



The New Jersey Safety Net

2016 Annual Report

2016 Annual Report

of the
**New Jersey Property-Liability
Insurance Guaranty Association**

THE NEW JERSEY SAFETY NET

NJPLIGA was established in 1974 to provide statutory benefits to insureds and claimants of insolvent property-casualty insurance companies. A safety net is provided to New Jersey policyholders and claimants when they find themselves without certain types of insurance coverage. Reimbursement of insurance carriers handling certain excess medical benefits (EMBs) paid on personal injury protection (PIP) claims is also a responsibility of NJPLIGA. NJPLIGA works in conjunction with its Board of Directors, member companies and the New Jersey Department of Banking and Insurance (DOBI) to satisfy its statutory responsibilities.

NJPLIGA also administers the following statutory entities:

Workers' Compensation Security Fund (WCSF). *The WCSF was created in 1935 and administers the claims of insolvent workers' compensation insurance carriers arising from the coverage of risks located or resident in New Jersey. In January 2010, responsibility for the administration of the WCSF was transferred to NJPLIGA.*

New Jersey Surplus Lines Insurance Guaranty Fund (NJSLIGF). *NJSLIGF was established in 1984 to provide statutory benefits to the policyholders and claimants of insolvent surplus lines insurance carriers. At year end, surplus lines membership totaled 201 eligible insurers.*

Unsatisfied Claim and Judgment Fund (UCJF). *In 1952, the UCJF was established to pay the damages of uninsured claimants who were injured in an accident with an uninsured motorist. From 2004 to March 31, 2016, the UCJF provided private passenger automobile and commercial motor vehicle stranger pedestrian PIP benefits. Effective on or before March 31, 2016, commercial motor vehicle insurance carriers became obligated to provide commercial motor vehicle stranger pedestrian PIP coverage.*

NJPLIGA CLAIMS AND FINANCIAL ACTIVITY

Statements of Assets, Liabilities and Fund Balance – Modified Cash Basis

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 8,554,313	\$ 35,583,382
Investments, at cost	269,115,147	242,892,072
Assessments receivable due from member companies, net of allowance of \$753,320 in 2016 and 2015	50,350	73,903
Due from affiliated funds	1,589,424	2,158,822
Property and equipment, net of accumulated depreciation and amortization	1,587,371	1,849,349
Other assets	<u>159,101</u>	<u>193,275</u>
 Total assets	 <u>\$ 281,055,706</u>	 <u>\$ 282,750,803</u>
LIABILITIES AND FUND BALANCE		
Employee benefits payable	\$ 24,253	\$ 24,276
Due to affiliated funds	-	-
Funds held under TPA contracts	<u>3,950,423</u>	<u>3,832,014</u>
 Total liabilities	 3,974,676	 3,856,290
 Fund balance	 <u>277,081,030</u>	 <u>278,894,513</u>
 Total liabilities and fund balance	 <u>\$ 281,055,706</u>	 <u>\$ 282,750,803</u>

Statements of Assessments Charged and Collections, Expenses and Fund Balance – Modified Cash Basis

	Year Ended December 31,	
	2016	2015
Assessments charged and collections:		
Members' assessments charged, net of refunds	\$ 92,177,875	\$ 105,470,503
Net investment and interest income	1,973,740	1,884,240
Interest income received from affiliated fund	53,551	11,963
Distributions collected in connection with insolvency proceedings (including interest thereon)	514,742	40,518,090
Large deductible recoveries	-	750
Fund transfer from state of New Jersey – TPA	8,930,127	2,831,699
	<u>103,650,035</u>	<u>150,717,245</u>
Expenses:		
Claims paid	2,577,220	4,356,587
Claims paid – Excess Medical Benefit	90,378,490	114,399,199
Claims paid – TPA	7,294,054	2,019,372
Claims expense paid	707,115	401,554
Claims expense paid – Excess Medical Benefit	803,098	814,519
Claims expense paid – TPA	936,816	1,059,257
Premium refunds paid	-	16,130
Administrative expenses paid – direct	13,887,252	12,916,926
Administrative expenses reimbursed and due from other funds	(13,390,184)	(12,375,656)
Administrative expenses charged – Excess Medical Benefit	1,888,298	2,052,793
Administrative expenses charged – TPA	381,359	681,218
	<u>105,463,518</u>	<u>126,341,899</u>
(Deficiency) excess of assessments charged and collections over expenses	(1,813,483)	24,375,346
Fund balance at beginning of year	<u>278,894,513</u>	<u>254,519,167</u>
Fund balance at end of year	<u>\$ 277,081,030</u>	<u>\$ 278,894,513</u>

