



The New Jersey Safety Net

2019 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 156 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, 2019.

Figure 1: Disbursements on Estates	
Inception to 12/31/2019 (in millions)	
Top 10 Estates	Disbursements
Reliance Insurance Company	\$153.7
Legion Insurance Company	\$108.9
PHICO Insurance Company	\$81.5
Midland Insurance Company	\$79.8
MIIX Insurance Company	\$75.6
Integrity Insurance Company	\$74.3
Home State Insurance Company	\$70.0
Ambassador Insurance Company	\$67.4
Fremont Indemnity Insurance Company	\$61.1
The Home Insurance Company	\$45.7
Total	\$818.0



NJPLIGA CLAIMS AND FINANCIAL ACTIVITY



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

	December 31,	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 33,629,673	\$ 50,697,258
Investments, at cost	214,499,923	199,119,347
Assessments receivable due from member companies, net of allowance of \$842,801 in 2019 and 2018	-	-
Due from affiliated funds	1,205,334	2,869,593
Property and equipment, net of accumulated depreciation and Amortization	1,583,623	1,204,653
Other assets	<u>83,712</u>	<u>149,173</u>
Total assets	<u>\$ 251,002,265</u>	<u>\$ 254,040,024</u>
LIABILITIES AND FUND BALANCE		
Employee benefits payable	\$ 13,743	\$ 36,014
Due to affiliated Fund	-	273,696
Other payable	-	22,682
Funds held under TPA contracts	<u>3,470,863</u>	<u>3,531,683</u>
Total liabilities	<u>3,484,606</u>	<u>3,864,075</u>
Fund balance	<u>247,517,659</u>	<u>250,175,949</u>
Total liabilities and fund balance	<u>\$ 251,002,265</u>	<u>\$ 254,040,024</u>



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

	Year Ended December 31,	
	2019	2018
Assessments charged and collections:		
Members' assessments charged, net of refunds	\$ 102,886,390	\$ 98,111,213
Investment and interest income	5,446,196	3,920,957
Interest income received from affiliated fund	-	144,523
Distributions collected in connection with insolvency proceedings (including interest thereon)	15,262,154	20,373,720
Fund transfer from State of New Jersey – TPA	5,034,003	4,011,950
Total assessments charged and collections	<u>128,628,743</u>	<u>126,562,363</u>
Expenses:		
Claims paid	10,306,612	14,759,605
Claims paid – Excess Medical Benefit	109,238,326	117,415,713
Claims paid – TPA	4,456,682	3,525,869
Claims expense paid	2,760,452	2,606,890
Claims expense paid – Excess Medical Benefit	867,195	662,609
Claims expense paid – TPA	519,389	409,954
Administrative expenses paid – direct	16,068,095	16,352,096
Administrative expenses reimbursed and due from other funds	(14,951,069)	(14,781,647)
Administrative expenses charged – Excess Medical Benefit	1,949,959	1,640,519
Administrative expenses charged – TPA	71,392	74,822
Total expenses	<u>131,287,033</u>	<u>142,666,430</u>
Deficiency of assessments charged and collections over expenses	(2,658,290)	(16,104,067)
Fund balance at beginning of year	<u>250,175,949</u>	<u>266,280,016</u>
Fund balance at end of year	<u>\$ 247,517,659</u>	<u>\$ 250,175,949</u>

RECEIPTS

At the May 8, 2019 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 \$102.9 million in assessments from 483 member companies in 2019.

Distributions from insolvent estates totaled \$15.3 million in 2019.

