



The New Jersey Safety Net

2017 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 203 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. Effective 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 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, 2017.

Figure 1: Disbursements on Estates	
Inception to 12/31/2017 (in millions)	
Top 10 Estates	Disbursements
Reliance Insurance Company	\$149.2
Legion Insurance Company	\$106.5
PHICO Insurance Company	\$81.4
Midland Insurance Company	\$79.0
MIIX Insurance Company	\$74.5
Integrity Insurance Company	\$73.9
Home State Insurance Company	\$70.0
The Home Insurance Company	\$44.1
Transit Casualty Insurance Company	\$43.6
Warwick Insurance Company	\$38.5
Total	\$760.7

NJPLIGA CLAIMS AND FINANCIAL ACTIVITY

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

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 14,267,438	\$ 8,554,313
Investments, at cost	252,996,729	269,115,147
Assessments receivable due from member companies, net of allowance of \$753,320 in 2016 and 2015	-	50,350
Due from affiliated funds	1,025,024	1,589,424
Property and equipment, net of accumulated depreciation and amortization	1,119,453	1,587,371
Other assets	<u>153,680</u>	<u>159,101</u>
 Total assets	 <u>\$ 269,562,324</u>	 <u>\$ 281,055,706</u>
LIABILITIES AND FUND BALANCE		
Employee benefits payable	\$ 34,355	\$ 24,253
Due to affiliated funds	28,000	-
Funds held under TPA contracts	<u>3,219,953</u>	<u>3,950,423</u>
 Total liabilities	 3,282,308	 3,974,676
 Fund balance	 <u>266,280,016</u>	 <u>277,081,030</u>
 Total liabilities and fund balance	 <u>\$ 269,562,324</u>	 <u>\$ 281,055,706</u>

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

	Year Ended December 31,	
	2017	2016
Assessments charged and collections:		
Members' assessments charged, net of refunds	\$ 95,861,392	\$ 92,177,875
Net investment and interest income	2,990,868	1,973,740
Interest income received from affiliated fund	87,558	53,551
Distributions collected in connection with insolvency proceedings (including interest thereon)	1,244,265	514,742
Large deductible recoveries	-	-
Fund transfer from state of New Jersey – TPA	5,582,164	8,930,127
Total assessments charged and collections	<u>105,766,247</u>	<u>103,650,035</u>
Expenses:		
Claims paid	6,256,563	2,577,220
Claims paid – Excess Medical Benefit	99,463,069	90,378,490
Claims paid – TPA	4,933,611	7,294,054
Claims expense paid	1,181,193	707,115
Claims expense paid – Excess Medical Benefit	680,553	803,098
Claims expense paid – TPA	515,961	936,816
Premium refunds paid	-	-
Administrative expenses paid – direct	15,036,244	13,887,252
Administrative expenses reimbursed and due from other funds	(13,162,714)	(13,390,184)
Administrative expenses charged – Excess Medical Benefit	1,464,107	1,888,298
Administrative expenses charged – TPA	198,674	381,359
Total expenses	<u>116,567,261</u>	<u>105,463,518</u>
(Deficiency) excess of assessments charged and collections over expenses	(10,801,014)	(1,813,483)
Fund balance at beginning of year	<u>277,081,030</u>	<u>278,894,513</u>
Fund balance at end of year	<u><u>\$ 266,280,016</u></u>	<u><u>\$ 277,081,030</u></u>

RECEIPTS

At the May 10, 2017 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 \$95.9 million in assessments from 473 member companies in 2017.

Distributions from insolvent estates totaled \$1.2 million in 2017.

