



The New Jersey Safety Net

2010 Annual Report

2010 Annual Report

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

The New Jersey Property-Liability Insurance Guaranty Association (NJPLIGA) has long been an important part of the protections afforded to New Jersey insureds and claimants. In addition to the core statutory responsibility of insolvent claims administration, NJPLIGA manages multiple entities as part of New Jersey's safety net. In 2010, the New Jersey Legislature further enhanced the protections provided by the organization by transferring responsibility for the administration of the Workers' Compensation Security Fund to NJPLIGA. NJPLIGA's management of multiple funds provides a consistent claims base producing efficiencies and controlling expenses.

THE NEW JERSEY SAFETY NET

NJPLIGA affords a safety net to New Jersey policyholders and claimants by providing statutory benefits to those who find themselves without certain types of insurance coverage. The organization was established in 1974 to pay statutory benefits to insureds and claimants of insolvent property-casualty insurance companies. NJPLIGA is also responsible for reimbursing insurance carriers handling certain excess medical benefits (EMBs) paid on personal injury protection (PIP) claims. NJPLIGA accomplishes its statutory goals by working in conjunction with its Board of Directors, member companies and the New Jersey Department of Banking and Insurance (NJDOBI).

NJPLIGA also provides the professional administration of the following statutory entities:

Unsatisfied Claim and Judgment Fund (UCJF). In 1952, the UCJF was established to pay the damages of claimants who were injured in an accident with an uninsured motorist and had no insurance coverage of their own. Since 2004, pedestrian PIP claims are also covered by the UCJF.

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 188 eligible insurers.

Workers' Compensation Security Fund (WCSF). Created in 1935, the WCSF establishes a pool of money to pay 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.

NJPLIGA also services claims on behalf of the **New Jersey Medical Malpractice Reinsurance Association** and provides third party administrator (TPA) services to the NJDOBI for the General Motors Corporation and Adamar of New Jersey, Inc., dba Tropicana Casino and Resort, self-insured New Jersey workers' compensation liabilities.

CLAIM AND FINANCIAL ACTIVITY

The core purpose of the organization is the management of the claims of insolvent property-casualty insurance companies. In 2010, 59 insolvent estates were administered by NJPLIGA with one estate closure. NJPLIGA managed one new insolvency during the same period. The transfer of responsibility for the administration of the WCSF to NJPLIGA is consistent with the organization's core purpose of insolvent claims handling. In 2010, 28 insolvent workers' compensation estates were managed by the WCSF and one new workers' compensation insolvency was administered.

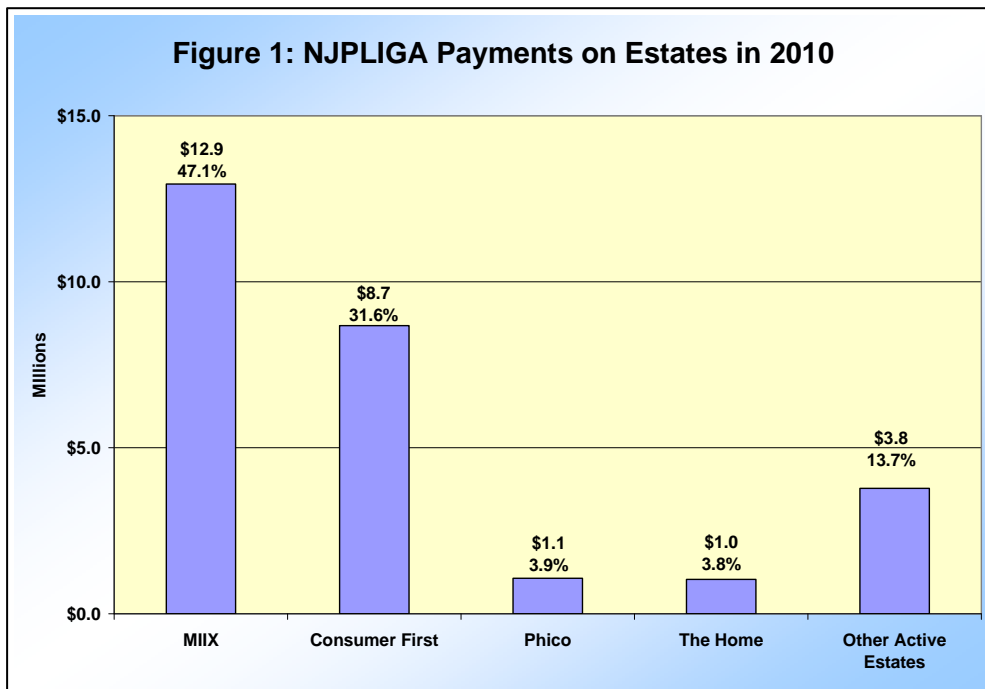
NJPLIGA

NEW INSOLVENCIES

On March 4, 2010, **The Insurance Corporation of New York (INSCORP)** was declared insolvent. INSCORP was a licensed property-casualty insurance company domiciled in New York writing commercial auto and general liability coverages in multiple states, including New Jersey. NJPLIGA received seven claims including PIP, bodily injury and property damage. To date, three claims have been closed with approximately \$100,000 paid in indemnity and loss adjustment expenses (LAE) and \$283,000 in combined indemnity and LAE reserves.

DISBURSEMENTS

NJPLIGA's indemnity payments on insolvent estates totaled \$23.8 million in 2010 with \$3.7 million of LAE. This represents a combined 34% decrease from 2009 paid indemnity and LAE of \$37 million and \$4.5 million,



respectively. Payment activity for the top four estates is illustrated in **Figure 1: NJPLIGA Payments on Estates in 2010.**

Indemnity and LAE payments for the four open estates noted in the figure accounted for 86% of all NJPLIGA insolvency payments for the year. As anticipated, payments for the MIIX medical malpractice insolvency were the highest in 2010 representing 47% of the payments made.