DISBURSEMENTS - NJPLIGA

In 2016, the total losses paid by the Association on insolvency, EMB and TPA claims combined was \$100.3 million and total loss adjustment expenses (LAE) were \$2.5 million. NJPLIGA’s indemnity payments on insolvent estates totaled \$2.6 million with \$707,115 in LAE.

Figure 1: NJPLIGA Disbursements on Estates	
Inception to 12/31/2016 (in millions)	
Top 10 Estates	Disbursements
Phico Insurance	\$81.1
MIIX Insurance	\$74.1
Integrity Insurance	\$73.6
Reliance Insurance	\$70.7
Homestate Insurance	\$70.0
Midland Insurance	\$53.3
Transit Casualty Insurance	\$43.1
Legion Insurance	\$39.3
Gateway Insurance	\$29.7
Security Indemnity Insurance	\$28.7
Total	\$563.6

Figure 1: NJPLIGA Disbursements on Estates, left, shows the top ten estates with the largest disbursements since the inception of the organization.

NJPLIGA is also responsible for the runoff of EMB claims. In 2016, EMB expenditures averaged \$7.6 million per month totaling \$91.2 million for the year in reimbursements to member companies and the organization on PIP claims.

RECEIPTS - NJPLIGA

Distributions from insolvent estates totaled \$514,741 in 2016.

At the May 10, 2016 Annual Meeting/Board of Directors’ Meeting, the NJPLIGA Board of Directors reviewed the funding needs of the organization to satisfy insolvency and other statutory obligations. The Board determined that an assessment of member companies was necessary and authorized a 0.6% assessment. A total of 490 member companies were billed \$92.2 million.

BALANCES AND RESERVES - NJPLIGA

At year end, the NJPLIGA fund balance was \$277.1 million with combined reserves of \$301.3 million including insolvency reserves of \$66.8 million and a two year EMB reserve of \$234.5 million.

INSOLVENCY ACTIVITY

The primary function of the organization is the management of the claims of insolvent property-casualty insurance companies. Lumbermen's Underwriting Alliance (LUA) was a property-casualty insurance company domiciled in Missouri which was declared insolvent on May 23, 2016. NJPLIGA did not receive any claims in connection with this insolvency.

WCSF CLAIMS AND FINANCIAL ACTIVITY

Statements of Assets, Liabilities and Fund Balance – Modified Cash Basis

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 7,177,846	\$ 14,412,448
Investments, at cost	173,689,824	151,396,690
Assessments receivable due from member companies, net of allowance of \$155,578 in 2016 and 2015	-	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 180,867,670</u>	<u>\$ 165,809,138</u>
 LIABILITIES AND FUND BALANCE		
Due to affiliated funds	<u>\$ 360,553</u>	<u>\$ 440,250</u>
	360,553	440,250
Total liabilities	360,553	440,250
Fund balance	<u>180,507,117</u>	<u>165,368,888</u>
	180,507,117	165,368,888
Total liabilities and fund balance	<u>\$ 180,867,670</u>	<u>\$ 165,809,138</u>