DISBURSEMENTS

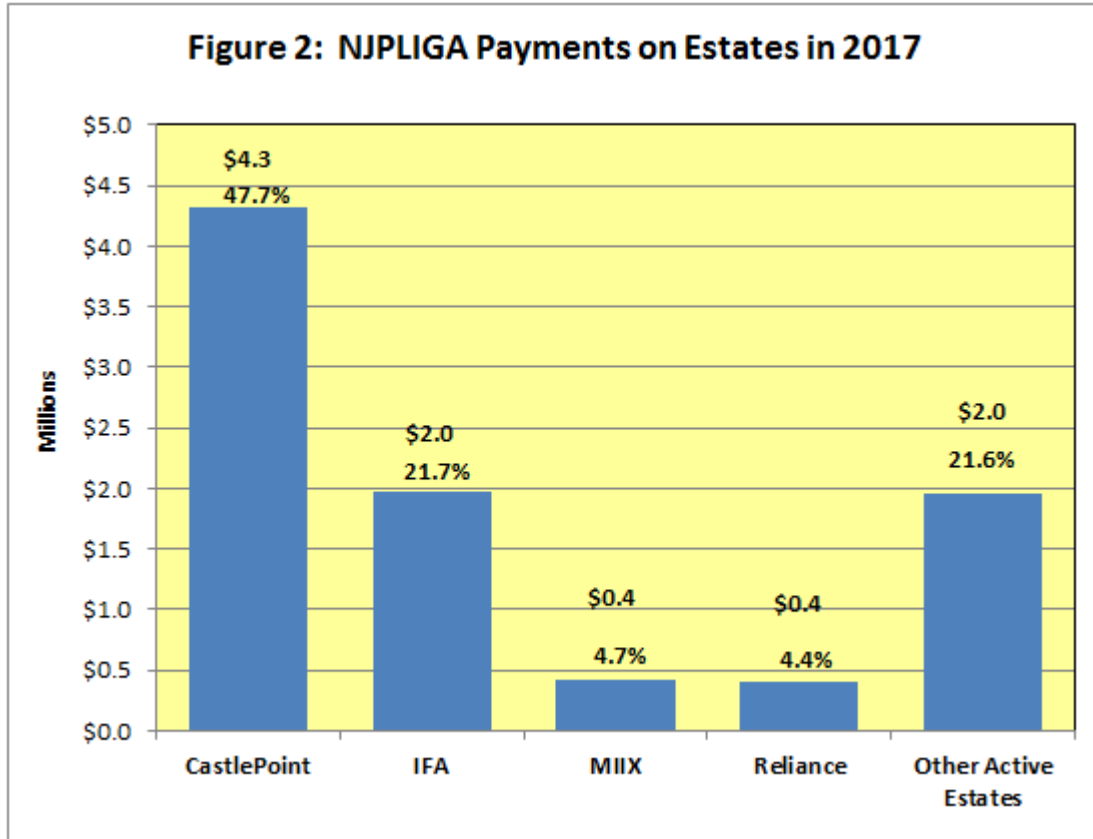
In 2017, the total losses paid by the Association on insolvency, EMB and TPA claims combined were \$110.7 million and total loss adjustment expenses (LAE) were \$2.4 million. Operating expenses totaled \$3.5 million.

NJPLIGA's indemnity payments on insolvent estates totaled \$6.3 million with \$1.2 million of LAE. In 2017, EMB claims averaged \$8.3 million per month totaling \$100.1 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 \$266.3 million with combined reserves of \$352.4 million including insolvency reserves of \$118.0 million, and a two year EMB reserve of \$234.4 million.

Figure 2: NJPLIGA Payments on Estates in 2017, below, shows the four estates with the largest disbursements in 2017.



INSOLVENCY ACTIVITY

The primary function of the organization is the management of the claims of insolvent property-casualty insurance companies. In 2017, 36 insolvent estates were administered by NJPLIGA with one estate closure. There were four new insolvencies in 2017. NJPLIGA received a total of 1,242 new insolvency liability claims with approximately \$5.0 million paid in loss and LAE and \$56.1 million in combined loss and LAE reserves.

The following property-casualty insurance companies were ordered into liquidation in 2017:

- CastlePoint National Insurance Company (CastlePoint) was domiciled in California and was declared insolvent on April 1, 2017. NJPLIGA received 389 claims, including general liability, homeowners, commercial motor vehicle and private passenger automobile, with approximately \$3.8 million paid in loss and LAE and \$49.7 million in combined loss and LAE reserves.

- IFA Insurance Company was domiciled in New Jersey and was declared insolvent on May 4, 2017. NJPLIGA received 853 private passenger automobile liability claims with approximately \$1.3 million paid in loss and LAE and \$6.1 million in combined loss and LAE reserves.
- Galen Insurance Company was domiciled in Missouri and was declared insolvent on May 31, 2017. NJPLIGA received four medical malpractice liability claims with approximately \$2,825 paid in LAE and \$323,420 in combined loss and LAE reserves.
- Guarantee Insurance Company (GIC) was domiciled in Florida and was declared insolvent on November 27, 2017. Although GIC was authorized to write liability coverage in multiple states, including New Jersey, NJPLIGA did not receive any liability claims in connection with this insolvency in 2017.