Figure 2: NJPLIGA Disbursements on Estates

Inception to 12/31/2010 (in millions)

| Top 10 Estates | Disbursements |
|------------------------------|----------------|
| Phico Insurance | \$78.2 |
| Integrity Insurance | \$70.4 |
| Homestate Insurance | \$62.6 |
| Reliance Insurance | \$62.6 |
| Midland Insurance | \$51.3 |
| MIIX Insurance | \$50.5 |
| Transit Casualty Insurance | \$41.1 |
| Legion Insurance | \$36.8 |
| Gateway Insurance | \$27.2 |
| Security Indemnity Insurance | \$26.8 |
| Total | \$507.5 |

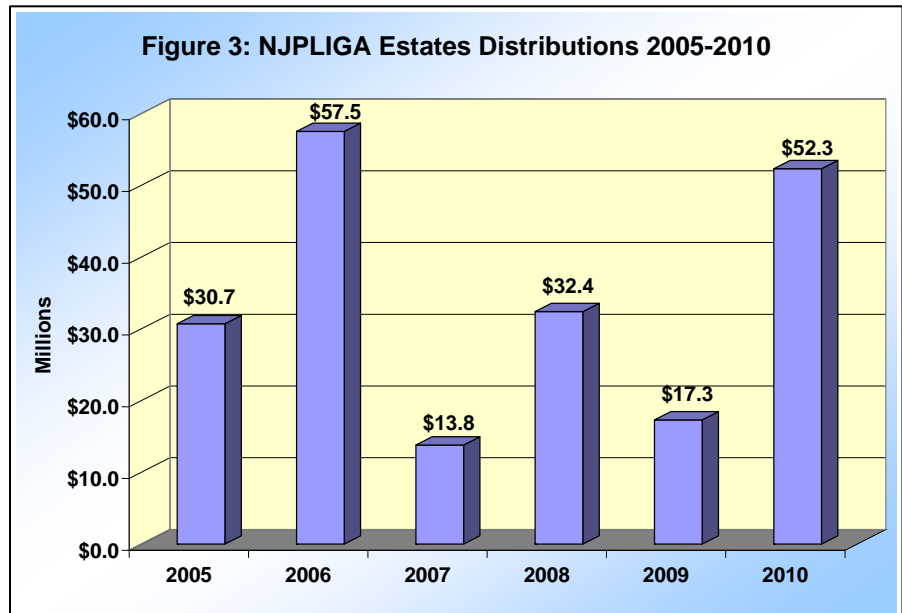
Figure 2: NJPLIGA Disbursements on Estates, left, shows the top ten estates with the largest disbursements since the inception of the organization. Homestate Insurance moved into the third position with \$62.6 million and MIIX moved into the number six position with \$50.5 million in disbursements.

NJPLIGA is also responsible for the runoff of EMB claims. In 2010, EMB expenditures averaged \$11.3 million per month totaling \$135.4 million for the year in reimbursements to member companies and the organization on PIP claims. The 5% decrease from \$143 million in 2009 demonstrates the steady decline in EMB activity.

RECEIPTS

Distributions from insolvent estates totaled \$52.3 million in 2010. Although estate distributions are unpredictable, the organization works diligently with liquidators to reconcile records and data in order to maximize refunds. As shown in Figure 3: NJPLIGA Estate Distributions 2005 – 2010, right, over the past six years, the organization has received \$204 million in estate distributions.

At the May 12, 2010 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 0.9% assessment. A total of 464 member companies were billed \$115 million.



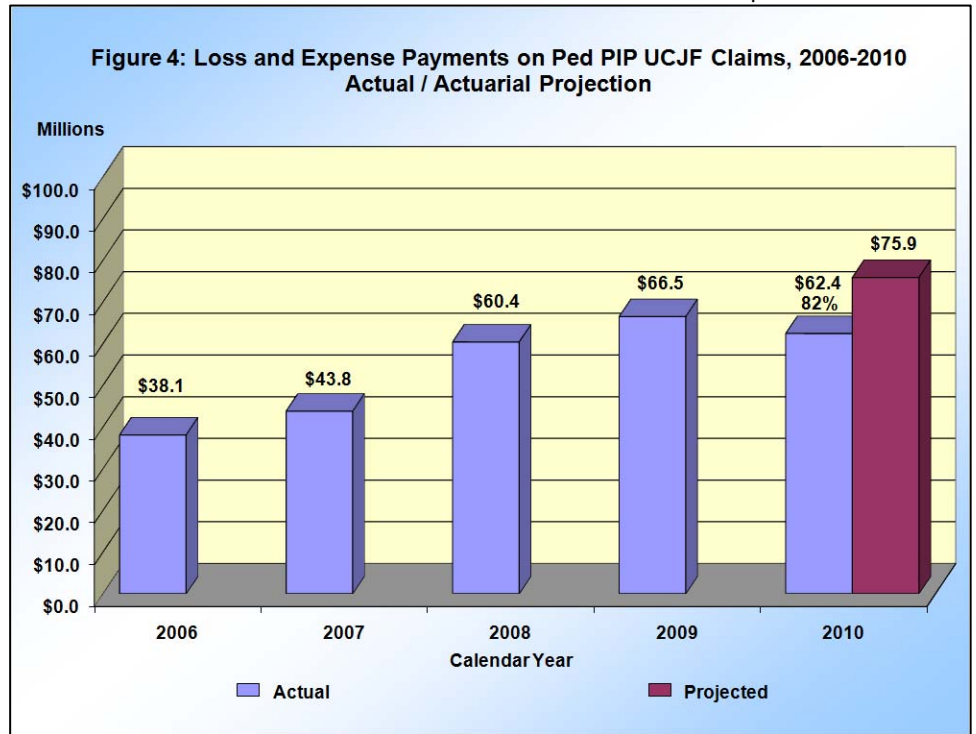
BALANCES AND RESERVES

At year end 2010, the NJPLIGA fund balance was \$296.6 million with combined reserves of \$396.8 million including insolvency reserves of \$136.3 million, LAE reserves of \$7.6 million and a two year EMB reserve of \$254.4 million.

UCJF

DISBURSEMENTS

The organization's UCJF responsibilities include the administration of uninsured motorist and pedestrian PIP claims. In 2010, combined indemnity and LAE payments totaled \$67.2 million with \$62.1 million in indemnity and \$5.2 million in LAE. The 8% decrease from the 2009 combined indemnity and LAE payments of \$73.2 million is due in part to the 2009 enactment of the PIP fee schedule and enhanced medical management and cost containment measures instituted by the organization. As shown in **Figure 4: Loss and Expense Payments on Ped PIP UCJF Claims, 2006-2010**, right, in 2010, actual payments for pedestrian PIP claims represent an 18% reduction over actuarial projected expenditures.