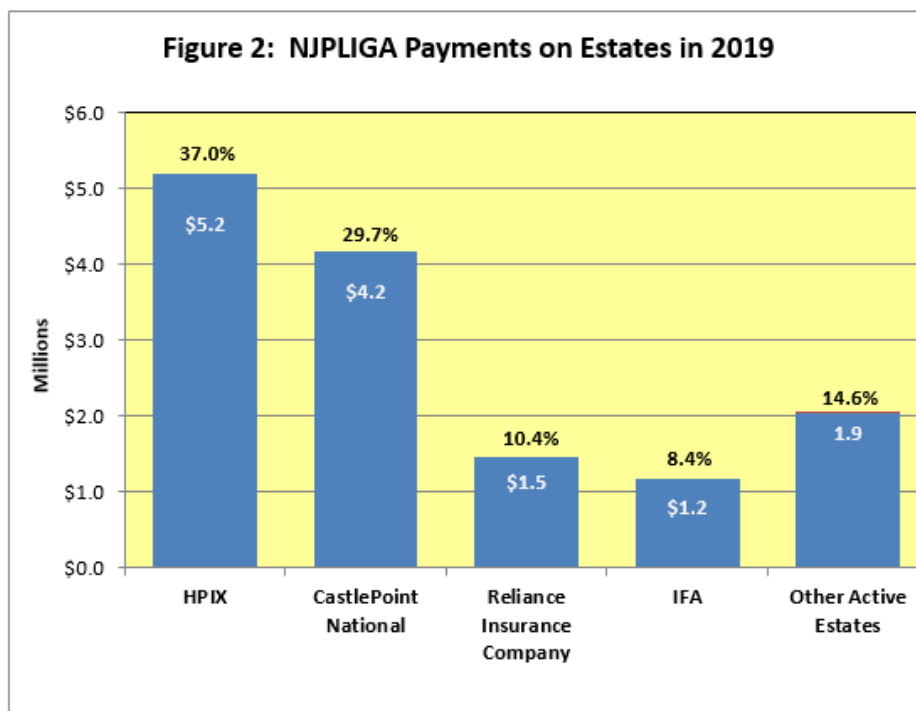
DISBURSEMENTS

In 2019, the total losses paid by the Association on insolvency, EMB and TPA claims combined were \$124.0 million and total loss adjustment expenses (LAE) were \$4.1 million. Operating expenses totaled \$3.1 million. NJPLIGA's indemnity payments on insolvent estates totaled \$10.3 million with \$2.8 million of LAE. In 2019, EMB claims averaged \$9.1 million per month totaling \$109.2 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 \$247.5 million with combined reserves of \$362.1 million including insolvency reserves of \$133.0 million, and a two year EMB reserve of \$229.1 million.

Figure 2: NJPLIGA Payments on Estates in 2019, below, shows the four estates with the largest disbursements in 2019.





INSOLVENCY ACTIVITY

The primary function of the organization is the management of the claims of insolvent property-casualty insurance companies. In 2019, 34 insolvent estates were administered by NJPLIGA with no estate closures. There was one new insolvency in 2019. Northwestern National Insurance Company (NNIC) was domiciled in Wisconsin and was declared insolvent on May 2, 2019. NJPLIGA received 16 claims with a minimal amount paid in loss and LAE and minimal combined loss and LAE reserves.



WCSF CLAIMS AND FINANCIAL ACTIVITY



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

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 14,448,337	\$ 12,583,803
Investments, at cost	214,694,941	194,854,611
Assessments receivable due from member companies, net of allowance of \$181,654 in 2019 and 2018	-	-
Due from affiliated fund	<u>15</u>	<u>273,786</u>
Total assets	<u>\$ 229,143,293</u>	<u>\$ 207,712,200</u>
LIABILITIES AND FUND BALANCE		
Due to affiliated funds	<u>\$ 337,714</u>	<u>\$ 1,056,325</u>
Total liabilities	337,714	1,056,325
Fund balance	<u>228,805,579</u>	<u>206,655,875</u>
Total liabilities and fund balance	<u>\$ 229,143,293</u>	<u>\$ 207,712,200</u>



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

	Year Ended December 31,	
	2019	2018
Assessments charged and collections:		
Members' assessments charged	\$ 23,777,492	\$ 23,685,853
Investment and interest income	4,944,210	3,292,688
Distributions collected in connection with insolvency proceedings (including interest thereon)	29,503,293	23,849,105
Large deductible recoveries	600,095	238,441
Total assessments charged and collections	58,825,090	51,066,087
Expenses:		
Claims paid	28,106,552	26,339,696
Claims expenses paid	3,333,677	3,025,731
Administrative expenses charged – association	5,202,549	5,578,639
Administrative expenses paid – direct	32,608	37,049
Total expenses	36,675,386	34,981,115
Excess of assessments charged and collections over expenses	22,149,704	16,084,972
Fund balance at beginning of year	206,655,875	190,570,903
Fund balance at end of year	\$ 228,805,579	\$ 206,655,875