WCSF CLAIMS AND FINANCIAL ACTIVITY

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

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 6,665,419	\$ 7,177,846
Investments, at cost	183,288,507	173,689,824
Assessments receivable due from member companies, net of allowance of \$155,578 in 2016 and 2015	-	-
Prepaid expense	<u>905,005</u>	<u>-</u>
Total assets	<u>\$ 190,858,931</u>	<u>\$ 180,867,670</u>
LIABILITIES AND FUND BALANCE		
Due to affiliated funds	<u>\$ 288,028</u>	<u>\$ 360,553</u>
Total liabilities	288,028	360,553
Fund balance	<u>190,570,903</u>	<u>180,507,117</u>
Total liabilities and fund balance	<u>\$ 190,858,931</u>	<u>\$ 180,867,670</u>

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

	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
Assessments charged and collections:		
Members' assessments charged	\$ 24,210,926	\$ 23,869,626
	2,200,308	
Net investment and interest income		1,258,153
Distributions collected in connection with insolvency proceedings (including interest thereon)	6,604,091	10,009,772
Large deductible recoveries	186,930	957,707
	<u>33,202,255</u>	<u>36,095,258</u>
Expenses:		
Claims paid	18,434,472	16,751,325
Claims expenses paid	1,209,430	1,044,553
Administrative expenses charged – association	3,434,464	3,117,117
Administrative expenses paid – direct	60,103	44,034
	<u>23,138,469</u>	<u>20,957,029</u>
Excess of assessments charged and collections over expenses	10,063,786	15,138,229
Fund balance at beginning of year	<u>180,507,117</u>	<u>165,368,888</u>
Fund balance at end of year	<u>\$ 190,570,903</u>	<u>\$ 180,507,117</u>

WCSF

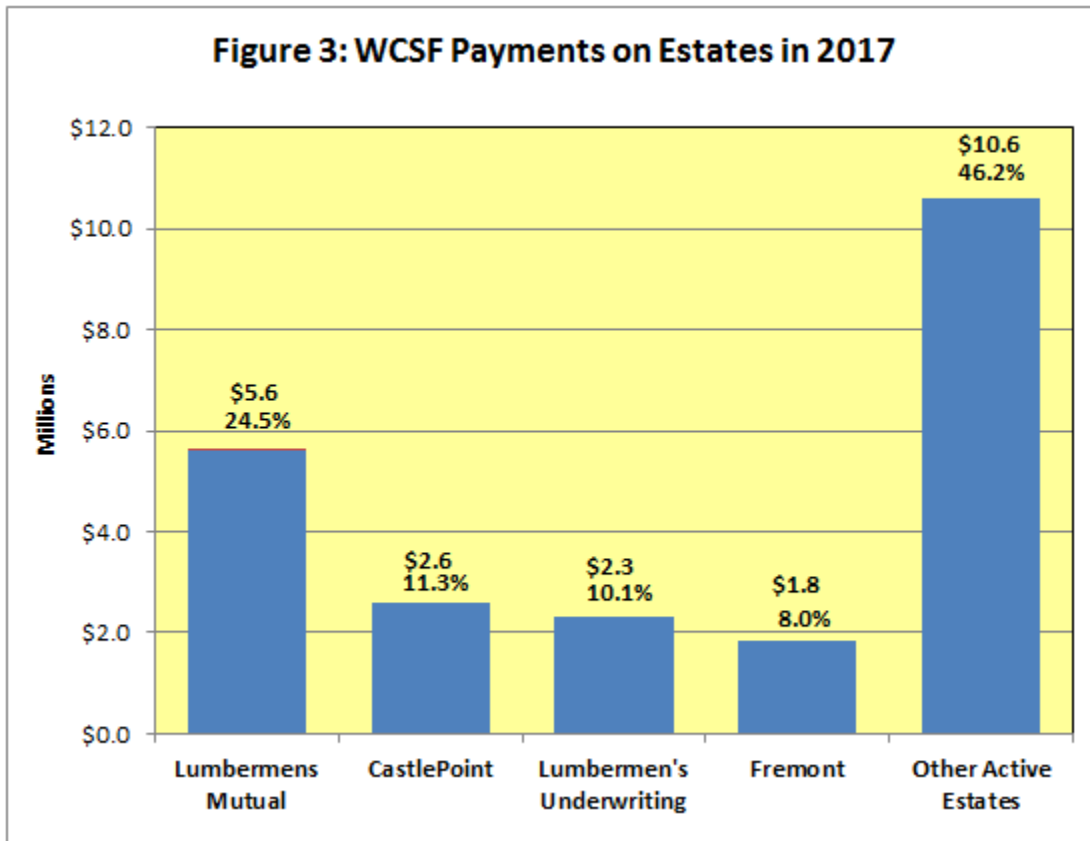
RECEIPTS

Distributions from insolvent estates in 2017 totaled \$6.6 million. The WCSF collected \$24.2 million in assessments from 274 member companies in 2017.

