



The New Jersey Safety Net

# 2020 Annual Report

# 2020 Annual Report

## 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 168 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, 2020.

<b>Figure 1: Disbursements on Estates</b>	
<b>Inception to 12/31/2020 (in millions)</b>	
<b>Top 10 Estates</b>	<b>Disbursements</b>
Reliance Insurance Company	\$155.6
Legion Insurance Company	\$110.0
PHICO Insurance Company	\$81.5
Midland Insurance Company	\$80.1
MIIX Insurance Company	\$75.8
Integrity Insurance Company	\$74.3
Home State Insurance Company	\$70.0
Ambassador Insurance Company	\$67.4
Fremont Indemnity Insurance Company	\$62.6
Lumbermens Mutual Casualty Company	\$49.0
<b>Total</b>	<b>\$826.3</b>



# **NJPLIGA CLAIMS AND FINANCIAL ACTIVITY**



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

	December 31,	
	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 59,156,123	\$ 33,629,673
Investments, at cost	193,672,032	214,499,923
Assessments receivable due from member companies, net of allowance of \$842,801 in 2020 and 2019	-	-
Due from affiliated funds	1,383,237	1,205,334
Property and equipment, net of accumulated depreciation and Amortization	1,732,531	1,583,623
Other assets	<u>80,860</u>	<u>83,712</u>
Total assets	<u>\$ 256,024,783</u>	<u>\$ 251,002,265</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Employee benefits payable	\$ 14,211	\$ 13,743
Funds held under TPA contracts	<u>1,807,289</u>	<u>3,470,863</u>
Total liabilities	<u>1,821,500</u>	<u>3,484,606</u>
Fund balance	<u>254,203,283</u>	<u>247,517,659</u>
Total liabilities and fund balance	<u>\$ 256,024,783</u>	<u>\$ 251,002,265</u>



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

	Year Ended December 31,	
	2020	2019
<b>Assessments charged and collections:</b>		
Members' assessments charged, net of refunds	\$ 106,602,356	\$ 102,886,390
Investment and interest income	3,487,904	5,446,196
Distributions collected in connection with insolvency proceedings (including interest thereon)	1,290,982	15,262,154
Fund transfer from State of New Jersey – TPA	3,726,124	5,034,003
	<u>115,107,366</u>	<u>128,628,743</u>
<b>Expenses:</b>		
Claims paid	5,329,219	10,306,612
Claims paid – Excess Medical Benefit	93,643,098	109,238,326
Claims paid – TPA	3,171,945	4,456,682
Claims expense paid	2,012,496	2,760,452
Claims expense paid – Excess Medical Benefit	632,622	867,195
Claims expense paid – TPA	466,524	519,389
Administrative expenses paid – direct	15,281,477	16,068,095
Administrative expenses reimbursed and due from other funds	(14,516,800)	(14,951,069)
Administrative expenses charged – Excess Medical Benefit	2,349,314	1,949,959
Administrative expenses charged – TPA	51,847	71,392
	<u>108,421,742</u>	<u>131,287,033</u>
<b>Excess (Deficiency) of assessments charged and collections over expenses</b>	<b>6,685,624</b>	<b>(2,658,290)</b>
Fund balance at beginning of year	<u>247,517,659</u>	<u>250,175,949</u>
<b>Fund balance at end of year</b>	<b><u>\$ 254,203,283</u></b>	<b><u>\$ 247,517,659</u></b>

**RECEIPTS**

At the May 13, 2020 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 \$106.6 million in assessments from 504 member companies in 2020.

Distributions from insolvent estates totaled \$1.3 million in 2020.

