



The New Jersey Safety Net

2018 Annual Report

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New Jersey Property-Liability Insurance Guaranty Association

THE NEW JERSEY SAFETY NET

The New Jersey Property-Liability Insurance Guaranty Association (NJPLIGA) was established in 1974 to provide statutory benefits to insureds and claimants of insolvent property-casualty insurance companies. The industry safety net is provided to New Jersey policyholders and claimants when they find themselves without certain types of insurance coverage. NJPLIGA works in conjunction with its Board of Directors, member companies and the New Jersey Department of Banking and Insurance (NJDOBI) 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 215 eligible insurers.

Unsatisfied Claim and Judgment Fund (UCJF). The UCJF was established in 1952 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 personal injury protection (PIP) benefits. On or before March 31, 2016, commercial motor vehicle insurance carriers became obligated to provide commercial motor vehicle stranger pedestrian PIP coverage.

NJPLIGA is also responsible for the reimbursement to insurance carriers handling certain excess medical benefits (EMBs) paid on PIP claims and provides third party administrator (TPA) services to the NJDOBI.

Figure 1: Disbursements on Estates, below, shows the top ten estates with the largest disbursements for insolvency claims involving NJPLIGA, NJSLIGF and the WCSF from inception through December 31, 2018.

Figure 1: Disbursements on Estates	
Inception to 12/31/2018 (in millions)	
Top 10 Estates	Disbursements
Reliance Insurance Company	\$150.9
Legion Insurance Company	\$107.4
PHICO Insurance Company	\$81.5
Midland Insurance Company	\$79.5
MIIX Insurance Company	\$75.2
Integrity Insurance Company	\$74.2
Home State Insurance Company	\$70.0
Ambassador Insurance Company	\$67.4
Fremont Indemnity Insurance Company	\$59.6
The Home Insurance Company	\$44.8
Total	\$810.5



NJPLIGA CLAIMS AND FINANCIAL ACTIVITY



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

	December 31,	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 50,697,258	\$ 14,267,438
Investments, at cost	199,119,347	252,996,729
Assessments receivable due from member companies, net of allowance of \$842,801 in 2018 and 2017	-	-
Due from affiliated funds	2,869,593	1,025,024
Property and equipment, net of accumulated depreciation and amortization	1,204,653	1,119,453
Other assets	149,173	153,680
Total assets	<u>\$ 254,040,024</u>	<u>\$ 269,562,324</u>
LIABILITIES AND FUND BALANCE		
Employee benefits payable	\$ 36,014	\$ 34,355
Due to affiliated Fund	273,696	-
Other payable	22,682	28,000
Funds held under TPA contracts	3,531,683	3,219,953
Total liabilities	<u>3,864,075</u>	<u>3,282,308</u>
Fund balance	<u>250,175,949</u>	<u>266,280,016</u>
Total liabilities and fund balance	<u>\$ 254,040,024</u>	<u>\$ 269,562,324</u>



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

	Year Ended December 31,	
	2018	2017
Assessments charged and collections:		
Members' assessments charged, net of refunds	\$ 98,111,213	\$ 95,861,392
Investment and interest income	3,920,957	2,990,868
Interest income received from affiliated fund	144,523	87,558
Distributions collected in connection with insolvency proceedings (including interest thereon)	20,373,720	1,244,265
Fund transfer from state of New Jersey – TPA	4,011,950	5,582,164
	<u>126,562,363</u>	<u>105,766,247</u>
Expenses:		
Claims paid	14,759,605	6,256,563
Claims paid – Excess Medical Benefit	117,415,713	99,463,069
Claims paid – TPA	3,525,869	4,933,611
Claims expense paid	2,606,890	1,181,193
Claims expense paid – Excess Medical Benefit	662,609	680,553
Claims expense paid – TPA	409,954	515,961
Administrative expenses paid – direct	16,352,096	15,036,244
Administrative expenses reimbursed and due from other funds	(14,781,647)	(13,162,714)
Administrative expenses charged – Excess Medical Benefit	1,640,519	1,464,107
Administrative expenses charged – TPA	74,822	198,674
	<u>142,666,430</u>	<u>116,567,261</u>
Deficiency of assessments charged and collections over expenses	(16,104,067)	(10,801,014)
Fund balance at beginning of year	<u>266,280,016</u>	<u>277,081,030</u>
Fund balance at end of year	<u>\$ 250,175,949</u>	<u>\$ 266,280,016</u>

RECEIPTS

At the May 9, 2018 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. NJPLIGA collected \$98.1 million in assessments from 494 member companies in 2018.