RECEIPTS

At the May 12, 2010 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 pedestrian PIP and uninsured motorist claims. The Board determined that an assessment of member companies was necessary and authorized a 1.5% assessment of each carrier's automobile liability net direct written premium. The assessment generated a billing to 297 member companies in the amount of \$70.8 million of which \$70.7 million was collected as of December 31, 2010.

RECEIPTS – UCJF COLLECTION ACTIVITY

NJPLIGA continues to work with a collection agency to recover the debts owed to the UCJF by uninsured automobile owners and drivers. Although approximately \$325,000 was collected in 2010 utilizing proven debt collection strategies, the volume of historical debt and the difficulty of recovering this type of unsecured obligation remains a challenge.

BALANCES AND RESERVES

The year end available funds for the UCJF totaled \$14.3 million with outstanding indemnity and LAE reserves of \$80.9 million.

NJSLIGF

DISBURSEMENTS

NJSLIGF continued to experience minimal claim activity in 2010. Indemnity and LAE disbursements totaled \$5.6 million. This significant increase from 2009 combined disbursements of \$55,000 is due to a liquidator reclassification of 31 claims on the Reliance Insurance Company estate from property-casualty claims handled by NJPLIGA to surplus lines claims administered by NJSLIGF. Due to this reclassification to the insolvent surplus lines company, Reliance Insurance Company of Illinois, the 2010 NJSLIGF claims figures include seven active claims transferred from NJPLIGA to NJSLIGF for handling.

RECEIPTS

NJSLIGF received \$2.5 million in liquidation dividends in 2010. Monies collected in connection with member fees totaled \$150,000 from six new eligible members.

BALANCES AND RESERVES

As of December 31, 2010, NJSLIGF had a fund balance totaling \$10.5 million with combined indemnity and LAE reserves of \$2.3 million.

WCSF

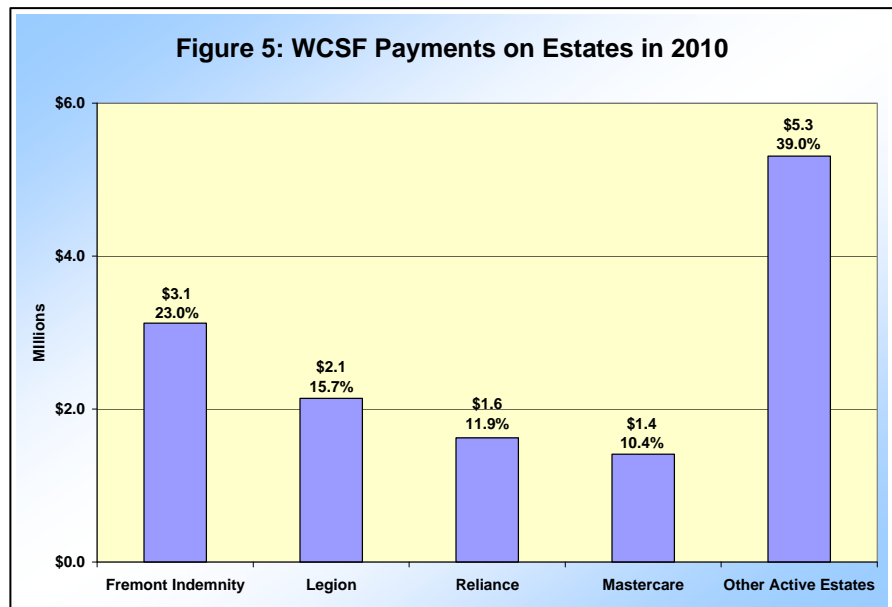
Responsibility for the administration of the WCSF was transferred to NJPLIGA in January 2010.

NEW INSOLVENCIES

On May 12, 2010, **Imperial Casualty and Indemnity Company** was declared insolvent. Imperial Casualty was a licensed property and casualty insurance company domiciled in Oklahoma writing workers' compensation coverage in New Jersey. The WCSF received 68 workers' compensation claims. To date, 14 claims have been closed with approximately \$200,000 paid in indemnity and LAE and \$1 million in combined indemnity and LAE reserves.

DISBURSEMENTS

The WCSF's indemnity payments on insolvent estates from March 1, 2010 forward totaled \$12.6 million in 2010 plus \$1 million of LAE. Figure 5: WCSF Payments on Estates in 2010, right, shows



Freemont Indemnity is in the first position with \$3.1 million in payments.

RECEIPTS

In 2010, distributions from insolvent estates totaled \$22.5 million. This significant distribution was the result of an aggressive reconciliation effort undertaken by the organization on this new responsibility. The WCSF collected \$17 million from 241 member companies in 2010.