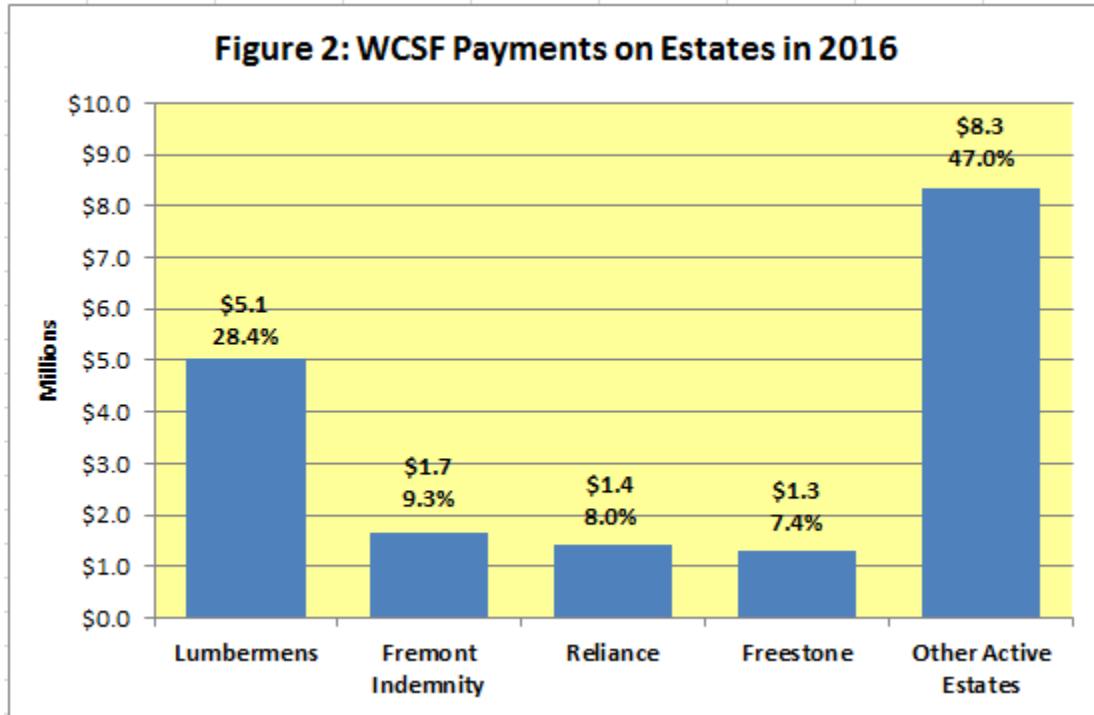
Statements of Assessments Charged and Collections, Expenses and Fund Balance – Modified Cash Basis

	Year Ended December 31,	
	<u>2016</u>	<u>2015</u>
Assessments charged and collections:		
Members' assessments charged	\$ 23,869,626	\$ 23,331,106
Net investment and interest income	1,258,153	915,296
Distributions collected in connection with insolvency proceedings (including interest thereon)	10,009,772	18,892,131
Large deductible recoveries	<u>957,707</u>	<u>196,880</u>
Total assessments charged and collections	<u>36,095,258</u>	<u>43,335,413</u>
Expenses:		
Claims paid	16,751,325	16,907,253
Claims expenses paid	1,044,553	1,208,876
Administrative expenses charged – association	3,117,117	2,512,103
Administrative expenses paid – direct	<u>44,034</u>	<u>34,571</u>
Total expenses	<u>20,957,029</u>	<u>20,662,803</u>
Excess of assessments charged and collections over expenses	15,138,229	22,672,610
Fund balance at beginning of year	<u>165,368,888</u>	<u>142,696,278</u>
Fund balance at end of year	<u>\$ 180,507,117</u>	<u>\$ 165,368,888</u>

WCSF

DISBURSEMENTS - WCSF

In 2016, the WCSF’s loss payments on insolvent estates totaled \$16.8 million plus \$1 million of LAE. **Figure 2: WCSF Payments on Estates in 2016**, below, shows Lumbermens Mutual Casualty Company with the highest payments of \$5.1 million in 2016.