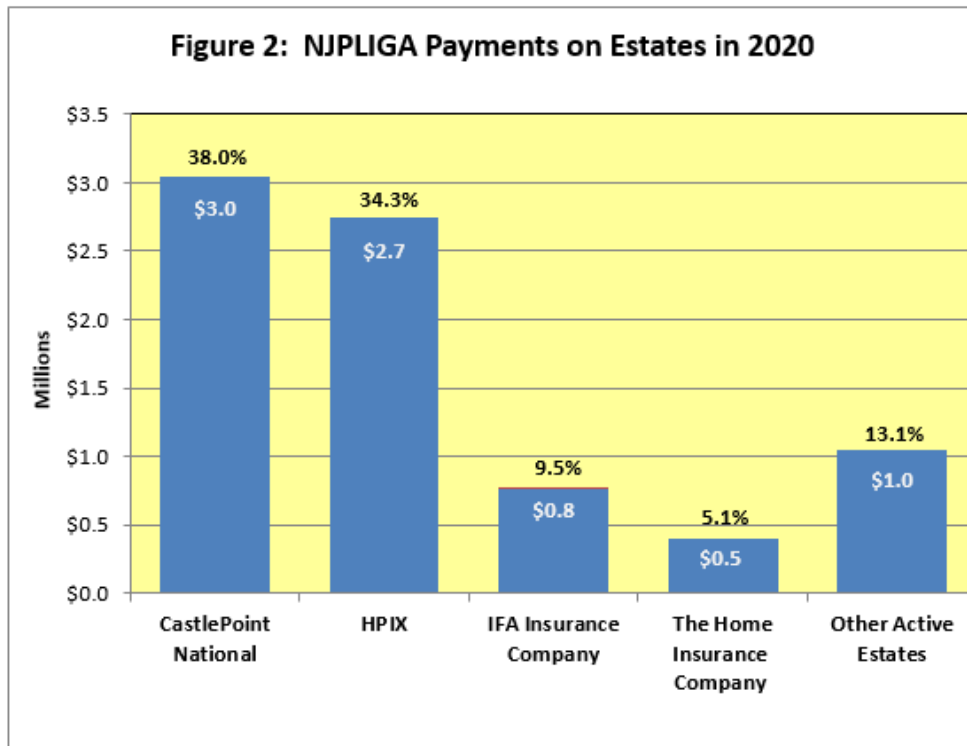
**DISBURSEMENTS**

In 2020, the total losses paid by the Association on insolvency, EMB and TPA claims combined were \$102.1 million and total loss adjustment expenses (LAE) were \$3.1 million. Operating expenses totaled \$3.2 million. NJPLIGA's indemnity payments on insolvent estates totaled \$5.3 million with \$2.0 million of LAE. In 2020, EMB claims averaged \$7.8 million per month totaling \$93.6 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 \$254.2 million with combined reserves of \$328.9 million including insolvency reserves of \$104.7 million and a two year EMB reserve of \$224.1 million.

**Figure 2: NJPLIGA Payments on Estates in 2020**, below, shows the four estates with the largest disbursements in 2020.





## **INSOLVENCY ACTIVITY**

The primary function of the organization is the management of the claims of insolvent property-casualty insurance companies. In 2020, 34 insolvent estates were administered by NJPLIGA with one estate closure. There was one new insolvency in 2020. American Service Insurance Company (ASI) was domiciled in Illinois and was declared insolvent on August 11, 2020. NJPLIGA received 69 claims with a minimal amount paid in loss and LAE and 753 thousand combined loss and LAE reserves.





## **WCSF CLAIMS AND FINANCIAL ACTIVITY**



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

	December 31,	
	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 15,173,609	\$ 14,448,337
Investments, at cost	215,717,321	214,694,941
Assessments receivable due from member companies, net of allowance of \$181,654 in 2020 and 2019	-	-
Due from affiliated fund	<u>23,510</u>	<u>15</u>
Total assets	<u>\$ 230,914,440</u>	<u>\$ 229,143,293</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Due to affiliated funds	<u>\$ 465,071</u>	<u>\$ 337,714</u>
Total liabilities	465,071	337,714
Fund balance	<u>230,449,369</u>	<u>228,805,579</u>
Total liabilities and fund balance	<u>\$ 230,914,440</u>	<u>\$ 229,143,293</u>



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

	Year Ended December 31,	
	<u>2020</u>	<u>2019</u>
<b>Assessments charged and collections:</b>		
Members' assessments charged	\$ 23,565,543	\$ 23,777,492
Investment and interest income	3,764,226	4,944,210
Litigation settlement	1,525,000	-
Distributions collected in connection with insolvency proceedings (including interest thereon)	5,478,439	29,503,293
Large deductible recoveries	<u>677,424</u>	<u>600,095</u>
 Total assessments charged and collections	 <u>35,010,632</u>	 <u>58,825,090</u>
<b>Expenses:</b>		
Claims paid	25,702,938	28,106,552
Claims expenses paid	2,779,171	3,333,677
Administrative expenses charged – association	4,794,910	5,202,549
Administrative expenses paid – direct	<u>89,823</u>	<u>32,608</u>
 Total expenses	 <u>33,366,842</u>	 <u>36,675,386</u>
 <b>Excess of assessments charged and collections over expenses</b>	 <b>1,643,790</b>	 <b>22,149,704</b>
 Fund balance at beginning of year	 <u>228,805,579</u>	 <u>206,655,875</u>
 <b>Fund balance at end of year</b>	 <b><u>\$ 230,449,369</u></b>	 <b><u>\$ 228,805,579</u></b>

