



The New Jersey Safety Net

2015 Annual Report

2015 Annual Report

of the
**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. NJPLIGA provides a safety net to New Jersey policyholders and claimants when they find themselves without certain types of insurance coverage. NJPLIGA is also responsible for reimbursement of insurance carriers handling certain excess medical benefits (EMBs) personal injury protection (PIP) claims. 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 200 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. Since 2004, stranger pedestrian PIP claims are also administered by the UCJF.*

NJPLIGA provides third party administrator (TPA) services pursuant to its statutory authority.

NJPLIGA CLAIMS AND FINANCIAL ACTIVITY

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

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 35,583,382	\$ 31,061,383
Investments, at cost	242,892,072	220,438,975
Assessments receivable due from member companies, net of allowance of \$753,320 in 2015 and \$752,608 in 2014	73,903	-
Due from affiliated funds	2,158,822	2,049,511
Property and equipment, net of accumulated depreciation and amortization	1,849,349	1,047,018
Other assets	<u>193,275</u>	<u>159,778</u>
 Total assets	 <u>\$ 282,750,803</u>	 <u>\$ 254,756,665</u>
LIABILITIES AND FUND BALANCE		
Employee benefits payable	\$ 24,276	\$ 20,126
Due to affiliated funds	-	3,225
Funds held under TPA contracts	<u>3,832,014</u>	<u>214,147</u>
 Total liabilities	 3,856,290	 237,498
 Fund balance	 <u>278,894,513</u>	 <u>254,519,167</u>
 Total liabilities and fund balance	 <u>\$ 282,750,803</u>	 <u>\$ 254,756,665</u>

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

	Year Ended December 31,	
	2015	2014
Assessments charged and collections:		
Members' assessments charged, net of refunds	\$ 105,470,503	\$ 131,349,343
Net investment and interest income	1,884,240	1,425,915
Interest income received from affiliated fund	11,963	16,566
Distributions collected in connection with insolvency proceedings (including interest thereon)	40,518,090	20,753,670
Large deductible recoveries	750	1,750
Fund transfer from state of New Jersey – TPA	2,831,699	876,728
	<u>150,717,245</u>	<u>154,423,972</u>
Expenses:		
Claims paid	4,356,587	2,749,888
Claims paid – Excess Medical Benefit	114,399,199	139,073,647
Claims paid – TPA	2,019,372	778,999
Claims expense paid	401,554	1,157,402
Claims expense paid – Excess Medical Benefit	814,519	997,172
Claims expense paid – TPA	1,059,257	64,579
Premium refunds paid	16,130	780,189
Administrative expenses paid – direct	12,916,926	11,599,354
Administrative expenses reimbursed and due from other funds	(12,375,656)	(10,851,357)
Administrative expenses charged – Excess Medical Benefit	2,052,793	1,781,496
Administrative expenses charged – TPA	681,218	134,958
	<u>126,341,899</u>	<u>148,266,327</u>
Excess of assessments charged and collections over expenses	24,375,346	6,157,645
Fund balance at beginning of year	<u>254,519,167</u>	<u>248,361,522</u>
Fund balance at end of year	<u>\$ 278,894,513</u>	<u>\$ 254,519,167</u>

DISBURSEMENTS - NJPLIGA

In 2015, the total losses paid by the Association on insolvency, EMB and TPA claims combined was \$120.8 million and total loss adjustment expenses (LAE) were \$2.3 million. NJPLIGA’s indemnity payments on insolvent estates totaled \$4.4 million with \$401,554 of LAE.