RECEIPTS - WCSF

Distributions from insolvent estates in 2016 totaled \$11 million. The WCSF collected \$23.9 million in assessments from 275 member companies in 2016.

BALANCES AND RESERVES - WCSF

The year-end available funds for the WCSF totaled \$180.5 million with loss and LAE reserves of \$266.5 million and \$7.1 million, respectively.

INSOLVENCY ACTIVITY

The WCSF received 246 workers' compensation claims in connection with the LUA insolvency. Approximately \$1.1 million has been paid in loss and LAE with \$16.8 million in combined loss and LAE reserves.

In 2016, 25 insolvent workers' compensation estates were managed by the WCSF. There were no estate closures in 2016.

SLIGF CLAIMS AND FINANCIAL ACTIVITY

Statements of Assets, Liabilities and Fund Balance – Modified Cash Basis

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 5,323,404	\$ 625,371
Reserve fund	37,000	37,000
Investments, at cost	<u>6,867,777</u>	<u>11,578,891</u>
 Total assets	 <u>\$ 12,228,181</u>	 <u>\$ 12,241,262</u>
 LIABILITIES AND FUND BALANCE		
Due to affiliated fund	<u>\$ 1,343</u>	<u>\$ 38,302</u>
 Total liabilities	 1,343	 38,302
 Fund balance	 <u>12,226,838</u>	 <u>12,202,960</u>
 Total liabilities and fund balance	 <u>\$ 12,228,181</u>	 <u>\$ 12,241,262</u>

Statements of Collections, Expenses and Fund Balance – Modified Cash Basis

	Year Ended December 31,	
	2016	2015
Collections:		
Net investment and interest income	\$ 91,944	\$ 71,025
Distributions collected in connection with insolvency proceedings (including interest thereon)	<u>7,203</u>	<u>1,078,934</u>
Total collections	<u>99,147</u>	<u>1,149,959</u>
Expenses:		
Claims paid	42,585	43,427
Claims expenses (recovered) paid	(15,112)	21,990
Administrative expenses charged – association	45,002	39,310
Administrative expenses paid – direct	<u>2,794</u>	<u>3,897</u>
Total expenses	<u>75,269</u>	<u>108,624</u>
Excess of collections over expenses	23,878	1,041,335
Fund balance at beginning of year	<u>12,202,960</u>	<u>11,161,625</u>
Fund balance at end of year	<u>\$ 12,226,838</u>	<u>\$ 12,202,960</u>

NJSLIGF

DISBURSEMENTS

NJSLIGF continued to experience minimal claim activity in 2016. Losses paid totaled \$42,584. LAE payments totaled \$12,776 with reclassifications from NJSLIGF to NJPLIGA totaling \$27,888 for a net LAE reduction of \$15,112.

RECEIPTS

Distributions from insolvent estates totaled \$7,203 in 2016.

BALANCES AND RESERVES

As of December 31, 2016, NJSLIGF had a fund balance totaling \$12.2 million with combined indemnity and LAE reserves of \$1.1 million.

UCJF CLAIMS AND FINANCIAL ACTIVITY

Statements of Assets, Liabilities and Fund Balance – Modified Cash Basis

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 12,184,481	\$ 6,714,222
Investments, at cost	6,028,522	15,052,808
Assessments receivable due from member companies net of allowance of \$17,573 in 2016 and 2015	98,823	10,877
 Total assets	<u>\$ 18,311,826</u>	<u>\$ 21,777,907</u>
LIABILITIES AND FUND BALANCE		
Balances due plaintiffs arising from settlements	\$ 514,498	\$ 498,257
Due to affiliated fund	1,227,459	1,679,606
 Total liabilities	1,741,957	2,177,863
 Fund balance	<u>16,569,869</u>	<u>19,600,044</u>
 Total liabilities and fund balance	<u>\$ 18,311,826</u>	<u>\$ 21,777,907</u>

Statements of Assessments Charged and Collections, Expenses and Fund Balance – Modified Cash Basis