Distributions from insolvent estates totaled \$20.4 million in 2018.

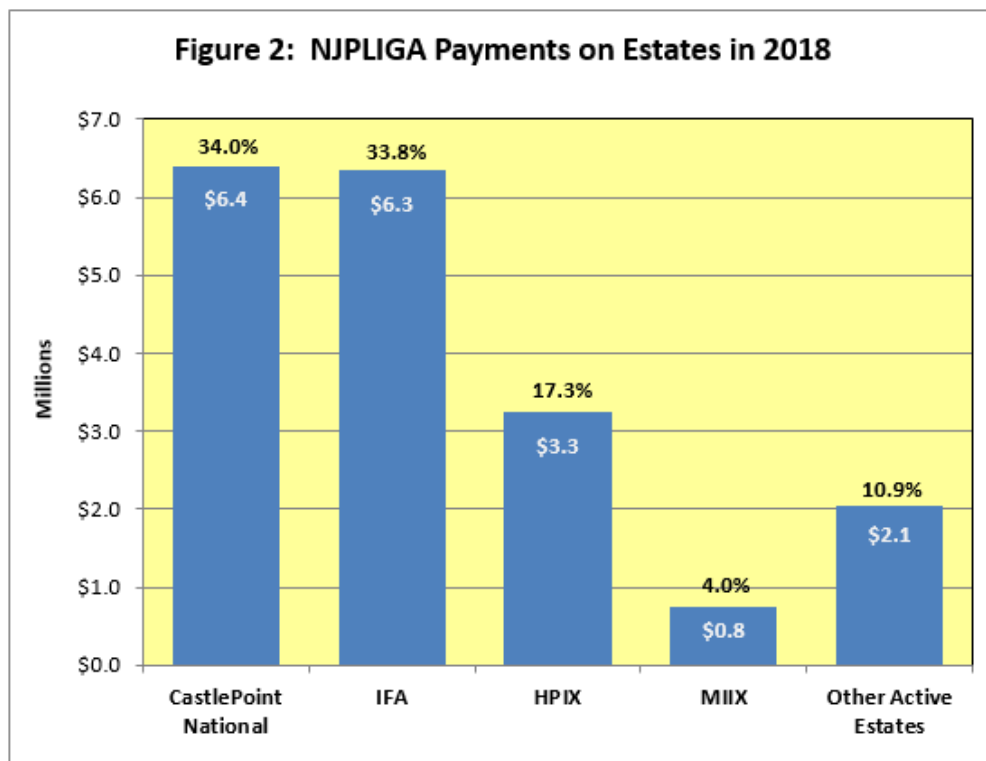
DISBURSEMENTS

In 2018, the total losses paid by the Association on insolvency, EMB and TPA claims combined were \$135.7 million and total loss adjustment expenses (LAE) were \$3.7 million. Operating expenses totaled \$3.3 million. NJPLIGA’s indemnity payments on insolvent estates totaled \$14.8 million with \$2.6 million of LAE. In 2018, EMB claims averaged \$9.8 million per month totaling \$117.4 million for the year in reimbursements to member companies and the organization on PIP claims.

BALANCE AND RESERVES

At year end, the NJPLIGA fund balance was \$250.2 million with combined reserves of \$350.6 million including insolvency reserves of \$118.2 million, and a two year EMB reserve of \$232.4 million.

Figure 2: NJPLIGA Payments on Estates in 2018, below, shows the four estates with the largest disbursements in 2018.