BALANCES AND RESERVES

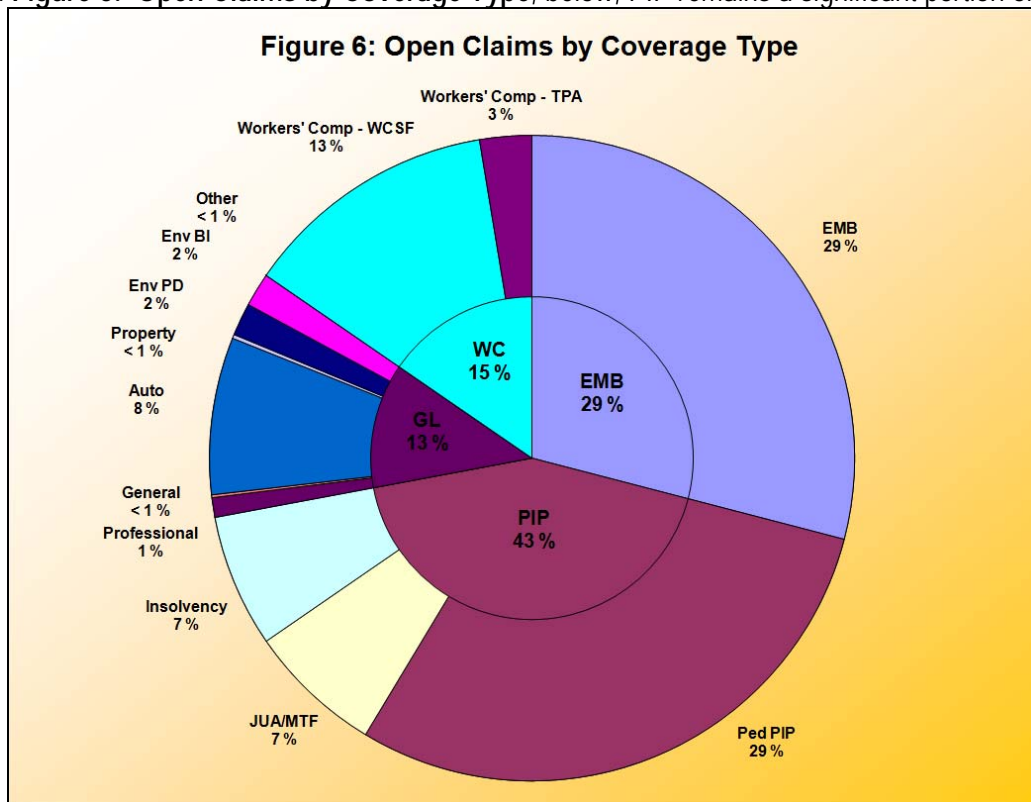
The year end available funds for the WCSF totaled \$62 million with outstanding indemnity and LAE reserves of \$101 and \$7 million, respectively.

CLAIMS OVERVIEW

The organization has diverse multi-fund responsibilities which were expanded in 2010 with the addition of the WCSF. NJPLIGA manages the Claims Division by claim type allowing for the efficient use of staff, effective cross-training and a high level of customer service. As PIP and workers' compensation medical claims continue to represent the majority of the claims handled by the organization, proactive and effective medical management is a primary goal. NJPLIGA utilizes both in-house and outside resources to maximize savings and control medical costs while providing thorough and appropriate medical care within the organization's statutory authority.

PIP

As shown in **Figure 6: Open Claims by Coverage Type**, below, PIP remains a significant portion of NJPLIGA's



operations. As of December 31, 2010, PIP claims accounted for 43% of the total pending claims and 30% of outstanding indemnity reserves. 2010 indemnity and LAE payments totaled \$113.6 million and \$6.2 million, respectively. Year end combined indemnity and LAE reserves for PIP claims were \$146.3 million excluding reserves for those NJPLIGA claims reimbursed as EMB's. As some expenditures for PIP responsibilities qualify for EMB reimbursement (\$46.1 million), some PIP payments are also accounted for in the total EMB payments for 2010.

UCJF PEDESTRIAN PIP WORKING GROUP

At the request of the Board of Directors, a working group consisting of member company representatives was formed in 2010 to evaluate the UCJF pedestrian PIP claims including the types of injuries, costs of medical care and the increased number of claims. The working group also focused on NJPLIGA's claims handling procedures and medical cost savings processes and initiatives. After reviewing the entire pedestrian PIP process, the working group concluded that the organization was taking all necessary and appropriate steps to protect New Jersey policyholders and claimants in an efficient and effective manner.

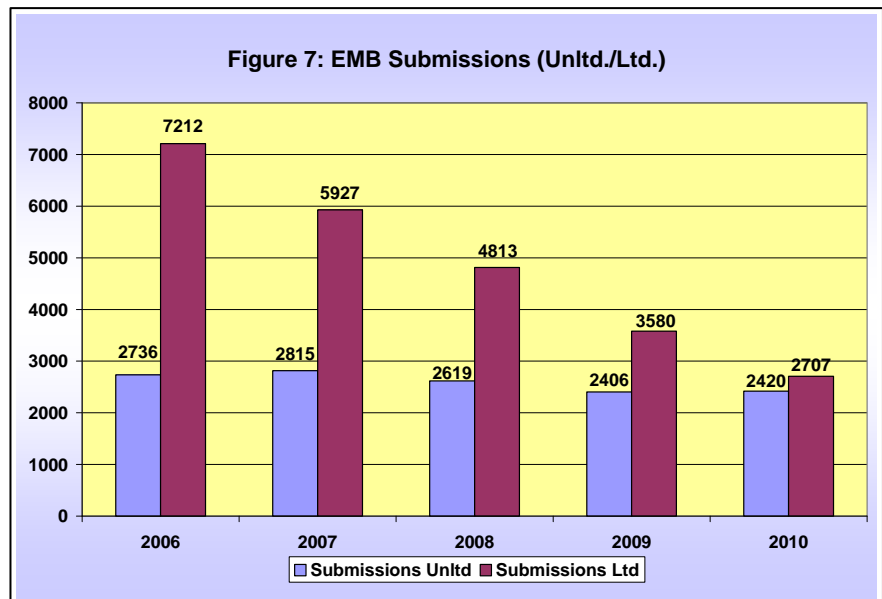
GENERAL LIABILITY

At year end 2010, there were 1,600 open general liability (GL) claims representing 13% of the organization's total claims. GL claims include auto, environmental, professional liability, uninsured motorist bodily injury and property damage. The total indemnity and LAE paid on GL claims in 2010 was \$23.7 million with year end combined indemnity and LAE reserves of \$81.1 million.

EMB

NJPLIGA's EMB reimbursement obligation was discontinued for policies issued or renewed on or after January 1, 2004. At year end, EMB claims represented 29% of the total pending claims. Reimbursements to carriers totaled \$90.5 million in 2010 excluding reimbursement to NJPLIGA for its PIP claims. Although NJPLIGA received a nominal number (134) of new limited EMB claims in 2010, there has been a steady decline in limited EMB activity. Unlimited EMB activity remained relatively stable in 2010.

Figure 7: EMB Submissions (Unlimited/Limited), right, illustrates the reduction in the number of reimbursement requests for PIP claims over the past five years with a 24% reduction in the number of limited submissions in 2010 from 2009.



