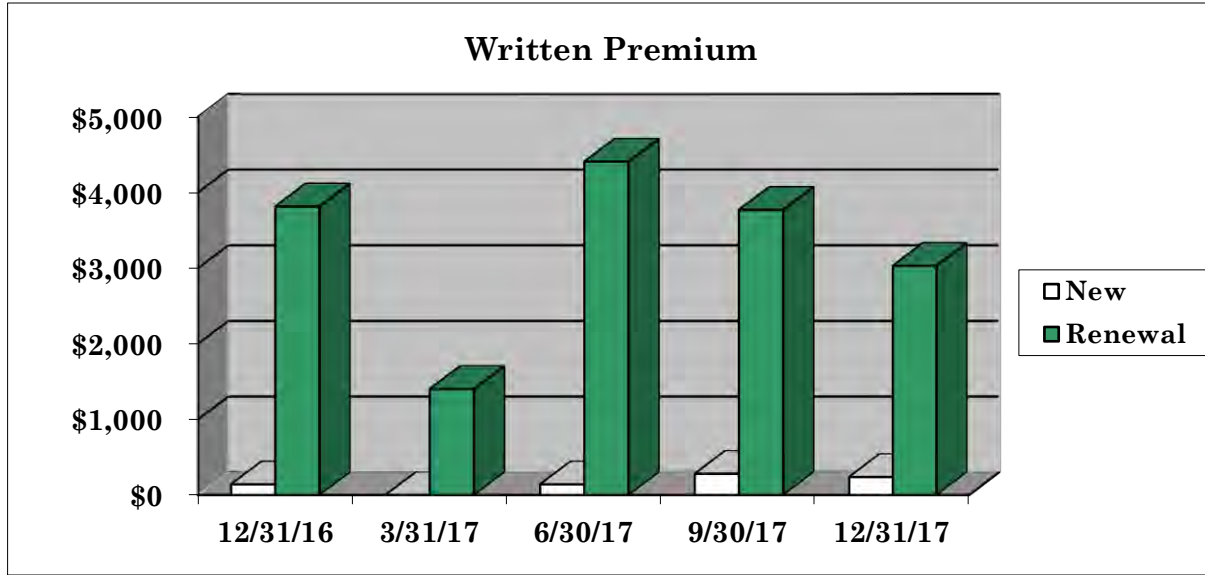
	Quarter Ending	
	New	Renewal
12/31/16	4	71
3/31/17	7	66
6/30/17	3	89
9/30/17	5	70
12/31/17	8	63



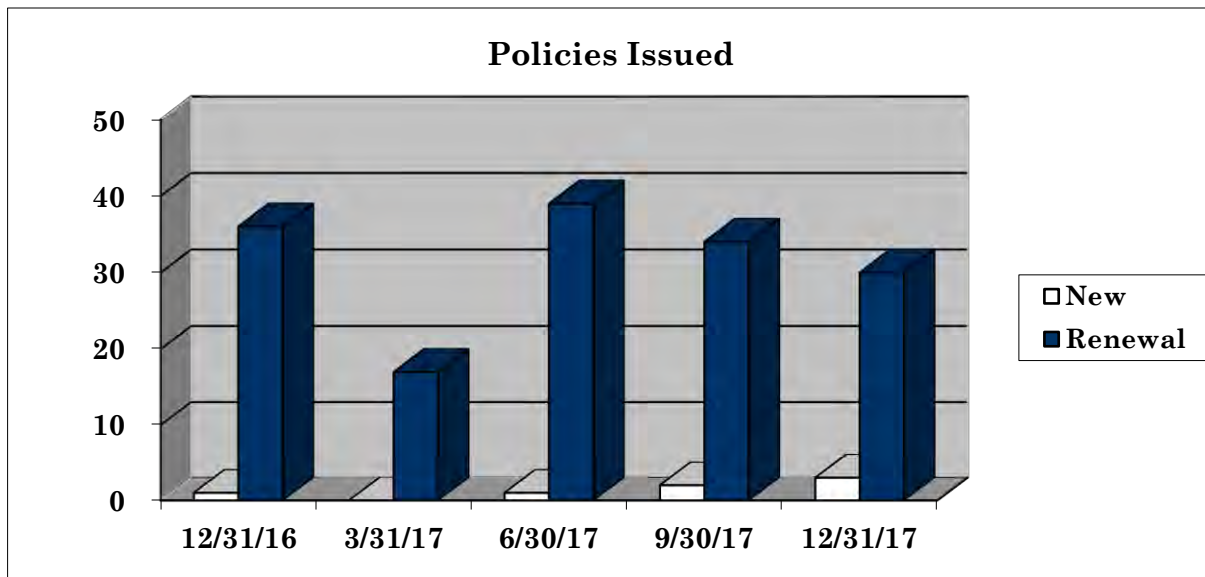
	Quarter Ending	
	New	Renewal
12/31/16	15	304
3/31/17	15	293
6/30/17	11	287
9/30/17	13	270
12/31/17	17	262

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

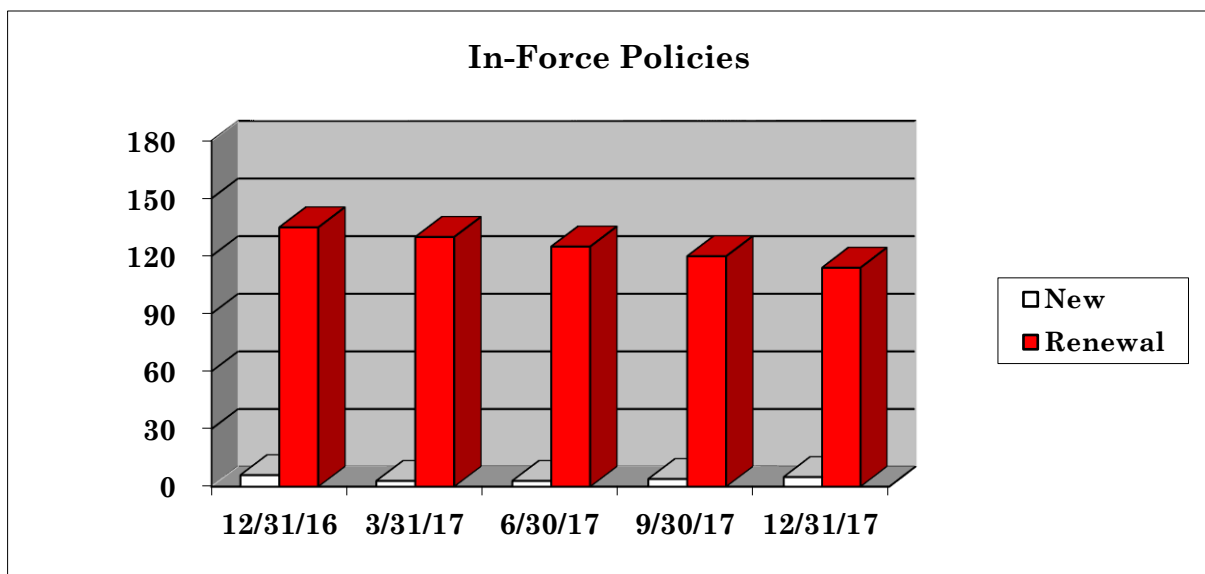
Crime Business



	Quarter Ending	
	New	Renewal
12/31/16	\$140	\$3,814
3/31/17	0	1,403
6/30/17	140	4,407
9/30/17	280	3,770
12/31/17	\$237	\$3,031



	Quarter Ending	
	New	Renewal
12/31/16	1	36
3/31/17	0	17
6/30/17	1	39
9/30/17	2	34
12/31/17	3	30