INSOLVENCY ACTIVITY

The primary function of the organization is the management of the claims of insolvent property-casualty insurance companies. In 2018, 37 insolvent estates were administered by NJPLIGA with no estate closures. There were two new insolvencies in 2018. NJPLIGA received a total of 58 new insolvency liability claims with approximately \$3.0 million paid in loss and LAE and \$10.6 million in combined loss and LAE reserves.

The following property-casualty insurance companies were ordered into liquidation in 2018:

- Healthcare Providers Insurance Exchange (HPIX) was domiciled in Pennsylvania and was declared insolvent on January 12, 2018. NJPLIGA received 58 medical malpractice liability claims with approximately \$3.0 million paid in loss and LAE and \$10.6 million in combined loss and LAE reserves.
- Insurance Company of the Americas (ICA) was domiciled in Florida and was declared insolvent on January 24, 2018. NJPLIGA received no claims as a result of this insolvency.



WCSF CLAIMS AND FINANCIAL ACTIVITY



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

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 12,583,803	\$ 6,665,419
Investments, at cost	194,854,611	183,288,507
Assessments receivable due from member companies, net of allowance of \$181,653 in 2018 and 2017	-	-
Claims deposit paid in advance	-	905,005
Due from affiliated fund	<u>273,786</u>	<u>-</u>
Total assets	<u>\$ 207,712,200</u>	<u>\$ 190,858,931</u>
LIABILITIES AND FUND BALANCE		
Due to affiliated funds	<u>\$ 1,056,325</u>	<u>\$ 288,028</u>
Total liabilities	1,056,325	288,028
Fund balance	<u>206,655,875</u>	<u>190,570,903</u>
Total liabilities and fund balance	<u>\$ 207,712,200</u>	<u>\$ 190,858,931</u>



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

	Year Ended December 31,	
	<u>2018</u>	<u>2017</u>
Assessments charged and collections:		
Members' assessments charged	\$ 23,685,853	\$ 24,210,926
Investment and interest income	3,292,688	2,200,308
Distributions collected in connection with insolvency proceedings (including interest thereon)	23,849,105	6,604,091
Large deductible recoveries	<u>238,441</u>	<u>186,930</u>
 Total assessments charged and collections	 <u>51,066,087</u>	 <u>33,202,255</u>
Expenses:		
Claims paid	26,339,696	18,434,472
Claims expenses paid	3,025,731	1,209,430
Administrative expenses charged – association	5,578,639	3,434,464
Administrative expenses paid – direct	<u>37,049</u>	<u>60,103</u>
 Total expenses	 <u>34,981,115</u>	 <u>23,138,469</u>
 Excess of assessments charged and collections over expenses	 16,084,972	 10,063,786
 Fund balance at beginning of year	 <u>190,570,903</u>	 <u>180,507,117</u>
 Fund balance at end of year	 <u>\$ 206,655,875</u>	 <u>\$ 190,570,903</u>

