

UCJF BULLETIN 2016 - 001

FROM: Joseph DellaFera, Chief Executive Officer

RE: 2016 UCJF ASSESSMENT

DATE: May 2, 2016

By Commissioner's Order No. A15-106 dated June 30, 2015 ("Order"), the Department of Banking and Insurance withdrew the commercial motor vehicle stranger pedestrian personal injury protection ("PIP") claims from the Unsatisfied Claim and Judgment Fund's ("UCJF") risk sharing mechanism. The Order establishes the process for an orderly transition of these risks back to the commercial motor vehicle carriers. It also provides that all commercial motor vehicle carriers will "continue to be assessed for commercial pedestrian PIP claims by UCJF/PLIGA based upon their commercial motor vehicle insurance premium volume until all commercial pedestrian PIP claims covered by the risk sharing mechanism have been paid in full." The Order also provides that commercial motor vehicle carriers will continue to be assessed for the UCJF's uninsured motorist obligations.

The purpose of this Bulletin is to explain the UCJF assessment methodology required to comply with the Order.

Methodology Prior to Order No. A15-106

There are three components to the UCJF annual assessment calculation: (1) stranger pedestrian PIP claims (private passenger auto and commercial motor vehicle); (2) uninsured motorist claims; and (3) administrative expenses. Prior to the Order, the projected annual amounts needed for all three components were combined and private passenger auto and commercial motor vehicle carriers were assessed based upon their portion of the net direct written premium ("NDWP") in the State.

Methodology Required by Order No. A15-106

Going forward, the Order requires the New Jersey Property-Liability Insurance Guaranty Association, as the statutory administrator of the UCJF, to separate the assessments for private passenger autos and commercial motor vehicles as follows:

Pedestrian PIP Claims. The amounts needed to fund private passenger stranger pedestrian PIP claims will be assessed on private passenger auto carriers and based upon each carriers' portion of the private passenger auto premium base only. During the run-off, commercial motor vehicle pedestrian PIP claims will be assessed only on commercial motor vehicle carriers based upon their share of the commercial motor vehicle premium written in the State.

Administrative Expenses. Administrative expenses will be allocated based upon the total claims payments. Private passenger auto and commercial motor vehicle carriers will be assessed based upon their percentage of those total claims on an annual basis. Accordingly, private passenger auto carriers will only pay administrative expenses based upon private passenger auto stranger pedestrian PIP claims in relation to total claims paid. Commercial motor vehicle carriers will only pay administrative expenses based upon commercial motor vehicle pedestrian PIP claims in relation to total claims paid.

Uninsured Motorist Claims. These claims will continue to be assessed based upon the combined private passenger auto and commercial motor vehicle carriers' proportion of the NDWP.