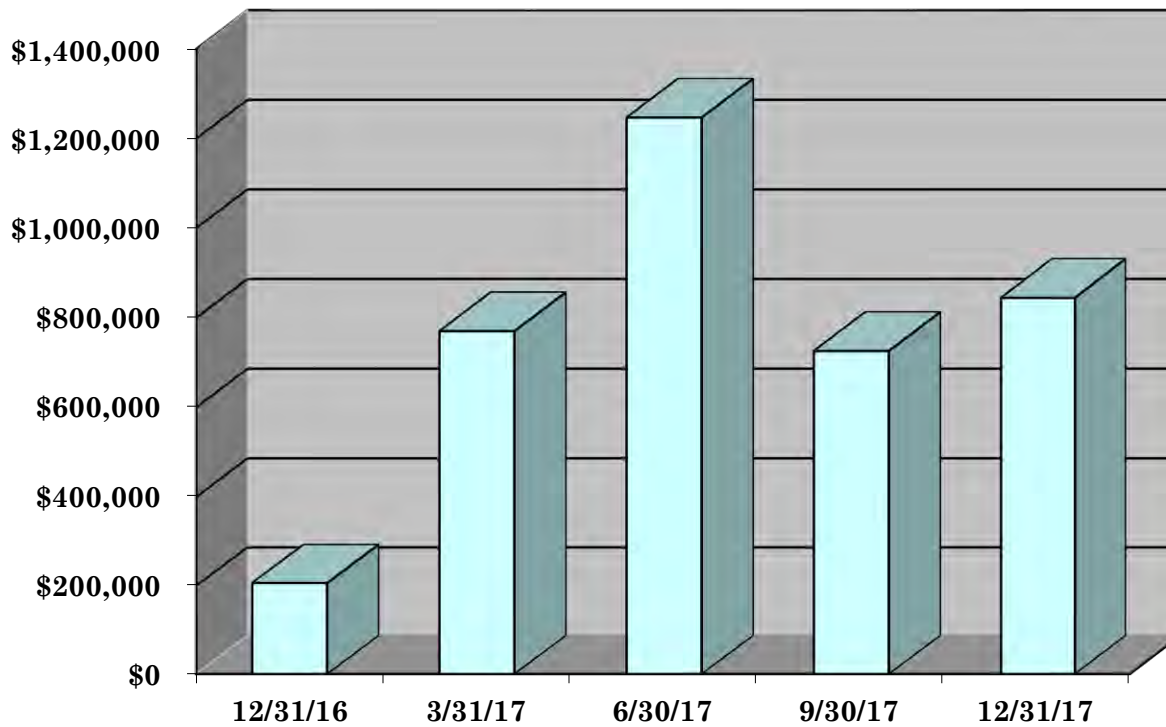


	Quarter Ending	
	New	Renewal
12/31/16	6	135
3/31/17	3	130
6/30/17	3	125
9/30/17	4	120
12/31/17	5	114

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Expenses Incurred

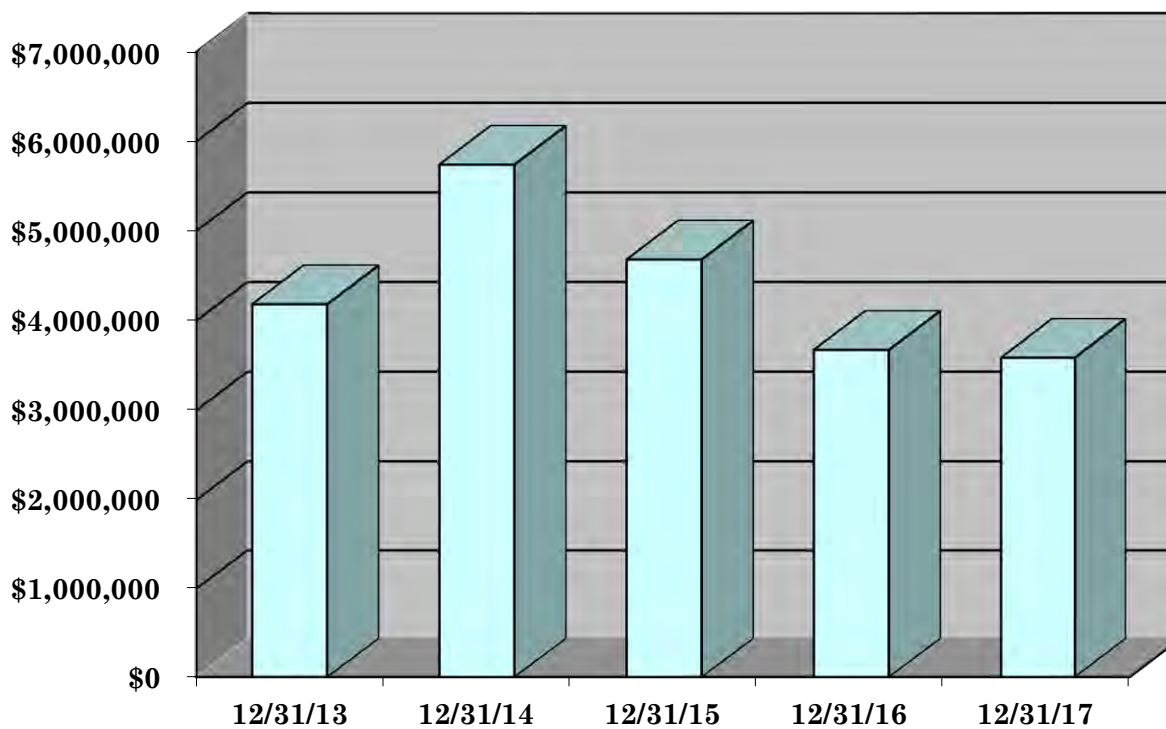
Last Five Quarters



Quarter Ending

12/31/16	\$205,923
3/31/17	770,149
6/30/17	1,246,792
9/30/17	725,992
12/31/17	\$844,641

Year-to-Date for Last Five Years



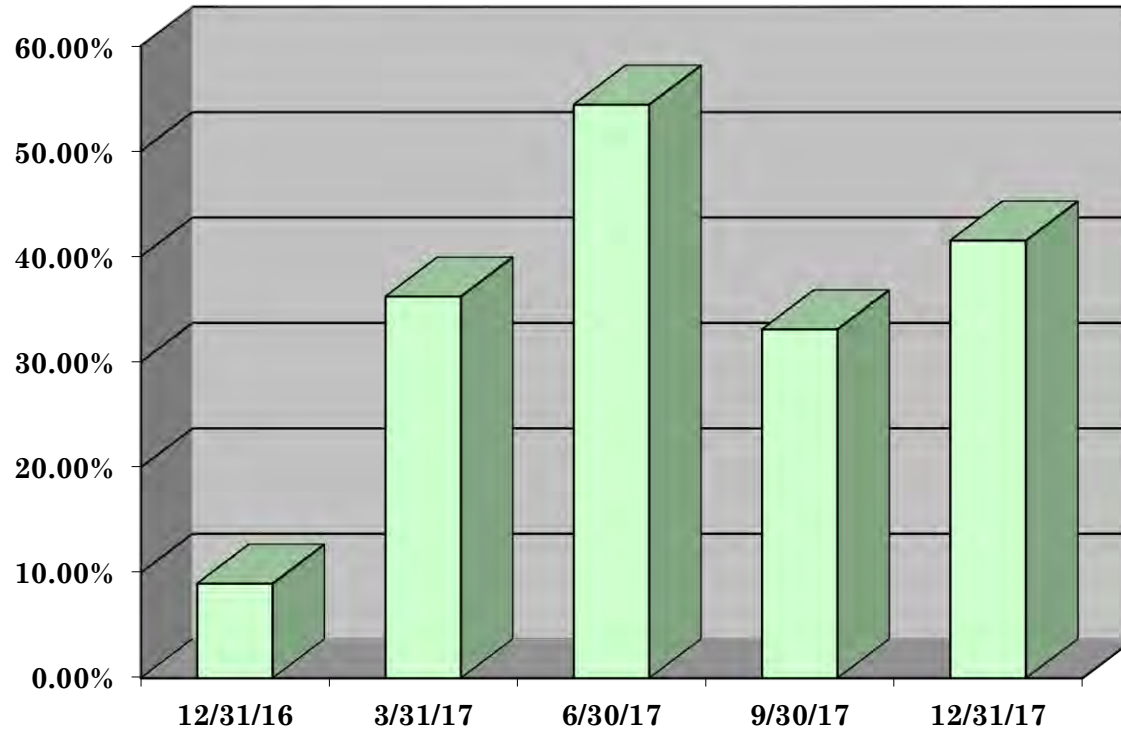
Period Ending

12/31/13	\$4,183,977
12/31/14	5,741,900
12/31/15	4,683,537
12/31/16	3,675,121
12/31/17	\$3,587,575