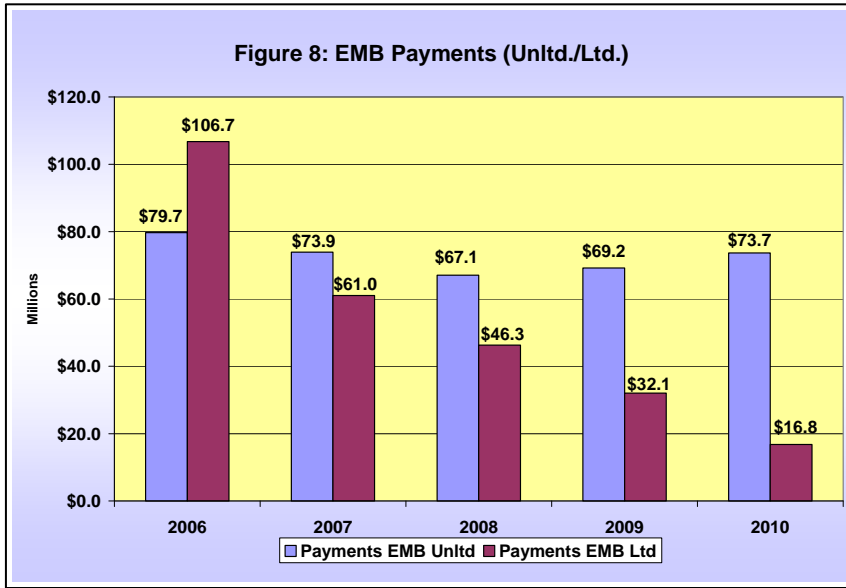


Figure 8: EMB Payments (Unlimited/Limited), left, demonstrates that while 2010 reimbursements to member companies on limited claims declined by 48% over 2009, the reimbursements paid on unlimited claims remains relatively stable with a 6% increase in payments.

WORKERS' COMPENSATION

At the conclusion of 2010, workers' compensation claims accounted for 15% of the organization's pending claims and the total paid on indemnity and LAE for the year was \$18.4 million. Year end combined indemnity and LAE reserves totaled \$116.8 million including the workers' compensation claims handled by the organization as a TPA. TPA responsibilities represent 17% of all of the workers' compensation claims administered by NJPLIGA and TPA reserves total \$8.8 million or 7.5% of the total reserves for this line of business.

THIRD PARTY ADMINISTRATOR ACTIVITY

NJPLIGA entered into contracts with NJDOBI to provide TPA services for the self-insured workers' compensation liabilities of General Motors Corporation and Adamar of New Jersey, Inc., dba Tropicana Casino and Resort. In 2010, indemnity and LAE paid on the 209 claims administered as a TPA totaled \$2.2 million with outstanding indemnity and LAE reserves of \$8.8 million.

UNEARNED PREMIUM REFUNDS

The organization experienced minimal unearned premium refund activity in 2010.

MEDICAL MANAGEMENT

In 2010, NJPLIGA expanded its medical management program. A few of the 2010 initiatives are described below.

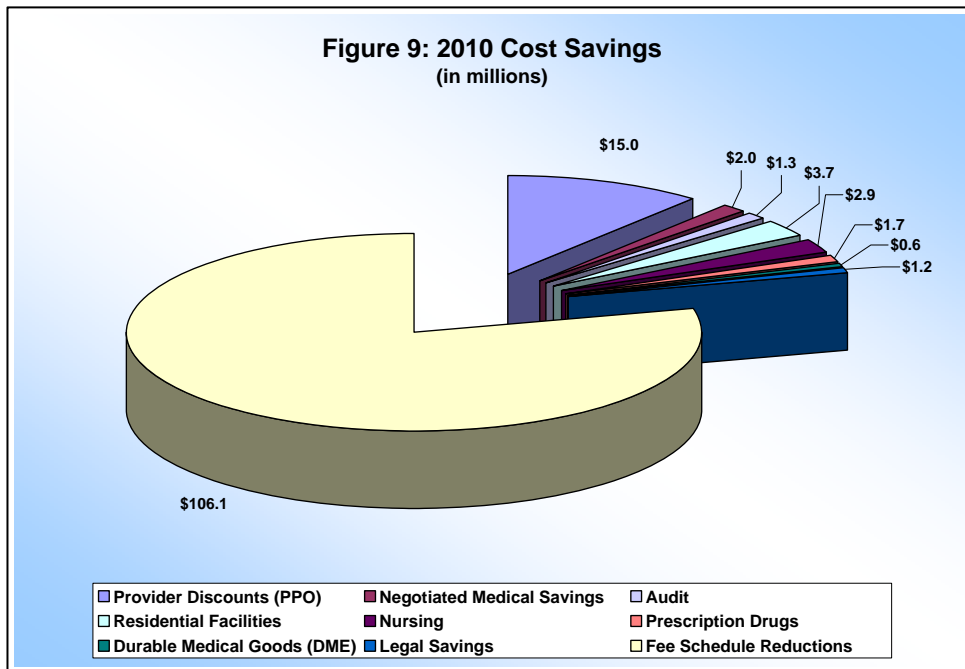
- Expanded the vendor negotiated discount program applicable to individual providers, nursing agencies, hospitals and residential facilities.
- Enhanced internal processes and vendor controls aimed at cost reduction.
- Instituted a skilled nursing facility (SNF) rate reduction protocol.
- Strengthened the medical management and audit program for medical claims files.

- Established critical referral criteria to either in-house or outside resources for medical claims management.
- Continued staff development through internal training programs conducted by the Director of Medical Management, providers and other professionals.
- Enhanced the NJPLIGA Decision Point Review/Precertification Plan.
- Enhanced reporting to maximize vendor quality control, internal medical management and fraud detection.

Given the large number of PIP and workers' compensation claims requiring medical management, NJPLIGA is evaluating its internal processes, as well as those provided through its medical management vendors, to determine the most efficient and cost effective manner of delivering quality medical services to its claimants. Potential changes include the internal administration of appropriate medical management programs.