Figure 1: NJPLIGA Disbursements on Estates

Inception to 12/31/2015 (in millions)

Top 10 Estates	Disbursements
Phico Insurance	\$80.7
Integrity Insurance	\$73.5
MIIX Insurance	\$73.1
Reliance Insurance	\$70.4
Homestate Insurance	\$70.0
Midland Insurance	\$53.3
Transit Casualty Insurance	\$43.1
Legion Insurance	\$39.3
Security Indemnity Insurance	\$29.6
The Home Insurance	\$28.6
Total	\$561.6

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 2015, EMB expenditures averaged \$9.6 million per month totaling \$115.2 million for the year in reimbursements to member companies and the organization on PIP claims. This is a significant reduction from the 2014 annual expenditure of \$140.1 million.

RECEIPTS - NJPLIGA

Distributions from insolvent estates totaled \$40.5 million in 2015.

At the May 13, 2015 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 0.7% assessment. A total of 485 member companies were billed \$105.5 million.

BALANCES AND RESERVES - NJPLIGA

At year end, the NJPLIGA fund balance was \$278.9 million with combined reserves of \$311 million including insolvency reserves of \$70.1 million and a two year EMB reserve of \$240.9 million.

INSOLVENCY ACTIVITY

The primary function of the organization is the management of the claims of insolvent property-casualty insurance companies. In 2015, 25 insolvent estates were administered by NJPLIGA with 2 estate closures.

Lincoln General Insurance Company was a property-casualty insurance company domiciled in Pennsylvania which was declared insolvent on November 5, 2015. NJPLIGA received 5 liability claims in connection with this insolvency in 2015.

WCSF CLAIMS AND FINANCIAL ACTIVITY

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

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 14,412,448	\$ 13,866,297
Investments, at cost	151,396,690	129,247,769
Assessments receivable due from member companies, net of allowance of \$155,578 in 2015 and \$154,640 in 2014	<u>-</u>	<u>-</u>
Total assets	<u>\$ 165,809,138</u>	<u>\$ 143,114,066</u>
LIABILITIES AND FUND BALANCE		
Due to affiliated funds	\$ 440,250	\$ 417,788
Fund balance	<u>165,368,888</u>	<u>142,696,278</u>
Total liabilities and fund balance	<u>\$ 165,809,138</u>	<u>\$ 143,114,066</u>

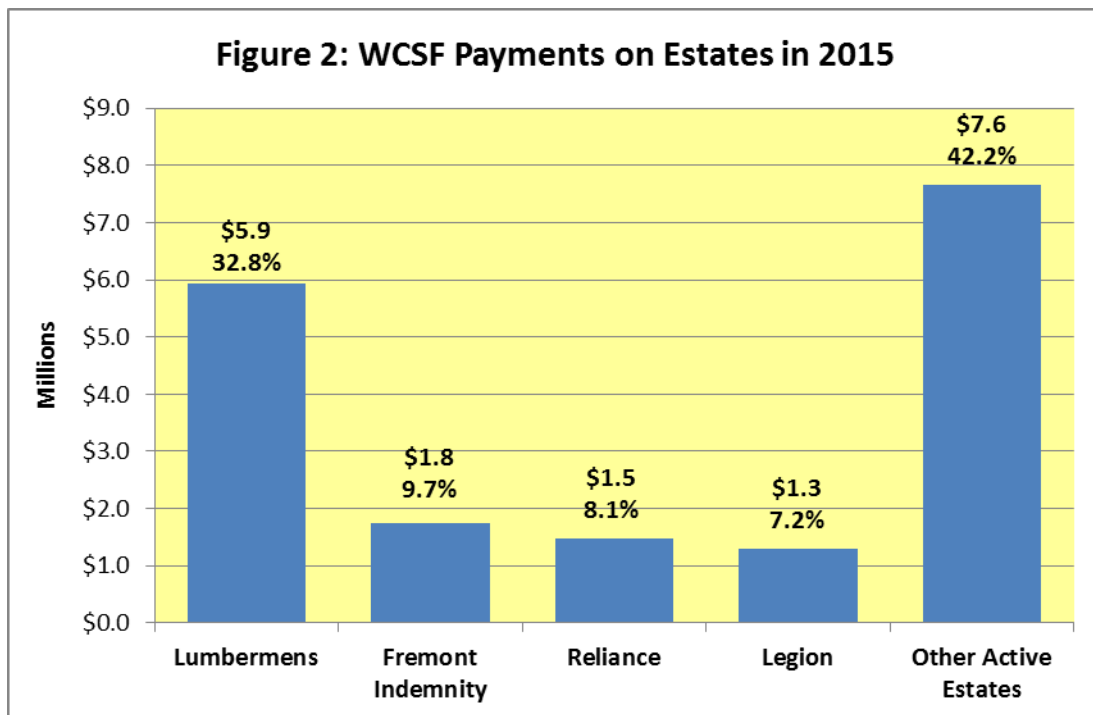
Statements of Assessments Charged and Collections, Expenses and Fund Balance – Modified Cash Basis