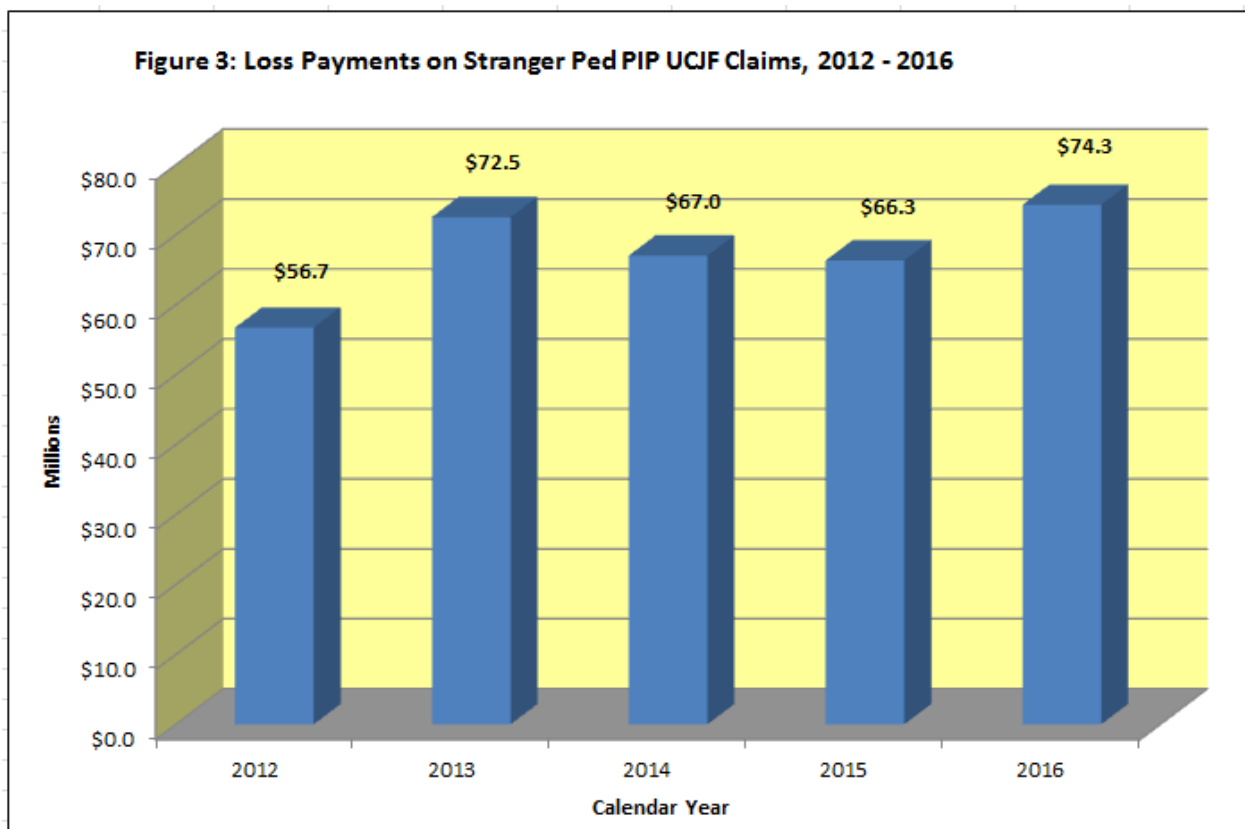
	Year Ended December 31,	
	<u>2016</u>	<u>2015</u>
Assessments charged and collections:		
Members' assessments charged	\$ 86,839,014	\$ 86,125,554
Claims recoverable	118,143	112,704
Net investment and interest income	337,380	287,298
	<u>87,294,537</u>	<u>86,525,556</u>
Expenses:		
Claims paid	74,258,386	67,908,077
Claims expense paid	5,703,764	5,894,760
Administrative expenses charged - association	10,216,216	9,812,679
Administrative expenses paid - direct	92,795	117,601
Interest expense paid to affiliate - direct	53,551	11,963
	<u>90,324,712</u>	<u>83,745,080</u>
(Deficiency) excess of assessments charged and collections over expenses	(3,030,175)	2,780,476
Fund balance at beginning of year	<u>19,600,044</u>	<u>16,819,568</u>
Fund balance at end of year	<u><u>\$ 16,569,869</u></u>	<u><u>\$ 19,600,044</u></u>