DISBURSEMENTS

In 2017, the WCSF's loss payments on insolvent estates totaled \$18.4 million and \$1.2 million of LAE.

Figure 3: WCSF Payments on Estates in 2017, below, shows the four estates with the largest distributions in 2017.



BALANCE AND RESERVES

The year end available funds for the WCSF totaled \$190.6 million with loss and LAE reserves of \$261.5 million and \$7.4 million, respectively.

INSOLVENCY ACTIVITY

There were two new workers' compensation insolvencies in 2017. The WCSF received a total of 1,441 new insolvency workers' compensation claims with approximately \$2.7 million paid in loss and LAE and \$18.9 million in combined loss and LAE reserves.

- The WCSF received 266 workers' compensation claims in connection with the CastlePoint insolvency. Approximately \$1.9 million was paid in loss and LAE with \$15.8 million in combined loss and LAE reserves.
- The WCSF received 1,175 workers' compensation claims in connection with the GIC insolvency. Approximately \$706,935 was paid in loss and LAE with \$3.1 million in combined loss and LAE reserves.

In 2017, 27 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

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,885,329	\$ 5,323,404
Reserve fund	37,000	37,000
Investments, at cost	<u>2,224,713</u>	<u>6,867,777</u>
 Total assets	 <u>\$ 4,147,042</u>	 <u>\$ 12,228,181</u>
 LIABILITIES AND FUND BALANCE		
Due to affiliated fund	<u>\$ 6,135</u>	<u>\$ 1,343</u>
 Total liabilities	 6,135	 1,343
 Fund balance	 <u>4,140,907</u>	 <u>12,226,838</u>
 Total liabilities and fund balance	 <u>\$ 4,147,042</u>	 <u>\$ 12,228,181</u>

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

	Year Ended December 31,	
	2017	2016
Collections:		
Net investment and interest income	\$ 90,476	\$ 91,944
Distributions collected in connection with insolvency proceedings (including interest thereon)	5,359	7,203
Total collections	<u>95,835</u>	<u>99,147</u>
Expenses:		
Claims paid	123,897	42,585
Claims expenses (recovered) paid	14,477	(15,112)
Administrative expenses charged – association	41,624	45,002
Administrative expenses paid – direct	1,768	2,794
Total expenses	<u>181,766</u>	<u>75,269</u>
Transfer Out – State of New Jersey Treasurer:		
Transfer to General Fund	8,000,000	-
Total transfers	<u>8,000,000</u>	<u>-</u>
(Deficiency) excess of collections over expenses and transfers out	(8,085,931)	23,878
Fund balance at beginning of year	<u>12,226,838</u>	<u>12,202,960</u>
Fund balance at end of year	\$ <u>4,140,907</u>	\$ <u>12,226,838</u>

NJSLIGF

RECEIPTS

Distributions from insolvent estates totaled \$5,359 in 2017.

DISBURSEMENTS

NJSLIGF continued to experience minimal claim activity in 2017 with paid loss and LAE totaling \$138,374. The State of New Jersey passed legislation requiring the transfer of \$8.0 million to the General Fund which occurred on August 17, 2017.

BALANCE AND RESERVES

As of December 31, 2017, NJSLIGF had a fund balance of \$4.1 million with combined indemnity and LAE reserves of \$1.5 million.