COST CONTAINMENT PROGRAMS

Cost containment, especially in the areas of medical management and legal expenses, continues to be a goal of the organization. Leveraging the high number of medical claims administered by NJPLIGA allows the organization to realize negotiated savings with key providers in areas such as prescriptions, residential facilities, nursing and durable medical equipment. These economies of scale, coupled with the implementation of new medical management initiatives, have resulted in substantial cost savings. In 2010, network discounts and fee schedule reductions resulted in \$121.1 million in savings on medical costs. Desk audits, a prescription drug program, aggressive precertification management and negotiated discounts resulted in an additional \$12.4 million in medical savings. In April 2010, the organization instituted a pre-arbitration settlement conference program and realized over \$600,000 in legal and medical cost savings. An additional \$600,000 was saved due to other legal cost containment measures.



NJPLIGA's 2010 cost saving initiatives resulted in savings of over \$135 million. This is an increase of \$26.4 million dollars or 24% over 2009 efforts. **Figure 9: 2010 Cost Savings**, above, shows the results of NJPLIGA's cost saving initiatives.

COSTS OF MEDICAL MANAGEMENT

NJPLIGA continues to utilize the services of vendors to supplement its internal medical management program for PIP and workers' compensation medical claims. In 2010, the organization incurred fees to its primary medical management vendor in the amount of \$3.8 million for bill review, audits, fee negotiation projects, lifetime cost projections, field based nurse case management and precertification services. Preferred provider organization (PPO) fees paid to the vendor were \$3.4 million with a corresponding savings of \$15 million. NJPLIGA continues to control vendor costs through negotiation of discounted contractual rates and the coordination of services.

FRAUD PREVENTION AND DETECTION

Fraud prevention and detection remains a high priority for NJPLIGA and its staff. The Fraud Prevention Program continues to utilize a three pronged approach in its fraud prevention and detection efforts by involving staff in its Claims, Administration and Finance Divisions.

A trained and experienced in-house Fraud Prevention Specialist and Manager are charged with implementing the organization's Fraud Prevention Guidelines. They also serve as the organization's liaisons with the New Jersey Office of Insurance Fraud Prosecutor and the NJDOBI, coordinate fraud investigations and provide ongoing training to staff. The Unit implements a continuous internal claims auditing program to detect potential fraud issues and the organization ensures that key staff in the Claims, Administration and Finance Divisions are trained to identify potentially fraudulent activity. The Director of Medical Management also audits medical claim files to confirm appropriate treatment and evaluate potential medical fraud issues.

NJPLIGA remains especially vigilant with respect to UCJF and PIP claims. Due to the unique nature of the UCJF claims, which include pedestrian PIP, 38% of all claim submissions are denied during the eligibility verification process based upon misrepresentation of material facts such as vehicle ownership, residency and the facts of the accident. In conjunction with medical management efforts, treatment is diligently monitored in all PIP, particularly the older, unlimited claims and workers' compensation claims, to avoid payment of treatment for aging claimants unrelated to the original motor vehicle or workplace accident.

In-house training is conducted throughout the year by internal resources and outside professionals to educate staff on current fraud issues and trends. The organization partners with outside vendors, including independent investigation firms, surveillance specialists, medical management vendors and fraud counsel to assist in the detection, investigation and prevention of fraud. NJPLIGA's medical management vendor monitors claims and providers for patterns of fraudulent activity and vendor licensing irregularities. NJPLIGA staff works closely with fraud counsel to investigate any potentially fraudulent claims.

The organization continues to partner with its banking vendor to utilize a positive pay process and ensure that only checks for which appropriate electronic authorization is received are honored by the bank. Internal staff individually review any checks identified as questionable by the banking vendor.

Fraud controls are applied to all aspects of the organization. NJPLIGA's IT Governance Plan and Policies require organization wide internal controls that mitigate the risk of fraud. In 2010, the organization transitioned to an enterprise content management (ECM) or imaging system resulting in a permanent audit trail of all claims activities. The expansion of this system is planned for all areas of the organization. A stringent change management policy, mandated separation of duties and incorporation of documented risk analysis in all business decisions, ensure that system integrity and controls are maintained throughout the organization. All staff are

trained annually in the organization's information security policies and procedures which address both data and system protection and integrity.

Liquidators and their reinsurers also perform audits throughout the administration of the insolvency claims by NJPLIGA, NJSLIGF and WCSF.

LITIGATION MANAGEMENT

Litigation management continues to be an important focus of NJPLIGA. Given the nature of the organization and the many different types of claims it handles, NJPLIGA is involved in various types of litigation including PIP arbitrations, uninsured motorist, auto, medical and legal malpractice, GL and workers' compensation. The primary focus of the organization continues to be the aggressive management of PIP arbitrations and the continually evolving area of law relating to medical management.

PIP arbitrations are handled by a dedicated unit staffed with experienced examiners. By centralizing the management of litigated PIP and UCJF matters and working with a small group of experienced attorneys familiar with the unique statutory requirements of NJPLIGA and the UCJF, the organization ensures consistency in the internal and external handling of important issues. This proactive approach to litigation management allows the organization to track trends in litigation and arbitrations and permits the identification of those claims ripe for either individual or group settlements. In April 2010, the organization instituted a program of pre-arbitration settlement conferences with plaintiff attorneys resulting in savings of over \$600,000 in medical fees, arbitration fees and defense costs.

LEGAL ACTIVITY

NJPLIGA

In 2010, NJPLIGA was involved in two appellate matters. Valentin-Rivera v. NJPLIGA involves a medical malpractice claim in which the plaintiff infant was born with significant birth injuries. Plaintiff is seeking the recovery of two "covered claims" against the insured physician and the physician's professional corporation on the theory of vicarious liability. The trial court determined that the insolvent carrier's policy did not provide separate coverage for the corporation on the basis of vicarious liability. The plaintiff appealed the trial court's decision.

The second appeal, Farmers Mutual Fire Ins. Co. of Salem County v. NJPLIGA, involves two residential environmental remediation claims arising from the removal of underground storage tanks (USTs) by the homeowners. Farmers Mutual insured the two properties when the contamination was discovered and funded the remediation. An insolvent insurance company previously insured the properties and provided coverage during a portion of the period between the time the USTs began leaking and the discovery of the leaks and resulting damages. Farmers Mutual sought partial reimbursement from NJPLIGA based upon the policies issued by the insolvent insurance company. NJPLIGA denied reimbursement relying upon its statutory exhaustion defense. The trial court ruled against NJPLIGA and NJPLIGA filed an appeal as the trial court's decision is contrary to NJPLIGA's governing statute.