	Year Ended December 31,	
	<u>2015</u>	<u>2014</u>
Assessments charged and collections:		
Members' assessments charged	\$ 23,331,106	\$ 21,381,376
Net investment and interest income	915,296	601,588
Distributions collected in connection with insolvency proceedings (including interest thereon)	18,892,131	15,687,758
Large deductible recoveries	<u>196,880</u>	<u>124,789</u>
 Total assessments charged and collections	 <u>43,335,413</u>	 <u>37,795,511</u>
Expenses:		
Claims paid	16,907,253	20,104,296
Claims expenses paid	1,208,876	1,235,673
Administrative expenses charged – association	2,512,103	2,050,432
Administrative expenses paid – direct	<u>34,571</u>	<u>29,185</u>
 Total expenses	 <u>20,662,803</u>	 <u>23,419,586</u>
 Excess of assessments charged and collections over expenses	 22,672,610	 14,375,925
 Fund balance at beginning of year	 <u>142,696,278</u>	 <u>128,320,353</u>
 Fund balance at end of year	 <u>\$ 165,368,888</u>	 <u>\$ 142,696,278</u>

WCSF

DISBURSEMENTS - WCSF

In 2015, the WCSF's loss payments on insolvent estates totaled \$16.9 million plus \$1.2 million of LAE. **Figure 2: WCSF Payments on Estates in 2015**, below, shows Lumbermens Mutual Casualty Company with the highest payments of \$5.9 million in 2015.



RECEIPTS - WCSF

Distributions from insolvent estates in 2015 totaled \$19.1 million. The WCSF collected \$23.3 million in assessments from 282 member companies in 2015.

BALANCES AND RESERVES - WCSF

The year-end available funds for the WCSF totaled \$165.8 million with combined loss and LAE reserves of \$260.2 million and \$6.5 million, respectively.

INSOLVENCY ACTIVITY

The WCSF received 1 workers' compensation claim in connection with the Lincoln General Insurance Company insolvency and paid approximately \$11,000 in loss and LAE with approximately \$592,000 in combined loss and LAE reserves.

In 2015, 24 insolvent workers' compensation estates were managed by the WCSF. There were no estate closures in 2015.

SLIGF CLAIMS AND FINANCIAL ACTIVITY

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

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 625,371	\$ 801,616
Reserve fund	37,000	37,000
Investments, at cost	<u>11,578,891</u>	<u>10,333,034</u>
 Total assets	 <u><u>\$ 12,241,262</u></u>	 <u><u>\$ 11,171,650</u></u>
LIABILITIES AND FUND BALANCE		
Due to affiliated fund	<u>\$ 38,302</u>	<u>\$ 10,025</u>
 Total liabilities	 38,302	 10,025
 Fund balance	 <u>12,202,960</u>	 <u>11,161,625</u>
 Total liabilities and fund balance	 <u><u>\$ 12,241,262</u></u>	 <u><u>\$ 11,171,650</u></u>