WCSF

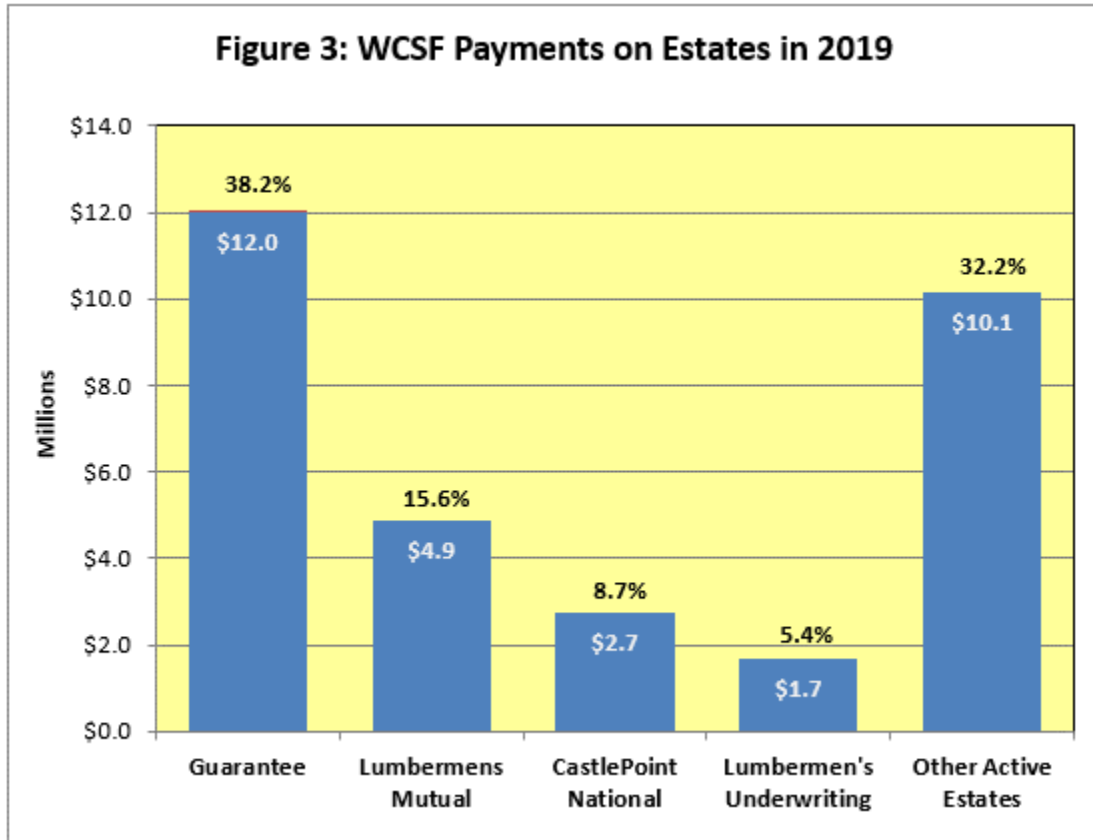
RECEIPTS

Distributions from insolvent estates in 2019 totaled \$30.1 million. The WCSF collected \$23.8 million in assessments from 281 member companies in 2019.

DISBURSEMENTS

In 2019, the WCSF's loss payments on insolvent estates totaled \$28.1 million and \$3.3 million of LAE.

Figure 3: WCSF Payments on Estates in 2019, below, shows the four estates with the largest disbursements in 2019.





BALANCE AND RESERVES

The year-end available funds for the WCSF totaled \$228.8 million with loss and LAE reserves of \$273.8 million and \$11.6 million, respectively.

INSOLVENCY ACTIVITY

The WCSF received one new insolvency in 2019. Northwestern National Insurance Company (NNIC), domiciled in Wisconsin, was declared insolvent on May 2, 2019. The WCSF received a total of 2 new insolvency workers' compensation claims with approximately \$196 thousand paid in loss and LAE and \$1.2 million in combined loss and LAE reserves.