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Expense Ratio

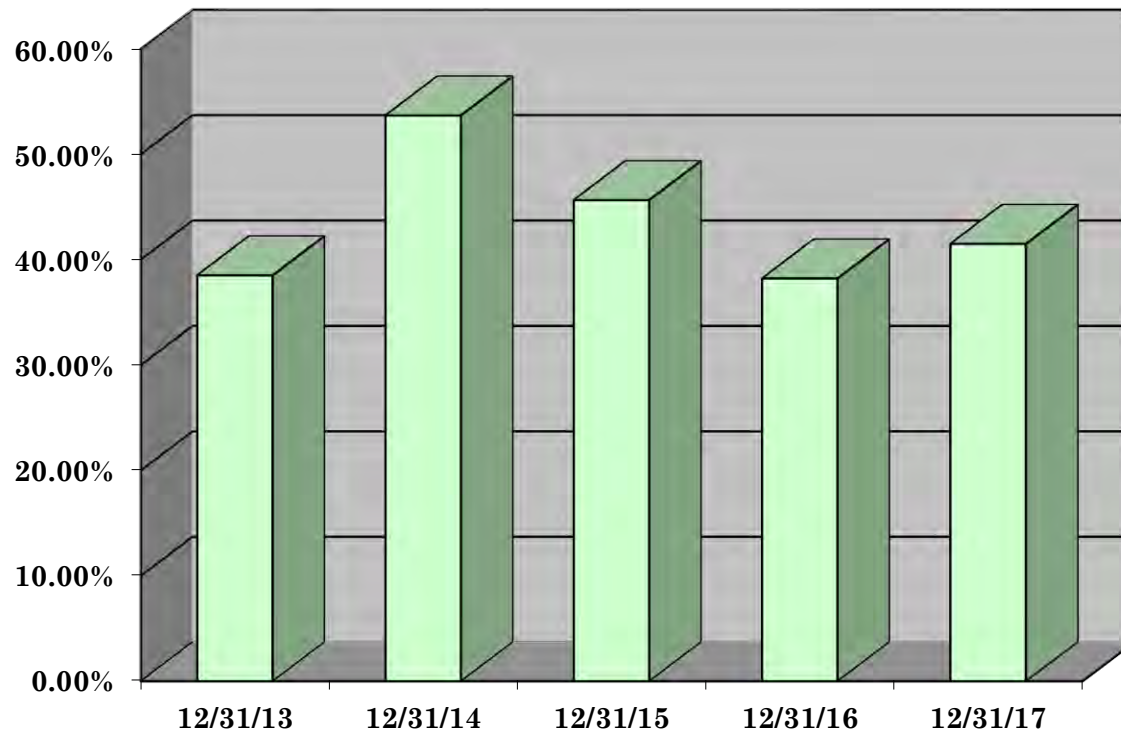
Last Five Quarters



Quarter Ending

12/31/16	8.98%
3/31/17	36.21%
6/30/17	54.41%
9/30/17	33.10%
12/31/17	41.52%

Year-to-Date for Last Five Years



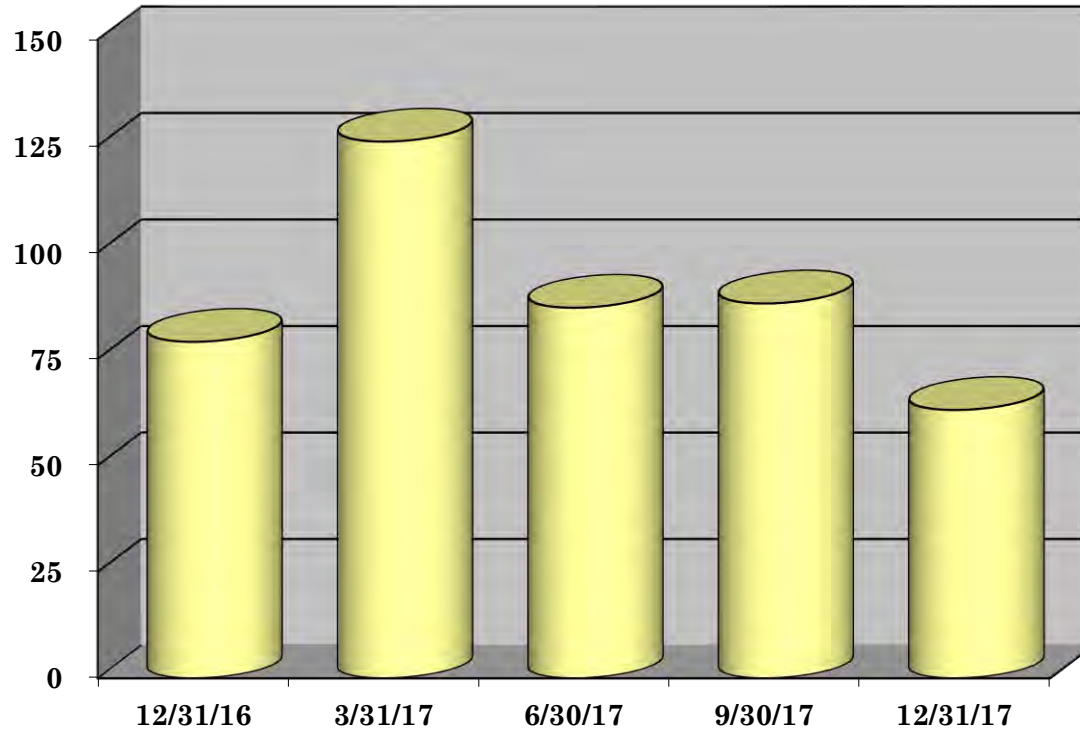
Period Ending

12/31/13	38.51%
12/31/14	53.68%
12/31/15	45.65%
12/31/16	38.21%
12/31/17	41.49%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of New Claims Reported