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

	Year Ended December 31,	
	2015	2014
Collections:		
Net investment and interest income	\$ 71,025	\$ 44,808
Distributions collected in connection with insolvency proceedings (including interest thereon)	<u>1,078,934</u>	<u>9,538</u>
Total collections	<u>1,149,959</u>	<u>54,346</u>
Expenses:		
Claims paid (recovered)	43,427	(68,153)
Claims expenses paid	21,990	5,282
Administrative expenses charged – association	39,310	43,674
Administrative expenses paid – direct	<u>3,897</u>	<u>3,564</u>
Total expenses (recoveries)	<u>108,624</u>	<u>(15,633)</u>
Excess of collections over expenses	1,041,335	69,979
Fund balance at beginning of year	<u>11,161,625</u>	<u>11,091,646</u>
Fund balance at end of year	<u>\$ 12,202,960</u>	<u>\$ 11,161,625</u>

NJSLIGF

DISBURSEMENTS

NJSLIGF continued to experience minimal claim activity in 2015. Losses paid totaled approximately \$65,000.

RECEIPTS

Distributions from insolvent estates totaled \$1million in 2015.

BALANCES AND RESERVES

As of December 31, 2015, NJSLIGF had a fund balance totaling \$12.2 million with combined indemnity and LAE reserves of \$1.3 million.

UCJF CLAIMS AND FINANCIAL ACTIVITY

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

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 6,714,222	\$ 12,420,221
Investments, at cost	15,052,808	6,491,831
Receivable from other funds	-	4,877
Assessments receivable due from member companies net of allowance of \$17,573 in 2015 and \$145,178 in 2014	10,877	-
 Total assets	<u>\$ 21,777,907</u>	<u>\$ 18,916,929</u>
 LIABILITIES AND FUND BALANCE		
Balances due plaintiffs arising from settlements	\$ 498,257	\$ 477,672
Due to affiliated fund	1,679,606	1,619,689
 Total liabilities	2,177,863	2,097,361
 Fund balance	<u>19,600,044</u>	<u>16,819,568</u>
 Total liabilities and fund balance	<u>\$ 21,777,907</u>	<u>\$ 18,916,929</u>

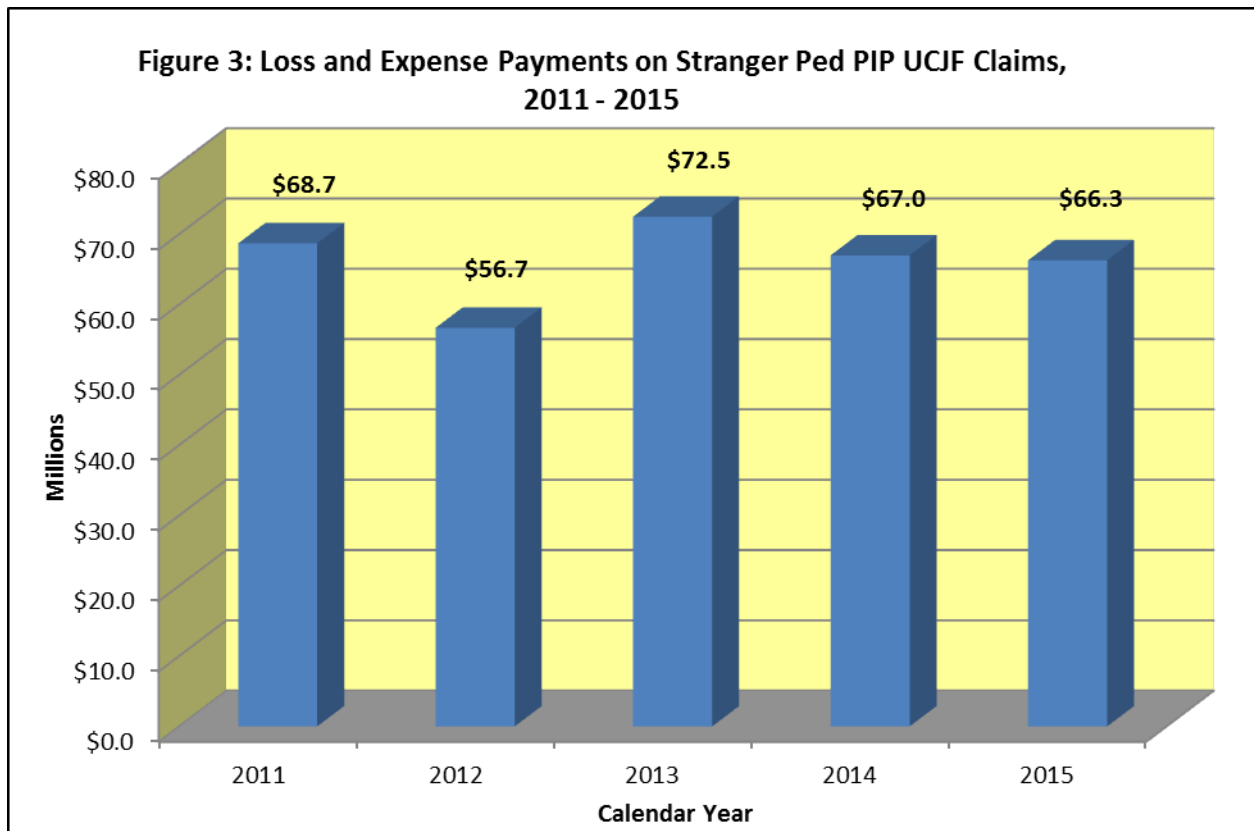
Statements of Assessments Charged and Collections, Expenses and Fund Balance – Modified Cash Basis

