2012 POLICY YEAR CLOSEOUT RESULTS IN NET LOSS

In July 2009, the Commissioner of the NJ Department of Banking and Insurance approved revisions to the Plan of Operation. A key revision requires the Association to formally close policy years and complete a final accounting for each policy year closed. The Plan of Operation allows the Board of Directors to distribute net gains or assess for deficits. Any assessments or distributions shall be apportioned among the member companies using each member company’s apportionment share for the policy year being closed. Assessments or distribution of net gains for a closed policy year will be considered by the Board only after careful review of the Association’s future cash flows, claims-paying ability, anticipated investment results and other balance sheet considerations that may affect the operating needs of the Association.

At a meeting held on Thursday, July 16, 2015, the Board of Directors approved the closing of policy year 2012. After closing 2008, 2009, 2010 and 2011, it is the fifth policy year to be closed under the revised Plan of Operation. The 2012 policy year closeout resulted in a net loss of $2,717,611. After careful consideration of all matters, the Board voted unanimously to assess member companies for policy year 2012.

The assessment amount of $2,717,611 reflects a loss of $11,833,611 net of $9,116,000 which is part of the total interim assessment due to Super Storm Sandy. Based on losses and loss expenses incurred, $1,484,000 and $9,116,000 of the total interim assessment of $10.6 million were allocated to Policy Year 2011 and 2012, respectively. The $1,484,000 or 14% of the interim assessment was already applied to offset the loss of policy Year 2011 assessed in 2014.

Please note when recording your apportionment of the assessment amount into your books and records, you should use your company’s 2012 participation ratio to calculate your share of the Association’s 2012 policy year loss of $11,833,611, netting against your paid portion of the $9,116,000 assessed in January, 2013 based on the 2011 participation ratio.