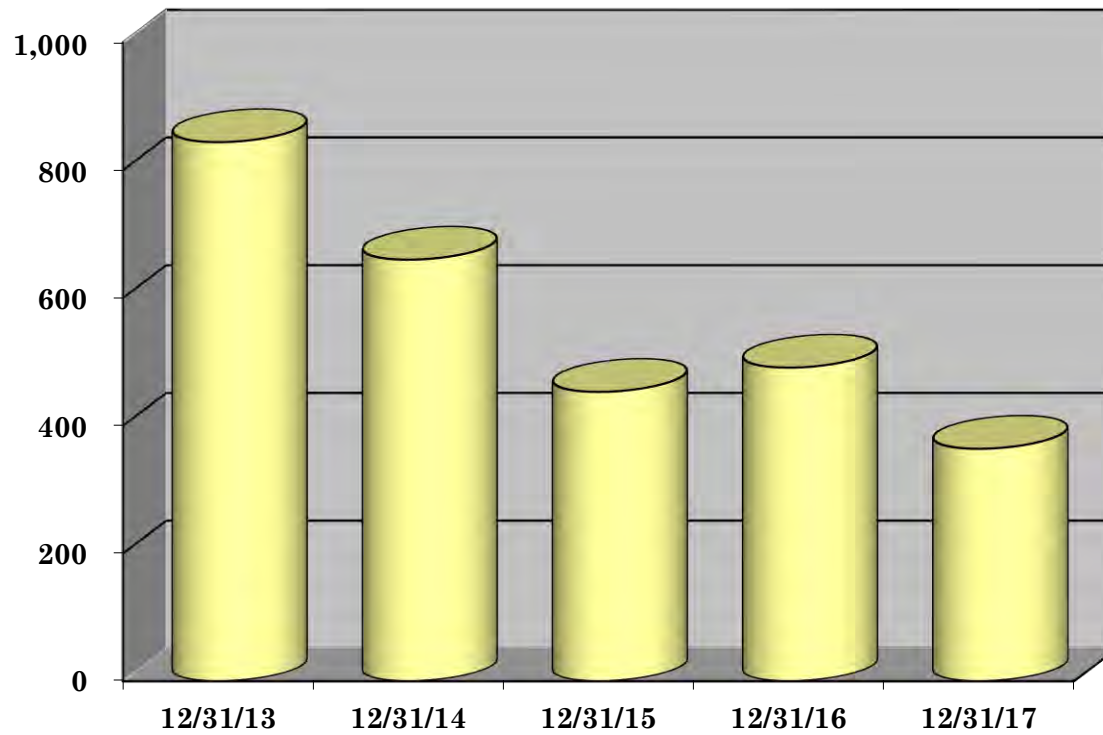
Last Five Quarters



Quarter Ending

12/31/16	79
3/31/17	126
6/30/17	87
9/30/17	88
12/31/17	63

Year-to-Date for Last Five Years



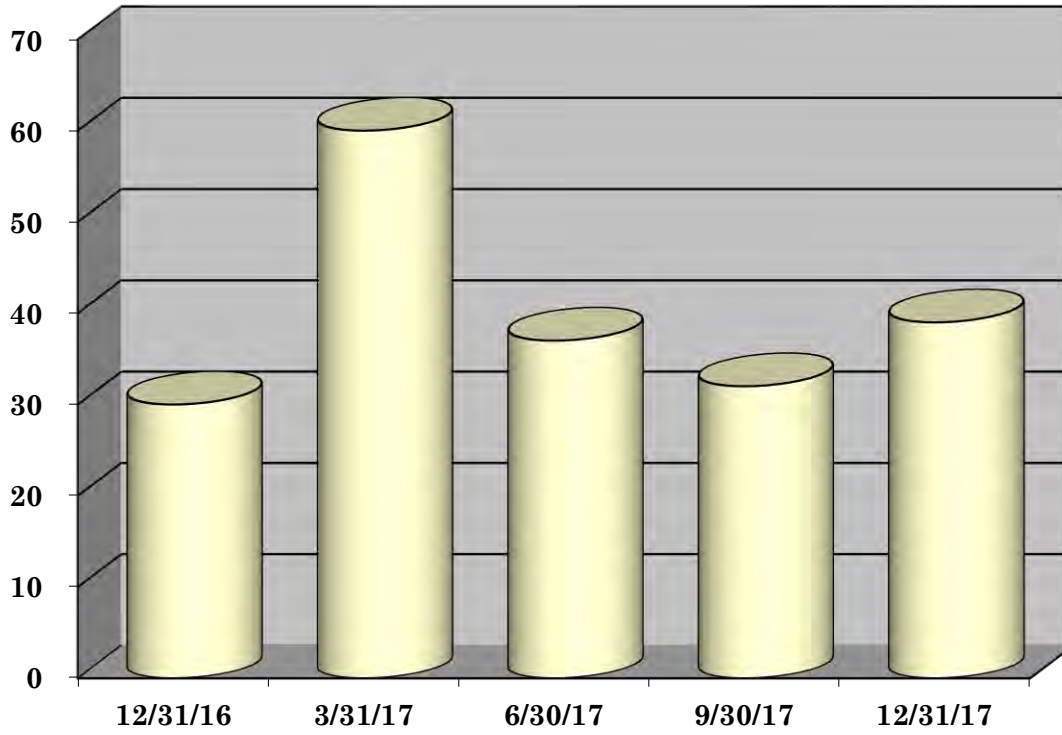
Period Ending

12/31/13	844
12/31/14	660
12/31/15	453
12/31/16	491
12/31/17	364

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of Open Claims

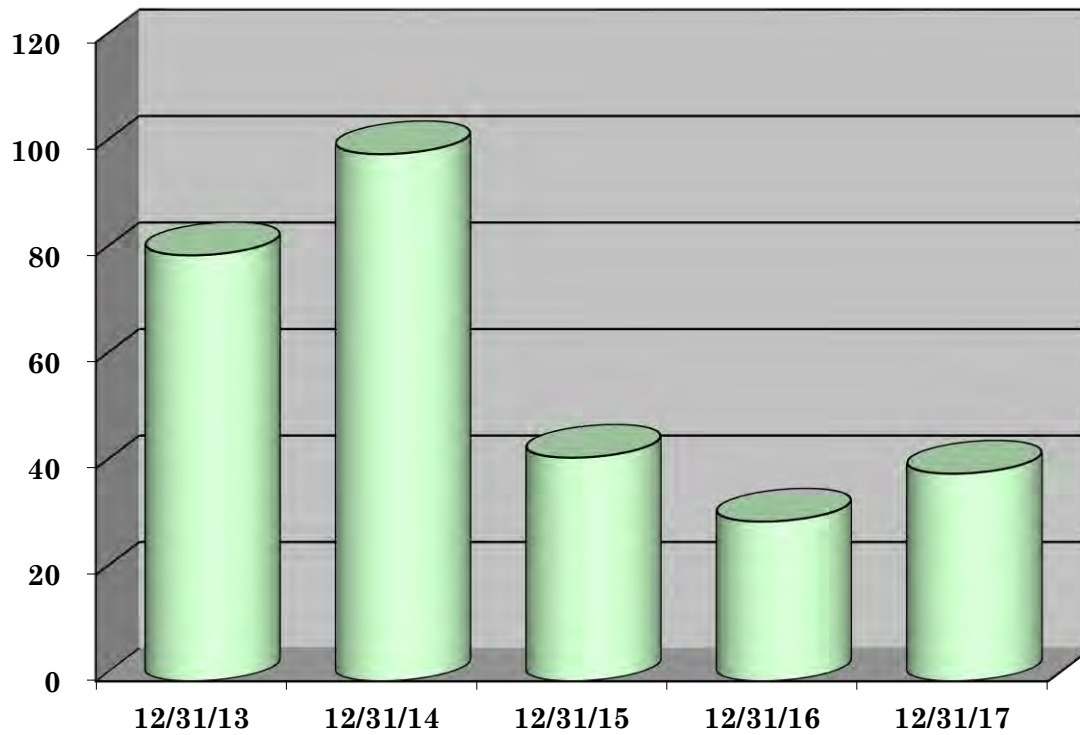
Last Five Quarters



Quarter Ending

12/31/16	30