NJSLIGF, UCJF and WCSF

NJSLIGF, UCJF and WCSF did not experience significant legal activity in 2010.

ENTERPRISE CONTENT MANAGEMENT

As many insurance companies and liquidators have a paperless component to their operations, the past few insolvencies have presented challenges to the organization due to the need to accept imaged records. In preparation for the next "paperless" insolvency, NJPLIGA implemented an ECM system for all claims and claims support units in 2010. In addition to the imaging component, a robust document management system was implemented. Partnering with the vendors for the ECM and existing claim systems, staff adapted existing workflows for the new "paperless" environment. Due to significant advance preparation and training, the organization experienced a smooth transition to paperless claims administration.

In addition to increased monitoring capabilities for management, the ECM system has provided efficiencies in the areas of file storage, redundant clerical tasks, supplies and processing time among staff and units. The new system has enhanced the EMB process by allowing the paperless submissions of the reimbursement requests of member companies and has assisted liquidators with reconciliations and reinsurance efforts.

ACCOMPLISHMENTS BY THE NUMBERS

The daily operations of the organization are driven by NJPLIGA's mission to ensure the professional, timely and courteous provision of the services required by statute and the safety net. These principles are embraced by staff, as evidenced by the thousands of individual and group tasks completed each year to accomplish the organization's goals. A few accomplishments stand out as significant.

THE CLAIMS DIVISION

As the dynamic hub of the organization, the Claims Division provides experienced and effective claims handling in support of NJPLIGA's underlying mission. Through efficient claims handling, thorough and appropriate medical management and excellent customer service, each member of the Division strives to serve policyholders and claimants. Some examples of the services provided by the Claims Division follow.

- Effectively integrated approximately 3,900 new workers' compensation, insolvency, pedestrian PIP, uninsured motorist and EMB claims into the Division.
- Successfully administered two new insolvencies.
- Reviewed and authorized approximately 103,400 payments for EMB, PIP, workers' compensation and GL claims.
- Developed and implemented a PIP Fast Track Unit for more efficient processing of PIP claims.
- Developed and implemented a program to satisfy Medicare Secondary Payer (MSP) requirements and appropriately addressed 20,332 claimants for such compliance.
- Negotiated almost 100 pre-arbitration PIP settlements resulting in savings to the organization of over \$600,000 in medical fees, arbitration fees and defense costs.
- Negotiated per diem charges with residential facilities for 65 claimants resulting in savings of \$3.2 million.
- Negotiated prompt payment discounts on over 500 invoices resulting in savings of \$2.1 million.
- Negotiated pre-payment discounts on more than 100 invoices resulting in savings of \$326,000.
- Presented eight in-house training sessions for examiners utilizing internal resources and outside professionals in various areas of claims handling including medical management, litigation and fraud.

THE ADMINISTRATION DIVISION

Improving the customer service afforded to New Jersey policyholders and claimants while controlling costs continued to be the focus of the Administration Division in 2010. Effective customer service within the Division includes prompt, efficient handling of a myriad of responsibilities. NJPLIGA continued its program of shifting routine claims handling functions to claims and examiner support staff. The following are examples of a few of the Division's accomplishments.

CLAIMS SUPPORT

The Claims Support Unit provides support functions for all aspects of claims administration within the organization. Setting up claims and claims files, cost containment reviews, processing correspondence, handling provider invoice inquiries and issuing payments authorized by the Claims Division are some of the tasks handled within this Unit. Claims Support accomplishments in 2010 include the following.

- Set up approximately 3,900 new claims including pedestrian PIP, workers compensation, insolvency, EMB and uninsured motorist.
- Processed 6,700 Notices of Intention of UCJF claims.
- Processed 3,800 motor vehicle checks and Central Index Bureau inquiries.
- Researched 12,500 provider invoice inquiries.
- Processed 3,000 W-9's.
- Distributed 16,500 facimiles.
- Processed 27,400 letters in support of the Claims Division and claims administration.
- Printed 103,400 checks.
- Processed 150 bulk invoices representing over 15,000 individual payments.
- Responded to 300 subpoenas for records.
- Reviewed 15,400 legal invoices for confirmation of compliance with billing guidelines and application of cost containment reductions resulting in over \$600,000 in savings.

RECORDS SUPPORT

The Records Support Unit assists the organization through the efficient operation of the mail and file room. Major changes in operations were implemented as a result of the transition to the ECM system. In 2010, this Unit accomplished the following tasks.

- Processed over 160,000 pieces of mail including 2,400 certified letters and approximately 600 packages.
- Closed and processed 4,400 files for return to the liquidator or long term storage.
- Shipped 500 boxes of files to off-site storage.
- Supported three internal audits and seven external audits by liquidators and reinsurers.

EXAMINER SUPPORT

The Examiner Support Unit continues to assist the organization by conducting UCJF claims eligibility analysis or coverage determinations and administers the organization's collections program for the UCJF debtors. This Unit also assists the Claims Division with respect to MSP compliance and EMB processing. The following are examples of the Unit's 2010 accomplishments.

- Evaluated coverage for approximately 2,400 pedestrian PIP claims with over 38% determined ineligible.
- Collected approximately \$325,000 from UCJF debtor accounts, processed 280 new UCJF debtor collection assignments and revived 240 judgments.
- Pre-screened 5,500 EMB reimbursement requests of member companies for review and administration by the Claims Division.
- Updated MSP status in 2,600 files.
- Reviewed 1,200 closed files for MSP compliance.

INFORMATION TECHNOLOGY

The Information Technology (IT) Unit supports the entire organization by linking the systems utilized by each Division, providing security and organization reporting. The following are some of the Unit's accomplishments in 2010.

- Implemented an ECM and imaging system.
- Continued system wide security upgrades including group policies and active directory.
- Expanded the test environment to include quality control measures for the testing program, training of a test users group and design and implementation of a test environment for the new ECM and imaging system.
- Processed over 1,000 help desk tickets including 150 "new or move" employee set-ups.
- Implemented MSP reporting utilizing the existing claims system to fulfill MSP requirements.
- Improved remote access to claims information for liquidators and staff.
- Configured existing systems to incorporate the WCSF, importing historical claims data to assist reconciliation efforts with liquidators.
- Improved security templates for the claims system enhancing overall system security.
- Developed a comprehensive executive management reporting package including key performance indicators for the organization.