	Year Ended December 31,	
	2015	2014
Assessments charged and collections:		
Members' assessments charged	\$ 86,125,554	\$ 84,314,311
Claims recoverable	112,704	98,547
Net investment and interest income	287,298	304,145
	<u>86,525,556</u>	<u>84,717,003</u>
Expenses:		
Claims paid	67,908,077	67,148,060
Claims expense paid	5,894,760	7,683,966
Administrative expenses charged - Association	9,812,679	8,741,528
Administrative expenses paid - direct	117,601	110,436
Interest expense paid to affiliate - direct	11,963	16,566
	<u>83,745,080</u>	<u>83,700,556</u>
Excess of assessments charged and collections over expenses	2,780,476	1,016,447
Fund balance at beginning of year	<u>16,819,568</u>	<u>15,803,121</u>
Fund balance at end of year	<u>\$ 19,600,044</u>	<u>\$ 16,819,568</u>

UCJF

DISBURSEMENTS

The organization’s UCJF responsibilities include the administration of uninsured motorist and stranger pedestrian PIP claims. In 2015, combined indemnity and LAE payments totaled \$73.8 million with \$67.9 million in indemnity and \$5.9 million in LAE. **Figure 3: Loss and Expense Payments on Stranger Ped PIP UCJF Claims, 2011-2015**, below, shows actual payments for stranger pedestrian PIP claims in 2015.



RECEIPTS

At the May 13, 2015 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 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 310 member companies in the amount of \$86.1 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 2015.

BALANCES AND RESERVES

The year end available funds for the UCJF totaled \$19.6 million with outstanding indemnity and LAE reserves of \$93.3 million.

BOARD OF DIRECTORS

Pursuant to N.J.S.A. 17:30A-1 et seq., NJPLIGA is governed by a 9 member Board of Directors consisting of insurance industry representatives. The following is a list of the current Board of Directors.

NJPLIGA

Joanne Martyn, Board Chair	Federal Insurance Company
Stephen Crosta, Vice-Chair	Selective Insurance Company of America
James Doherty, Treasurer	Farmers Mutual Fire Insurance Company of Salem County
Georgia Flamporis	Allstate New Jersey 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.	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 14, 2015, May 13, 2015 and September 29, 2015.