# WCSF

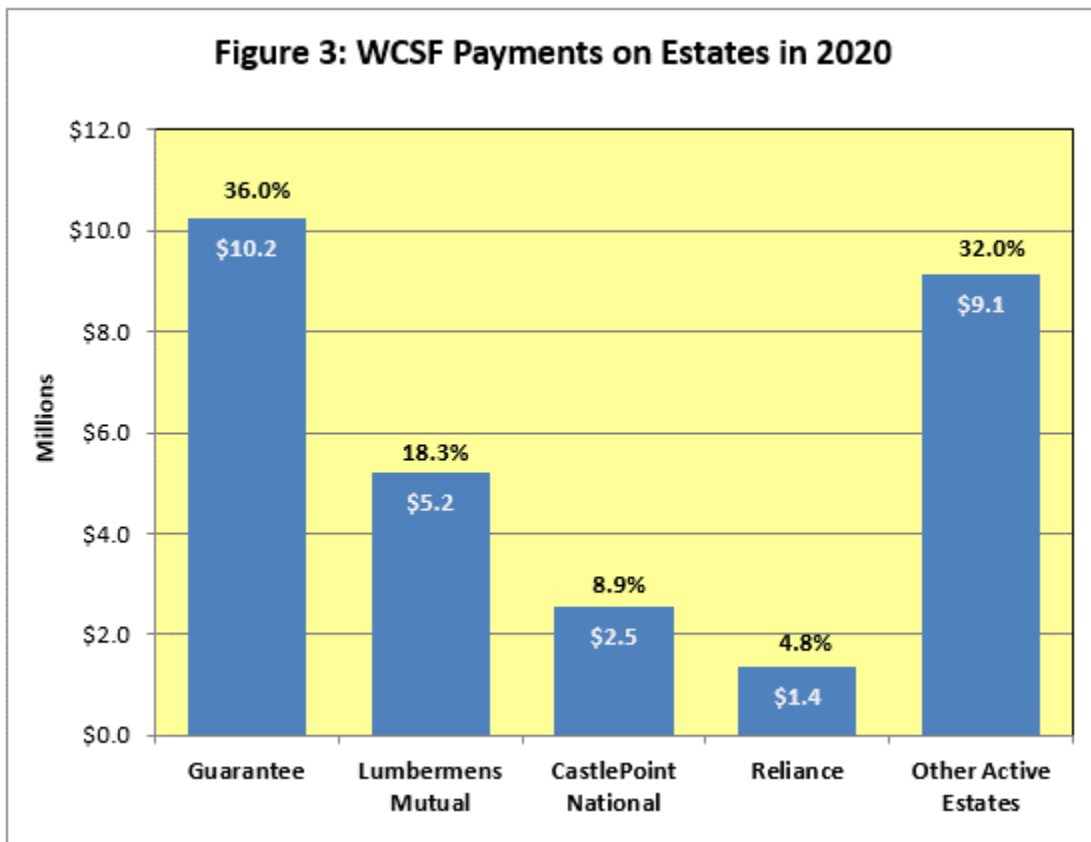
## RECEIPTS

Distributions from insolvent estates in 2020 totaled \$6.2 million. The WCSF collected \$23.6 million in assessments from 288 member companies in 2020.

## DISBURSEMENTS

In 2020, the WCSF's loss payments on insolvent estates totaled \$25.7 million and \$2.8 million of LAE.

Figure 3: WCSF Payments on Estates in 2020, below, shows the four estates with the largest disbursements in 2020.





## **BALANCE AND RESERVES**

The year-end available funds for the WCSF totaled \$230.4 million with loss and LAE reserves of \$274.8 million and \$13.1 million, respectively.

## **INSOLVENCY ACTIVITY**

The WCSF received one new insolvency in 2020. Alliance National Insurance Company (ANIC), domiciled in New York, was declared insolvent on August 21, 2020. The WCSF received a total of 176 new insolvency workers' compensation claims with approximately \$549 thousand paid in loss and LAE and \$6.2 million in combined loss and LAE reserves.

In 2020, 42 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,	
	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 690,495	\$ 1,677,193
Reserve fund	37,000	37,000
Investments, at cost	<u>7,298,938</u>	<u>6,237,658</u>
Total assets	<u>\$ 8,026,433</u>	<u>\$ 7,951,851</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Due to affiliated fund	<u>\$ 1,179</u>	<u>\$ 1,163</u>
Total liabilities	1,179	1,163
Fund balance	<u>8,025,254</u>	<u>7,950,688</u>
Total liabilities and fund balance	<u>\$ 8,026,433</u>	<u>\$ 7,951,851</u>