UCJF

DISBURSEMENTS

The organization’s UCJF responsibilities include the administration of uninsured motorist and stranger pedestrian PIP claims. By Commissioner’s Order No. A15-106 dated June 30, 2015 (Order), the DOBI withdrew the commercial pedestrian PIP claims from the UCJF’s risk sharing mechanism. Effective on or before March 31, 2016, commercial motor vehicle insurance carriers became obligated to provide this coverage. After that date, the UCJF was only responsible for private passenger automobile stranger pedestrian PIP claims and the run-off of older commercial motor vehicle pedestrian PIP claims.

In 2016, combined indemnity and LAE payments totaled \$80 million with \$74.3 million in indemnity and \$5.7 million in LAE. **Figure 3: Loss and Expense Payments on Stranger Ped PIP UCJF Claims, 2012-2016**, below, shows actual payments for pedestrian PIP claims in 2016.



RECEIPTS

At the May 10, 2016 Annual Meeting/Board of Directors' Meeting, the NJPLIGA Board of Directors, as statutory administrator of the UCJF, reviewed the funding needs to satisfy responsibilities associated with stranger pedestrian PIP and uninsured motorist claims. The Order transferring the administration of commercial pedestrian PIP claims to the commercial carriers provided that all commercial carriers would continue to be assessed for commercial pedestrian PIP claims by the UCJF based upon their net direct written premium (NDWP) until all commercial pedestrian PIP claims covered by the risk sharing mechanism were run-off. The Order also provided that commercial carriers would continue to be assessed for the UCJF's uninsured motorist obligations.

The Board determined that an assessment of private passenger automobile carriers was necessary and authorized a 1.5% assessment of each private passenger automobile carrier's NDWP. The Board also determined that an assessment of commercial motor vehicle carriers was necessary and authorized a 1.5% assessment of each commercial motor vehicle carrier's NDWP. The assessment generated a billing to 304 member companies in the amount of \$86.8 million.

RECEIPTS – UCJF COLLECTION ACTIVITY

The services of a collection agency are utilized to recover the debts owed to the UCJF by uninsured automobile owners and drivers and \$112,704 was collected in 2016.

BALANCES AND RESERVES

The year end available funds for the UCJF totaled \$16.6 million with outstanding indemnity and LAE reserves of \$74.4 million.

BOARD OF DIRECTORS

Pursuant to N.J.S.A. 17:30A-1 et seq., NJPLIGA is governed by a nine member Board of Directors consisting of insurance industry representatives. The following is a list of the current Board of Directors.

NJPLIGA

Stephen Crosta, Board Chair	Selective Insurance Company of America
Georgia Flamporis, Vice-Chair	Allstate New Jersey Insurance Company
James Doherty, Treasurer	Farmers Mutual Fire Insurance Company of Salem County
Robert DiUbaldo	Federal Insurance Company
John Friedman	United Services Automobile Association
William Lynch	Liberty Mutual Insurance Company
Thomas A. Nowak	AIG Property Casualty Company
Jessica Schlee-Gilbert	New Jersey Manufacturers Insurance Company
David Ziemer	State Farm Insurance Company

NJSLIGF Advisory Body

Charles McCloskey, Jr.

Frank Powell, Jr.

Metcom Excess

FTP, Inc.

Board Counsel

Cynthia Borrelli, Esq.

Bressler, Amery and Ross, P.C.

BOARD MEETINGS

The Board of Directors met in regular session on January 26, 2016, May 10, 2016 and September 21, 2016.