WCSF

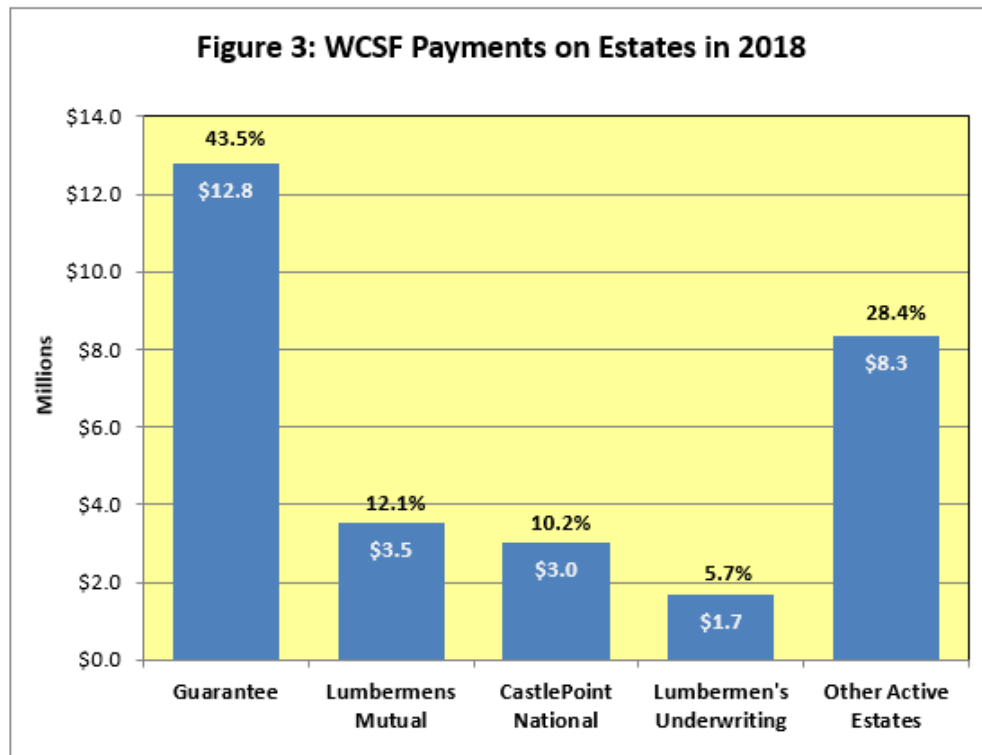
RECEIPTS

Distributions from insolvent estates in 2018 totaled \$24.1 million. The WCSF collected \$23.7 million in assessments from 273 member companies in 2018.

DISBURSEMENTS

In 2018, the WCSF's loss payments on insolvent estates totaled \$26.3 million and \$3.0 million of LAE.

Figure 3: WCSF Payments on Estates in 2018, below, shows the four estates with the largest disbursements in 2018.





BALANCE AND RESERVES

The year-end available funds for the WCSF totaled \$206.7 million with loss and LAE reserves of \$278.8 million and \$10.4 million, respectively.

INSOLVENCY ACTIVITY

There was one new workers' compensation insolvency in 2018, Insurance Company of the Americas, (ICA). However, the WCSF received no workers' compensation claims in connection with the ICA insolvency.

In 2018, 26 insolvent workers' compensation estates were managed by the WCSF and there were no estate closures.



NJSLIGF CLAIMS AND FINANCIAL ACTIVITY



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

	December 31,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 2,330,511	\$ 1,885,329
Reserve fund	37,000	37,000
Investments, at cost	4,621,734	2,224,713
Total assets	<u>\$ 6,989,245</u>	<u>\$ 4,147,042</u>
LIABILITIES AND FUND BALANCE		
Due to affiliated fund	\$ 9,336	\$ 6,135
Total liabilities	9,336	6,135
Fund balance	<u>6,979,909</u>	<u>4,140,907</u>
Total liabilities and fund balance	<u>\$ 6,989,245</u>	<u>\$ 4,147,042</u>



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

	Year Ended December 31,	
	2018	2017
Collections:		
investment and interest income	\$ 86,559	\$ 90,476
Distributions collected in connection with insolvency proceedings (including interest thereon)	<u>2,847,605</u>	<u>5,359</u>
Total collections	<u>2,934,164</u>	<u>95,835</u>
Expenses:		
Claims paid	63,606	123,897
Claims expenses paid (recovered)	(21,977)	14,477
Administrative expenses charged – association	50,371	41,624
Administrative expenses paid – direct	<u>3,162</u>	<u>1,768</u>
Total expenses	<u>95,162</u>	<u>181,766</u>
Transfer Out – State of New Jersey Treasurer:		
Transfer to General Fund	<u>-</u>	<u>8,000,000</u>
Total transfers	<u>-</u>	<u>8,000,000</u>
Excess (deficiency) of collections over expenses and transfers out	2,839,002	(8,085,931)
Fund balance at beginning of year	<u>4,140,907</u>	<u>12,226,838</u>
Fund balance at end of year	<u>\$ 6,979,909</u>	<u>\$ 4,140,907</u>



NJSLIGF

RECEIPTS

Distributions from insolvent estates totaled \$2.8 million in 2018.

DISBURSEMENTS

NJSLIGF continued to experience minimal claim activity in 2018 with paid loss and LAE totaling \$42 thousand.