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

	Year Ended December 31,	
	<u>2020</u>	<u>2019</u>
<b>Collections:</b>		
investment and interest income	\$ 117,088	\$ 172,156
Distributions collected in connection with insolvency proceedings (including interest thereon)	<u>-</u>	<u>914,669</u>
Total collections	<u>117,088</u>	<u>1,086,825</u>
<b>Expenses:</b>		
Claims paid	1,741	105,103
Claims expenses paid (recovered)	2,220	(29,750)
Administrative expenses charged – association	35,500	37,674
Administrative expenses paid – direct	<u>3,061</u>	<u>3,019</u>
Total expenses	<u>42,522</u>	<u>116,046</u>
<b>Excess (deficiency) of collections over expenses and transfers out</b>	<b>74,566</b>	<b>970,779</b>
Fund balance at beginning of year	<u>7,950,688</u>	<u>6,979,909</u>
<b>Fund balance at end of year</b>	<b><u>\$ 8,025,254</u></b>	<b><u>\$ 7,950,688</u></b>





## **NJSLIGF**

### **RECEIPTS**

There were no distributions from insolvent estates in 2020.

### **DISBURSEMENTS**

NJSLIGF continued to experience minimal claim activity in 2020 with paid loss and LAE totaling \$4 thousand.

### **BALANCE AND RESERVES**

As of December 31, 2020, NJSLIGF had a fund balance of \$8.0 million with combined indemnity and LAE reserves of \$1.0 million.



## **UCJF CLAIMS AND FINANCIAL ACTIVITY**



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

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	<b>\$ 33,193,529</b>	\$ 34,801,551
Investments, at cost	<b>24,870,143</b>	16,532,909
Assessments receivable due from member companies net of allowance of \$116,453 in 2020 and 2019	<u>-</u>	<u>-</u>
Total assets	<b><u>\$ 58,063,672</u></b>	<b><u>\$ 51,334,460</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
Balances due plaintiffs arising from settlements	<b>\$ 530,356</b>	\$ 534,997
Due to affiliated fund	<b><u>940,221</u></b>	<u>867,296</u>
Total liabilities	<b>1,470,577</b>	1,402,293
Fund balance	<b><u>56,593,095</u></b>	<u>49,932,167</u>
Total liabilities and fund balance	<b><u>\$ 58,063,672</u></b>	<b><u>\$ 51,334,460</u></b>



**Supplementary Statement of Assessments Charged and Collections, Expenses and Fund Balance  
Modified Cash Basis  
Year Ended December 31, 2020**

	Private Passenger Auto	Commercial Auto	Total
<b>Assessments charged and collections:</b>			
Members' assessments charged	\$ 76,528,948	\$ 2,767,461	\$ 79,296,409
Claims recoverable	45,938	11,367	57,305
Net investment and interest income	<u>475,289</u>	<u>60,853</u>	<u>536,142</u>
 Total assessments charged and collections	 <u>77,050,175</u>	 <u>2,839,681</u>	 <u>79,889,856</u>
<b>Expenses:</b>			
Claims paid	51,305,668	4,089,128	55,394,796
Claims expense paid	7,270,485	830,427	8,100,912
Administrative expenses	<u>8,976,514</u>	<u>756,706</u>	<u>9,733,220</u>
 Total expenses	 <u>67,552,667</u>	 <u>5,676,261</u>	 <u>73,228,928</u>
<b>(Deficiency) excess of assessments charged</b>			
 And collections over expenses	 9,497,508	 (2,836,580)	 6,660,928
 Fund balance at beginning of year	 <u>45,282,728</u>	 <u>4,649,439</u>	 <u>49,932,167</u>
 Fund balance at end of year	 <u>\$ 54,780,236</u>	 <u>\$ 1,812,859</u>	 <u>\$ 56,593,095</u>

## UCJF

### RECEIPTS

At the May 13, 2020 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 1.4% 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 0.2% assessment of each commercial motor vehicle carrier's NDWP. The UCJF collected \$79.3 million from 318 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 \$57 thousand was collected in 2020.

### 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, in addition to its uninsured motorist claims' responsibilities, 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 2020, combined loss and LAE payments totaled \$63.5 million with \$55.4 million in indemnity and \$8.1 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 \$56.6 million, including balances of \$54.8 million for private passenger automobile responsibilities and \$1.8 million for commercial motor vehicle responsibilities. The UCJF's year-end indemnity and LAE reserves were \$79.0 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

Jessica Schlee-Gilbert, Chair	New Jersey Manufacturers Insurance Company
Thomas S. Hyman, Vice Chair	Federal Insurance Company
James Doherty, Treasurer	Farmers Mutual Fire Insurance Company of Salem County
Georgia Flamporis	Allstate New Jersey Insurance Company
Stacy Friend Bell	United Services Automobile Association
Donald Baldini	Liberty Mutual Insurance Company
Susan Giacalone	AIG Property Casualty Company
Maria Orecchio	Selective Insurance Company of America
Peter Blackwell	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.
------------------------	--------------------------------

## BOARD MEETINGS

The Board of Directors met in regular session on May 13, 2020 and November 11, 2020.