3/31/17	60
6/30/17	37
9/30/17	32
12/31/17	39

Year-to-Date for Last Five Years



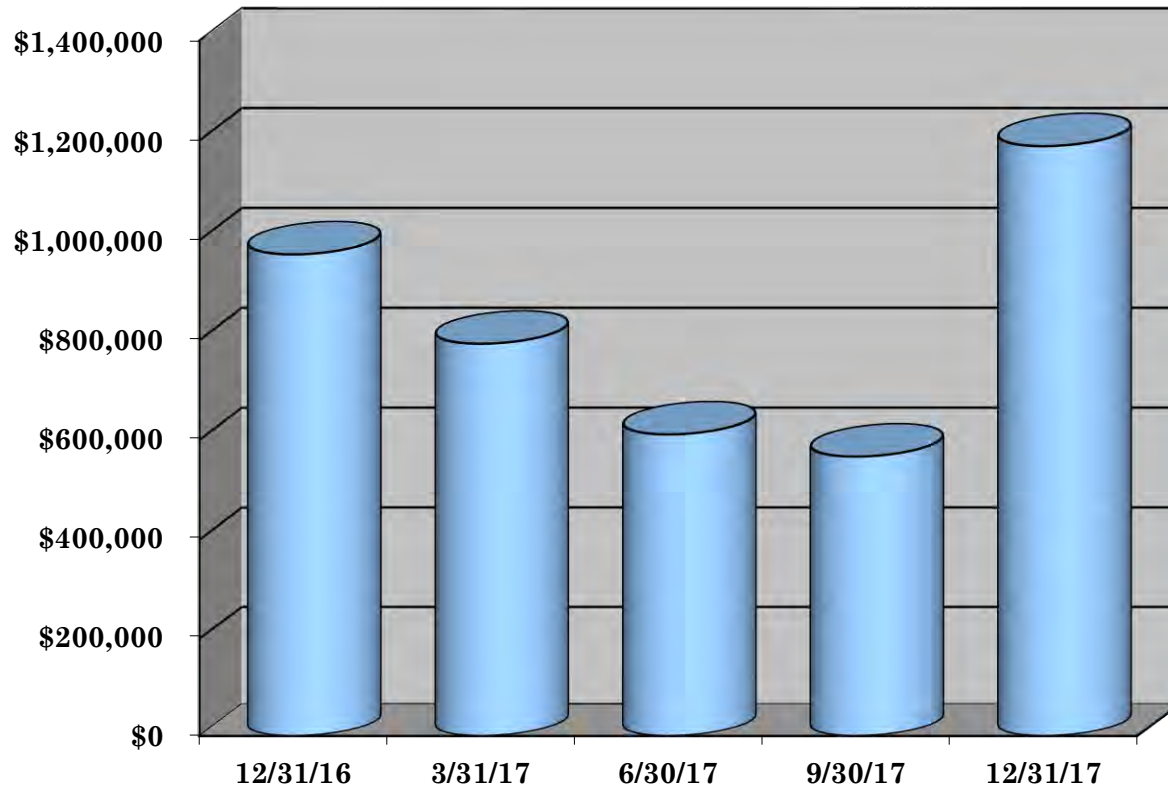
Period Ending

12/31/13	80
12/31/14	99
12/31/15	42
12/31/16	30
12/31/17	39

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Claims & Claim Expenses Incurred

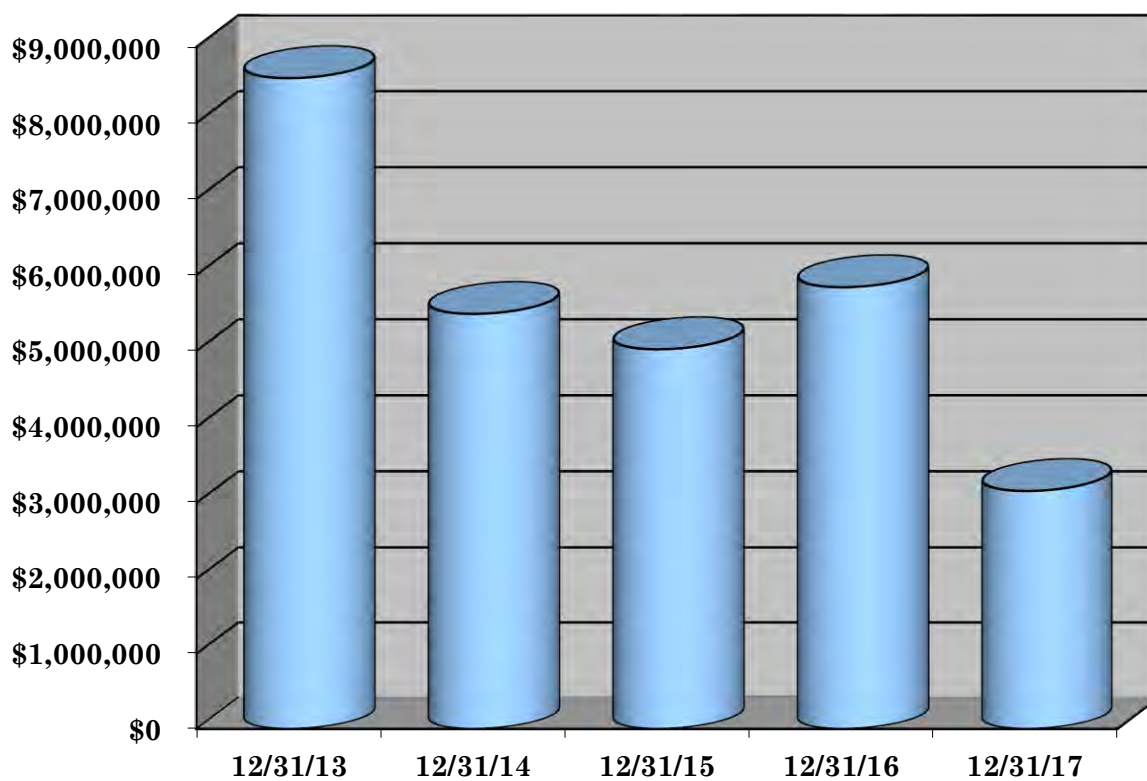
Last Five Quarters



Period Ending

12/31/16	\$972,056
3/31/17	792,978
6/30/17	611,417
9/30/17	566,955
12/31/17	\$1,188,816