THE FINANCE DIVISION

A core function of the organization and Finance Division is the proper allocation of claims and administrative expenses to the appropriate entity or fund. In addition to the accurate and efficient allocation of expenses, the Finance Division accomplished the following in 2010.

- Transitioned to electronic "D" record filing of quarterly financial information streamlining the reconciliation process with over 50 insolvent estates.
- Initial set-up of the WCSF including a new G/L, checking and investment accounts.
- Obtained tax-exempt status for the WCSF from the Internal Revenue Service.
- Reconciled data with WCSF estates.
- Coordinated the initial WCSF annual assessment with the NJDOBI.

THE HUMAN RESOURCES DEPARTMENT

The Human Resources (HR) Department administers the organization's benefits, employee notifications, policies, training and recruiting. In 2010, the HR Department successfully recruited and provided employee orientation for 34 temporary and ten core staff. The HR Department administered the following programs in 2010.

- Benefits/open enrollment.
- Sexual harassment prevention.
- Management skills training for new supervisors.
- Annual personal mission statements, performance priorities and performance evaluations.
- CPR/AED (defibrillator training) for designated emergency team members.
- PLIGA 101, an introductory course about the organization for all new staff members.

AUDITS AND PERFORMANCE MEASURES

A traditional performance measure relied upon by the organization is the auditing of critical aspects of operations including claims and finance. In 2010, the annual claim and financial audits were concluded with satisfactory results.

Objective performance measures are utilized for every unit in the organization. In 2010, the ECM system offered enhanced management capabilities. Staff uses this additional tool to assist with metrics tracking which has resulted in stronger entity wide accountability and stricter quality control measures. Metrics for the organization are monitored by management using the new monthly executive reporting package. During implementation of ECM, all processes and workflows of the Claims and Administration Divisions were reviewed to ensure effectiveness and efficiency. Professional business practices continue to govern all aspects of the services provided by the organization.

The organization continues to confirm the use of best practices through internal auditing and review. In 2010, the HR department completed an internal audit of various benefit components and files, such as the Form 1-9 files, to confirm accuracy. Internal IT controls were scrutinized and enhanced or revised, as appropriate. Medical management processes are being reviewed and evaluated for effectiveness.

BUSINESS CONTINUITY PLANNING/ENTERPRISE RISK MANAGEMENT

NJPLIGA is committed to ensuring its continuing ability to meet its statutory mandate. In addition to comprehensive risk reviews, assessment of both enterprise wide and IT risk is incorporated into daily business decisions. The Business Continuity Plan is reviewed, updated and tested annually to ensure the organization's ability to continue operations in the event of a disaster or unplanned event. IT system back-ups and restore processes are tested throughout the year.

In addition to internal back-up systems and processes, NJPLIGA has arranged for off-site work locations and the temporary transfer of specific tasks to key vendors in the event of an emergency.

STAFF DEVELOPMENT

To accommodate the changing needs of the organization, NJPLIGA remains committed to a staffing model that includes both core and temporary employees. In 2010, the organization had 68.5 full-time equivalent core employees and 22 full-time equivalent temporary employees. Staffing and core to temporary staff ratios remained stable for the year even with the increased workers' compensation responsibilities.

Given the nature of the organization, flexible staffing is necessary and cost effective. A core staff with varied experience and extensive cross-training gives NJPLIGA the ability to respond quickly to its insolvency and other statutory responsibilities. To accomplish this, the organization invests in both formal and informal staff development programs including a comprehensive orientation program, as well as in-house training addressing insurance issues, customer service, fraud recognition, medical management, business writing, the organization's history, insolvency processes and statutes. A variety of internal computer courses are also offered.

A structured employee education program for targeted personnel continues to successfully strengthen the employee base of the organization. Completion of this program has led to the advancement within the organization of a number of employees including five promotions to supervisor. The program has also resulted in the training and development of 12 new claims examiners including four in 2010.

NATIONAL INVOLVEMENT

Involvement in the National Conference of Insurance Guaranty Funds (NCIGF) continues to provide benefits to NJPLIGA with respect to the administration of national insolvencies and issues. In addition to participation in key committees and working groups of the NCIGF by several staff members, senior management serves on the NCIGF Board of Directors. Participation in national working groups ensures that the organization is prepared for developing federal initiatives such as MSP. National involvement is especially important as the entire safety net system, on both the state and federal level, continues to be scrutinized.

LOOKING FORWARD

NJPLIGA continues to manage the multiple entities of New Jersey's safety net. The organization administers claims in an efficient and resourceful manner and remains prepared to handle any insolvency should the need arise. Future growth in litigation management, cost containment and ECM will allow the organization to continue the provision of excellent service and protection to New Jersey claimants and policyholders. 2011 also promises to be an exciting year in the area of medical management. The organization will continue the development of a formal internal medical management program and anticipates that such a program will provide excellent care to claimants and result in substantial long term savings.

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

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|---------------------------------|---|
| Robert Zetterstrom, Board Chair | New Jersey Manufacturers Insurance Company |
| David Ziemer, Vice Chair | State Farm Insurance Company |
| Mark Musser, Treasurer | Selective Insurance Company of America |
| John Esposito | Chartis Property-Casualty Company |
| Georgia Flamporis | Allstate New Jersey Insurance Company |
| John Friedman | United Services Automobile Association |
| Kent Jones | Farmers Mutual Fire Insurance Company of Salem County |
| Amelia Lynch | Federal Insurance Company |
| William Lynch | Liberty Mutual Insurance Company |

NJSLIGF Advisory Body

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|------------------------|-------------------------------|
| Charles McCloskey, Jr. | Metcom Excess |
| Thomas Mulligan | Western World Insurance Group |
| Frank Powell, Jr. | FTP, Inc. |

Board Counsel

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| Richard Spencer, Esq. | Bressler, Amery and Ross, P.C. |
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BOARD MEETINGS

The Board of Directors met in regular session on May 12, 2010 and November 10, 2010.