UCJF CLAIMS AND FINANCIAL ACTIVITY

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

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 14,819,682	\$ 12,184,481
Investments, at cost	4,860,071	6,028,522
Assessments receivable due from member companies net of allowance of \$17,573 in 2016 and 2015	<u>-</u>	<u>98,823</u>
Total assets	<u>\$ 19,679,753</u>	<u>\$ 18,311,826</u>
LIABILITIES AND FUND BALANCE		
Balances due plaintiffs arising from settlements	\$ 512,738	\$ 514,498
Due to affiliated fund	<u>726,226</u>	<u>1,227,459</u>
Total liabilities	1,238,964	1,741,957
Fund balance	<u>18,440,789</u>	<u>16,569,869</u>
Total liabilities and fund balance	<u>\$ 19,679,753</u>	<u>\$ 18,311,826</u>

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

	Year Ended December 31,	
	2017	2016
Assessments charged and collections:		
Members' assessments charged	\$ 90,438,605	\$ 86,839,014
Claims recoverable	58,168	118,143
Net investment and interest income	434,801	337,380
	<u>90,931,574</u>	<u>87,294,537</u>
Expenses:		
Claims paid	72,869,607	74,258,386
Claims expense paid	6,250,406	5,703,764
Administrative expenses charged - association	9,675,005	10,216,216
Administrative expenses paid - direct	178,078	92,795
Interest expense paid to affiliate - direct	87,558	53,551
	<u>89,060,654</u>	<u>90,324,712</u>
(Deficiency) excess of assessments charged and collections over expenses	1,870,920	(3,030,175)
Fund balance at beginning of year	<u>16,569,869</u>	<u>19,600,044</u>
Fund balance at end of year	<u><u>\$ 18,440,789</u></u>	<u><u>\$ 16,569,869</u></u>

**Supplementary Statement of Assessments Charged and Collections, Expenses and Fund Balance
Modified Cash Basis
Year Ended December 31, 2017**

	Private Passenger Auto	Commercial Auto	Total
Assessments charged and collections:			
Members' assessments charged	\$ 79,971,624	\$ 10,466,981	\$ 90,438,605
Claims recoverable	58,168	-	58,168
Net investment and interest income	351,166	83,635	434,801
 Total assessments charged and collections	 <u>80,380,958</u>	 <u>10,550,616</u>	 <u>90,931,574</u>
Expenses:			
Claims paid	64,648,488	8,221,119	72,869,607
Claims expense paid	5,495,705	754,701	6,250,406
Administrative expenses	8,788,336	1,116,161	9,904,497
Collection expenses	36,144	-	36,144
 Total expenses	 <u>78,968,673</u>	 <u>10,091,981</u>	 <u>89,060,654</u>
 Excess of assessments charged and collections over expenses	 1,412,285	 458,635	 1,870,920
 Fund balance at beginning of year	 <u>10,471,212</u>	 <u>6,098,657</u>	 <u>16,569,869</u>
 Fund balance at end of year	 <u><u>\$ 11,883,497</u></u>	 <u><u>\$ 6,557,292</u></u>	 <u><u>\$ 18,440,789</u></u>

UCJF

RECEIPTS

At the May 10, 2017 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 1.6% 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 1.0% assessment of each commercial motor vehicle carrier's NDWP. The UCJF collected \$90.4 million from 309 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 \$58,168 was collected in 2017.

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. Effective on or before March 31, 2016, commercial motor vehicle carriers became obligated to provide this coverage. After that date, the UCJF was only responsible for private passenger automobile stranger pedestrian PIP claims and the run-off of older commercial motor vehicle pedestrian PIP claims.

In 2017, combined loss and LAE payments totaled \$79.1 million with \$72.9 million in indemnity and \$6.3 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 \$18.4 million, including balances of \$11.9 million for private passenger automobile responsibilities and \$6.6 million for commercial motor vehicle responsibilities. The UCJF's year end indemnity and LAE reserves were \$64.7 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
James Doherty, Treasurer
Stacy Friend Bell
Thomas S. Hyman
Deana Lykins
William Lynch
Thomas A. Nowak
Jessica Schlee-Gilbert
David Tideman

Allstate New Jersey Insurance Company
Farmers Mutual Fire Insurance Company of Salem County
United Services Automobile Association
Federal Insurance Company
Selective Insurance Company of America
Liberty Mutual Insurance Company
AIG Property Casualty Company
New Jersey Manufacturers Insurance Company
State Farm Insurance Company

NJSLIGF Advisory Body

Charles McCloskey, Jr.
Frank Powell, Jr.

Metcom Excess
FTP, Inc.

Board Counsel

Cynthia Borrelli, Esq.

Bressler, Amery and Ross, P.C.

BOARD MEETINGS

The Board of Directors met in regular session on January 17, 2017, May 10, 2017 and September 28, 2017.