Year-to-Date for Last Five Years

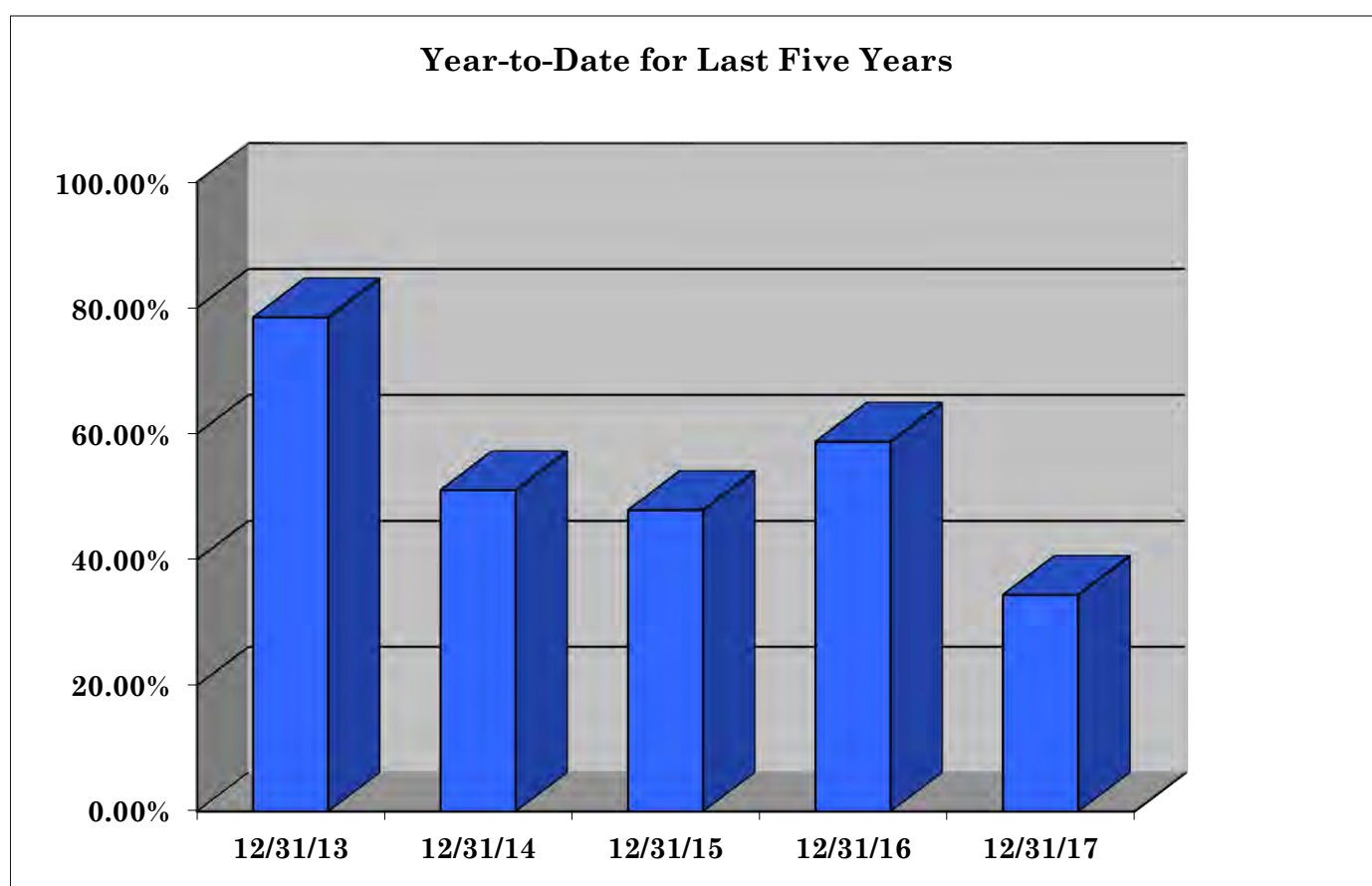
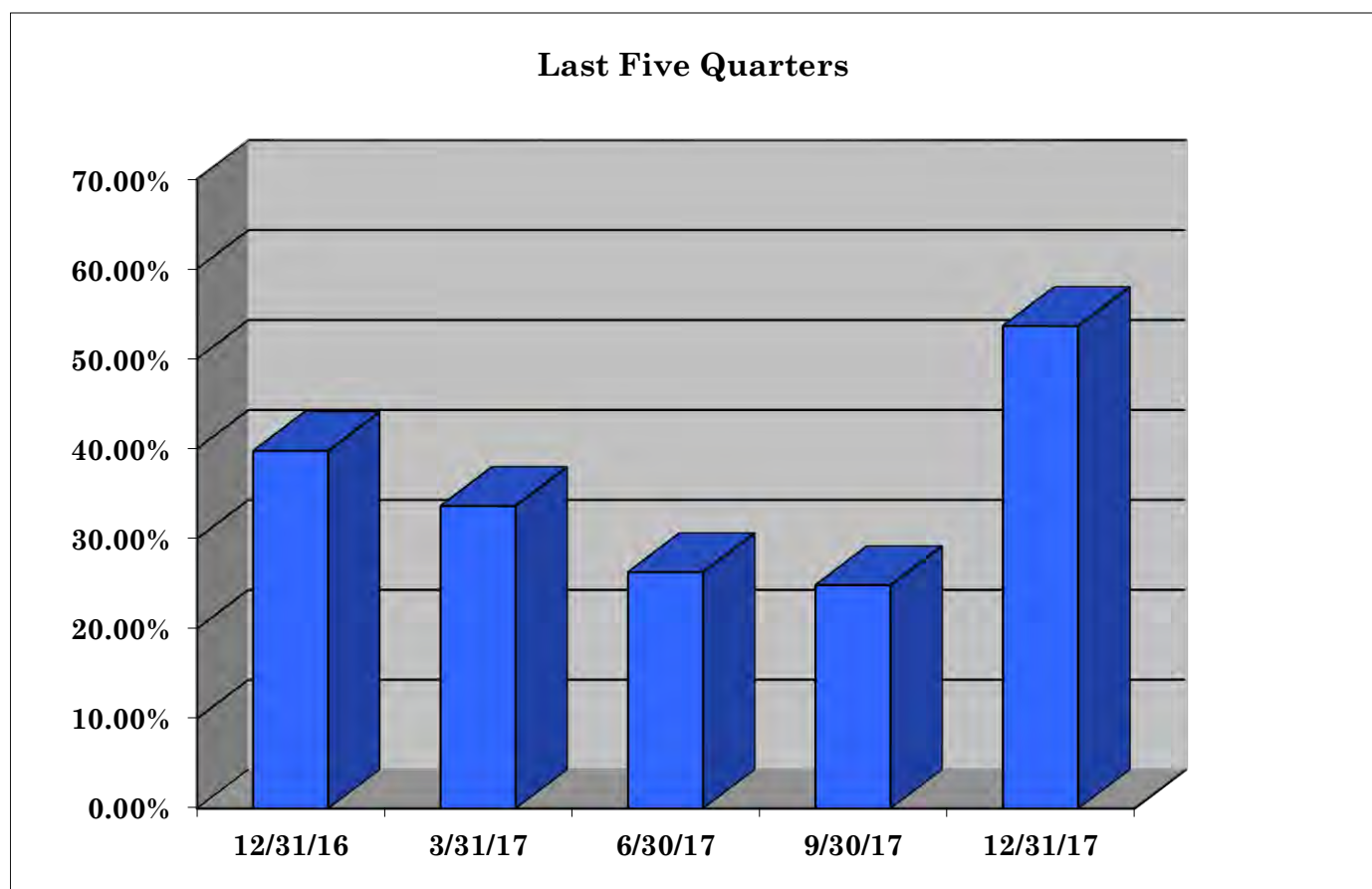


Period Ending

12/31/13	\$8,591,094
12/31/14	5,489,841
12/31/15	5,024,203
12/31/16	5,840,728
12/31/17	\$3,160,166