BALANCE AND RESERVES

As of December 31, 2018, NJSLIGF had a fund balance of \$7.0 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

	December 31,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 40,996,674	\$ 14,819,682
Investments, at cost	2,534,452	4,860,071
Assessments receivable due from member companies net of allowance of \$116,453 in 2018 and 2017	-	-
Total assets	<u>\$ 43,531,126</u>	<u>\$ 19,679,753</u>
LIABILITIES AND FUND BALANCE		
Balances due plaintiffs arising from settlements	\$ 520,485	\$ 512,738
Due to affiliated fund	<u>1,800,079</u>	<u>726,226</u>
Total liabilities	2,320,564	1,238,964
Fund balance	<u>41,210,562</u>	<u>18,440,789</u>
Total liabilities and fund balance	<u>\$ 43,531,126</u>	<u>\$ 19,679,753</u>



Supplementary Statement of Assessments Charged and Collections, Expenses and Fund Balance
Modified Cash Basis
Year Ended December 31, 2018

	Private Passenger Auto	Commercial Auto	Total
Assessments charged and collections:			
Members' assessments charged	\$ 88,774,440	\$ 5,467,306	\$ 94,241,746
Claims recoverable	81,871	-	81,871
Net investment and interest income	642,667	173,686	816,353
Total assessments charged and collections	<u>89,498,978</u>	<u>5,640,992</u>	<u>95,139,970</u>
Expenses:			
Claims paid	51,309,624	4,039,780	55,349,404
Claims expense paid	7,055,039	606,001	7,661,040
Administrative expenses	8,681,598	642,512	9,324,110
Collection expenses	35,643	-	35,643
Total expenses	<u>67,081,904</u>	<u>5,288,293</u>	<u>72,370,197</u>
(Deficiency) excess of assessments charged And collections over expenses	22,417,074	352,699	22,769,773
Fund balance at beginning of year	<u>11,883,497</u>	<u>6,557,292</u>	<u>18,440,789</u>
Fund balance at end of year	<u>\$ 34,300,571</u>	<u>\$ 6,909,991</u>	<u>\$ 41,210,562</u>

UCJF

RECEIPTS

At the May 9, 2018 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 Board determined that an assessment of private passenger automobile carriers was necessary and authorized a 1.7% assessment of each private passenger automobile carrier's net direct written premium (NDWP). The Board also determined that an assessment of commercial motor vehicle carriers was necessary and authorized a 0.5% assessment of each commercial motor vehicle carrier's NDWP. The UCJF collected \$94.2 million from 313 member companies.

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 \$82 thousand was collected in 2018.

DISBURSEMENTS

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

In 2018, combined loss and LAE payments totaled \$63.0 million with \$55.3 million in indemnity and \$7.7 million in LAE. Those payments include loss and LAE for private passenger automobile stranger pedestrian PIP, commercial motor vehicle pedestrian PIP run-off and uninsured motorist claims.

BALANCES AND RESERVES

The year-end available funds for the UCJF totaled \$41.2 million, including balances of \$34.3 million for private passenger automobile responsibilities and \$6.9 million for commercial motor vehicle responsibilities. The UCJF's year-end indemnity and LAE reserves were \$63.3 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

Georgia Flamporis, Chair	Allstate New Jersey Insurance Company
Thomas A. Nowak, Vice Chair	AIG Property Casualty Company
James Doherty, Treasurer	Farmers Mutual Fire Insurance Company of Salem County
Jessica Schlee-Gilbert	New Jersey Manufacturers Insurance Company
Stacy Friend Bell	United Services Automobile Association
Thomas S. Hyman	Federal Insurance Company
Donald Baldini	Liberty Mutual Insurance Company
Deana Lykins	Selective Insurance Company of America
Robert Wetzler	State Farm Insurance Company

NJSLIGF Advisory Body

Charles McCloskey, Jr.	Metcom Excess
Frank Powell, Jr.	FTP, Inc.

Board Counsel

Cynthia Borrelli, Esq.	Bressler, Amery and Ross, P.C.
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BOARD MEETINGS

The Board of Directors met in regular session on January 16, 2018, May 9, 2018 and November 6, 2018.