

New Jersey Property-Liability Insurance Guaranty Association

Statutory Administrator For

New Jersey Surplus Lines Insurance Guaranty Fund

New Jersey Medical Malpractice Reinsurance Association

Unsatisfied Claim and Judgment Fund

New Jersey Automobile Full Insurance Underwriting Association

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NJPLIGA BULLETIN 2004 – 002

TO: Property and Casualty Industry Member Companies
FROM: Joseph DellaFera, Executive Director
SUBJECT: Assessment Update
DATE: July 6, 2004

The New Jersey Property-Insurance Guaranty Association (NJPLIGA) continues to work on implementing P.L. 2003, C.89 (also referred to as S63) incorporating the previous Unsatisfied Claim and Judgment Fund (UCJF) Assessment responsibilities for funding the needs of the Excess Medical Benefits (EMB) and Uninsured Motorists (UM) into the Assessment Methodology of NJPLIGA. As previously discussed in two memorandums issued in December 2003 and January 2004 respectively, the Board of Directors charged the NJPLIGA Staff and the Assessment Working Group (AWG) with the responsibility of reviewing the procedures used by the Department of Banking and Insurance (DOBI) and NJPLIGA and to make recommendations as to changes to improve the Assessment Methodology.

The Board last met on June 17, 2004. The Board discussed the funds available for NJPLIGA and the UCJF, anticipated payments, desired fund contingency reserves, internal/inter-fund borrowing and the resulting needs of the entities. While, it is anticipated that additional funds may be required, it was decided that additional analysis was needed before a second 2004 NJPLIGA Assessment (for insolvencies and EMB components) would be instituted. The intent would be to complete the necessary "due diligence" and have the Board review the results and then, decide on a plan of action, by the end of the third quarter. As the Board's decisions are made, we will communicate them to your company.

Also, the previous DOBI UCJF Assessments done in 2002 and 2003 respectively have not yet been tried up. There is a need, as a matter of equity, to have a final

true up of the previous DOBI UCJF Assessments which were based on estimated premiums that will bring closure to any outstanding balances on the books of the Automobile Insurance Writers. We envision sending out true up invoices in late July. This will bring to an end the use of the DOBI UCJF Assessment Methodology, whereby the assessments were based on estimated automobile Net Direct Written Premium (NDWP) for the projected need calculated on the State's fiscal year basis which combined the EMB and UM into one assessment. This invoice will true up to the actual NDWP reported on page 14 of the 2002 and 2003 Annual Statements to the amounts previously paid or owed from the DOBI Assessment in 2002 for its FY 2003 and the DOBI Assessment in 2003 for its FY 2004.

Additionally, the Board did authorize at its May Meeting a UCJF Assessment of 0.2% (twenty basis points) of automobile liability NDWP. It is expected that this Assessment will be invoiced in July along with the True Up of the DOBI's UCJF Assessments of 2002 and 2003.

As developments occur, we will communicate to your company using the newly instituted, sequentially numbered, NJPLIGA Bulletin Format.