In 2019, 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

	December 31,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,677,193	\$ 2,330,511
Reserve fund	37,000	37,000
Investments, at cost	<u>6,237,658</u>	<u>4,621,734</u>
Total assets	<u>\$ 7,951,851</u>	<u>\$ 6,989,245</u>
LIABILITIES AND FUND BALANCE		
Due to affiliated fund	<u>\$ 1,163</u>	<u>\$ 9,336</u>
Total liabilities	1,163	9,336
Fund balance	<u>7,950,688</u>	<u>6,979,909</u>
Total liabilities and fund balance	<u>\$ 7,951,851</u>	<u>\$ 6,989,245</u>



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

	Year Ended December 31,	
	2019	2018
Collections:		
investment and interest income	\$ 172,156	\$ 86,559
Distributions collected in connection with insolvency proceedings (including interest thereon)	<u>914,669</u>	<u>2,847,605</u>
Total collections	<u>1,086,825</u>	<u>2,934,164</u>
Expenses:		
Claims paid	105,103	63,606
Claims expenses paid (recovered)	(29,750)	(21,977)
Administrative expenses charged – association	37,674	50,371
Administrative expenses paid – direct	<u>3,019</u>	<u>3,162</u>
Total expenses	<u>116,046</u>	<u>95,162</u>
Excess (deficiency) of collections over expenses and transfers out	970,779	2,839,002
Fund balance at beginning of year	<u>6,979,909</u>	<u>4,140,907</u>
Fund balance at end of year	<u>\$ 7,950,688</u>	<u>\$ 6,979,909</u>



NJSLIGF

RECEIPTS

Distributions from insolvent estates totaled \$915 thousand in 2019.

DISBURSEMENTS

NJSLIGF continued to experience minimal claim activity in 2019 with paid loss and LAE totaling \$75 thousand.

BALANCE AND RESERVES

As of December 31, 2019, 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>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 34,801,551	\$ 40,996,674
Investments, at cost	16,532,909	2,534,452
Assessments receivable due from member companies net of allowance of \$116,453 in 2019 and 2018	<u>-</u>	<u>-</u>
Total assets	<u>\$ 51,334,460</u>	<u>\$ 43,531,126</u>
LIABILITIES AND FUND BALANCE		
Balances due plaintiffs arising from settlements	\$ 534,997	\$ 520,485
Due to affiliated fund	<u>867,296</u>	<u>1,800,079</u>
Total liabilities	1,402,293	2,320,564
Fund balance	<u>49,932,167</u>	<u>41,210,562</u>
Total liabilities and fund balance	<u>\$ 51,334,460</u>	<u>\$ 43,531,126</u>



**Supplementary Statement of Assessments Charged and Collections, Expenses and Fund Balance
Modified Cash Basis
Year Ended December 31, 2019**

	Private Passenger Auto	Commercial Auto	Total
Assessments charged and collections:			
Members' assessments charged	\$ 86,595,148	\$ 2,508,987	\$ 89,104,135
Claims recoverable	110,340	25,152	135,492
Net investment and interest income	844,961	167,850	1,012,811
 Total assessments charged and collections	 <u>87,550,449</u>	 <u>2,701,989</u>	 <u>90,252,438</u>
Expenses:			
Claims paid	59,347,358	3,760,907	63,108,265
Claims expense paid	8,027,992	621,574	8,649,566
Administrative expenses	9,162,306	573,098	9,735,404
Collection expenses	30,635	6,963	37,598
 Total expenses	 <u>76,568,291</u>	 <u>4,962,542</u>	 <u>81,530,833</u>
(Deficiency) excess of assessments charged			
 And collections over expenses	 10,982,158	 (2,260,553)	 8,721,605
 Fund balance at beginning of year	 <u>34,300,570</u>	 <u>6,909,992</u>	 <u>41,210,562</u>
 Fund balance at end of year	 <u>\$ 45,282,728</u>	 <u>\$ 4,649,439</u>	 <u>\$ 49,932,167</u>

UCJF

RECEIPTS

At the May 8, 2019 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 0.2% assessment of each commercial motor vehicle carrier's NDWP. The UCJF collected \$89.1 million from 310 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 \$135 thousand was collected in 2019.

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 2019, combined loss and LAE payments totaled \$71.8 million with \$63.1 million in indemnity and \$8.7 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 \$49.9 million, including balances of \$45.3 million for private passenger automobile responsibilities and \$4.6 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

Georgia Flamporis, Chair	Allstate New Jersey Insurance Company
Jessica Schlee-Gilbert, Vice Chair	New Jersey Manufacturers Insurance Company
James Doherty, Treasurer	Farmers Mutual Fire Insurance Company of Salem County
Stacy Friend Bell	United Services Automobile Association
Thomas S. Hyman	Federal Insurance Company
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.
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BOARD MEETINGS

The Board of Directors met in regular session on May 8, 2019 and November 13, 2019.