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

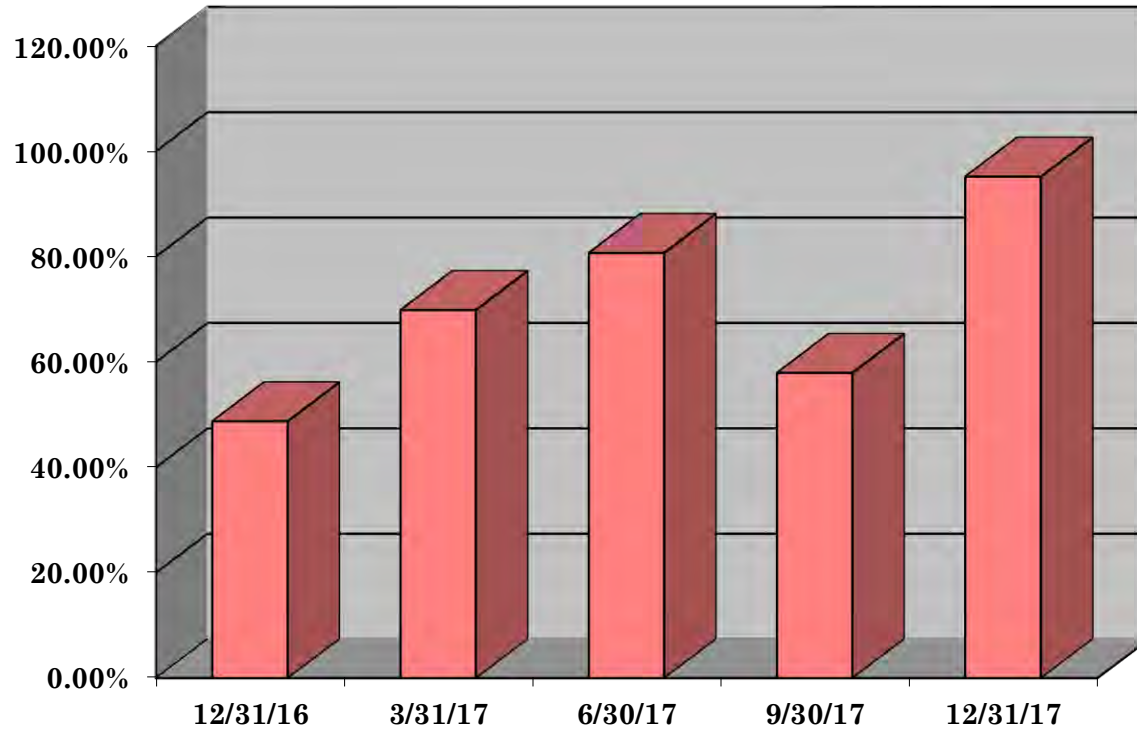
Loss Ratio



NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Combined Ratio

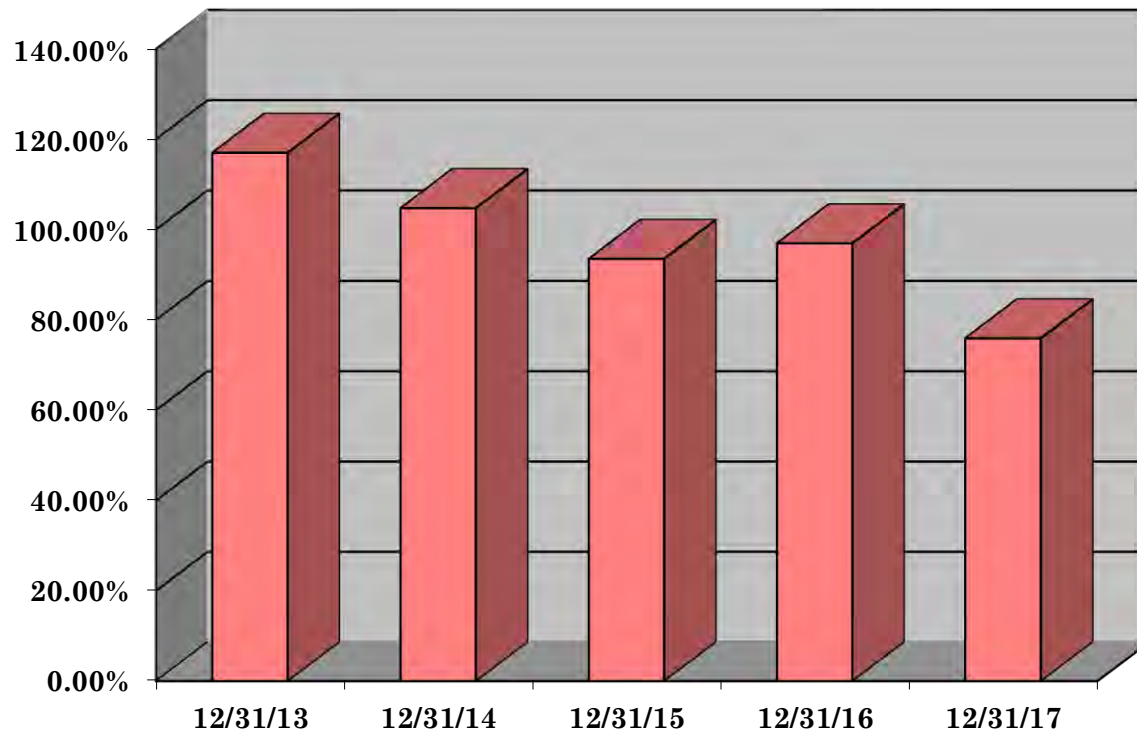
Last Five Quarters



Quarter Ending

12/31/16	48.75%
3/31/17	69.87%
6/30/17	80.70%
9/30/17	57.95%
12/31/17	95.19%

Year-to-Date for Last Five Years

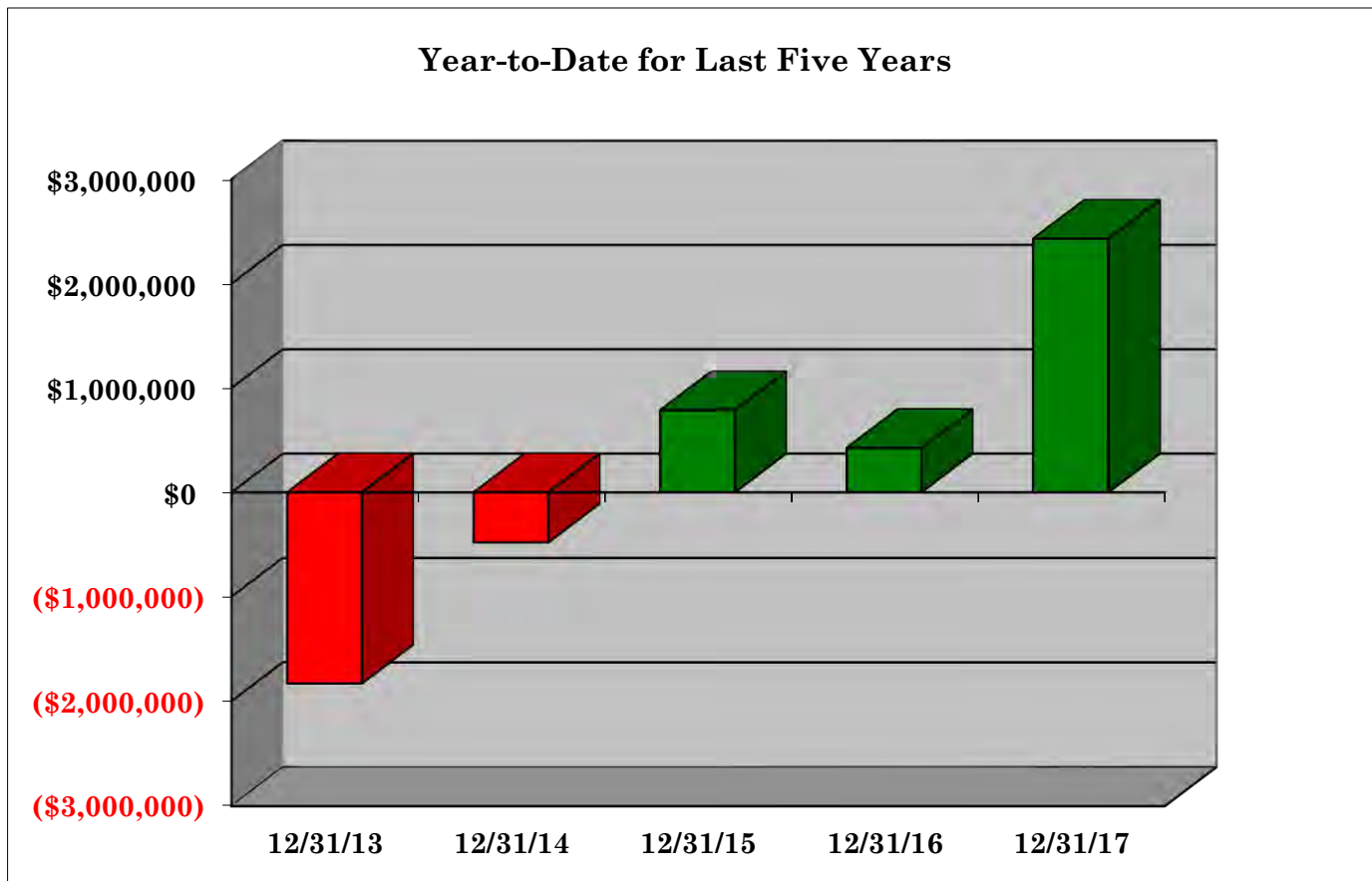
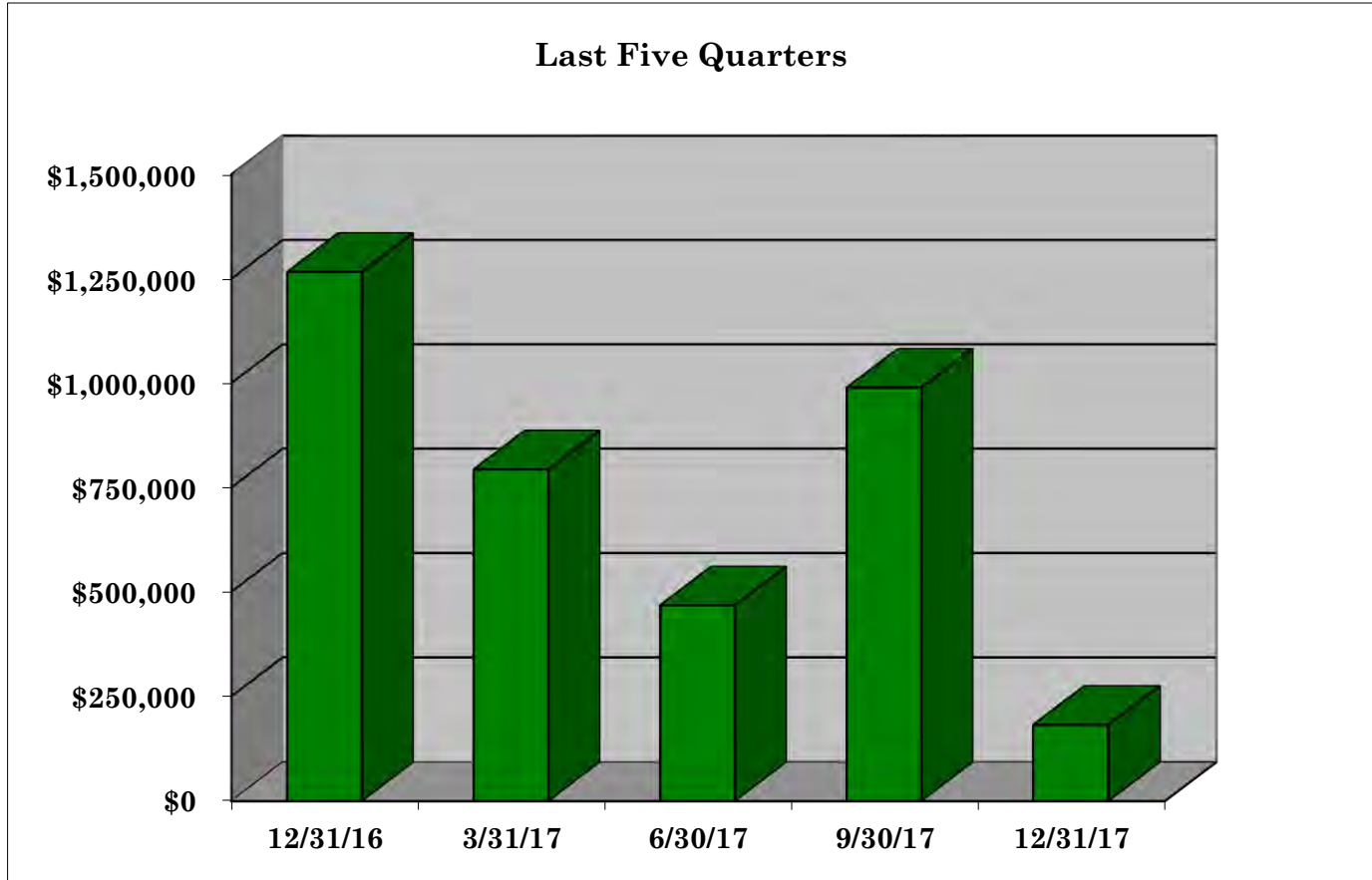


Period Ending

12/31/13	117.01%
12/31/14	104.74%
12/31/15	93.52%
12/31/16	96.96%
12/31/17	75.92%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Gain (Loss)



New Jersey Insurance Underwriting Association

Policies Issued by Line of Business

<u>Dwelling Business</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
New	1,023	1,334	1,526	1,968	1,891
Renewal	12,121	13,237	14,168	14,860	16,037
Total	13,144	14,571	15,694	16,828	17,928
<u>Commercial Business</u>					
New	23	19	19	20	24
Renewal	288	328	364	401	462
Total	311	347	383	421	486
<u>Crime Business</u>					
New	6	6	3	6	10
Renewal	120	137	162	180	203
Total	126	143	165	186	213
<u>All Lines</u>					
New	1,052	1,359	1,548	1,994	1,925
Renewal	12,529	13,702	14,694	15,441	16,702
Total	13,581	15,061	16,242	17,435	18,627

New Jersey Insurance Underwriting Association

Applications Received by Line of Business

<u>Dwelling Business</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
New	1,107	1,457	1,664	1,981	1,905
Renewal	12,316	13,387	15,292	15,996	17,200
Total	13,423	14,844	16,956	17,977	19,105
 <u>Commercial Business</u>					
New	24	24	33	35	42
Renewal	297	330	403	443	510
Total	321	354	436	478	552
 <u>Crime Business</u>					
New	6	6	4	8	12
Renewal	124	139	189	210	236
Total	130	145	193	218	248
 <u>All Lines</u>					
New	1,137	1,487	1,701	2,024	1,959
Renewal	12,737	13,856	15,884	16,649	17,946
Total	13,874	15,343	17,585	18,673	19,905

New Jersey Insurance Underwriting Association

Claim Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
New Claims Reported	364	491	453	660	844
Large Losses (+ \$100k)	6	16	14	14	15
Catastrophe Losses	1	77	34	14	3
Arson Losses	2	3	1	1	0
Paid Losses	\$2,466,000	\$5,199,000	\$3,972,000	\$4,650,000	\$13,076,000
Case Reserves	\$1,015,000	\$1,005,000	\$1,279,000	\$1,154,000	\$1,470,000
Loss Exp. Paid	\$717,000	\$1,033,000	\$1,090,000	\$1,560,000	\$2,165,000
Loss Exp. Reserves	\$311,000	\$323,000	\$406,000	\$391,000	\$404,000
IBNR Reserves	\$481,000	\$503,000	\$536,000	\$713,000	\$1,105,000

2017 ANNUAL REPORT

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

BOARD OF DIRECTORS 2017

NAME

REPRESENTING

Mr. Michael Petersen, Chair	Liberty Mutual Insurance Company
Ms. Dana Pelzer	Allstate New Jersey Insurance Company
Mr. John Marlow	Chubb
Mr. Vince Noggle	Franklin Mutual Insurance Company
Mr. Jeffrey Kuhnen	Hartford Fire Insurance Company
Mr. Brian F. Connors	National General & New Jersey Skylands Insurance
Ms. Susan A. Erney-Gleason	Nationwide Insurance Companies
Mr. Michael Vajo	NJ Manufacturers Insurance Company
Mr. Joseph G. Wood	Selective Insurance Company of America
Mr. Richard Landers	State Farm Fire and Casualty Company
Ms. Katherine Marino	Travelers of New Jersey
Mr. Daniel Peralta	Amica Mutual Insurance Company
Mr. John A. Papa	Public Member
Mr. L. Richard Gore	Public Member
Mr. Mario Giudice	Public Member
Mr. Richard Romano	Public Member
Ms. Jeanette Seabrooks	Public Member
Mr. John B. Wilson	Public Member
Mr. Scott Caughlan	Independent Insurance Agents & Brokers of NJ
Ms. Esther Saldivar-Tanez	Professional Insurance Agents of New Jersey

OBSERVER

Mr. Mark Nussenfeld	New Jersey Department of Banking and Insurance
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2017 ANNUAL REPORT
NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION
STAFF OF THE ASSOCIATION

Steve Mutterperl
Jennifer Peaks

Underwriting Services – Steve Mutterperl

Dianna Anthony
Indra Daniel
Tisha Elam
Kamie Koonjan-Daniel
Faziah Mangar
Toni Yumang
Ibis Zafra

Claim Services – Steve Mutterperl

Justin Floyd
Laurie Hallam

Information Technology – Israel Popack

Ted Abrams

Financial Services – Albert Chin

Akleema Abrams
Fred Lund
Carmen Rodriguez
Elaine Tam